

The background of the slide is a photograph of a rugged, rocky landscape, likely in Cappadocia, Turkey. Numerous hot air balloons of various colors and patterns are floating in the sky, which is filled with soft, grey clouds. The terrain is composed of dark, jagged rock formations and sparse vegetation.

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QUARTERLY INVESTOR BRIEFING  
1<sup>ST</sup> QUARTER FY-2017

NAOS Absolute Opportunities Company (ASX: NAC)

**CALL DETAILS**

1. Date	Thursday 13th October 2016
2. Time	10.00am AEDT
3. Telephone	1800 857 029
4. Guest Access Code	10842873#
5. Questions	Please email all questions to <a href="mailto:enquiries@naos.com.au">enquiries@naos.com.au</a> prior to the allotted call time

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## 1. NAC Q1FY17 REVIEW

- Performance Summary , Positive v Negative Return Months
- Stock Contribution (Since Inception)
- Risk Measures
- Capital Analysis
- Dividend Profile
- Market Awareness, Shareholder Numbers
- Director/Shareholder Alignment
- Historical Net Equity & Cash Exposure
- Industry/Sector Exposure
- Company Meetings

## 2. Market Commentary

- Domestic and Macro Equity Market Review
- NAOS Investment Philosophy

## 3. Appendix

- Investor Awareness and Communications
- NAOS Team and NAC Directors

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# 1. NAC Review

# NAC: PERFORMANCE & PORTFOLIO CHARACTERISTICS SUMMARY

AS AT 30TH SEPTEMBER 2016

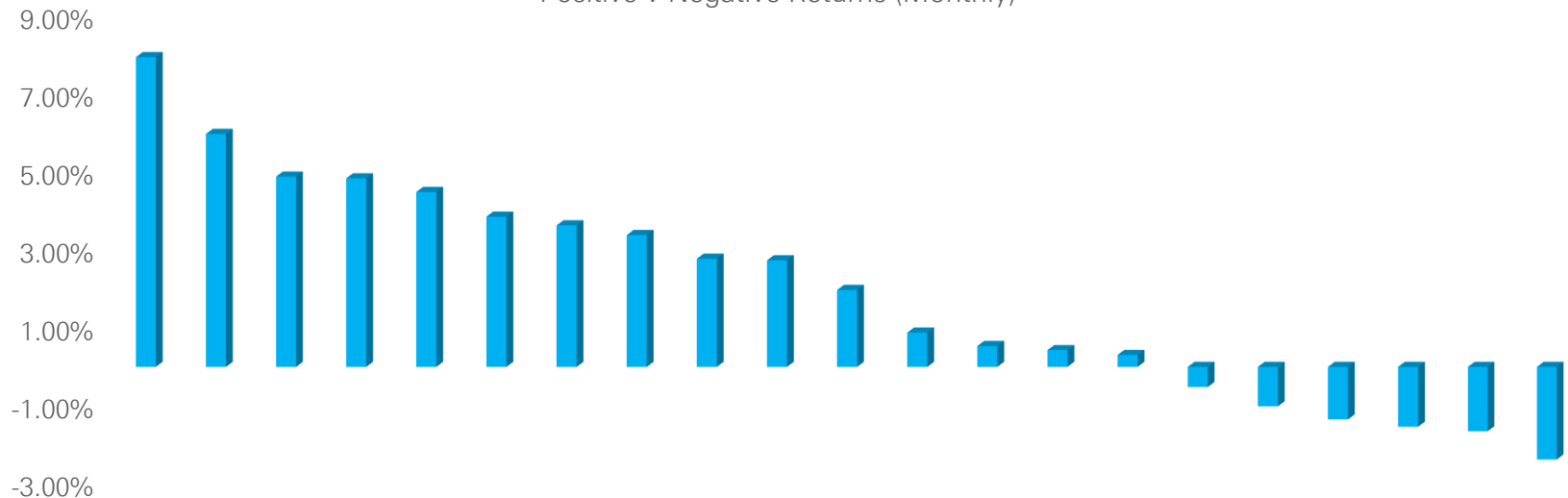
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	1 Month	3 Month	6 Month	1 Year	Inception (p.a.)	Inception (Nom.)
NAC Investment Portfolio Performance*	+3.85%	+13.20%	+23.35%	+46.02%	+28.73%	+60.91%
Benchmark (RBA Cash Rate + 250bps)	+0.35%	+1.12%	+2.32%	+4.77%	+4.89%	+9.40%
Relative Performance	+3.50%	+12.08%	+21.03%	+41.25%	+23.84%	+51.51%

\* Investment Portfolio Performance is **pre fees and tax and post all operating expenses**.

