NAOS Emerging Opportunities Company (ASX: NCC) (ASX: NCCO, NCCOA)

Monthly Investment Report and NTA Update: May 2014

Company Overview

Investment Objective: NCC seeks to provide investors with exposure to high quality emerging companies in a transparent and concentrated structure, with the ability to outperform the Benchmark over the medium to long term. The Company will seek to pay a minimum dividend yield of 4.00% per annum franked to the maximum extent possible.

Investment Process: A unique 5-step investment process that places a strong emphasis on long term industry dynamics, management team capabilities and track record of producing significant shareholder value over the medium to long term. Finally, catalysts are identified for each potential investment so that these investments will be re-rated by the market and trade on valuations closer to their larger counterparts.

Investment Strategy: To actively manage a concentrated portfolio (approximately 0-15 positions) of high quality emerging companies across a wide range of industries, which investors may have a limited exposure to through investing in companies just in the ASX-100 Index. Many of these emerging companies are often overlooked and therefore potentially inefficiently priced by the wider investment community.

Inception Date: 26th of February 2013

Benchmark: Small Ordinaries Accumulation Index (XSOAI)

Shares on Issue (ASX: NCC): 35,226,053

Listed Options on Issue Exercisable at $1.00 Prior 1st February 2015 (ASX: NCCO): 12,546,337

Listed Options on Issue Exercisable at $1.13 Prior 1st August 2015 (ASX: NCCOA): 11,820,000

Fully Franked Dividend Yield: 5.29% Fully Franked (7.56% Gross)

Net Tangible Asset Value Breakdown as at 31st May 2014 (*NTA Diluted for NCCO Options*)

Pre tax NTA: $1.200 *($1.147)*

Post Tax & Pre Unrealised Gains Tax: $1.203 *($1.150)*

After Tax NTA: $1.163 (*$1.123)*

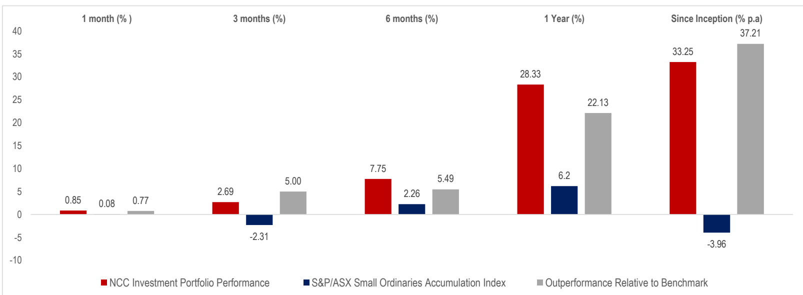
*The above NTA calculations do not account for any potential dilution from the 11,820,000 NCCOA options that remain on issue.

Investment Portfolio Performance to 31st May 2014*

The NCC investment portfolio outperformed the Small Ordinaries Accumulation Index (XSOAI) by +0.77% over the month of May, producing a positive return of +0.85% compared to the benchmark which increased by +0.08%. Since the IPO of NCC, XSOAI has produced a negative return of -3.96% p.a. compared with the larger ASX-All Ordinaries Accumulation Index which has risen by +11.79% p.a. Pleasingly the outperformance of the NCC investment portfolio has continued, maintaining a focus on capital preservation and long-term growth. This focus has led to the investment portfolio increasing its outperformance over XSOAI to +48.40% since IPO in nominal terms.

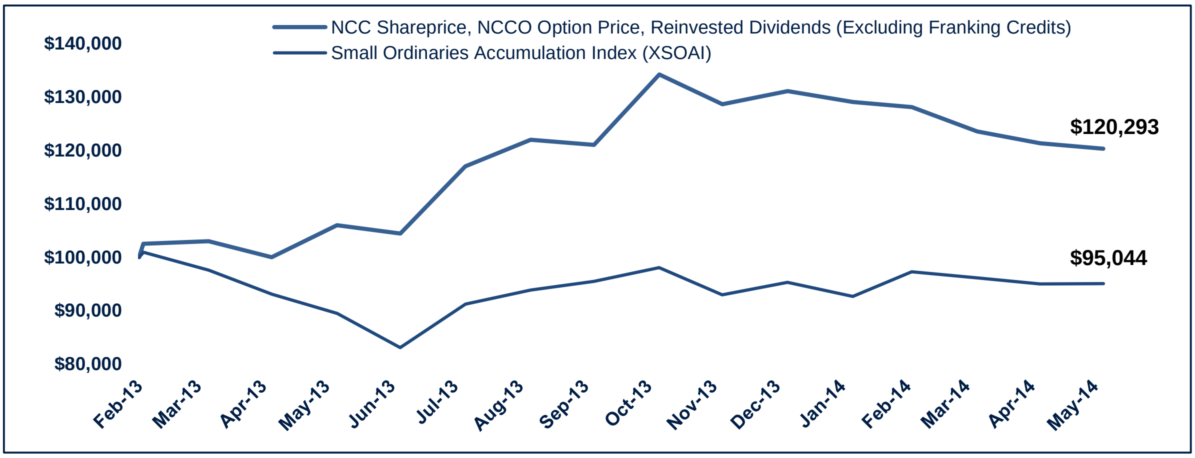
	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	Since Inception (% p.a)
NCC Investment Portfolio Performance	+0.85	+2.69	+7.75	+28.33	+33.25
S&P/ASX Small Ordinaries Accumulation Index	+0.08	-2.31	+2.26	+6.20	-3.96
Outperformance Relative to Benchmark	**+0.77**	**+5.00**	**+5.49**	**+22.13**	**+37.21**

