

NAOS Asset Management

National Investor Roadshow
September 2019

NAOS

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NAOS Asset Management

Our Mission

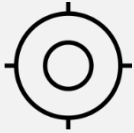
To provide investors with genuine long-term, concentrated exposure to Australian undervalued listed micro, small and mid-cap companies with an industrial focus.

NAOS established its first Listed Investment Company (LIC) in 2013 with 400 shareholders, today NAOS manages over \$275 million across three LIC vehicles for close to 8,000 shareholders.

Our directors and employees have a significant interest in all three LICs, this means we are invested alongside our shareholders creating strong alignment of interests.

NAOS is committed to a responsible investment strategy, ESG considerations are incorporated into our investment process and apply across all NAOS investments.

NAOS investment beliefs provide a competitive advantage



Value with Long
Term Growth



Quality over
Quantity



Invest for the
Long Term

5+ years



Performance v
Liquidity Focus

The closed end LIC structure
removes application and
redemption risk.



Ignore the
Index



Pure Exposure
to Industrials



Environmental,
Social and
Governance (ESG)

We do not invest in businesses
that are directly related to the
production or sale of tobacco,
gambling, nuclear, uranium, coal
or iron ore., controversial weapons,
coal mining operations or oil and
gas production companies.



Management
Alignment

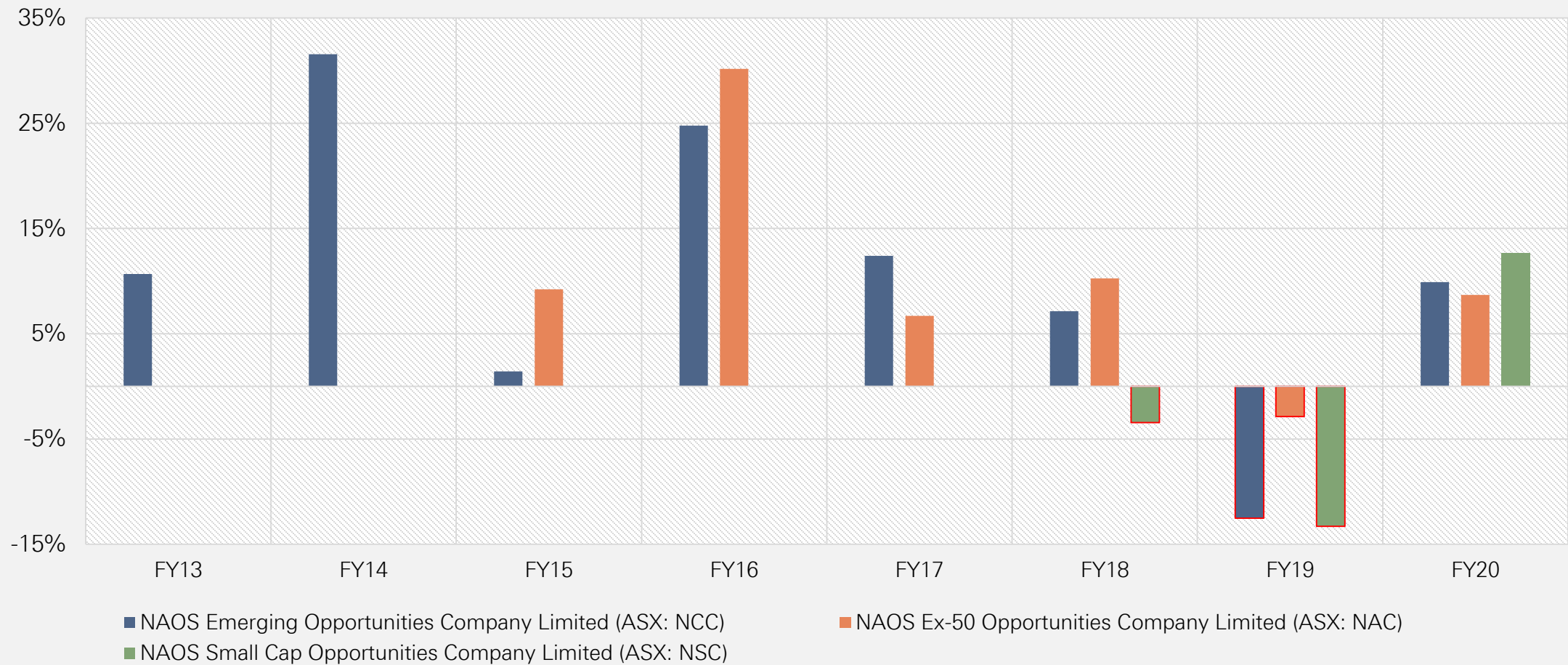
Reasons NOT to invest with NAOS

1. Your investment timeframe is less than 5 years.
2. You have an expectation that investment returns must be similar to index returns and are uncomfortable when returns significantly differ.
3. You prefer to invest in larger or more liquid companies.
4. You don't like the LIC structure due to the potential for the share price to trade at a discount and/or premium to NTA.
5. You are uncomfortable with concentrated portfolios.