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

Positive v Negative Returns (Monthly)



## **NAC: POSITIVE STOCK CONTRIBUTION SUMMARY SINCE INCEPTION**

PRE FEES & FRANKING CREDITS, NET OF OPERATING EXPENSES  
AS AT 30<sup>TH</sup> SEPTEMBER 2016

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### **Positive Stock Attribution Analysis**

**(Attribution is what has contributed to NAC's performance since Inception of 12th November 2014)**

Below is a table listing the top positive contributors to NAC's total return since inception. The purpose of the table 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 concentrated portfolio of investments that is generally limited to 0-40 securities at any one time. Positions in the table below may have been held **either as a long position or short position** at any given point in time.

<b>Investment</b>	<b>Contribution to Return (% NAV)</b>	<b>Investment</b>	<b>Contribution to Return (% NAV)</b>
US Dollar	+10.06%	Smartgroup	+5.01%
Armidale Investment Corp	+5.50%	Sirtex medical	+4.82%
MNF Group	+5.39%	Enero Group	+4.60%
Event Hospitality	+5.12%	BSA Ltd	+4.32%

## **NAC: RISK METRICS**

AS AT 30<sup>TH</sup> SEPTEMBER 2016

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Total Number of Equity Holdings (Long & Short)	18
Total Number of Income/Debt Instruments	0
Total Number of Holdings	18
Portfolio Weighted Market Capitalisation (AUD)	\$430.1m
Percentage of Positive Months (NAC)	74%
Percentage of Positive Months (XAOAI)	52%
Standard Deviation of Returns (NAC)	9.55%
Standard Deviation of Returns (XAOAI)	12.94%
Correlation of Returns to XAOAI	0.54
Sortino Ratio	14.37
Downside Deviation (NAC)	2.00%
Downside Deviation (XAOAI)	7.52%
Current Estimated Portfolio Beta	0.1744

