NAOS
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QUARTERLY
CONFERENCE CALL
Q3 FY2018
TUESDAY, 24 APRIL 2018 10:30 AM AEST
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GUEST ACCESS CODE: 1084 2873 #

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NAOS INVESTMENT BELIEFS

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NAOS Asset Management is a specialist fund manager providing investors unique access to quality industrial ASX listed companies outside of the ASX50.

With a proven performance track record, NAOS offers genuine, concentrated exposure to micro, small and mid-cap companies.

VALUE FOCUSED

QUALITY OVER QUANTITY

INVEST FOR THE LONG TERM

PERFORMANCE V LIQUIDITY FOCUS

IGNORE THE INDEX

PURE EXPOSURE TO INDUSTRIALS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

MANAGEMENT ALIGNMENT

OUR LISTED INVESTMENT COMPANIES

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NAOS EMERGING OPPORTUNITIES COMPANY LIMITED	NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED	NAOS ABSOLUTE OPPORTUNITIES COMPANY LIMITED
ASX: NCC	ASX: NSC	ASX: NAC
Microcap Industrial Companies	Small Cap Industrial Companies	Small/Mid Cap Industrial Companies
Market Cap Generally <$250M	Market Cap Generally >$100M - $1B	Market Cap Generally >$400M - $1B+
9 Holdings*	14 Holdings*	11 Holdings*

*As at 31 March 2018

NAOS UNIVERSE

ASX ex-50 Quality Industrial Companies

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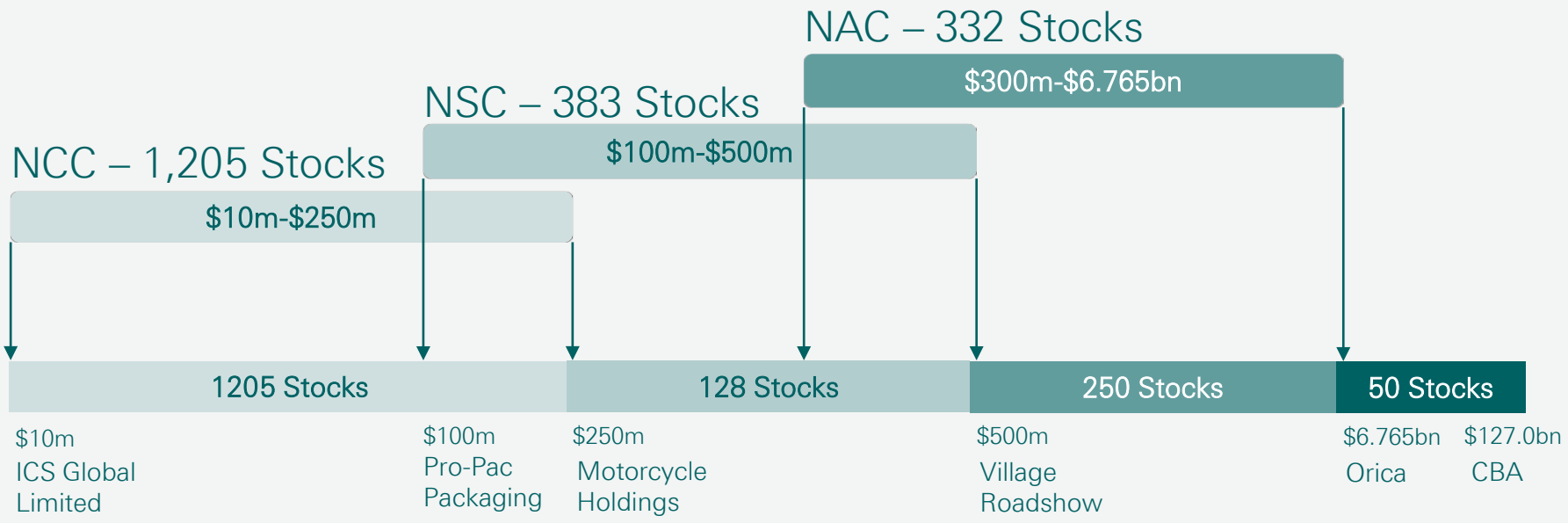

