

## High conviction, long-term value: Inside NAOS' portfolio

October 2025



**Aaron (00:00):**

Hello and welcome to the Ideas Exchange, ASX's regular podcast where we cover investment trends, market updates, and ideas for your portfolio. My name's Aaron Viscano, Business Development Associate from the Investment Products Team here at ASX, and it is our mission to deliver to you the latest in market updates and ideas through the conversations we have with investment experts.

**Disclaimer (00:23):**

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**Aaron (00:50):**

Hi, everyone. You've tuned into the final episode of our three-part series on different investment styles here on the Ideas Exchange podcast presented by ASX. Thank you for joining us. My name is Aaron Viscano from the Business Development Team with Investment Products at ASX.

**(01:04):**

NAOS Asset Management are a specialist fund manager originally established in 2004 based here in Sydney. NAOS provide genuine concentrated exposure to quality emerging companies within both the private and public space. Joining me on the podcast today to talk about NAOS's investment philosophy and process is portfolio manager, Robert Miller. Rob joined NAOS in 2009 as an investment analyst and currently serves as a portfolio manager across the three NAOS listed investment companies available on ASX as well as a NAOS private opportunities fund. Thanks for joining us today, Rob.

**Rob (01:36):**

No worries, Aaron. Thanks for having me on.

**Aaron (01:38):**

First things first, Rob, could you please introduce yourself to our audience by talking on your current position at NAOS, and maybe a little bit about your history in investment management?

**Rob (01:47):**

Sure. So I think you covered it pretty succinctly there in the intro, but I've been with NAOS for a long time now. Pretty much my whole investment career has been at NAOS. I've been there from the ground up. I was a lot younger than what I am now when we started. And back, I started just after the GFC, so I wasn't there through the depths of it then, but I certainly saw the other side of what carnage can look like at the start of my career, which was pretty valuable insights that certainly won't leave me anytime soon.

(02:15):

And throughout that period of time since then, we've definitely grown the business and it's always been around kind of small micro-cap emerging companies on the ASX, NZX, and also we've delved into private businesses as well over that period of time. Yeah, we look to think that we're certainly specialists in that space. That's all we do every day and certainly that's where we think we can add value to our investors as well.

**Aaron (02:37):**

Yeah. Look, coming off the heels of the GFC, definitely a trial by fire, so to speak. Now, before we kick off, I wanted to let our listeners know about the NAOS Investor Roadshow running through out to October all across Australia across the following dates.

(02:51):

So in Adelaide, Thursday, October 9. Perth, Thursday, October 16. Brisbane, Tuesday, October 21st. Melbourne Tuesday, October 28th, and finishing up in Sydney on Thursday, October 30th. Rob, tell us a little bit about the roadshow. What can investors expect when attending?

**Rob (03:09):**

So we do this every year. We've been doing it for quite a long time now, and we try and cover all the capital cities and try and be face to face to say to our investors at least once a year. We do a presentation around certainly the portfolio companies that we hold, and also some interesting topics that we might find more of an overarching theme around what we do and what we're seeing out there.

(03:30):

It's free to come, anyone can come that we put on a feed as well afterwards, and there's obviously plenty of time for Q&A, so anyone can come, doesn't have to be a shareholder, and you can learn something

about particular portfolio companies or anything in the emerging company space we're happy to chat about, so please feel free to come along.

**Aaron (03:45):**

Perfect. And all that information will be on the NAOS website, [naos.com.au](https://naos.com.au). That's [naos.com.au](https://naos.com.au). And Rob, I'll back that up. I actually had an opportunity to come to the roadshow back in 2023 at, I think it was the Australian Museum here in Sydney.

**Rob (04:00):**

Yep, that's right.

**Aaron (04:00):**

Yeah, it was really good. We had Sebastian Evans talk to the audience about the funds pretty much where those companies were going in the future. It was a really good experience for investors to kind of get that face to face time with you guys as well to see what's behind the fund and also to pick your guys' brains as well. So definitely recommend it. Bring a friend along with you, if not only to meet Rob, but also just to meet with other fellow investors as well.

