

The background of the slide is a photograph of a hot air balloon festival. Numerous colorful balloons are floating in a sky filled with soft, grey clouds. The ground is a rugged, rocky landscape with winding paths and some sparse vegetation. The overall scene is serene and scenic.

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QUARTERLY INVESTOR BRIEFING
3RD QUARTER FY-2016

NAQS Absolute Opportunities Company
(ASX:NAC)

CALL DETAILS

1. Date	Wednesday 20th April 2016
2. Time	10.00am AEDST
3. Telephone	1800 857 029
4. Guest Access Code	10842873#
5. Questions	Please email all questions to enquiries@naos.com.au prior to the allotted call time

1. NAC REVIEW

- Key Objectives
- Capital Structure
- Capital Analysis
- Performance & Risk Analysis
- Positive Stock Attribution Analysis
- Net Equity Exposure
- Industry & Currency Exposure
- Sample Company Meetings

2. Market Commentary

- Equity Market Review

3. Keeping Up to Date

- Shareholder Communications

1. NAC Review

KEY OBJECTIVES/FEATURES: NAOS ABSOLTUE OPPORTUNITIES COMPANY (NAC)

UNIQUE, FLEXIBLE, LONG/SHORT OFFERING COMPLETELY BENCHMARK UNAWARE

SINGLE VEHICLE TO ACCESS BOTH DOMESTIC AND GLOBAL 'BEST IDEAS'