Source: Bloomberg data March 2018

1. Review

"It is impossible to produce a superior return unless you do something different to the majority."
Sir John Templeton

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PERFORMANCE

AS AT 31 MARCH 2018

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NCC*	$1.33 Pre Tax NTA	$1.325 Share Price	-1.86% 3 month Performance	-2.79% 3 month Performance XSOAI#	17.63% Inception Performance p.a.
NSC^	$0.99 Pre Tax NTA	$0.865 Share Price	-1.24% 3 month Performance	-2.79% 3 month Performance XSOAI#	-0.15% Inception Performance Nominal
NAC*	$1.12 Pre Tax NTA	$0.985 Share Price	-2.02% 3 month Performance	+1.05% 3 month Performance Benchmark (RBA cash rate + 250BPS)	16.93% Inception Performance p.a.

XSOAI refers to the S&P/ASX Small Ordinaries Accumulation Index.

*Investment 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 and returns are compounded for periods greater than 12 months. Inception p.a. includes part performance for the month of February 2013 (NCC) and November 2014 (NAC), returns are compounded for periods greater than 12 months.

^Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders.

NCC DIVIDEND HISTORY

AS AT 31 MARCH 2018

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ASX: NCC

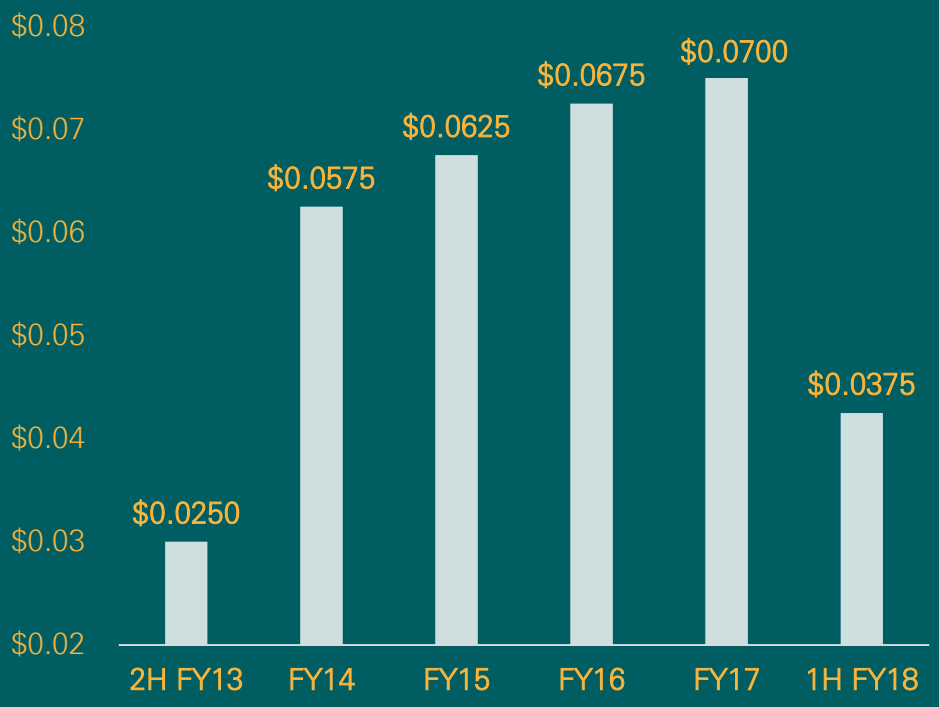
7.82%
Gross Dividend Yield