(04:23):

So just to kick off, Rob, let's set the scene for our audience. We're talking on different investment styles. As I mentioned earlier, there are currently three different listed investment companies that NAOS have on ASX. So the NAOS Emerging Opportunities Company Limited, ticker code NCC. The NAOS Small Cap Opportunities Company Limited, NSC. And the NAOS Ex-50 Opportunities Company Limited, NAC.

(04:49):

Now, as I mentioned, you are the portfolio manager across all three of these funds, so it's really good to have someone with this expertise across those three styles of emerging small cap and Ex-50. I'm actually curious to hear about how your overall investment philosophy and procedure at NAOS interact across the three different funds. And I think a good place to start would be to go over NAOS as a company. So what are your core values, and what is it that you provide to investors?

**Rob (05:14):**

Yeah, sure. So the way to probably think about our business, I know there's a bit of a mouthful there with the three different LICs, but the way we think about it and the way it's run, it's all one investment philosophy, one investment process, one investment style across all of the different investment entities that we do hold.

(05:30):

We're a small, for want of a better word, boutique funds management business. We're based out of Sydney and we run ... Pretty much all we do is in this space, as I said. So where our kind of investment beliefs and philosophies, if I was going to summarize in three words, it's conviction, long-term, and aligned. There's four because I threw a hand in there, but they're our three main overarching principles for what we do. And if I can elaborate on them a little bit further, firstly around conviction, we're all about quality over quantity.

(05:59):

So where we differ from a lot of other investment managers and certainly an index fund out there is we would only hold a concentrated portfolio of between 10 and 20 positions. So you're not going to look to us to get any sort of index like return. It's going to be a very different return profile from what you would expect from potentially others.

(06:19):

We're long-term focused. So any business that we look to invest in, we're thinking on a five-year time horizon at the very minimum. And some of the businesses that we've held, we've held for the best part of a decade and see no reason why we wouldn't continue to be holders in some of those businesses for the next significant period of time.

(06:36):

So I think that is a key focus of what we do is when you're thinking emerging companies, they're living and breathing things. Nothing happens overnight and it's certainly an investment process and strategy can take a while to play out. So that's why we think the long-term nature of what we do is important and important for the investors to know that upfront coming in.

(06:57):

And then thirdly around the alignment. So alignment covers probably a broad base. It's a broad-based word to cover a few key topics. Firstly, it's around the skin-in-the-game type profile that you would expect from the management team, the board from the investee companies. We want to be aligned with them, so we want to see them with reasonably significant shareholdings and remunerated in the right way. So the right incentive structures in place, and I'll talk about a company later on that we think has a good one of them.

(07:25):

But it's also around alignment of people, alignment with our beliefs. We're a certified B Corp business, so we want to be aligned with the ESG principles that we've set up that we adopt and follow, and we think that's certainly important for our investee companies as well. So that does have

a bit of a slant on how we do look at things and there's a lot of alignment across what we do as well.

**Aaron (07:46):**

Great. And just to go back to your intro as well. Now, you've also been with the company for more than 15 years now. How has the company changed over that 15 year period?

**Rob (07:55):**

Yeah, yeah. I mean when we started out it was pretty much, as I said off the back of the GFC. There wasn't much there and Sebastian and myself and a couple others were reasonably young when we started this and we've gone on a journey since that period of time. I think any investor who is worth their ... Wants to be considered a true investor. I'm not saying that we're good or bad, but I'm just saying anyone who considers themselves an investor, it has to be willing to evolve and willing to learn from failure and willing to learn from other people's failure I think is super and important factor in that as well.

**(08:25):**

So certainly over that period of time, we've evolved as a business. We now run listed investment companies. When we started out, we didn't. We think those structures very much suit our investment style and we're offering something different in this space by having the ability to invest long-term in illiquid emerging companies.

**(08:42):**

It provides the structures we have suitable for that, but also how we evolved as individuals and people I think is our investment process has definitely evolved over that period of time. We would be focused fair bit on being not just a financial shareholder, we're more of a partner these days. We certainly do a lot of work and we do have board representation on some businesses now. So we're happy to be a supportive partner and we think that's important for the way that we look to invest taking significant minority positions in some businesses.