# **NAC CAPITAL ANALYSIS**

AS AT 30<sup>TH</sup> SEPTEMBER 2016

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## **NTA ANALYSIS**

Pre Tax - \$1.26

Post Tax Pre Unrealised Gains – \$1.26

Post Tax - \$1.21

## **OPTIONS ON ISSUE**

### **NACO**

Expiry: 30<sup>th</sup> November 2016

Price Exercisable: \$1.00

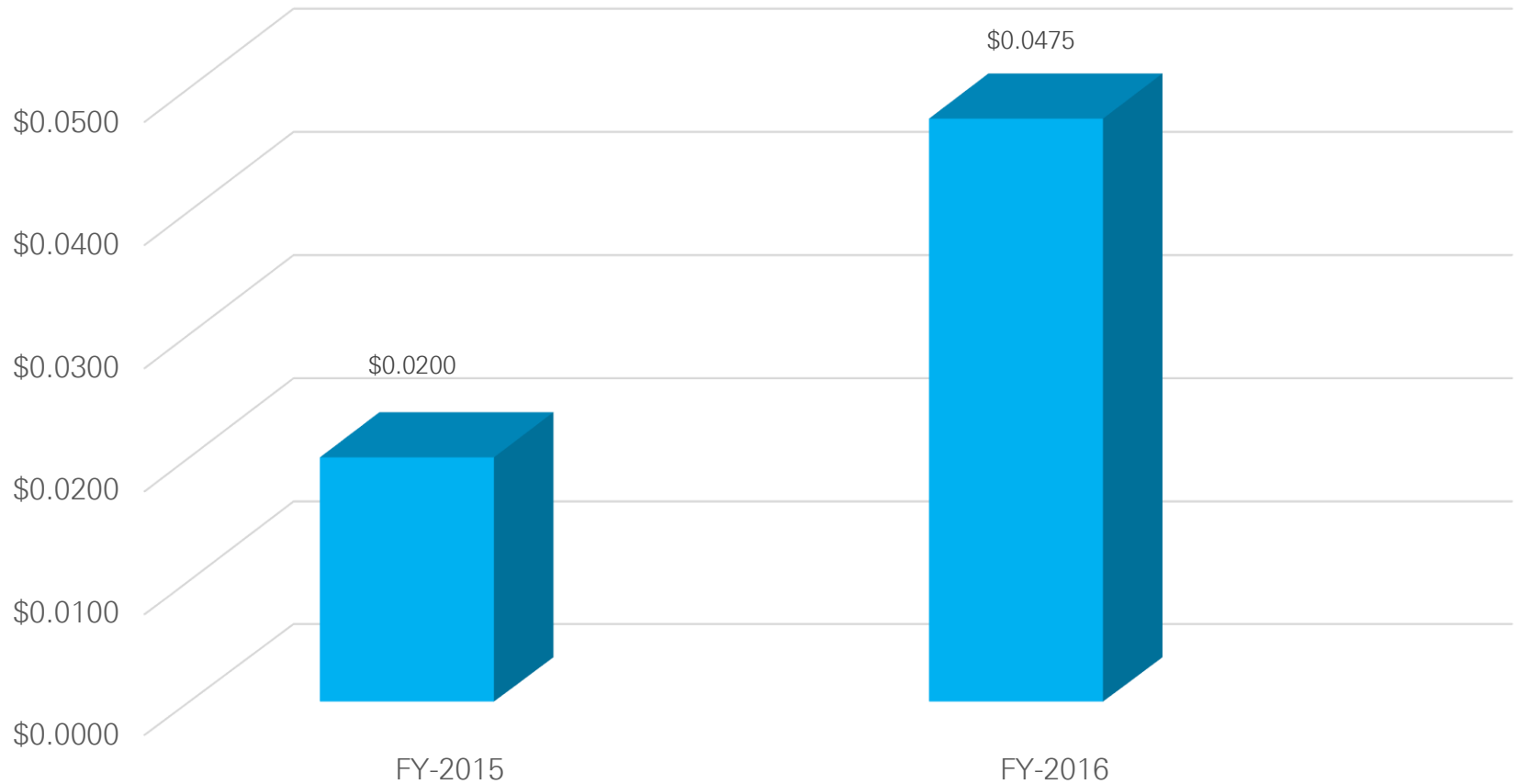
Share Price	\$1.07
Share Price Discount to NTA (undiluted, pre tax)	-15.08%
Fully Franked Dividend Yield	4.02%
Gross Dividend Yield	5.74%
Shares on Issue	33,714,750
Options on Issue	9,285,250
Directors Shareholding	3,143,691



