

# National Investor Roadshow NAOS Asset Management

NAOS

September 2018

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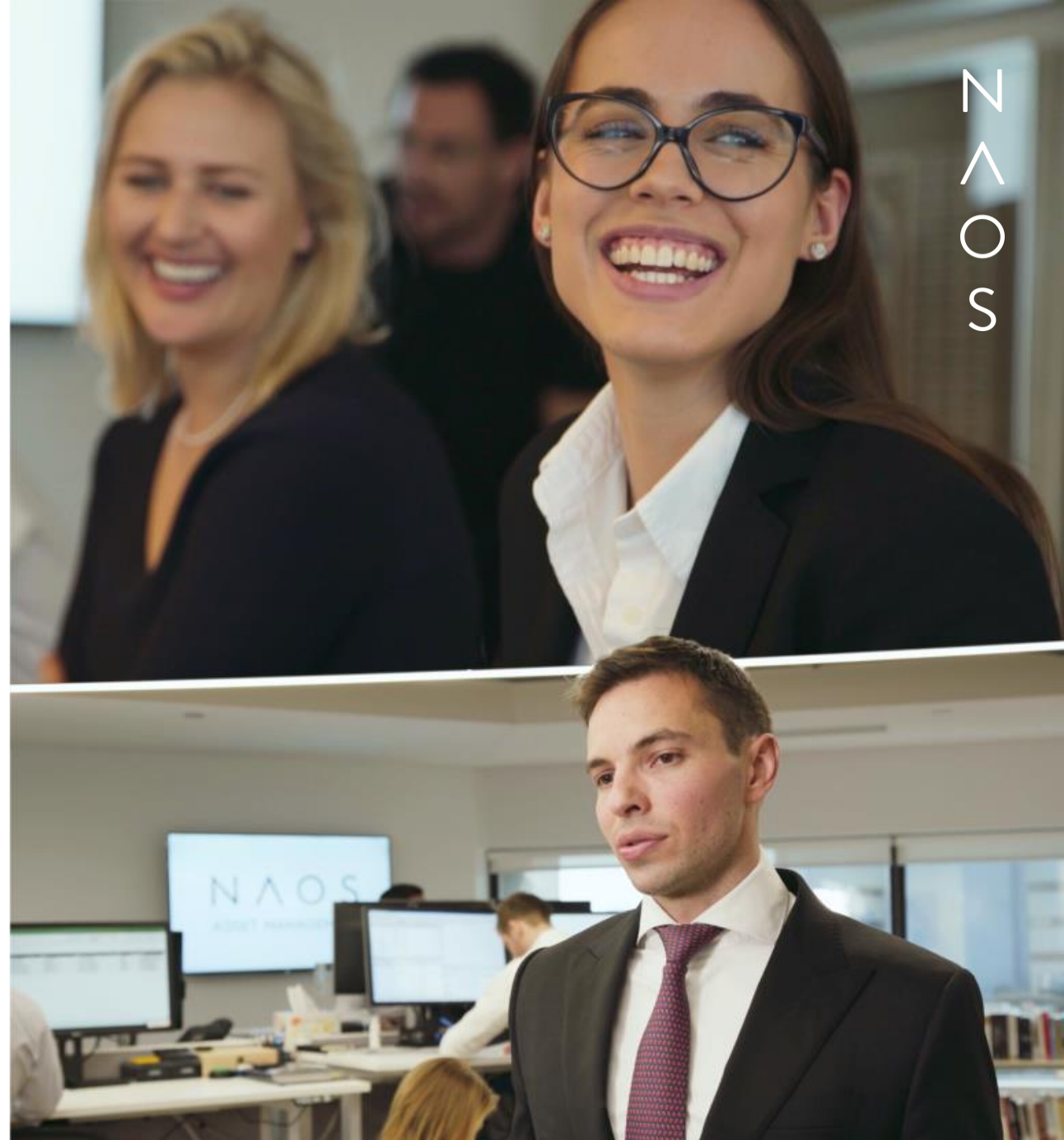
# NAOS Asset Management Limited

CONVICTION. LONG TERM. ALIGNED

NAOS is a specialist fund manager providing genuine, concentrated exposure to Australian listed industrial companies outside of the ASX-50.

With more than 8,000 shareholders, NAOS manages over \$330 million across three Listed Investment Company vehicles.

The team of nine is led by Sebastian Evans, Chief Investment Officer and Managing Director. Supporting Sebastian is a group of experienced investment and support professionals and a deeply experienced and well credentialed Board of Directors.



NAOS

# NAOS Investment Beliefs



01

Value with Long  
Term Growth



02

Quality over  
Quantity



03

Invest for the  
Long Term



04

Performance v  
Liquidity Focus



05

Ignore the  
Index



06

Pure Exposure  
to Industrials



07

Environmental,  
Social and  
Governance (ESG)



08

Management  
Alignment



# NAOS Investment Mandate

## 01

NAOS seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and long-term capital growth above the relative benchmark index.

## 02

NAOS provides investors with genuine, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

# NAOS Listed Investment Companies



Source: Bloomberg Data March 2018

# NTA & Performance

	PRE TAX NTA 31 JULY 2018	1 YEAR PORTFOLIO PERFORMANCE TO 31 JULY 2018	1 YEAR BENCHMARK PERFORMANCE TO 31 JULY 2018	1H FY18 PERFORMANCE TO 31 DECEMBER 2017	PORTFOLIO INCEPTION PERFORMANCE P.A.
NCC*	\$1.23	+1.48%	+22.58%	+11.86%	+15.39%
NSC^	\$0.92	n/a	n/a	+1.09%	-4.17%nom.
NAC*	\$1.11	+11.11%	+10.83%	+14.21%	+14.91%

\* 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. NCC Benchmark is the S&P/ASX Small Ordinaries Accumulation Index and NAC Benchmark is the S&P/ASX 300 Industrials Accumulation Index.

^ Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. NSC Benchmark is the S&P/ ASX Small Ordinaries Accumulation Index, 1H FY18 and inception performance (nominal) is from 1 December 2017.



# LIC Overview and Investment Update

NAOS

“The real big money in the investment world, the dependable money, the safe money, is made not betting the things that have gone up a lot will continue, but on betting the things that have gone down a lot and become unloved will rebound”.