100%
Franking

$14m
Profit Reserves

3.75c ▲
Fully Franked Interim Dividend

Fully Franked Dividend Profile



NSC DIVIDEND HISTORY

AS AT 31 MARCH 2018

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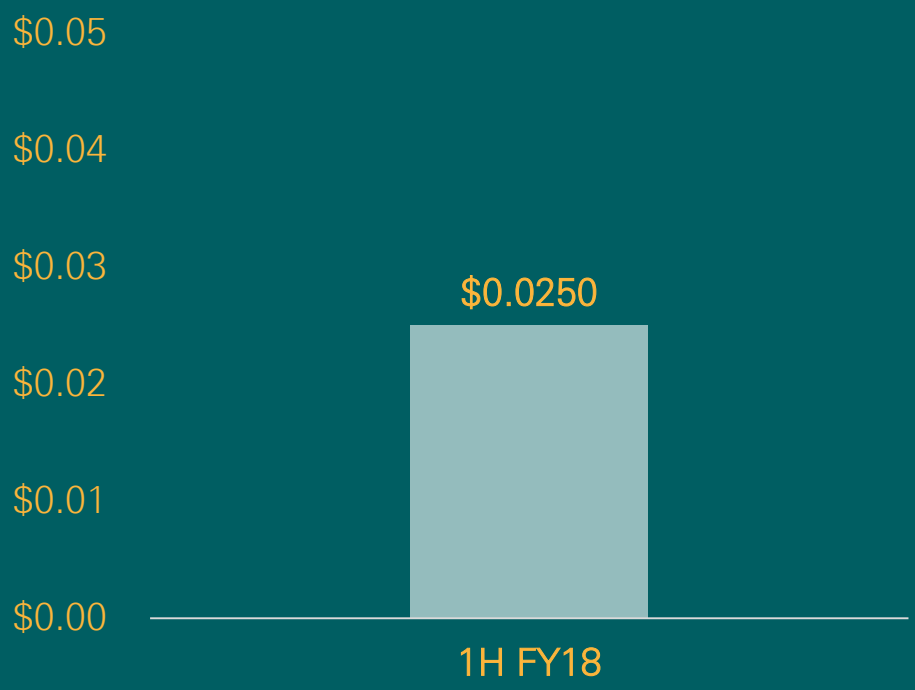
ASX: NSC

2.50c
Fully Franked Interim Dividend

100%
Franking

$18.5m
Profit Reserves

Fully Franked Dividend Profile



NAC DIVIDEND HISTORY

AS AT 31 MARCH 2018

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ASX: NAC

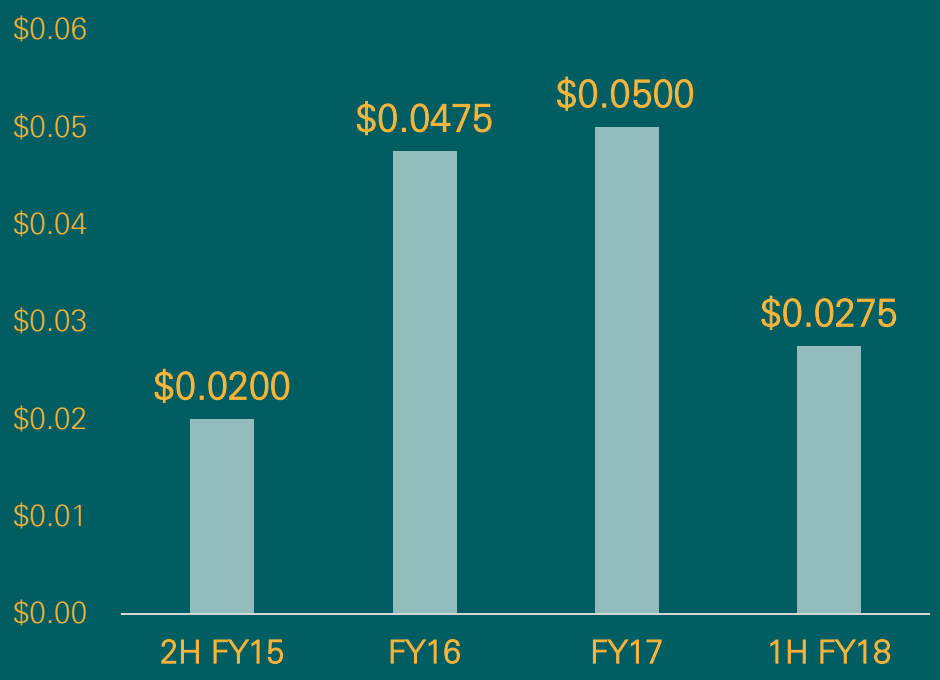
7.61%
Gross Dividend Yield

100%
Franking

$5.6m
Profit Reserves

2.75c ▲
Fully Franked Dividend

Fully Franked Dividend Profile



KEY EVENTS ASX: NCC

9 HOLDINGS

PORTFOLIO CASH WEIGHT 2.14% as at 31 March 2018

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- **ASX: CGR** continues to grow organically well ahead of market expectations. Opportunity to acquire a business that was created by a forced sale.
- **ASX: WNR** announced a significant acquisition of a blast freezing and cold storage business for meat products.
- **ASX: BSA** provided a more disappointing market update on their non core legacy construction division, offsetting excellent performance of the telecommunications division.
- **ASX: BRI** solid result from the core distribution business was offset by the poor performing manufacturing division.