# **NAC: HISTORICAL DIVIDEND PROFILE**

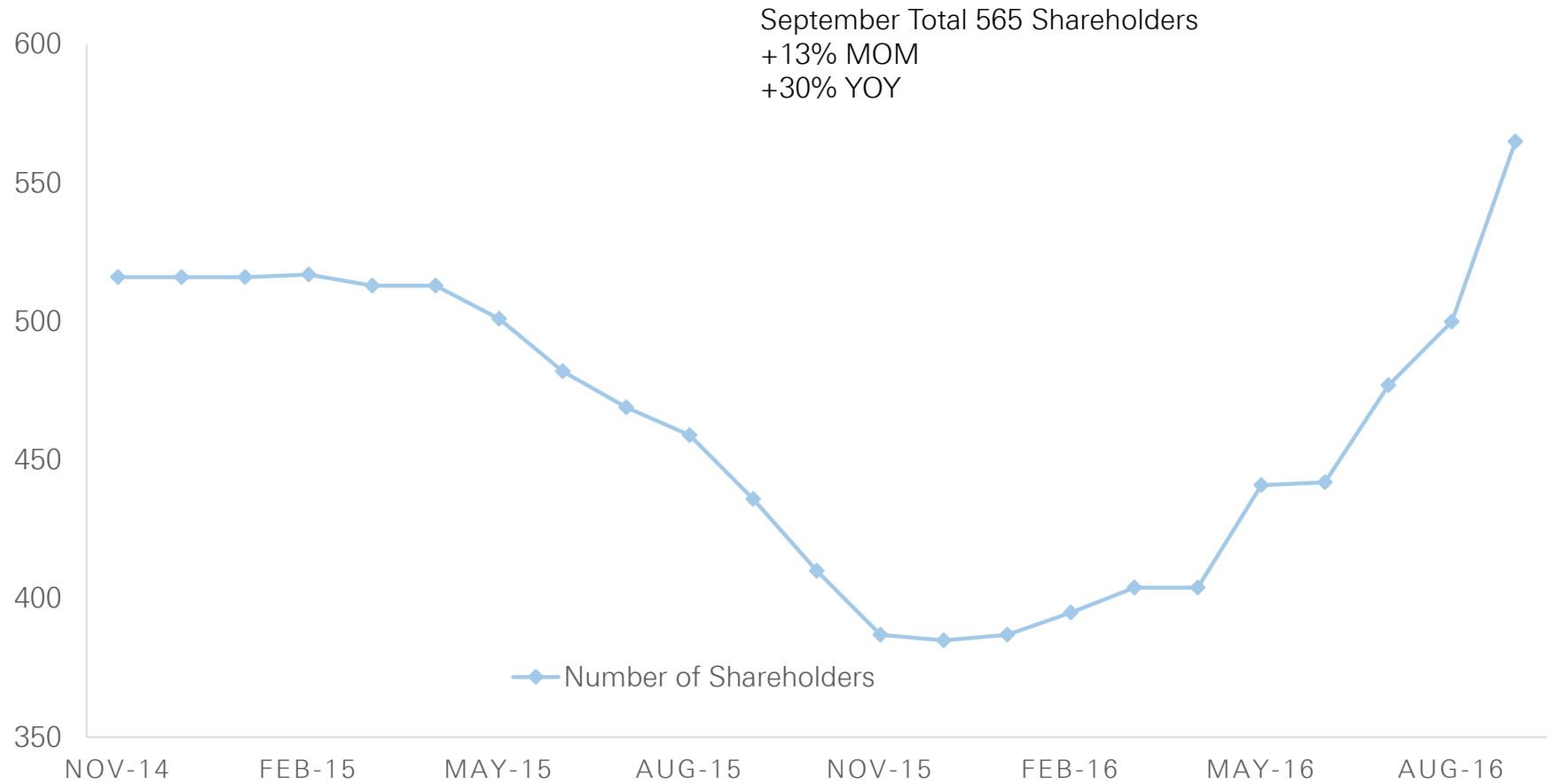
AS AT 30<sup>TH</sup> SEPTEMBER 2016

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## NAC: FOCUS ON INCREASING MARKET AWARENESS

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# **NAC: DIRECTORS INCREASING ALIGNMENT WITH SHAREHOLDERS SINCE IPO**