POSITIVE ABSOLUTE RETURN & INCOME GENERATION
FOCUS WITH DOWNSIDE CAPITAL PROTECTION

NIMBLE FUND SIZE AND STRUCTURE TO MAXIMISE SHAREHOLDER RETURNS

SIGNIFICANT MANAGEMENT AND SHAREHOLDER ALIGNMENT

KEY INVESTMENT THEMES

Long Chinese Consumer



Long Rising
US Interest Rates



Long EU Quality Defensive
Equities



Long Stock Specific
Undervalued Growth



Short Stock Specific Low
Quality Opportunities



CAPITAL STRUCTURE

AS AT 31ST MARCH 2016

NTA ANALYSIS

Pre Tax - \$1.19

Pre Tax Pre Unrealised Gains Tax – \$1.19

Post Tax - \$1.15

OPTIONS ON ISSUE

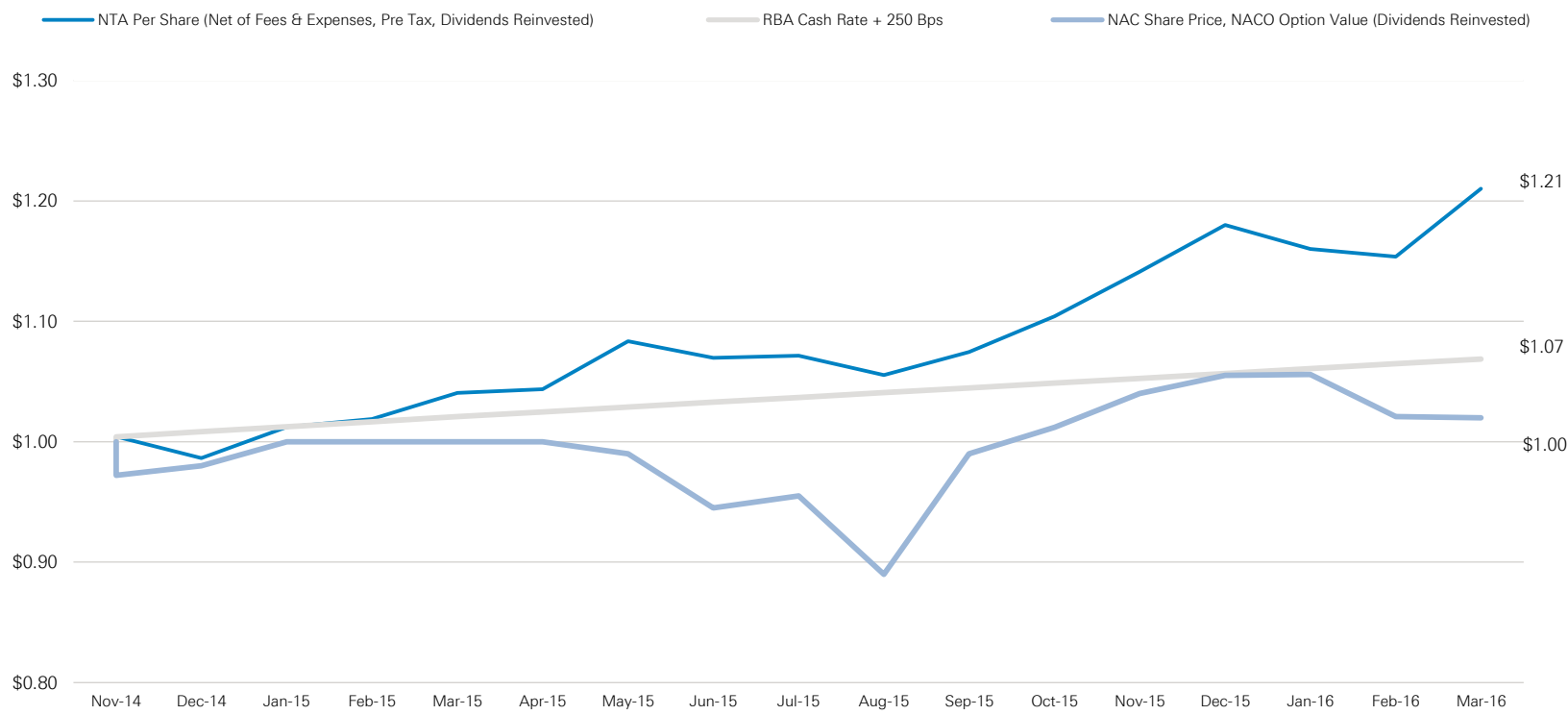
NACO

Expiry: 30th November 2016

Price Exercisable: \$1.00

Share Price	\$0.99
Share Price Discount to NTA (undiluted, pre tax)	-20.20%
Fully Franked Dividend Yield	4.54%
Gross Dividend Yield	6.49%
Shares on Issues	21,507,500
Options on Issue	21,492,500
Directors Shareholding	1,480,203

CAPITAL ANALYSIS
AS AT 31ST MARCH 2016



NAC: PERFORMANCE & POSITIVE STOCK ATTRIBUTION

SUMMARY SINCE INCEPTION

PRE FEES & FRANKING CREDITS, NET OF OPERATING EXPENSES
AS AT 31ST MARCH 2016

	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)	Since Inception (Nominal)
NAC Investment Portfolio Performance	+5.97%	+2.38%	+18.38%	+23.87%	+21.20%	+30.45%
Benchmark (RBA Cash Rate +250bps)	+0.41%	+1.21%	+2.40%	+4.83%	+4.96%	+6.93%
Outperformance Relative to Benchmark	+5.56%	+1.17%	+15.98%	+19.04%	+16.24%	+23.52%
	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)	Since Inception (Nominal)
S&P/ASX All Ordinaries Accumulation Index (XAOAI)	+4.74%	-2.35%	+4.11%	-8.05%	+0.42%	+0.58%
MSCI ACWI AC (Net, Div Reinvested, AUD terms)	+0.32%	-4.57%	-3.57%	-4.96%	+7.70%	+10.81%

Investment Portfolio Performance is **pre fees and franking credits and post all operating expenses**.