HOWARD MARKS



# NCC Overview as at 29 August 2018

## DIVIDENDS

**\$14m**

Profits Reserve

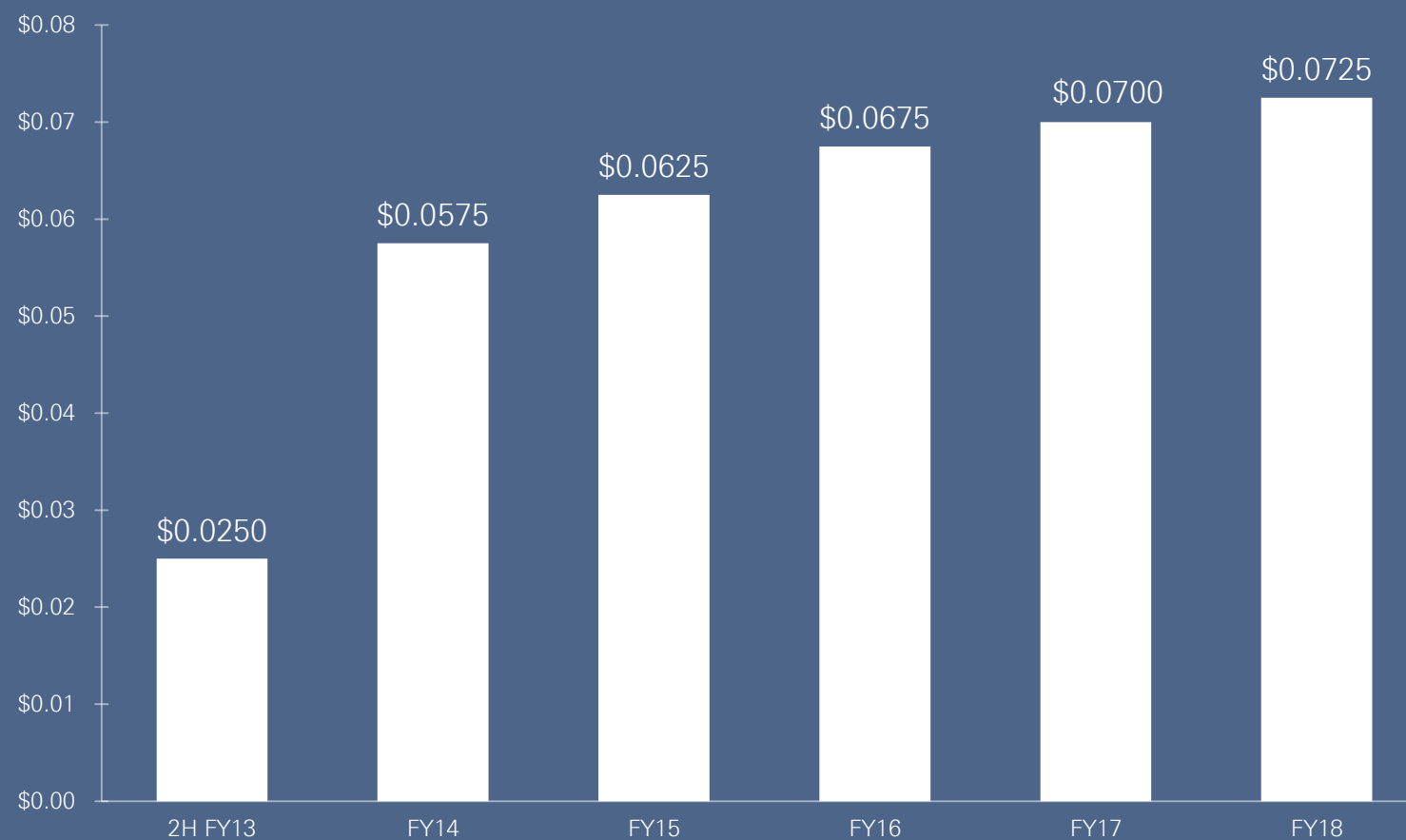
**5.71%**

Fully Franked Dividend Yield

**100%**

Franking

## Dividend Profile



# NCC Overview

## PORTFOLIO as at 31 July 2018

9

Number of Holdings

0.59%

Cash Weighting

3.9m

NCC Directors Shareholding

\$90.6m

Holdings Weighted av. Mkt Cap

## PORTFOLIO METRICS as at 30 August 2018

2.35%

Dividend Yield

27.44%\*

Projected EBITDA Growth (12 month)

7.29

Enterprise Value to EBITDA

0.55

Net Debt to EBITDA

\*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance. Excludes two investments due to negligible EBITDA in FY18.

# NCC Overview

## STOCK SPOTLIGHT

Continued to build concentrated positions in our portfolio stocks, which have remained the same since our March Roadshow



Wingara AG  
Limited




ENERO

NAOS



# Capital Preservation

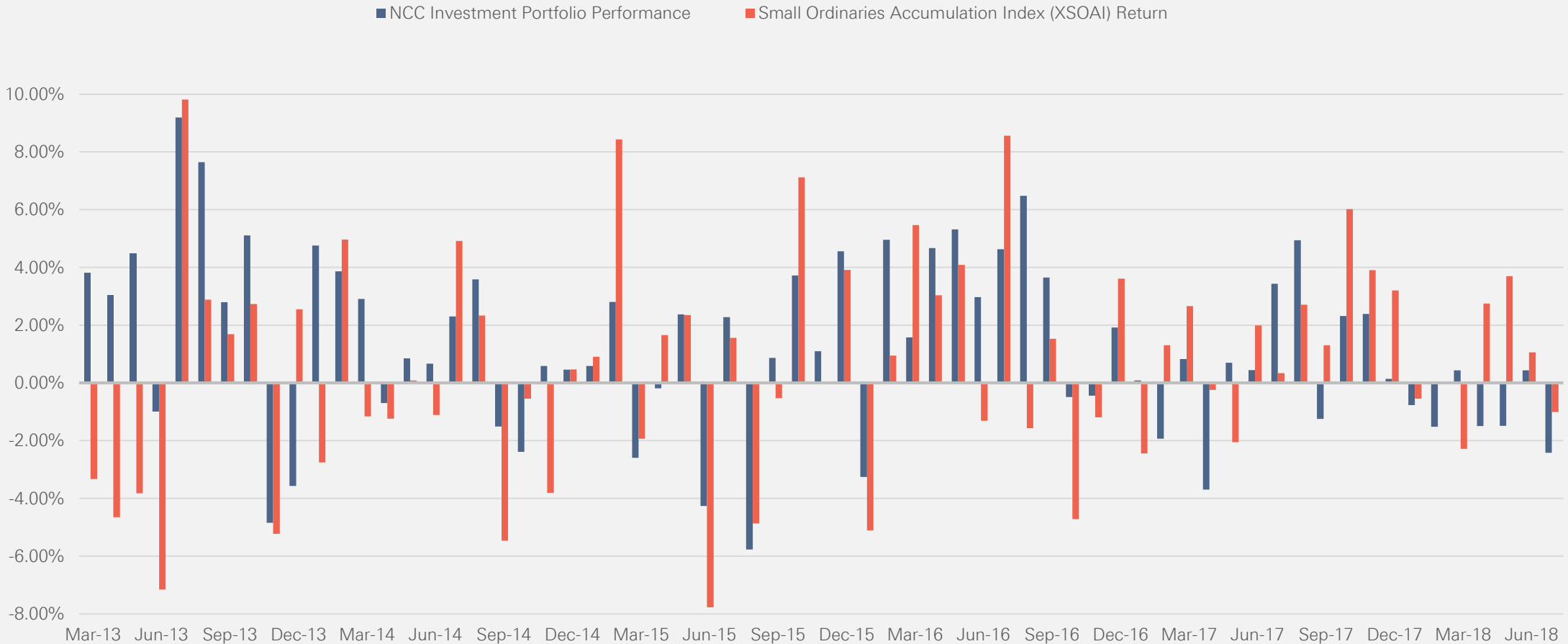


"Since you don't get advance warning about what kind of environment is coming next, you should always be concerned about preserving your money."

SETH KLARMAN

# Long Term Outperformance

NCC Inception Performance 15.39% p.a. v Benchmark XSOAI 6.70% p.a.\*



\* Figures are as at 31 July 2018, inception date is February 2013 and inception p.a. includes part performance for the month of February 2013.

# NSC Overview

as at 29 August 2018

## DIVIDENDS

**\$18.6m**

Profits Reserve

**6.21%**

Fully Franked Dividend Yield

**100%**

Franking

## Dividend Profile





# NSC Overview

PORTFOLIO as at 31 July 2018

11

Number of Holdings

7.62%

Cash Weighting

1.59m

NSC Directors Shareholding

\$234.8m

Holdings Weighted av. Mkt Cap

PORTFOLIO METRICS as at 30 August 2018

3.24%

Dividend Yield

20.77%\*

Projected EBITDA Growth (12 month)

7.99

Enterprise Value to EBITDA

0.36

Net Debt to EBITDA

\*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance.