KEY EVENTS ASX: NSC

14 HOLDINGS

PORTFOLIO CASH WEIGHT 18.58% as at 31 March 2018

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- ASX: MNF first large core position for NSC, opportunity provided by the market reaction from the acquisition of the Pennytel business.
- ASX: SSM reported a standout result and announced an on market share buy-back of up to 10% of issued capital.
- ASX: COG announced an on-market buyback highlighting the boards view that their own equity is undervalued. Disintermediation of the market place continues providing an opportunity for funding alternatives such as COG.
- ASX: TOT large stake acquired due to an opportunistic liquidity event, void left by big-4 banks in commercial lending has created a market share opportunity for TOT.

KEY EVENTS ASX: NAC

11 HOLDINGS

PORTFOLIO CASH WEIGHT 4.62% as at 31 March 2018

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- **ASX: SIQ** recent capital raising, management have proven themselves to be excellent capital allocators having successfully completed four key acquisitions over the last 12 months.

- **ASX: JHC** a one off statutory deduction highlighted a significantly stronger second half, Riviera Health acquisition announced, assets are majority freehold and two are very new.

- **ASX: MNF** the market announcement regarding the acquisition of Pennytel caused the stock to be sold off aggressively. We believe the market continues to discount MNF's software capabilities, tier-1 client base, the continued focus on voice products from the likes of Amazon and Twilio and finally their net cash balance sheet.

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NAOS

2. Market Outlook

"We steer clear of the foolhardy academic definition of risk and volatility, recognizing, instead, that volatility is a welcome creator of opportunity"
Seth Karlman

MARKET OUTLOOK CY18

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NAOS Risk Management & Volatility

1. All the NAOS LICs have the ability to hold up to 100% cash.

2. We are not currently holding large cash balances in our LICs, our approach is to invest in quality companies with conservative balance sheets.

3. Although NCC has 3% cash the look through cash balance for the portfolio is circa 25%.

4. We cannot control market noise and short term market volatility, however we can control investing based on value and stock specific fundamentals over a 3-5 year view.