Performance has **not been grossed up for franking credits received by shareholders**. Inception is 12th November 2014

Investment	Contribution to Return (% NAV)	Investment	Contribution to Return (% NAV)
US Dollar	+7.35%	Smart Group Corporation	+2.11%
Event Hospitality	+4.09%	Macquarie Atlas Roads	+2.25%
Sirtex Medical Limited	+3.07%	Bellamy's Australia	+2.23%
Bellamy's Australia	+2.23%	1-Page Ltd	+2.85%

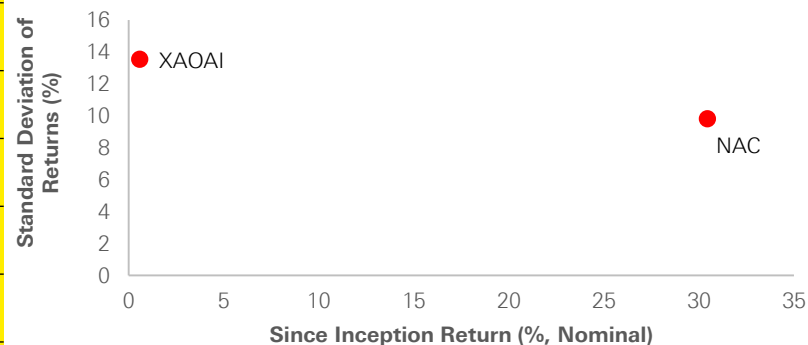
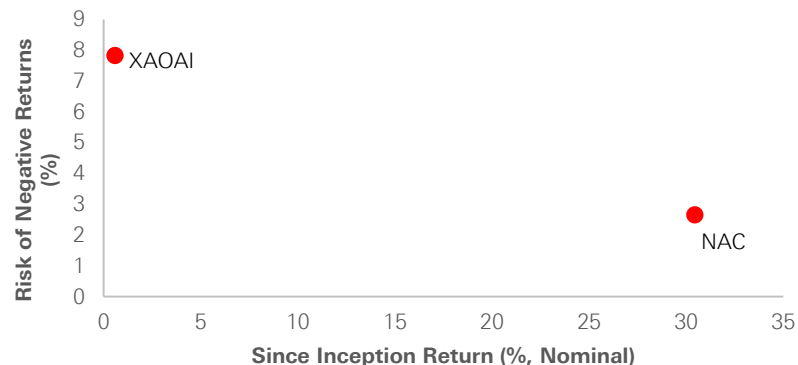
PORTFOLIO CHARACTERISTICS & RISK METRICS SUMMARY