# NSC Overview

## STOCK SPOTLIGHT

A more concentrated portfolio, moving from 15 to 11 stocks\*

\*Since our last Investor Roadshow in March 2018



  
OvertheWire

  
mnf group

NAOS

# NAC Overview

as at 29 August 2018

## DIVIDENDS

**\$5.7m**

Profits Reserve

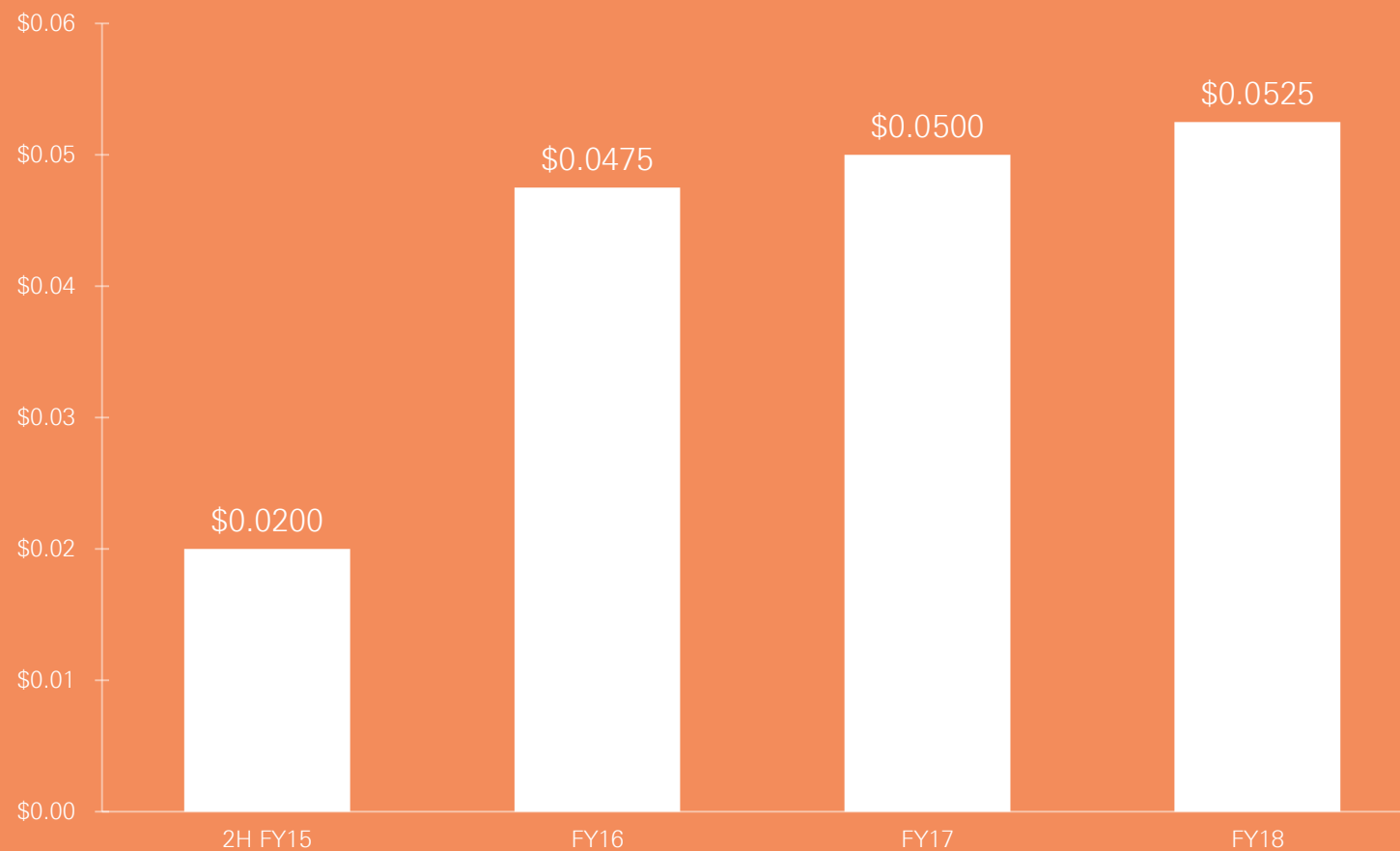
**5.25%**

Fully Franked Dividend Yield

**100%**

Franking

## Dividend Profile





# NAC Overview

## PORTFOLIO as at 31 July 2018

12

Number of Holdings

6.39%

Cash Weighting

3.87m

NAC Directors Shareholding

\$893.7m

Holdings Weighted av. Mkt Cap

## PORTFOLIO METRICS as at 30 August 2018

3.24%

Dividend Yield

20.28%\*

Projected EBITDA Growth (12 month)

9.54

Enterprise Value to EBITDA

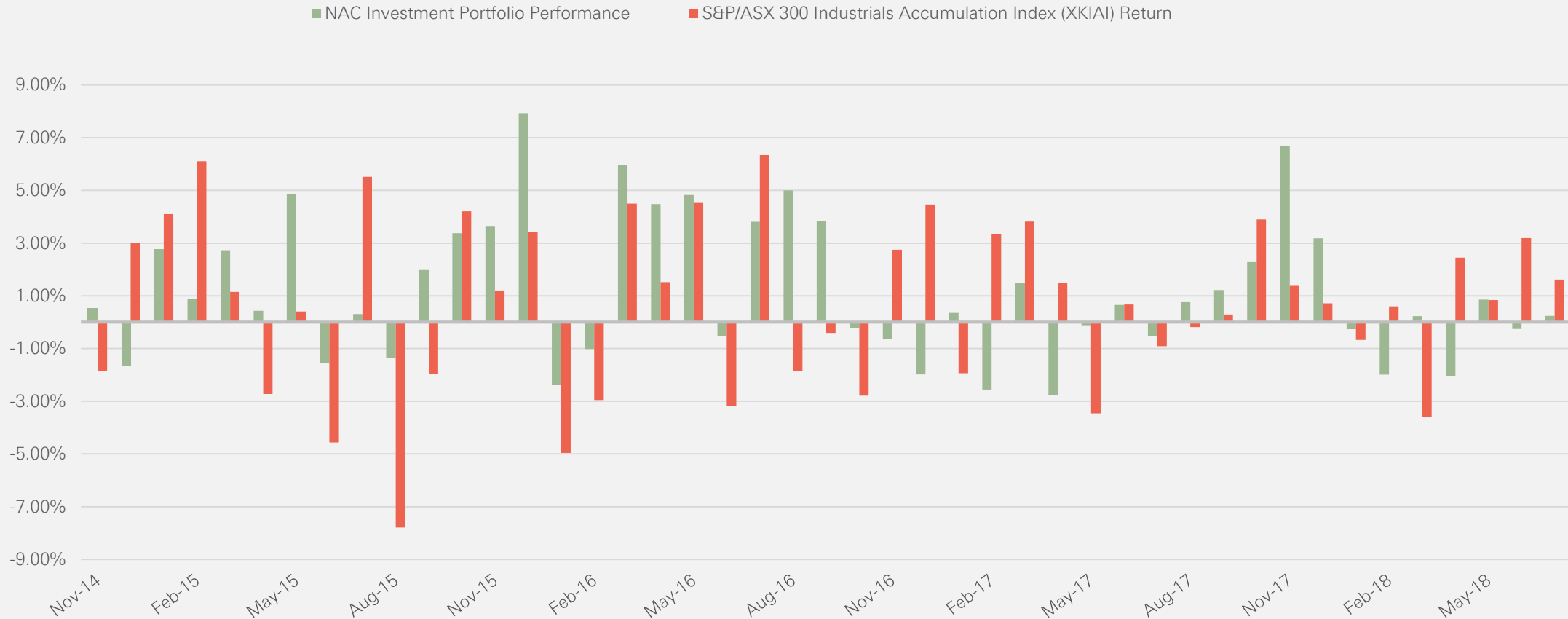
0.12

Net Debt to EBITDA

\*Based on NAOS forecasts that are forward-looking in nature. This is not a guarantee or prediction of future performance.