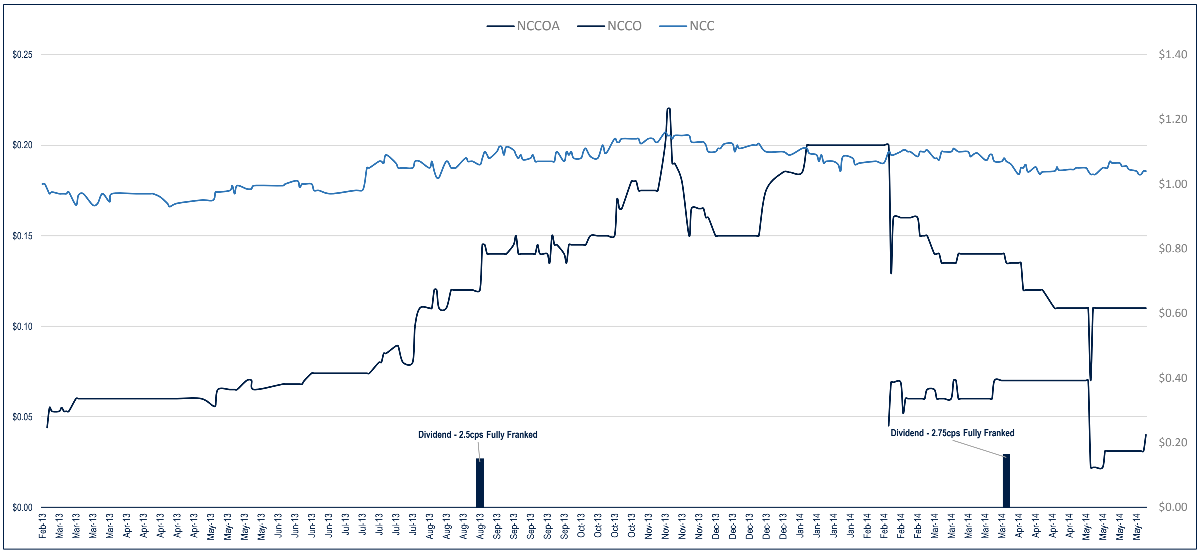
*Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders.



Investment Report & NTA Update – May 2014 (continued)

Shareholder Return Analysis (IPO Investors)





Positive Stock Attribution Analysis (1st March 2013 to 31st May 2014)

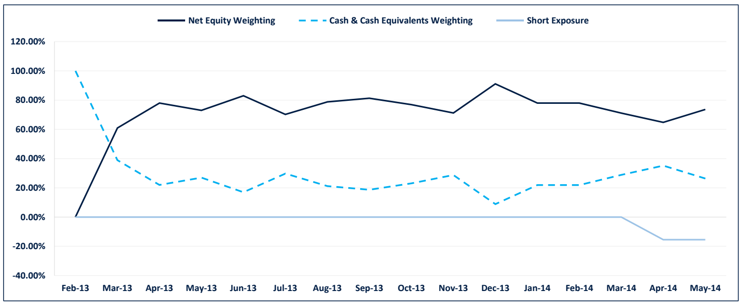
Below is a chart which lists the top positive contributors to NCC total return since 1st March 2013. The purpose of the chart is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated portfolio of investments that is often 0 -15 securities at any one time.