AS AT 31ST MARCH 2016

NAOS

Portfolio Characteristics

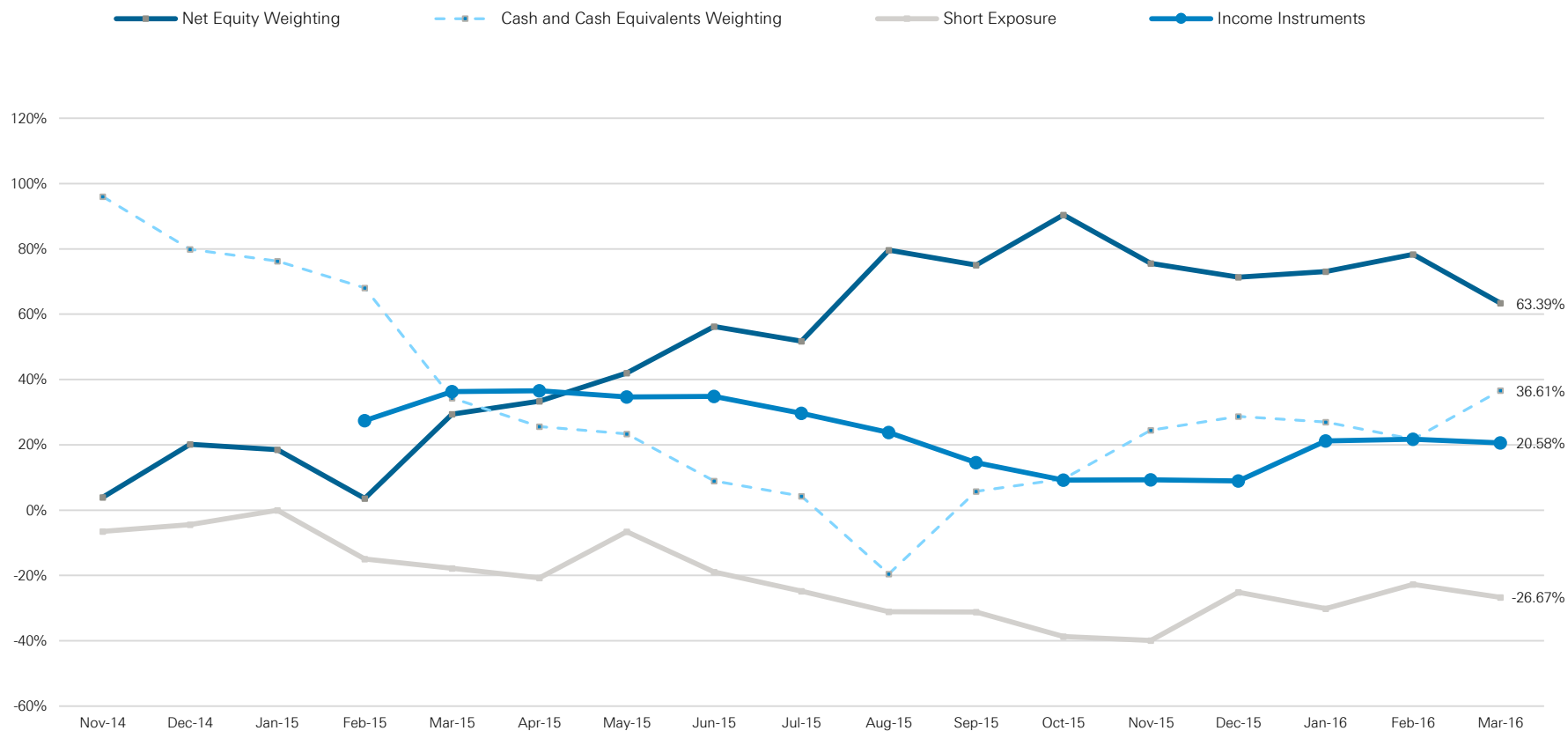
Total Number of Equity Holdings (Long & Short)	36
Total Number of "Income" Instruments*	4
Total Number of Holdings	40
Portfolio Weighted Market Capitalisation	\$15.49bn
Percentage of Positive Months (NAC)	71%
Percentage of Positive Months (XAOAI)	47%
Standard Deviation of Returns (NAC)	9.82%
Standard Deviation of Returns (XAOAI)	13.54%
Correlation of Returns to XAOAI	0.53
Sortino Ratio	7.99
Downside Deviation	2.65%
Downside Deviation (XAOAI)	7.83%
Current Estimated Portfolio Beta	-0.11