# Long Term Outperformance

NAC Inception Performance 14.91% p.a. v Benchmark XKIAI 8.21% p.a.\*



\* Figures are as at 31 July 2018, inception date is November 2014 and inception p.a. includes part performance for the month of November 2014.

# NAC Overview

STOCK SPOTLIGHT:\*

Removed



\*Since our last Investor Roadshow in March 2018

Added





# The case for concentrated investing

“A lot of great fortunes in the world have been made by owning a single wonderful business. If you understand the business, you don’t need to own very many of them.”

WARREN BUFFETT



# NAOS LIC Concentration v Other Small Cap LICs as at 30 June 2018

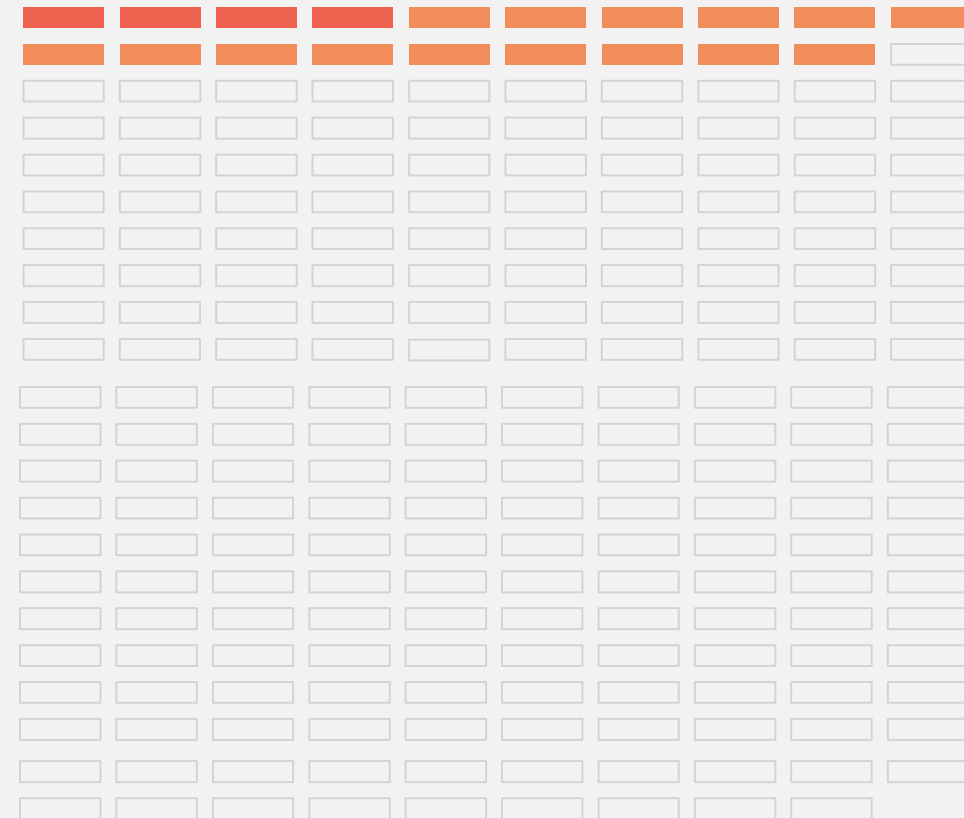
	NUMBER OF HOLDINGS	TOP 5 WEIGHT % OF PORTFOLIO
LIC 1	92	14.30%
LIC 2	72	15.70%
LIC 3	20-65	24.20%
LIC 4	20-30	22.70%
LIC 5	30	30.68%
LIC 6	29	35.70%
NCC	9	71.64%
NSC	11	59.99%
NAC	11	66.06%

# The case for concentrated investing

Over the last 3 years to June 2018, 4 stocks in the ASX 300 Industrials Index have been able to earn an annualised return of over 100%, and 15 stocks earned over 50% annualised return.

HOLDING NAME	ASX CODE	INDUSTRY	ANNUALISED RETURN
Appen Ltd	APX	Technology	171%
A2 Milk Company Ltd	A2M	Food & Beverage	154%
HUB24 Ltd	HUB	Diversified Financials	113%
NRW Holdings Ltd	NWH	Commercial Services	109%
Smartgroup Corp Ltd	SIQ	Commercial Services	74%
Altium Ltd	ALU	Software & Services	72%
Service Stream Ltd	SSM	Software & Services	72%
Emeco Holdings Ltd	EHL	Commercial Services	68%
Webjet Ltd	WEB	Software & Services	67%
Aristocrat Leisure Ltd	ALL	Commercial Services	59%
Pro Medicus Ltd	PME	Health Care	55%
Bellamy's Australia Ltd	BAL	Food & Beverage	54%
Treasury Wine Estates Ltd	TWE	Food & Beverage	53%
Clean Teq Holdings Ltd	CLO	Commercial Services	51%
Lovisa Holdings Ltd	LOV	Retail	51%