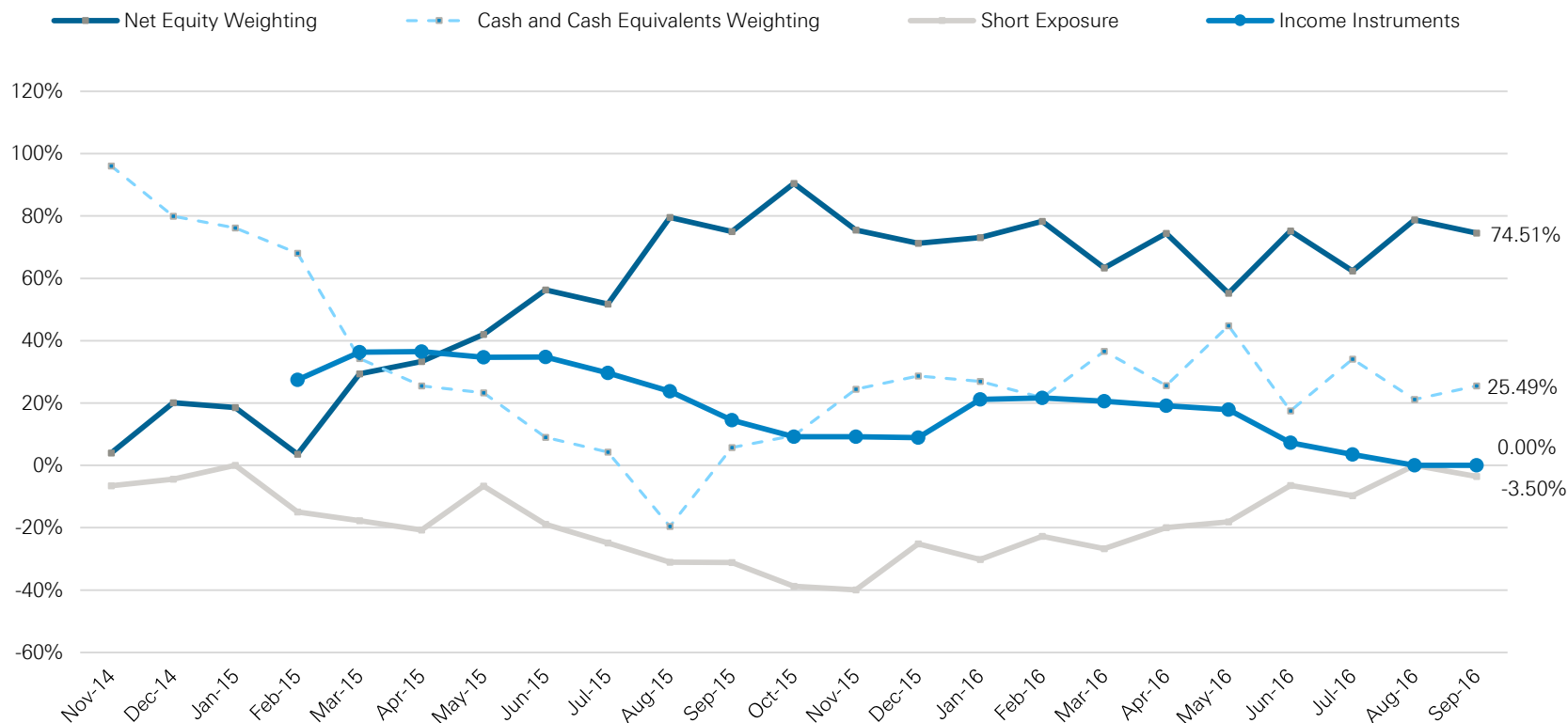
AS AT 11<sup>TH</sup> OCTOBER 2016



# NAC: PORTFOLIO STRUCTURE HISTORICAL NET EQUITY AND CASH WEIGHTINGS

AS AT 30<sup>TH</sup> SEPTEMBER 2016

NAOS

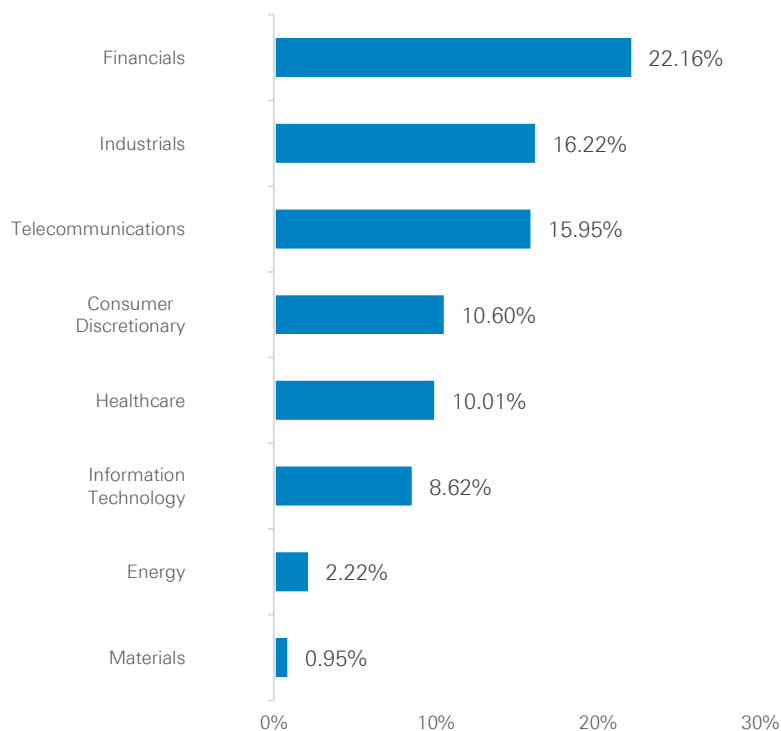


# NAC: PORTFOLIO STRUCTURE

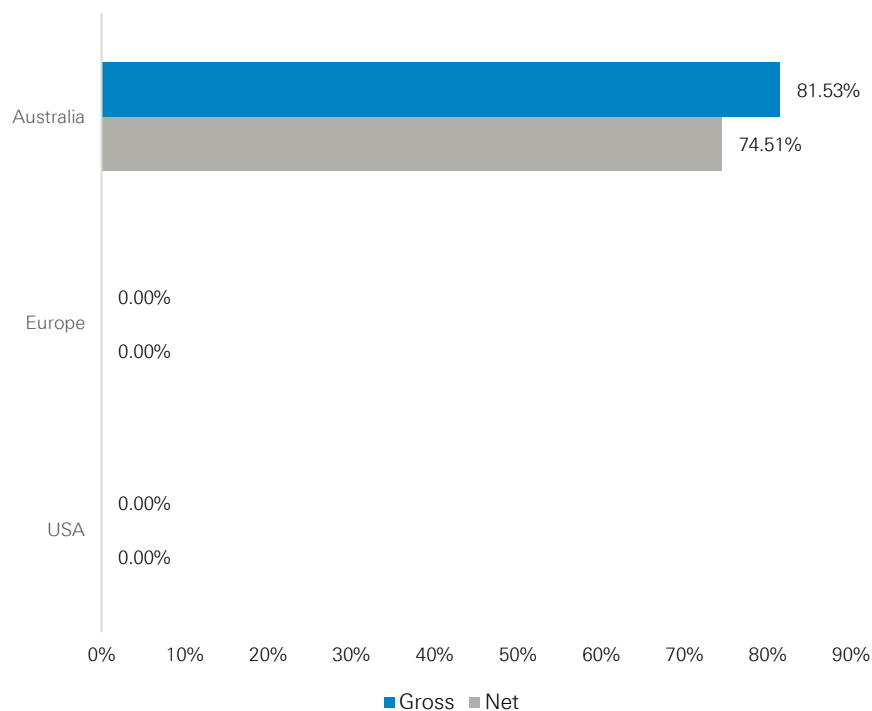
AS AT 30<sup>TH</sup> SEPTEMBER 2016

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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. The 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 NAOS has engaged with.

• Class Ltd (CL1 AU)	• Infigen Energy (IFN AU)
• Mantra Group (MTR AU)	• New Hope Coal (NHC AU)
• BWX Ltd (BWX AU)	• Brickworks Ltd (BKW AU)
• HUB24 Ltd (HUB AU)	• Ridley Corp (RIC AU)
• Macquarie Atlas (MQA AU)	• Adelaide Brighton (ABC AU)

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## 2. Market Outlook

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- **AGM Season:**

- Companies will provide a trading update for the four months of the financial year.
- Major focus for AGM season:
  - Gauge the underlying momentum within each business over the first four months.
  - The ability of the management team to guide for a half year and full year profit figure will provide confidence around how much clarity the management team have on forward revenue estimates.

- **Industry Performance:**

- Over the past six months resources have been the best performing sector in the ASX-300.
- Consolidation is now occurring within the contracting and mining services space i.e. UGL and BKN
- The significant underperformers have been A-REIT's and Utilities which has not been the case over the past 5-years.

- **Geopolitical Risks on the Rise:**

- The implementation of Brexit is still an unknown and there has been a dislocation between the GBP and equity prices in the UK with the effect on consumer & business confidence key.
- The US election will continue to provide market uncertainty regardless of who is elected, we've seen evidence of this amongst US healthcare companies.
- Further instability in the middle east with the continued rise of Russia.
- Ability of China to manage capital outflows, heightened debt levels and economic growth which has been reliant on property development.