NAC: HISTORICAL NET EQUITY AND CASH WEIGHTINGS

AS AT 31ST MARCH 2016

NAOS

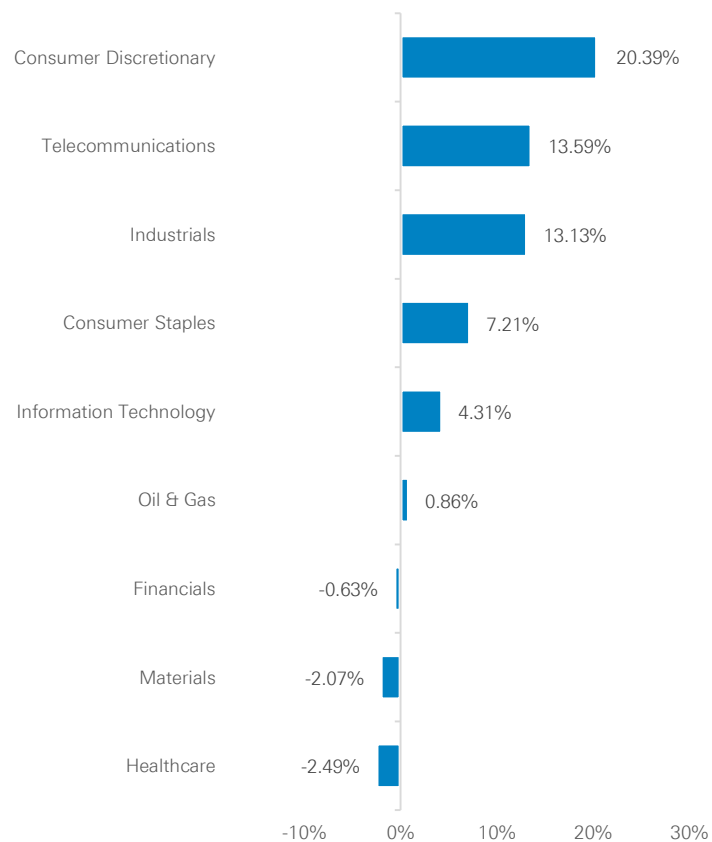


NAC: PORTFOLIO STRUCTURE

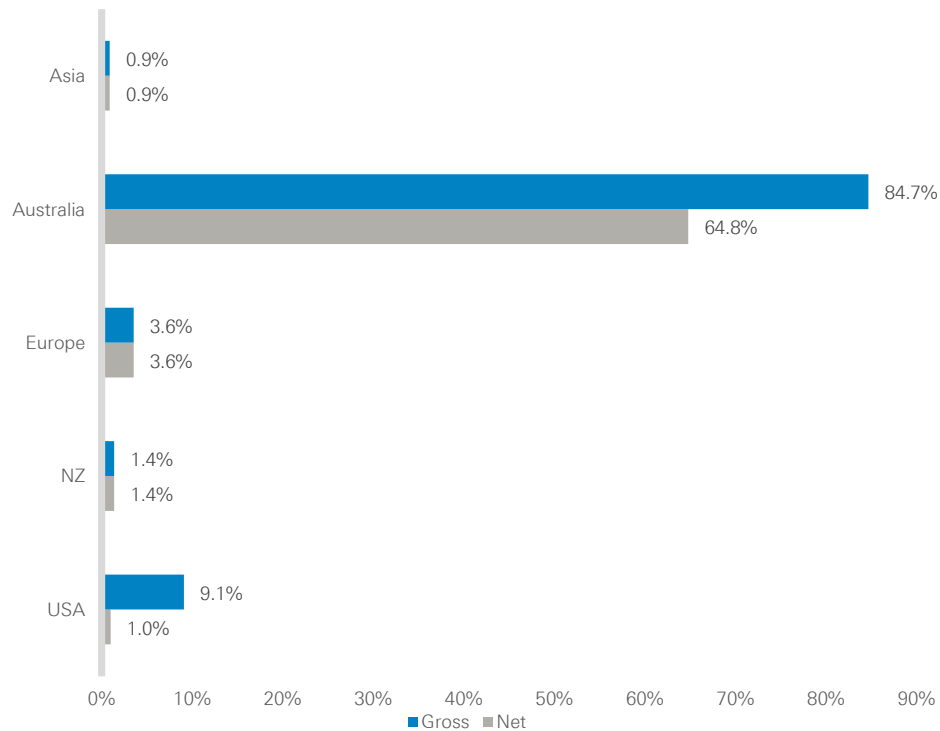
AS AT 31ST MARCH 2016

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Net Industry Exposure



Geographical Equity Exposure



The NAOS investment philosophy is based around the belief that for a company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. NAOS' Investment Team has direct contact with many listed and unlisted companies across a wide range of industries. The table below provides an insight into the types of companies that NAOS has engaged with.

- | | |
|------------------------------------|----------------------------------|
| • Monadelphous Group (MND AU) | • Moleskin SpA (MSK IM) |
| • Surfstitch Group (SRF AU) | • Trilogy International (TIL NZ) |
| • Billabong International (BBG AU) | • Vita Group (VTG AU) |
| • Vitaco Limited (VIT AU) | • Sirtex Medical (SRX AU) |
| • Bellamy's Australia (BAL AU) | • Village Roadshow (VRL AU) |

2. Market Outlook/Commentary

Equity Market Review The volatility in Australia has stemmed mainly from a few key sectors which make up a large part of the index. The Australian financials sector, including the big four and the regional banks makes up approximately 46% of the ASX200 index. The issue with the financials at present however is that investors are fearing we are in the early stages of a bad debt cycle. For the past few years bad debts for the banks have been low as we have had a buoyant housing sector and affordable interest rates. Each year banks make provisions for bad debts and when those provisions are not utilised they are added back to profits. This has been going on for a few years now and has created the appearance of strong profits, despite the underlying numbers not being so.