## 219 STOCKS IN THE INDEX (LISTED > 3 YEARS)



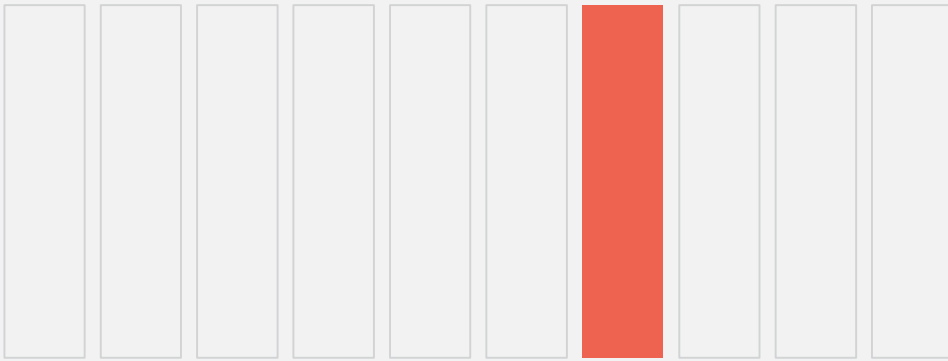
Good ideas are scarce

Figures at 30 June 2018, source: IRESS



# The case for concentrated investing

10 STOCK PORTFOLIO

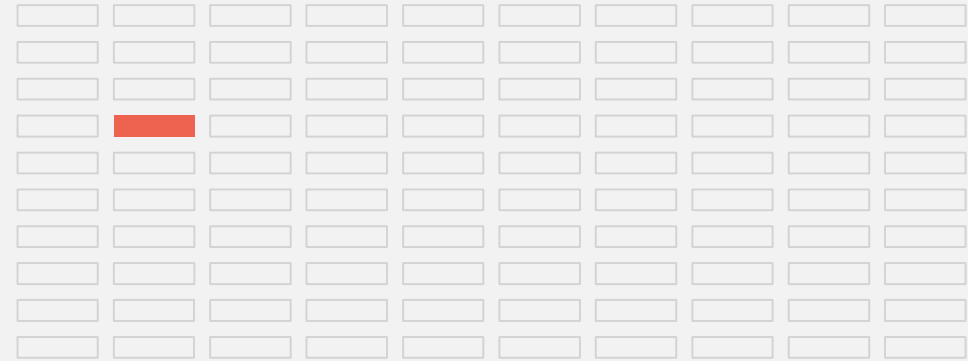


1 stock doubles in value =

**10%**

Contribution to Return

100 STOCK PORTFOLIO



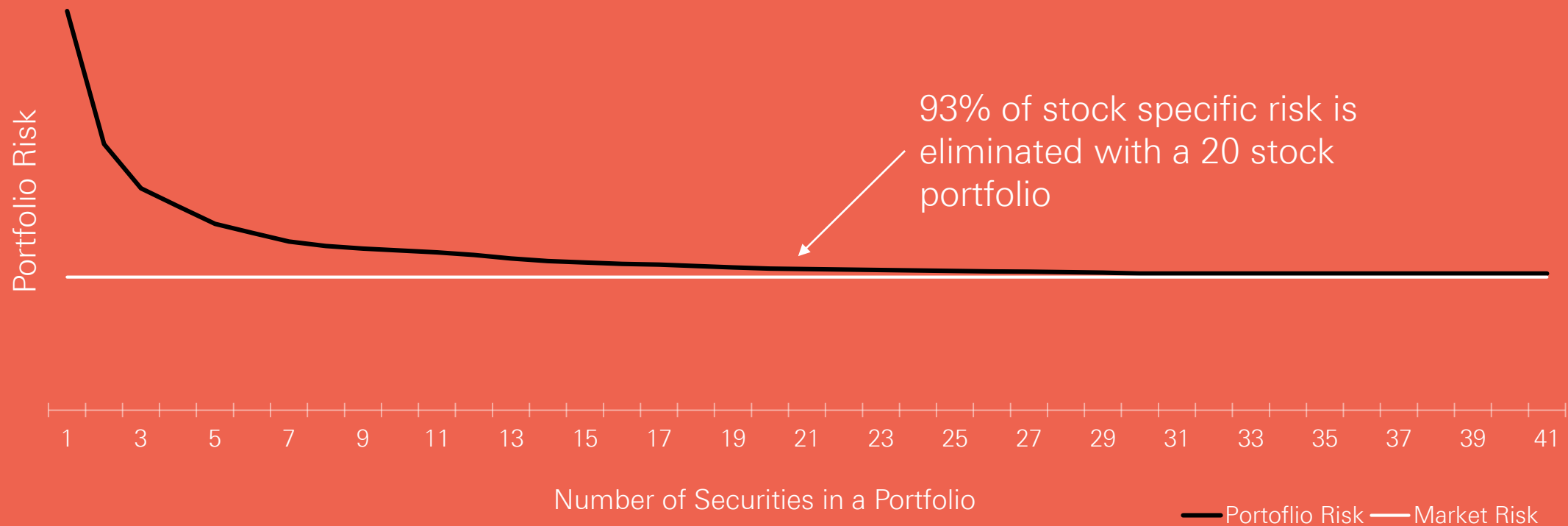
1 stock doubles in value =

**1%**

Contribution to Return

Holding too many stocks in a portfolio can crowd out returns from good ideas

# The case for concentrated investing



Diversification isn't lost and there is evidence for superior performance

Source: Dresdner Kleinwort Macro Research

# Market Review

“Bull markets are born on pessimism,  
grow on scepticism, mature on  
optimism and die on euphoria.”

SIR JOHN TEMPLETON



# Key attributes of a market correction

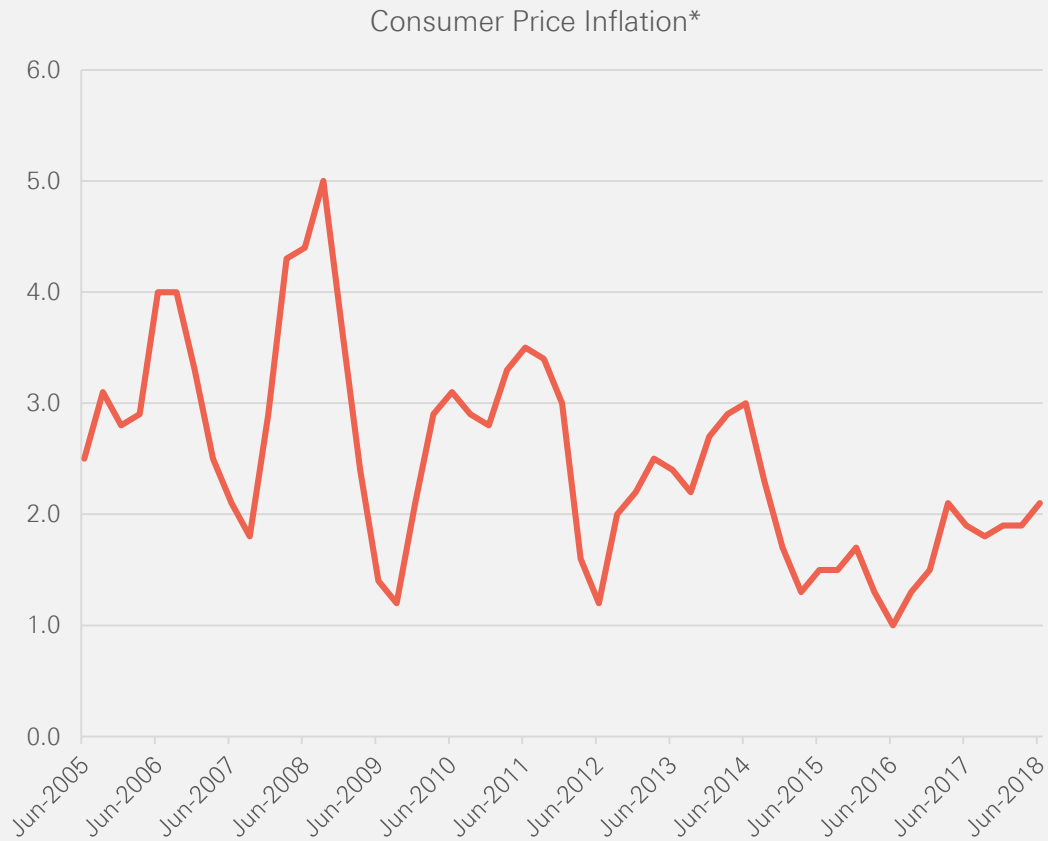
## 1. VALUATION

	PER (x)	EPS GROWTH (%)	DIV YIELD (%)	PRICE + DEBT/EBIT (x)
Industrials ex Fin ex Listed Property Trusts	21.6	1.8	3.3	16.6
Financials	14.6	-5.1	5.7	12.6

Source: Macquarie Wealth Management Research 15 August 2018, figures as at 30 June 2018

# Key attributes of a market correction

## 2. RECESSION



\* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999-2000. Source: ABS, RBA released on 8 August 2018.