**(09:14):**

Secondly, I'd say that we've definitely spent more time where we've had mistakes and you've got to learn from your mistakes. As I said, it's all about people in small businesses. The management team and the board have an outsize, in our opinion, have a far outsized influence on what can occur within a business as opposed to say an ASX 50 company where there's far more operational rigor in place as an example.

**(09:39):**

So we think the people side of small businesses is extraordinarily important and we have done a lot of work and we continue to refine our

investment process around doing work on the individuals behind these businesses and speaking to stakeholders, customers, former employees, et cetera, just to get a better understanding of who the people are and who are the main drivers of or what hopefully is that performance over time.

**Aaron (10:02):**

Fantastic. It's a great rundown of NAOS' history and your position in the market at the moment. So I'm actually keen to jump straight into NAOS's investment process. So just from a high level perspective, out of the more than 2,600 ASX listed companies, NAOS have identified 273 that you deem as investible in the NAOS universe. So to do this, you've ruled out companies from the ASX top 50 as well as companies with less than \$20 million in market cap. So on top of that, you also have certain industries in structural long-term decline that are not conducive to long-term growth. Can you give us an example of one such industry here in Australia?

**Rob (10:40):**

Yeah, sure. So without pointing the finger at any particular industry, and I will highlight that where we've learnt from the past is investing where there's industry tailwinds is an extraordinarily powerful thing for you're wanting to see a business grow, you want to grow where there's growth really. And so with our B Corp kind of ESG frame, that rules out a lot of industries that we just don't invest in for that purpose, firstly.

**(11:05):**

Secondly, I think with our circle of competence, which we've narrowed down or refined over time, I think that leads us to avoid a lot of business industries, I should say, that mostly are capital intensive. Other industries I should say, which we just wouldn't invest in for whether that we think they're structurally facing structural declines, which is just not our circle of competence would be things like insurance companies, payments business, retail. We don't do a lot of retail, biotech.

**(11:34):**

Things like that where we're just not really suited for that style and we don't think we have any sort of better judgment than anyone else in that space or it's very binary. We certainly look to avoid, we're looking for higher quality businesses with tailwinds that are happily talk about some industry tailwinds later on, but businesses where they're growing in the growing market, they're capital light and they're able to generate free cash flow and reinvest that free cash flow with a long runway of growth in front of them.

**Aaron (12:02):**

Right. And pretty much on the flip side there, you kind of alluded to that there. Are there any particular industries in the Australian landscape that you are currently giving more attention to?

**Rob (12:10):**

Yeah, and this is, don't roll your eyes, but with the whole AI buzzword that's out there at the moment, this is probably more for looking to identify opportunities going forward is we've done a lot of work on ... You keep hearing around data centres and that's fine. That AI and the compute required for what is necessary going forward is quite extraordinary, that \$7 trillion of investments got apparently going to go into this space over the next decade. Those numbers, in terms of an industry tailwind, we've just never seen anything like that before that I can recall, certainly in my brief career.

(12:44):

So we're looking at ways in which there's ability to play AI in Australia that's not necessarily trying to invest in OpenAI, which you wouldn't be able to do anyway, right? Or some startup that has a particular AI software that may or may not be any good.

(13:02):

There's a lot of first order and second order derivatives of AI. As an example, and this is not to say that we aren't investing in this. The fact is that if AI wants to continue to grow, it's limited by its, I suppose, the physical infrastructure that it can train and compute and inference in as it goes forward. And the fact that we've got such a problem with the power behind the ability for data centres to have significant size, I think that you look at that there's a massive shortage of power infrastructure going forward. There's a massive shortage of the ability that you need people to roll out this electrical cabling and things like that. There's a lot of derivatives of the whole AI space that's not necessarily ChatGPT that will play out over time.

(13:48):

We're doing a lot of work just understanding that industry because I think it would be remiss not to, given how strong of a tailwind it is and the fact that it's reshaping or will reshape everyone's lives over the next little while. And speaking to a lot of ... Anecdotally speaking to a lot of speaking of a venture capital, prominent venture capital fund manager this morning and just hearing about how AI is transforming the businesses. Probably more cutting edge on the software technology side. It is quite remarkable, so it is all happening now and we just want to get our head around that. So that's certainly something we've been focusing a fair bit of time on.