In the second half of 2015, the banks started raising interest rates for investor home loans. This was an out of cycle move where there has been no change to the Australian cash rate but the banks have put their lending rates up. Now the banks are starting to push owner-occupied lending rates higher. They have done this in an effort to protect their margins, although in the process they have made it more difficult for borrowers to repay their debt. ANZ and WBC both recently announced that bad debt provisions will be increased which is the primary cause for concern that the buoyant conditions we have seen in the last few years may not be here to stay. As a result, the banks underperformed the rest of the market despite their heavy index weighting.

On the other end of the Australian market 'barbell' is a combination of the materials sector (which includes the large Australian miners) which makes up approximately 13% of the index and the energy sector which adds another 4%. The price of crude oil has traded in a range between \$60 and \$26 over the past 12 months since falling from over \$100 in 2014. Due to the rapid fall in price, investors have unsparingly sold their positions in energy stocks leaving them significantly out of favour. The issue when a sector is so unloved and so under-owned is that it doesn't take much of a media headline or a move in the underlying commodity price for investors to quickly play catch up. It is very common at the moment for the price of oil to move +/- 2% overnight which has been causing some of the oil stocks to trade +/- 10% the following morning. This is a very difficult environment to be investing in and being caught on the wrong side of such a move can be very damaging to portfolios.

Equity Market Review

Figure 1 below shows the price of crude oil (in the top half of the chart) and the volume traded (in the bottom half of the chart). As you can see with such a rapid fall, volume has increased significantly which is the cause of a lot of the volatility.



Similarly, other commodity stocks have been a very 'under-owned' part of the market due to a consensus view that the wash out from the commodities super cycle has not yet run its course. However as part of that we have a gold sector that has been benefitting from a falling \$A (as gold is priced in US dollars the Australian producers receive more on their sales) as well as investors buying the metal looking for a safe haven. Further, the price of iron ore has been rallying as Chinese mills go through a re-stocking cycle and the Chinese Government has injected further stimulus into capital spending. With a situation not dissimilar to the energy market which we have talked about above, it creates significant volatility and makes for a difficult environment to be investing.

To date we have been able to keep the volatility of the Naos Absolute Opportunities portfolio low. This can be seen in our standard deviation of returns which we publish each month and we find a useful indicator for tracking this volatility. Currently our portfolio standard deviation is at 9.82% vs the ASX all ordinaries accumulation index of 13.54%. While we expect the volatility in the markets to continue we see it more as an opportunity to acquire stocks at reasonable valuations rather than a worrying sign for our portfolio.

3. Keeping Up To Date

WEBSITE

- The News and Media section of our website is updated regularly. The most recent information to be added to the site includes:

Title/Reference	Publication	Location	Month
Switzer Interview, Sky Business News	TV, Sky Business	Sydney	January
Eureka Interactive Interview	Eureka Report	Melbourne/Website	January
Livewire Wholesale Fund Sponsored Link	Livewire	Sydney	February
Reporting season was not all doom and gloom	Cuffelinks	Australia/Website	March
Buy Hold Sell: The Big Aussie Short	Livewire	Australia/Website	March
Profile: Sebastian Evans	Financial Standard News	Website/Journal	March
Peter Switzer Interview, Sky Business News	TV, Sky Business	National	April
Buy Sell Hold	Livewire	Website/Email Distribution	April

TWITTER

- Follow NAOS on Twitter under the name (handle) of @NaosAssetMgmt

LINKEDIN

- Keep up to date with the latest from NAOS via our Linked In page 'NAOS Asset Management'

FACEBOOK

- Like NAOS Asset Management on Facebook

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