# Total pay excluding bonuses, source: ABS

# Key attributes of a market correction

## 2. RECESSION

### NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 6: BUSINESS CONFIDENCE (NET BALANCE)

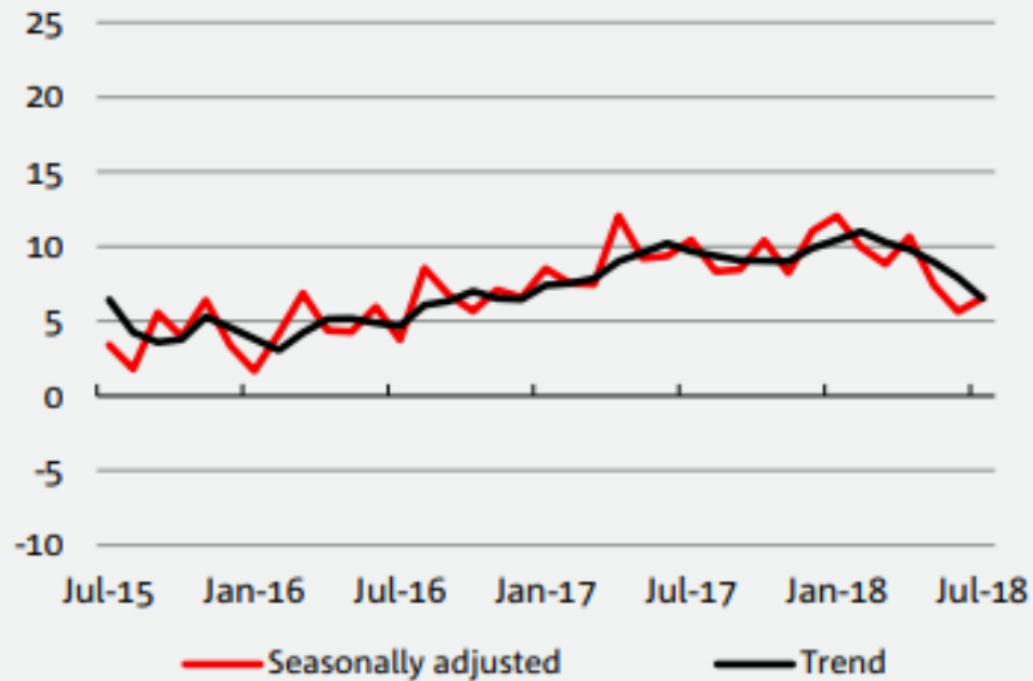
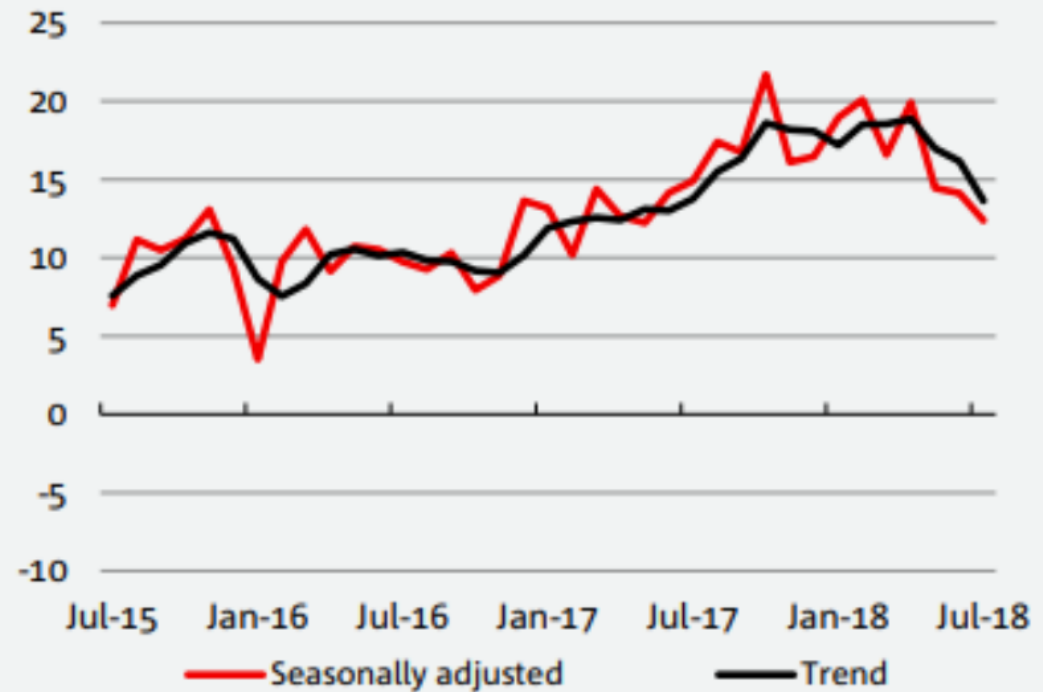


CHART 7: BUSINESS CONDITIONS (NET BALANCE)

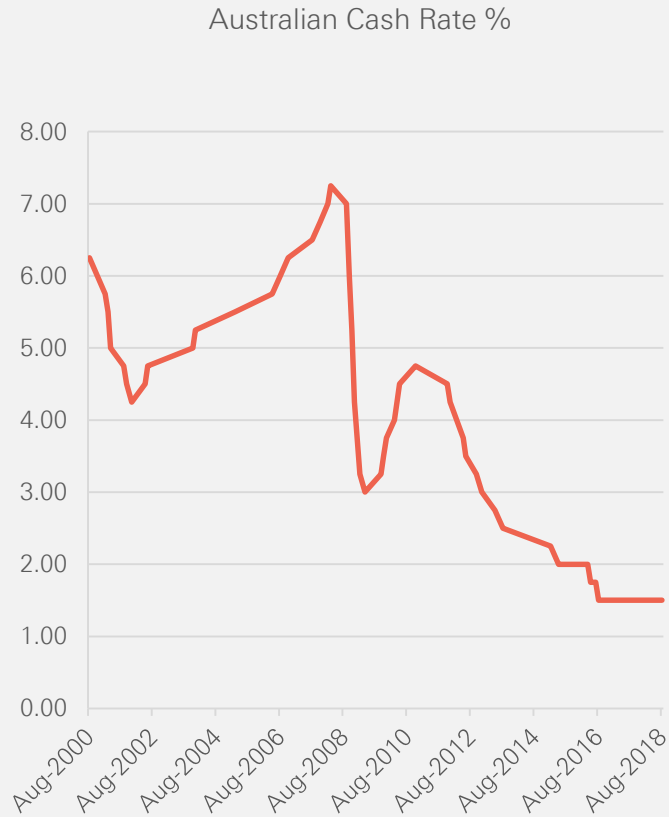


Source: NAB Monthly Business Survey July 2018 <https://business.nab.com.au/wp-content/uploads/2018/08/2018m07-NAB-Monthly-Business-Survey.pdf>