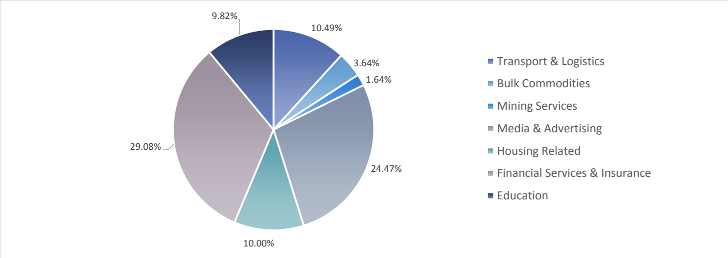
Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
Investment A	9.98%	Investment E	4.28%
Investment B	9.98%	Investment F	4.28%
Investment C	5.40%	Investment G	3.43%
Investment D	4.87%	Investment H	2.67%

Investment Report & NTA Update – May 2014 (continued)

Portfolio Positioning as at 31st May 2014

We decreased our cash position over the month of May from just over 35% to circa 26% of the total portfolio value. The decrease in cash is attributed to a new position in the portfolio being adopted. We originally held a position in this company in March of last year however it was removed due to valuation parameters. After a recent sharp pull back in share price the company has once again become attractive from a valuation standpoint and so has been added to the portfolio once again. The portfolio has maintained 11 long positions with the largest being 14.75% of the portfolio pre-tax value and the smallest 1.64%.





Company Meetings

The NAOS investment philosophy is based around the belief that for an Emerging Company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. That is why the Investment Management Team has direct contact with many listed and unlisted Emerging Companies across a wide range of industries. During the month of May the Investment Management Team had direct contact with over 50 unlisted and listed companies of which several are listed below:

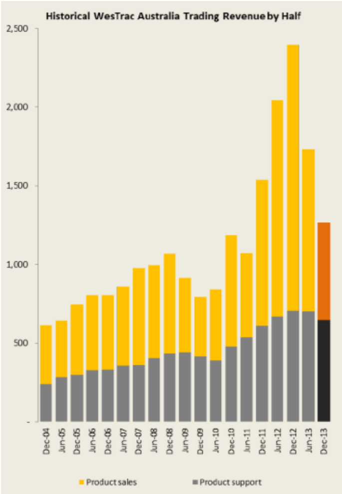
Calliden Group Limited (CIX)	Fairfax Media Limited (FXJ)	APN News and Media (APN)
Rhype Limited (RHP)	Stream Group Limited (SGO)	Navitas Limited (NVT)
Sirtex Medical Limited (SRX)	Site Group International Ltd (SIT)	FlexiGroup Limited (FXL)
Universal Biosensors Inc (UBI)	National Storage REIT (NSR)	Macquarie Atlas Roads (MQA)

Market Insight

The resilience of the market continued throughout May with the ASX-200 Accumulation Index registering a positive total return of +0.68%. With bond yields in Europe, US and even Australia continuing to fall, the demand for the higher yielding sectors within the market is continuing with the best performing industries being the banks, telecommunications and insurance.

Downgrades in the mining services and contractors space are still catching out investors and traders who are trying to pick the bottom of the earnings cycle or at least hoping that long term value entry levels are being presented. This is evident in Ausdrill's (ASL) recent downgrade and subsequent share price fall.

It appears to us that the dichotomy that now exists between certain companies within the sector has never been greater and that investors need to be careful in selecting the right companies with the right earnings exposures. When assessing opportunities within the mining services sector we pay particular attention to the client base of the service provider - the miner, and more specifically the miner's commodity exposure, the operating robustness of its mines and the nature of the miner's spend that the service provider is exposed to (one time capex/exploration vs opex). We avoid capex related business models as these may look cheap but the cliff in capex spend is approaching and the old investment adage that "you pay low multiples for peak cycle earnings" applies here. Also, we continue to avoid exploration related business models, with commodity prices weak and/or falling and gold in particular sitting $600/oz off its previous highs there is no return in sight for drillers. Our focus remains on business models that target maintenance, repair and replacement of equipment as well as those companies servicing the majors with the best assets with the most robust operating margins. Recent meetings with a number of management teams from mining services companies and personnel from the miners themselves have confirmed that the equipment maintenance, replacement and repair behaviors of the major miners at present are unprecedented. Further, operating maintenance budgets are strained to say the least, with miners electing to run equipment to mechanical breakdown or structural failure.



Source: Seven Group, presentation on WesTrac

Corporate Directory

Directors

David Rickards (Chairman)
Warwick Evans
Sebastian Evans

Company Secretary

Lawrence Adams

Investment Team

Sebastian Evans: Portfolio Manager
Tom Granger: Assistant Portfolio Manager
Jeffrey Kim: Investment Analyst
Robert Miller: Investment Analyst

Business Development

Anneke Senden

Investment Manager

Naos Asset Management Ltd
Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
AFSL: 273529
Telephone: (02) 8064 0568
Facsimile: (02) 8215 0037

Share Registry

Boardroom Pty Limited
7/207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760
Facsimile: 1300 653 459

Auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

Enquiries

Anneke Senden
Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
Telephone: (02) 8064 0567
Email: asenden@naos.com.au
Website: www.naos.com.au

Registered Office

Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
Telephone: (02) 8064 0568
Facsimile: (02) 8215 0037