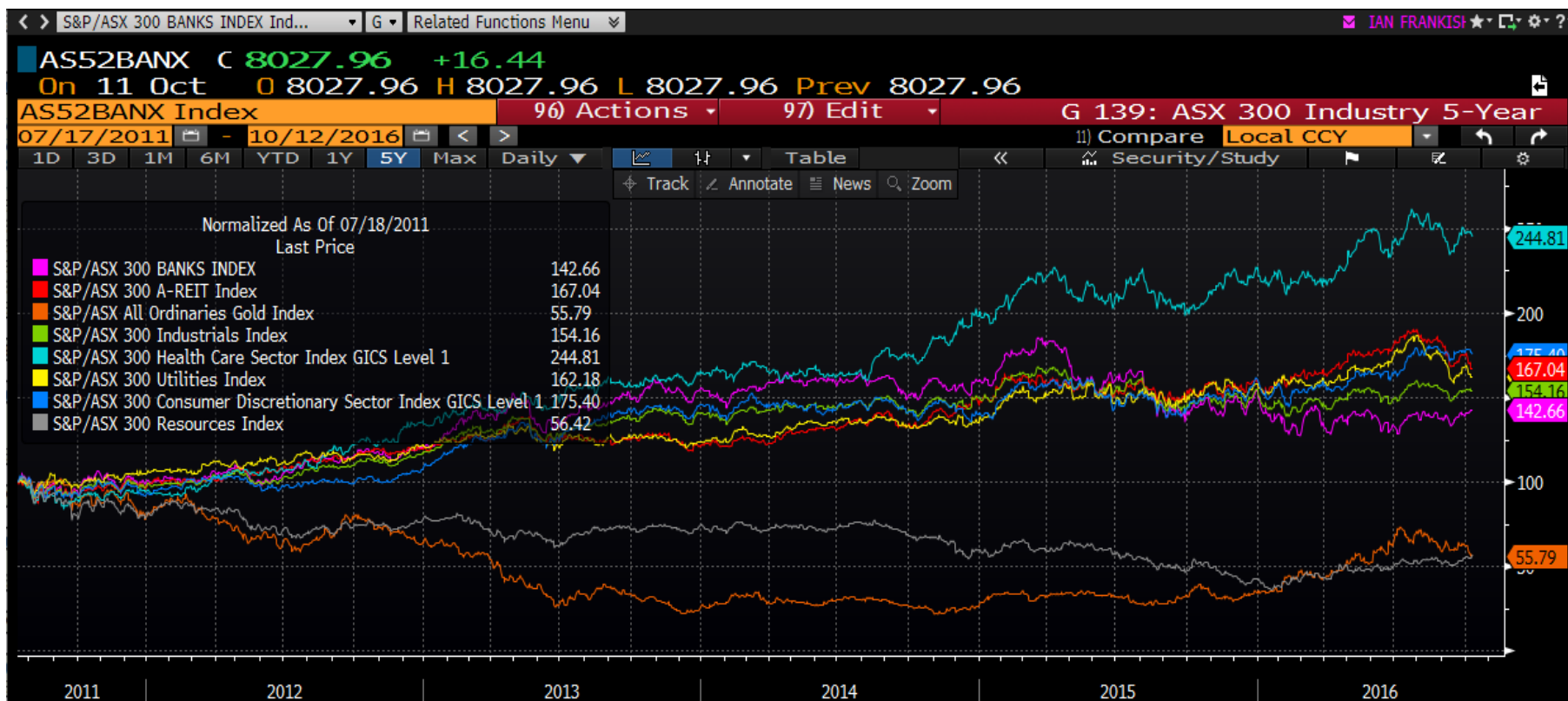
# MARKET OUTLOOK: HIGH YIELD DEBT MARKET (JUNK BOND ETF)