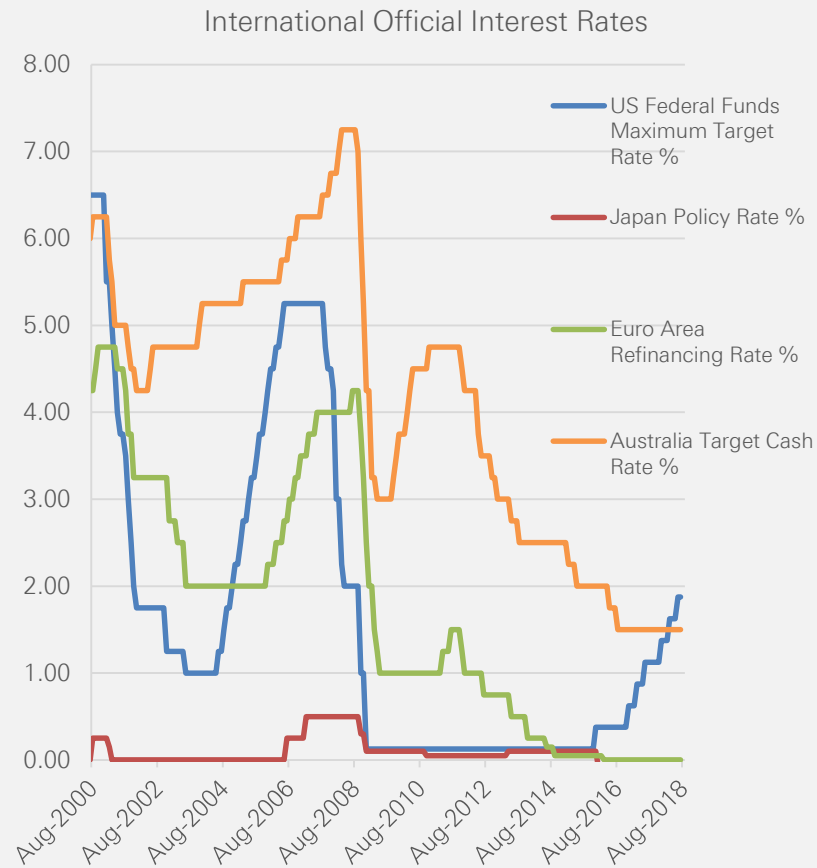


# Key attributes of a market correction

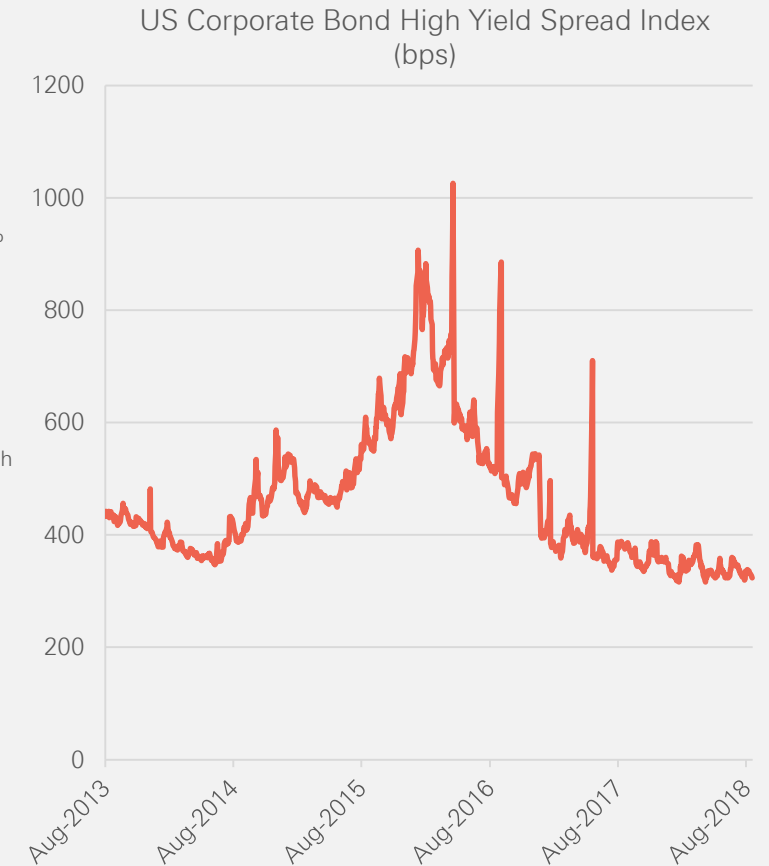
## 3. CENTRAL BANKS



Source: ABS, RBA released on 8 August 2018.



Source: RBA, Federal Reserve Bank of NY, Bank of Japan & European Central Bank via RBA



Source: Bloomberg Data 29 August 2018

# Key attributes of a market correction

## 4. INVESTOR EUPHORIA



# Geopolitical Events

We can't forecast geopolitical events and their impact



# NAOS Asset Management giving back

NAOS, the management company, is proud to be supporting the following charities



'Golden Shouldered Parrot' threatened species project, in partnership with Bush Heritage



'Reef Aid' campaign, in partnership with Greening Australia




**Royal Flying Doctor Service**

*The furthest corner. The finest care.*

RFDS, dedicated to providing healthcare to Australians in remote communities



An aerial photograph of a snowy mountain slope. In the center, a ski lift cabin is visible, suspended from a cable. Several skiers are scattered across the slope, some standing and others in motion. Long shadows are cast across the snow, suggesting a low sun position. The overall scene is serene and captures a moment of winter recreation.

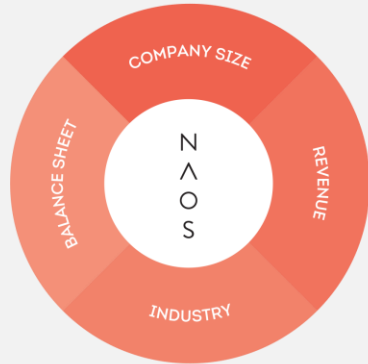
“You don’t have to be brilliant, only a little bit wiser than the other guys, on average, for a long time.”

CHARLIE MUNGER

# NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA



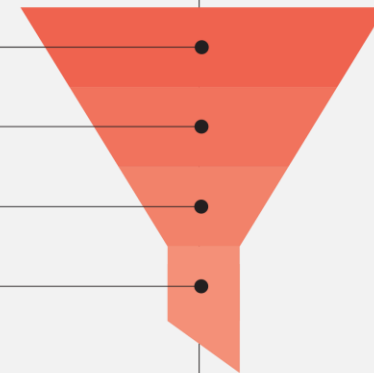
2804

TOTAL ASX LISTED COMPANIES\*

02

INVESTMENT UNIVERSE FUNNEL

- 643 COMPANY SIZE
- 345 REVENUE
- 907 INDUSTRY
- 498 BALANCE SHEET



04

THE NAOS LICs

- 0-15 **ASX:NCC**  
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
- 0-30 **ASX:NSC**  
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
- 0-20 **ASX:NAC**  
NAOS Ex-50 OPPORTUNITIES COMPANY LIMITED

