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QUARTERLY INVESTOR
BRIEFING
Q2 FY2018

WEDNESDAY, 31 JANUARY 2018 10:30 AM AEDT
WITHIN AUSTRALIA: 1800 804 595
OUTSIDE AUSTRALIA: +61 3 8687 0650

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NAOS INVESTMENT BELIEFS

We believe success is achieving returns for our investors, over a three to five year period, better than and without correlation to the broader market with less risk of permanent capital loss.

We see value in the sharing of ideas with our investment community via open and transparent communication to ensure investors are able to make informed decisions.



VALUE
FOCUSED



QUALITY OVER
QUANTITY



INVEST FOR
THE LONG TERM



IGNORE
THE INDEX



PURE EXPOSURE
TO INDUSTRIALS



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE (ESG)



MANAGEMENT
ALIGNMENT

OUR LISTED INVESTMENT COMPANIES

NAOS EMERGING
OPPORTUNITIES
COMPANY LIMITED

ASX: NCC

Emerging /Microcap
Industrial Companies

Target Market Cap \$10M -
\$250M

NAOS SMALL CAP
OPPORTUNITIES
COMPANY LIMITED

ASX: NSC

Small Cap
Industrial Companies

Target Market Cap \$20M
- \$1B

NAOS ABSOLUTE
OPPORTUNITIES
COMPANY LIMITED

ASX: NAC

Small/Mid Cap
Industrial Companies

Target Market Cap \$400M
-\$1B+

A misty forest scene with sunlight filtering through the trees, creating a soft, golden glow. The trees are tall and thin, with some showing signs of decay or damage. The ground is covered in fallen leaves and pine needles.

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1. Review

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

Charlie Munger

PERFORMANCE

AS AT 31 DECEMBER 2017

NCC*	\$1.40 Pre Tax NTA	\$1.46 Share Price	+4.91% 3 month Performance	+13.69% 3 month Performance XSOAI#
NSC^	\$1.04 Pre Tax NTA	\$0.935 Share Price	+1.09% 1 month Performance	+3.20% 1 month Performance XSOAI#
NAC*	\$1.17 Pre Tax NTA	\$1.055 Share Price	+12.59% 3 month Performance	+1.06% 3 month Performance Benchmark (RBA cash rate + 250BPS)

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.

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

DIVIDEND HISTORY

AS AT 31 DECEMBER 2017

ASX: NCC

4.79%

Historical Dividend Yield

100%

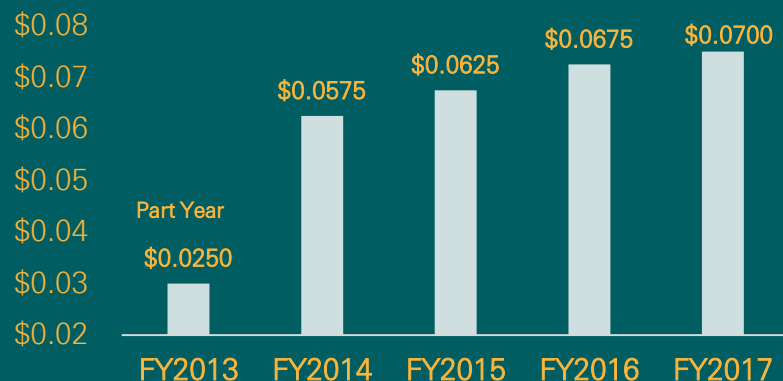
Franking

\$1.40

Pre Tax NTA

7c ▲

Fully Franked Dividend



ASX: NAC

4.74%

Historical Dividend Yield

100%

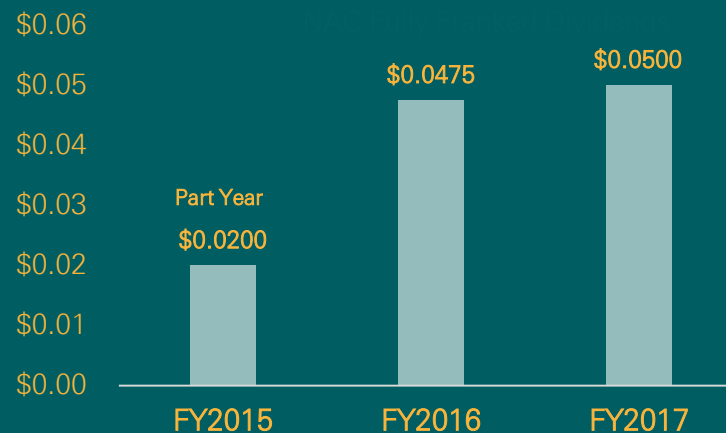
Franking

\$1.17

Pre Tax NTA

5c ▲

Fully Franked Dividend



KEY EVENTS

ASX: NCC

- **ASX: COG** Looking for signs of both business and financial progress to be made through CY2019 after a year of consolidation.
- **ASX: BSA and ASX: SND** Revenue and margin expansion from significant industry tailwinds through infrastructure spending.
- **ASX: BRI, ASX: BTC and ASX: WNR** Potential strategic business acquisitions.
- Potential for one or two new strategic long term positions.

KEY EVENTS

ASX: NSC

- **ASX: TOT, ASX: TGP, ASX: JHC and ASX: SSM** Add to what we believe are conservatively positioned businesses that offer reasonable (8-15% p.a.) long term returns with lower capital risk.
- **ASX: OTW and ASX: HLO** Selectively invest and increase exposure to more value and growth orientated businesses that will benefit from scale and efficiencies.
- Will not be rushed into deploying the current significant cash position of circa 40% even at the expense of short term underperformance.
- Aim to build a sustainable profit reserve and franking account to enable payment of a growing stream of dividends franked to the maximum extent possible over the longer term.