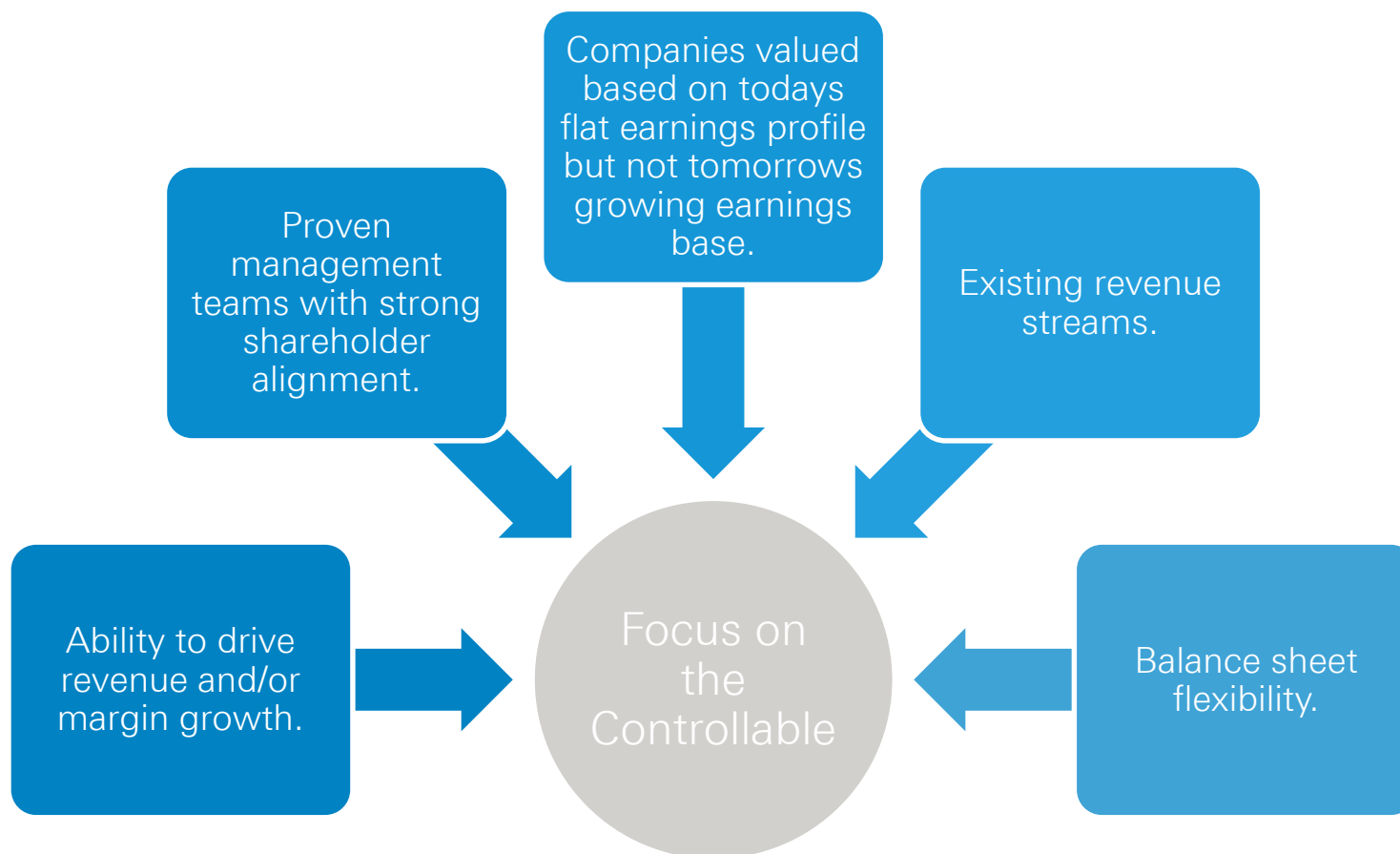
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# MARKET OUTLOOK: NOTICEABLE CHANGE IN INDUSTRY PERFORMANCE WITHIN THE ASX-300

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## 3. Keeping Up To Date



CEO Insights, Weekly NAOS Newsletter, subscribe via our website [www.naos.com.au/#subscribeform](http://www.naos.com.au/#subscribeform)



Quarterly Shareholder Conference Calls, subscribe via our website [www.naos.com.au/#subscribeform](http://www.naos.com.au/#subscribeform)



Monthly Investment Report & NTA email updates, subscribe via our website [www.naos.com.au/#subscribeform](http://www.naos.com.au/#subscribeform)



The news and media section of our website is updated regularly [www.naos.com.au](http://www.naos.com.au)



Twice yearly National Roadshow register here [www.naos.com.au/#subscribeform](http://www.naos.com.au/#subscribeform)



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For all enquires contact [enquiries@naos.com.au](mailto:enquiries@naos.com.au) or call (02) 9002 1576

**THE NAOS TEAM AND NAC DIRECTORS**



Sebastian Evans  
Chief Investment Officer/  
Managing Director



Richard Preedy  
Chief Financial & Operating Officer



Ben Rundle  
Portfolio Manager



Julie Coventry  
Compliance Officer



Jeffrey Kim  
Portfolio Manager



Julia Stanistreet  
Business Development Manager



Robert Miller  
Portfolio Manager



Chadd Knights  
Associate Analyst



Sebastian Evans  
Director



David Rickards  
Independent Chairman



Warwick Evans  
Director

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