50-80

NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST

03

INVESTMENT CRITERIA

- MANAGEMENT & CULTURE
- VALUATION, GROWTH & MARGIN OF SAFETY
- ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

COMPANY

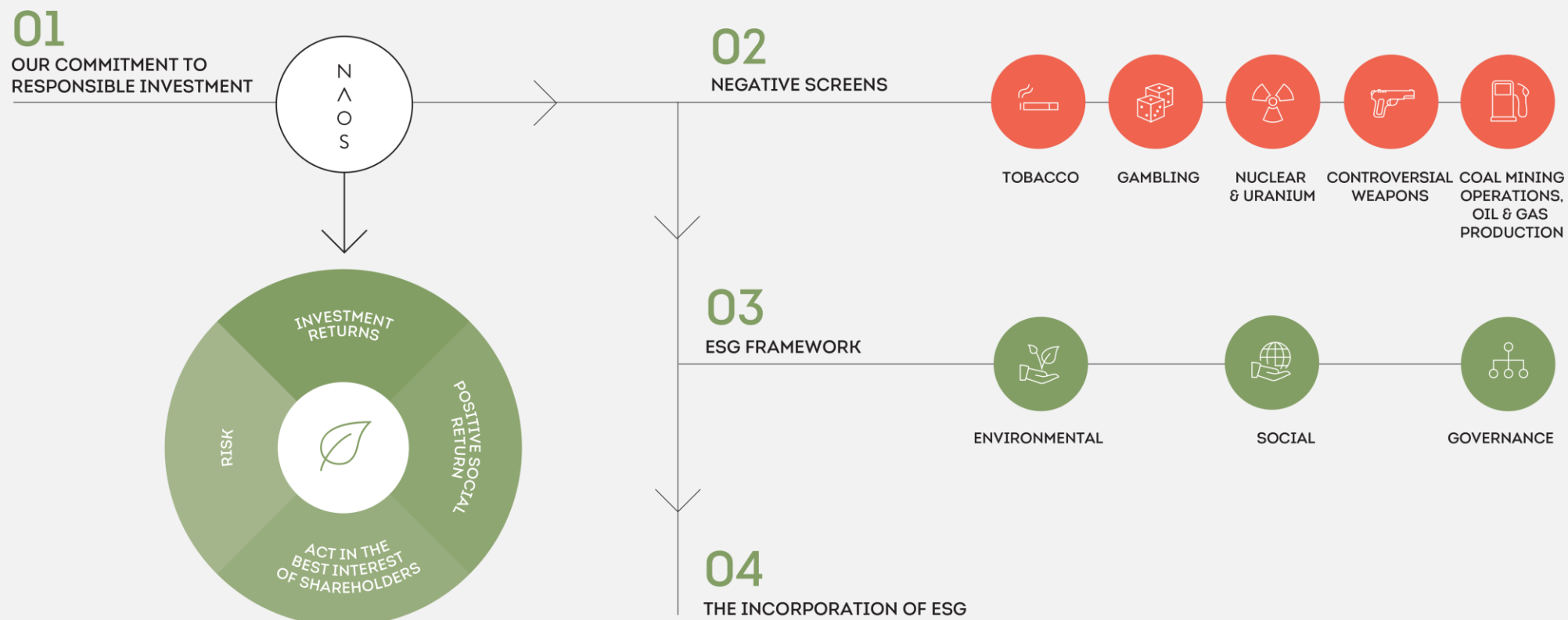


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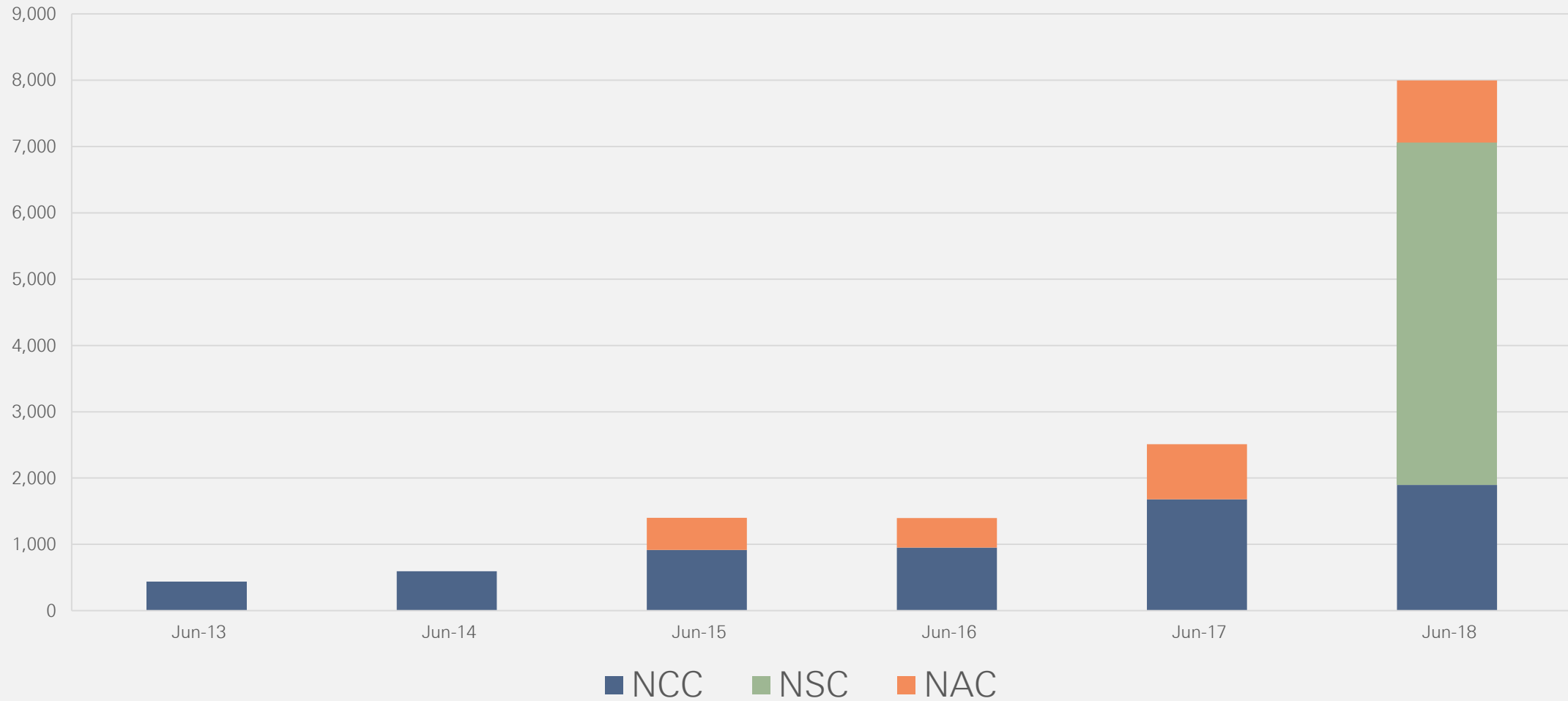
COMPANIES IN THE NAOS UNIVERSE

\* Source: Bloomberg Data June 2018

# NAOS ESG framework



# Number of Shareholders





# Investor awareness and communication



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



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



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



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



Twice yearly National Roadshow



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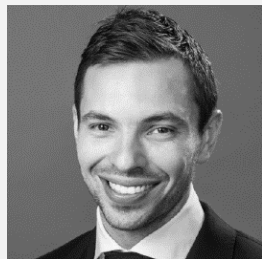
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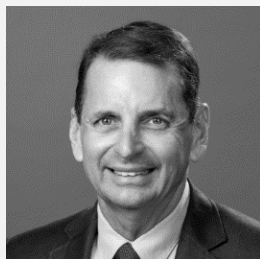
For all enquires contact  
[enquiries@naos.com.au](mailto:enquiries@naos.com.au)  
or call (02) 9002 1576

# NAOS Directors and Team

## OUR DIRECTORS



**Sebastian Evans**  
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



**Sebastian Evans**  
Chief Investment Officer



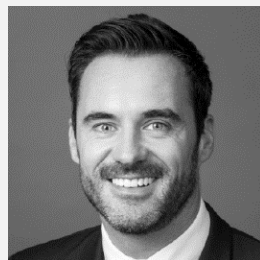
**Ben Rundle**  
Portfolio Manager



**Robert Miller**  
Portfolio Manager



**Rachel Folder**  
Investment Analyst



**Richard Preedy**  
Chief Financial and Operating Officer



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



**Julia Stanistreet**  
Business Development Manager



**Megan Walker**  
Marketing and Communications Manager



**Scott Hildebrand**  
Distribution & Sales Manager



A&O

NAOS

Thank you for your support