

18<sup>th</sup> November 2016

## **Annual General Meeting 2016 - Chairman's Statement**

Dear fellow Shareholders,

For the financial year ending 30<sup>th</sup> June 2016, the Company achieved a record profit of \$3.87 million representing a significant increase on the prior period profit. The Pre-Tax NTA increased by 22.25c including the 4.25c of fully franked dividends being paid over the same period.

Pleasingly, over the course of the year a significant amount of the listed options (ASX: NACO) were exercised with over 37% now exercised with 4 months remaining to expiry. As of today, over 90% have now been exercised. The exercise of these options will assist the Company in growing the net assets, reducing the management expense ratio, and increasing the liquidity and marketability of the Company going forward.

In these unprecedented times of record low interest rates and government stimulus around the world the Board is cognisant of the need to provide positive absolute returns and to protect the capital of our shareholders. The Board believes that as the Company has the flexibility to invest in long positions in a benchmark unware format, and is also able to short sell securities, this provides the Investment Manager with the flexibility and tools required to achieve our objective for shareholders. In its 20 months since inception the Company has reported 14 months of positive returns, with an average positive return of 3.12%, and just 6 months of negative returns, with the average negative return for being 1.4%.

Dividends for the business have now grown half on half for three consecutive 6-month periods since listing in November 2014. For the financial year 2016 the dividend paid to shareholders was 4.75c fully franked. This represents a significant increase on the prospectus dividend guidance of 4% p.a. Of paramount importance to the Directors is the ability to provide shareholders of the Company with a growing, predictable stream of dividends franked to the maximum extent deemed appropriate.

The Company continues to place significant emphasis on providing quality and value add communications to our shareholder base. The Directors believe the monthly investment reports and quarterly question and answer session with the NAOS Chief Investment Officer are some of the most useful within the Listed Investment Company space. To further improve our shareholder communications, we will be holding shareholder briefings in five of the capital cities on a bi-annual basis. The Directors believe these briefings will allow both prospective and current shareholders the ability to meet with both the Board of

Directors and the wider team at the Investment Manager, and allow them to have answered any question they may have in regards to the Company and its operations.

Importantly, through the financial year all Directors of the Company were net acquirers of shares over the period and all three Directors held a cumulative position of 2,700,000 shares, further aligning our interests with that of all shareholders of the Company.

The Board is grateful for all shareholder support through the year and we welcome all new shareholders who joined the Company in 2016.

David Rickards

Independent Chairman