**Aaron (14:23):**

Yeah, certainly. And look, there's also the mantra of quality over quantity and finding value with long-term growth in each of your portfolios, which is certainly needed in the high conviction strategies that you currently run. So as you mentioned before, NAOS typically has 10 to 20 companies in each of its strategies. How does the high conviction model benefit your investment style at NAOS?

**Rob (14:48):**

If I was sitting here to say that I knew you use those numbers earlier around 200 odd companies that are in our, let's call it universe. If we knew a hundred of them well, very well, that would be a stretch. If we know 80 companies very, very well, that would probably be more closer to the mark and maybe even a bit less than that. But the point I'm trying to raise is for us to have real strong conviction on a few names is we'd rather dive deep and know those businesses intimately well as far as we can. And we think the more you know something, assuming it stacks up and you've got your rigorous investment process there, the more conviction you can get over time.

(15:28):

So a friend of mine who works in this industry often says, "You can borrow someone's idea, but you can't borrow their conviction." So we think it's better to have fewer shots on goal and focus more on what we know well and identify good opportunities and rest with conviction behind those ideas. And it's akin to that Buffett 20 punch card type mentality is we'd rather think things through properly, understand the business and its tailwinds intimately well, and then happy to allocate capital for a long period of time in that particular business.

**Aaron (16:00):**

And given the volatility over the past year in both Australian and global equities, has it been a challenge maintaining your high conviction portfolios?

**Rob (16:08):**

Yeah, certainly not for the faint-hearted being high conviction, especially in the emerging company space, which inherently has a more volatile and a high risk and a lower liquidity profile, certainly on the ASX anyway. So what I would probably say the last, I'd characterize it, say, probably 2025 generally feels like a very different environment than it probably has over the last probably two to three years before that, 2023, 2024 higher rate environment.

(16:36):

Micro-caps, emerging companies in general were very much on the outer. And that would probably be the very challenging times if I'm going to be



honest, more so than 2025 where we've seen capital start to come back into that space, obviously, with rate reductions, et cetera. And we always think a good bellwether for that is the IPO market and also the capital raising market in general in the emerging company space. It's definitely picked up.

(17:00):

So I'd probably flip that and say things seem to be looking a lot more. There was light at the end of the tunnel over the last couple of years, and that definitely feels a lot closer now, and we feel like we're in a completely different paradigm than where we were over the last couple of years. And that's when high conviction, it comes out the bottom, and certainly there's still a lot of value in small caps and you've seen them outperform over the last little while relative to large caps, and I think that's because there's a lot of value there.

**Aaron (17:25):**

Great. And hopefully that's given our listeners a quick little insight into the way that NAOS like to invest. Rob, I'd now like to put that to the challenge now, and I'd like to go over the strategies. And are you able to provide maybe two or three different companies that you invest in across those strategies? Maybe talk about why they're appealing to you and why they've got a place in your portfolio.

**Rob (17:46):**

Sure, not a problem. So firstly, I'll talk about a business that's been a long time holding within our NAOS portfolio is one called COG Financial, the stock code is COG. And what they do, it's finance broking and aggregation. So if you think about you're a B2B, you're a business and you're a tradie as an example, and you need to asset finance, a piece of yellow kit, whatever it is, these guys are the dominant player in that space in the Australian market. So instead of being a mortgage broker or an insurance broker, they're an asset finance broker. They've done a very good job of consolidating that space up.

(18:20):

It had been a frustrating investment for quite some period of time for us. And all of that changed about in the last 12 months because what's occurred is you've seen a change at the board level where you've had some significant expertise from the PSA insurance days. Tony Robinson and John Dwyer, who are two of the co-founders and key players at PSC Insurance, which for listeners out there, that went from a nine-year experience on the ASX, went from a dollar turned into \$7 including dividends, and it was a 25% IRR over that period of time.

(18:56):

These particular gentlemen have now come in and now they're heavily involved in COG. And what's that same COG do, it's simplified its business, it's focused more on less non-core that had a lot of non-core equity holdings. They've got out of all that, they've cleaned up the balance sheet and are continuing to do so, and they're focused on growing the insurance broking side of things.