5. Short term volatility can create long term opportunities.

VOLATILITY ANALYSIS NCC

AS AT 31 MARCH 2018

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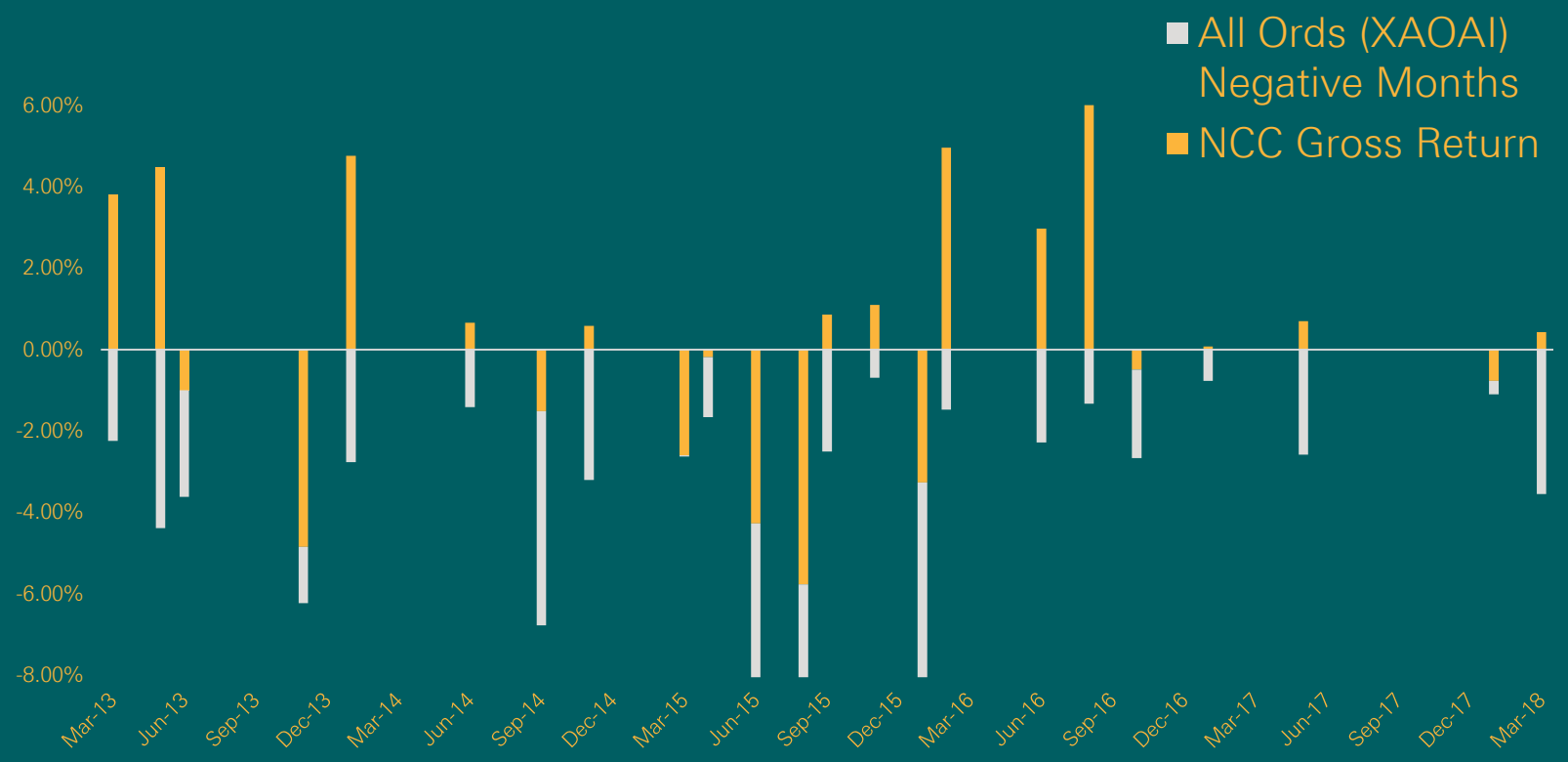
All Ords (XAOAI) Negative Return Months v NCC Gross Returns