KEY EVENTS

ASX: NAC

- Further build out a small number of strategic long term positions to supplement **ASX: MOE**, **ASX: MNF** and **ASX: CAJ** in the Australian mid-cap space (such strategic positions often account for a significant amount of the portfolio performance i.e. **ASX: ELD** and **ASX: MNF**).
- Expect **ASX: MOE** to continue to use their substantial cash balance and build out a specialised funds management business and increase annuity revenue streams.
- Review the merger of **ASX: CAJ** and **ASX: IDR** and any subsequent synergies and movement in radiologists which may affect the valuation of **ASX: CAJ**.
- Maintain a significant amount of liquidity & therefore flexibility to protect investor capital by increasing cash weightings quickly whilst also creating opportunities to move into new core positions using price volatility to our advantage.



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2. Market Outlook

“First, no one really knows what events are going to transpire. And second, no one knows what the market’s reaction to those events will be.”

Howard Marks

Portfolio Overall | Heightened Awareness

1. Stock specific valuations of mainly growth companies especially when overlaying potential long term earnings fluctuations.
2. Company balance sheets and the ability to fund acquisitions or reinvestment organically, examples include ASX: MOE, ASX: SND, ASX: COG and ASX: TOT.
3. Focusing on long term thematic that are not currently considered flavour of the month i.e. ageing demographics, education and infrastructure spending.

MANAGING STOCK SPECIFIC RISK

Can these businesses prove themselves over the long term?

	1YR Total Return	Market Cap
Getswift (GSW)	949%	595M
Linius (LNU)	240%	153M
Temple and Webster (TPW)	243%	65M

We prefer to be in these types of businesses

	1YR Total Return	Market Cap
Elders Limited (ELD)	115%	986M
Aust Ethical (AEF)	94%	180M
Smartgroup (SIQ)	89%	1.4B
Cml Group (CGR)	82%	77M

* Source Bloomberg, figures as at 31 December 2017

Portfolio Overall | NAOS Focus

1. Stock specific fundamentals over a 3 year view and not market noise. We will focus on risk mitigation and then returns. Variables to consider include technological competitive advantages, reliance on equity markets for funding and companies that are not market aware or facing.
2. Finding companies that are run by proven management teams who have proven track records of generating strong shareholder returns and returns on capital. Often these businesses have similarities to successful privately run family businesses.
3. The quality and sustainability of a company's earnings base and more importantly their rapport with their own customer base and ability to meet their requirements and demands.

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3. Keeping up to Date

“Wide diversification is only required when investors do not understand what they are doing.”

Warren Buffett

NAOS INVESTOR ROADSHOW MARCH 2018

Save the date

Adelaide 11:00 am- 12:30 pm 6 March 2018 Pullman Hotel Adelaide 16 Hindmarsh Square Adelaide SA 5000	Canberra 11:00 am- 12:30 pm 7 March 2018 Hyatt Hotel Canberra 120 Commonwealth Ave Yarralumla ACT 2600	Brisbane 11:00 am- 12:30 pm 8 March 2018 Customs House Brisbane 399 Queen St Brisbane SA 4000
Melbourne 11:00 am- 12:30 pm 13 March 2018 Westin Melbourne 205 Collins St Melbourne SA 3000	Sydney 11:00 am- 12:30 pm 14 March 2018 Hilton Sydney 488 George St Sydney NSW 2000	Perth 11:00 am- 12:30 pm 15 March 2018 Crown Perth Great Eastern Highway Burswood WA 6100

INVESTOR AWARENESS AND COMMUNICATION



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Quarterly Shareholder Conference Calls, subscribe via our website naos.com.au/#subscribeform



Monthly Investment Report & NTA email updates, subscribe via our website naos.com.au/#subscribeform



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



Twice yearly National Roadshow



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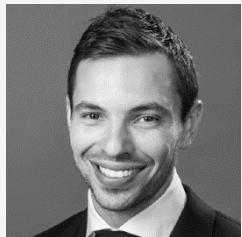
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For all enquires contact enquiries@naos.com.au or call (02) 9002 1576

NAOS TEAM

THE BOARD



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



Mark Bennett
Director, NAOS Asset Management Limited



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



David O'Halloran
Director, NAOS Asset Management Limited

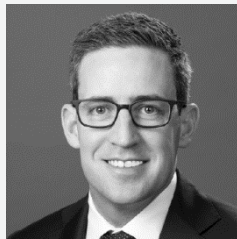


David Rickards
Chairman & Director, NCC and NAC

OUR TEAM



Sebastian Evans
Chief Investment Officer



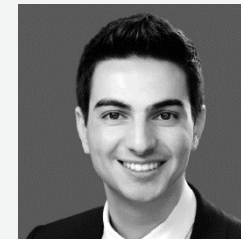
Ben Rundle
Portfolio Manager



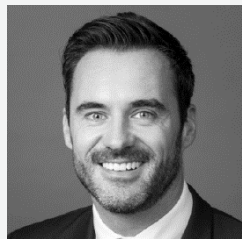
Jeffrey Kim
Portfolio Manager



Robert Miller
Portfolio Manager



Chadd Knights
Associate Analyst



Richard Preedy
Chief Financial and Operating Officer



Julia Stanistreet
Business Development Manager



Megan Walker
Marketing and Communications Manager



Rajiv Sharma
Senior Legal Counsel and Company Secretary NCC, NSC & NAC



Scott Hildebrand
Distribution & Sales Manager

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Q&A

THANK YOU FOR
YOUR SUPPORT