(19:17):

So asset finance insurance broking are basically hand in glove because if you buy a big yellow kit, a big crane or something like that, of course, you're going to get it insured. So we think the opportunity for COG to grow their insurance broking footprint over the next four or five years is very material. And there's certainly no better people to do that in the ASX kind of market and the landscape in Australia than the former gentleman from PSC Insurance who are now focused on COG, which is great to see. So you're getting that business. Capital light business that produces a lot of free cashflow and you can still get that business today on a submarket, multiple PE and with a strong dividend yield. So we think there's plenty of growth in that one still over the next couple of years.

**Aaron (20:02):**

Sure. And any other companies that come to mind then?

**Rob (20:04):**

Yeah, sure. A bit of a different one, which is quite polarizing is a company called Bravura, which is a software provider to the funds administration and the industry, super industry, super funds in Australia. So the likes of Aware, Rest, et cetera, they're customers of Bravura, and that's all publicly known.

(20:25):

Bravura has had a very interesting history. It was, as I said, it's mission-critical software that's been in place for quite some period of time within these particular big customers both here and in EMEA as well. And there'd been some management changes over that period of time. In 2023, they had an emergency capital raising, and at that period of time you saw some Canadian investors become involved in the business and they've continued to buy shares and now effectively have over a period of time. The Canadians represent most of ... Have a significant board say as well. Plus, the interim CEO is affiliated with that business.

(21:05):

Who are these Canadian investors are, is they're L1 and Pinetree. They're associated with Mark Leonard. So if anyone out there who has heard of Constellation Software, Mark Leonard is the founder of what is ... I think he turned \$25 million into \$100 billion Canadian over 20 years. It's been

one of the most extraordinary journeys of all time. And a lot of the key executives, including his family members are involved now with Bravura.

(21:32):

So a little old ASX little company, a billion-dollar company now on the ASX has these incredible pedigree of individuals that are now involved and are rolling out best practices that they've learned from their days in Constellation software throughout the Bravura business. And you're certainly seeing that with the margin improvement that's occurred over time.

(21:51):

And also, I mentioned earlier around remuneration incentive framework. So as Charlie Munger said, "You show me the incentives, I'll show you the outcome." And what Bravura have done as of FY-26 onwards is a really high performance remuneration framework that's been put in place. And we think that's going to pay a lot of dividends for shareholders going forward. So this business has, it might not be known from a lot of the ASX investors how high quality some of these individuals are that are now involved, and we think that's really exciting over the next few years.

**Aaron (22:22):**

Great. And those two companies that you've just mentioned, you can find them across the three different strategies that you've got there, the emerging, the small cap, and the Ex-50 strategies. Last question before we get out of here, Rob, we always like to leave the tough questions for last, so feel free to give this one a pass if you feel so. But out of the three strategies that you currently run as portfolio manager of, which do you feel the most optimistic about?

**Rob (22:45):**

It's a very tough question. It's like asking which is your favourite children type thing.

**Aaron (22:49):**

Child. Yeah.

**Rob (22:50):**

The way maybe I'd characterize that differently is I'd probably look at which one's trading at the probably biggest discount to NTA, and that would be the NAC portfolio at the moment, which has, in my opinion, has some very good businesses in it with a lot of upside over the next little while. Businesses that are run by good management team and good boards. I don't want to pick one, but given that the mathematical equation and discount to NTA, that makes a bit of sense there.

**Aaron (23:17):**

There you have it. And for our listeners at home NAC, the NAOS Ex-50 Opportunities Company Limited. Fantastic. Thank you, Rob, for joining us today to talk all things NAOS.

**Rob (23:27):**

No worries. Thanks for having me on, Aaron.

**Aaron (23:29):**

Now, for more information on any of the NAOS companies you've heard of today, head on over to [naos.com.au](http://naos.com.au), N-A-O-S, where you can read insights or register for the NAOS Investor Roadshow coming to a capital city near you. I'm hoping to be at the Sydney one there, so I hope to see you there. For more information about NAOS, you can also, of course, as always, head over to the ASX website. Thanks for tuning in. Catch you in the next one.

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