VOLATILITY ANALYSIS NAC

AS AT 31 MARCH 2018

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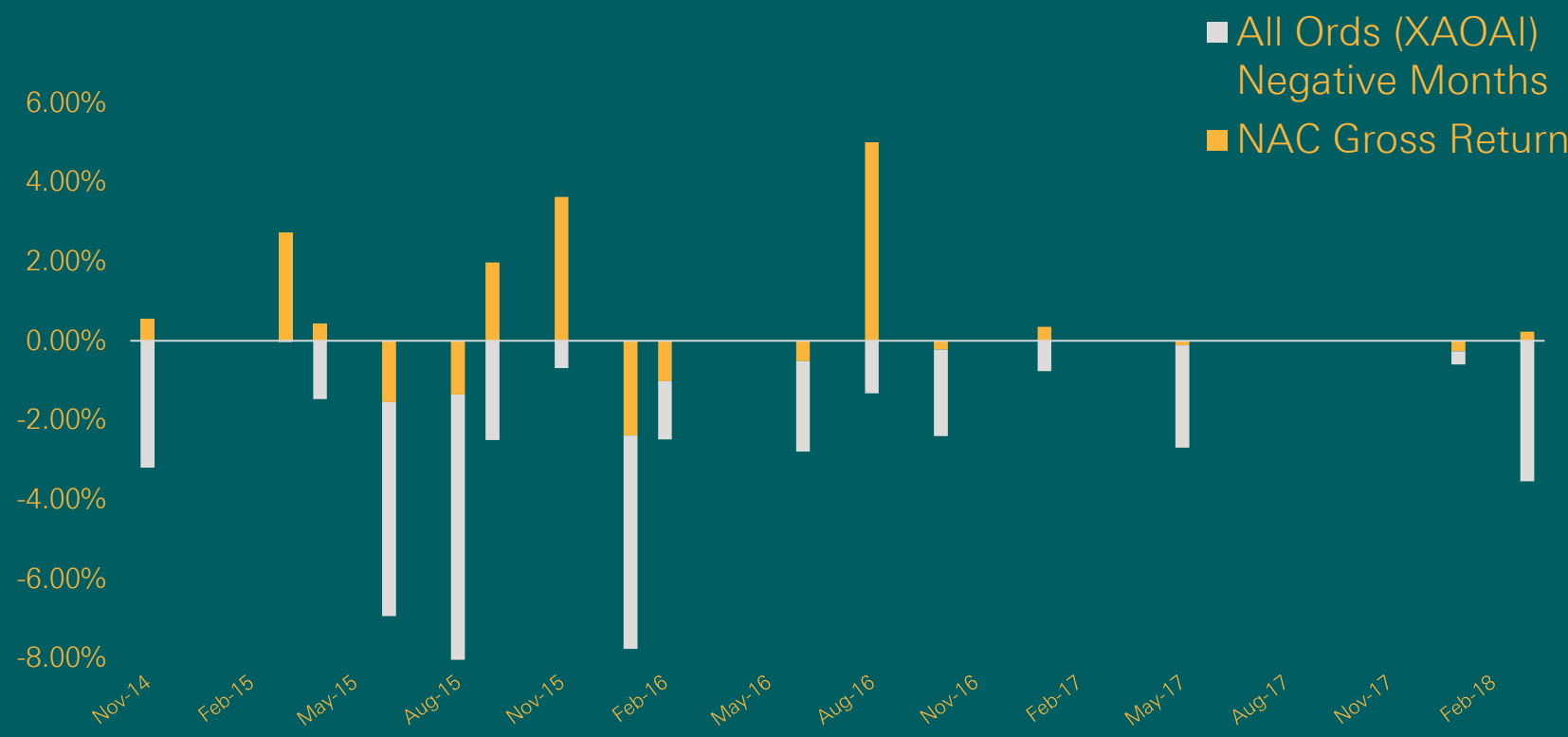
All Ords Negative Months v NAC Gross Returns



STOCK SPECIFIC RISK AND OPPORTUNITY

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Long Term Opportunities Created via Recent Volatility

ASX: MNF	Net cash balance sheet with annuity like revenue that is billed monthly with a high recurring user base.
ASX: JHC	High recurring revenue streams with a large property asset base that is valued conservatively at cost.
ASX: TOT	Cash vehicle providing short term loans with little duration and/or security risk.
ASX: COG	Significant net cash balance with a large broking network that will benefit from industry disintermediation.

LISTED INVESTMENT COMPANIES

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Why the Continued Rise of LICs as an Investment Vehicle?

1. Company structure enables consistent income stream via dividends
2. Transparency of investment approach and portfolio structure
3. Manager and Director alignment as well as fee alignment
4. Dividend reserves and franking
5. Marketing strategy and market awareness
6. Best of breed investment strategies that add value

3. Keeping up to Date

"You don't have to be brilliant, only a little bit wiser than the other guys, on average, for a long time."
Charlie Munger

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INVESTOR AWARENESS AND COMMUNICATION

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The news and media section of our website is updated regularly naos.com.au

Twice yearly National Roadshow

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

NAOS TEAM

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Managing Director, NAOS Asset Management Limited & Director NCC, NSC and NAC

Warwick Evans
Chairman, NAOS Asset Management Limited & Director NCC, NSC and NAC

Mark Bennett
Director, NAOS Asset Management Limited

David Rickards
Chairman & Director, NCC and NAC & Director NSC

Trevor Carroll
Chairman NSC

David O'Halloran
Director, NAOS Asset Management Limited

OUR TEAM

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Ben Rundle
Portfolio Manager

Robert Miller
Portfolio Manager

Chadd Knights
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Rachel Folder
Investment Analyst

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Chief Financial and Operating Officer

Julia Stanistreet
Business Development Manager

Megan Walker
Marketing and Communications Manager

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Scott Hildebrand
Distribution & Sales Manager

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Q&A
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YOUR SUPPORT