Why we believe the NAOS strategies generated poor returns during FY19

1. Many company strategies took longer than we expected to successfully execute.
2. Significant P/E compression prior to FY19 results despite the lack of company specific news flow.
3. A lack of stock specific catalysts.
4. Concentrated investing can magnify either underperformance or outperformance.
5. An exodus of small-cap managers.

NAOS investment portfolio financial year returns*

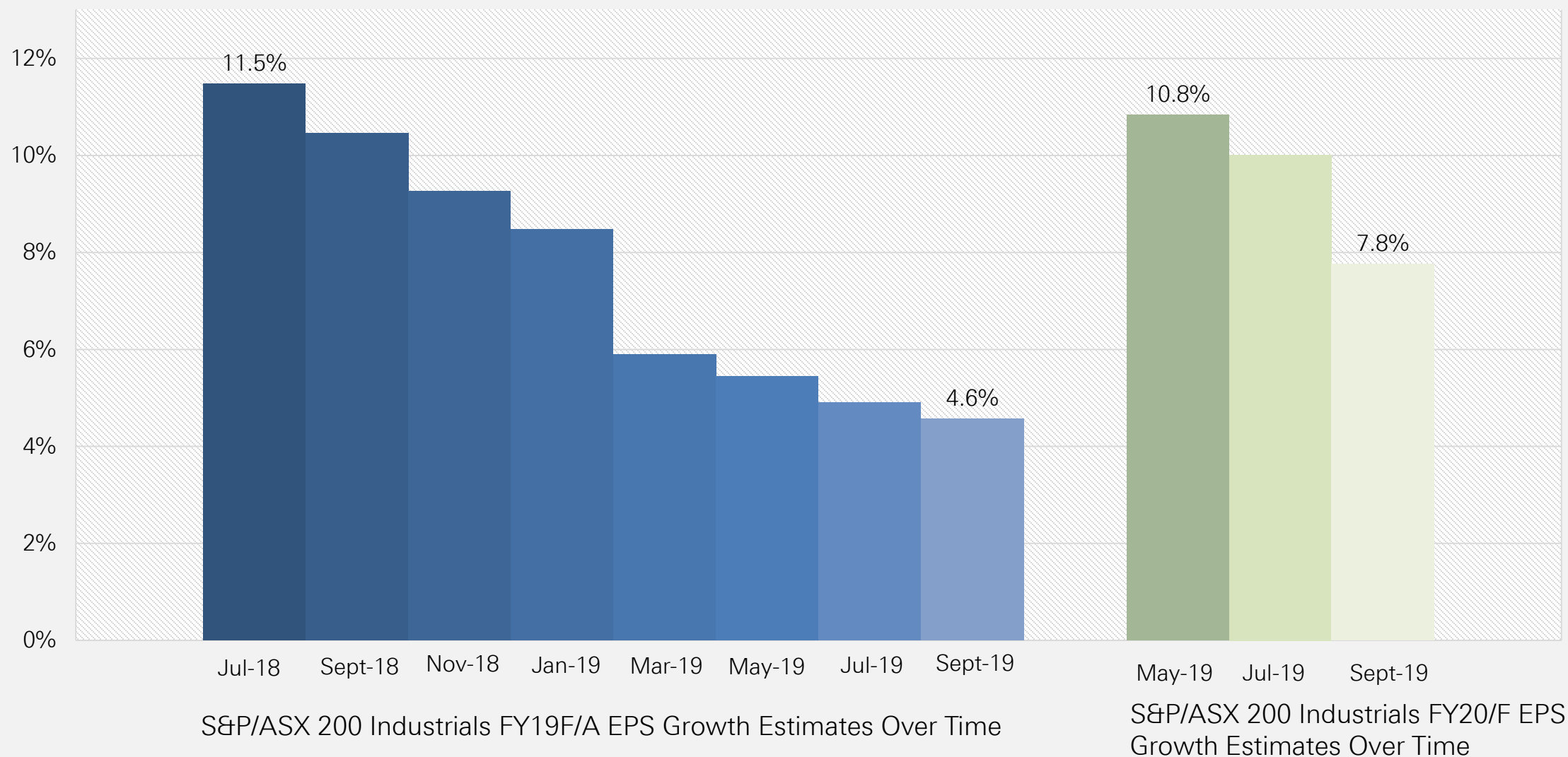


* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Inception dates are February 2013 (NCC), November 2014 (NAC) and December 2017 (NSC). FY20 YTD performance to 31 August 2019.

FY19 market backdrop

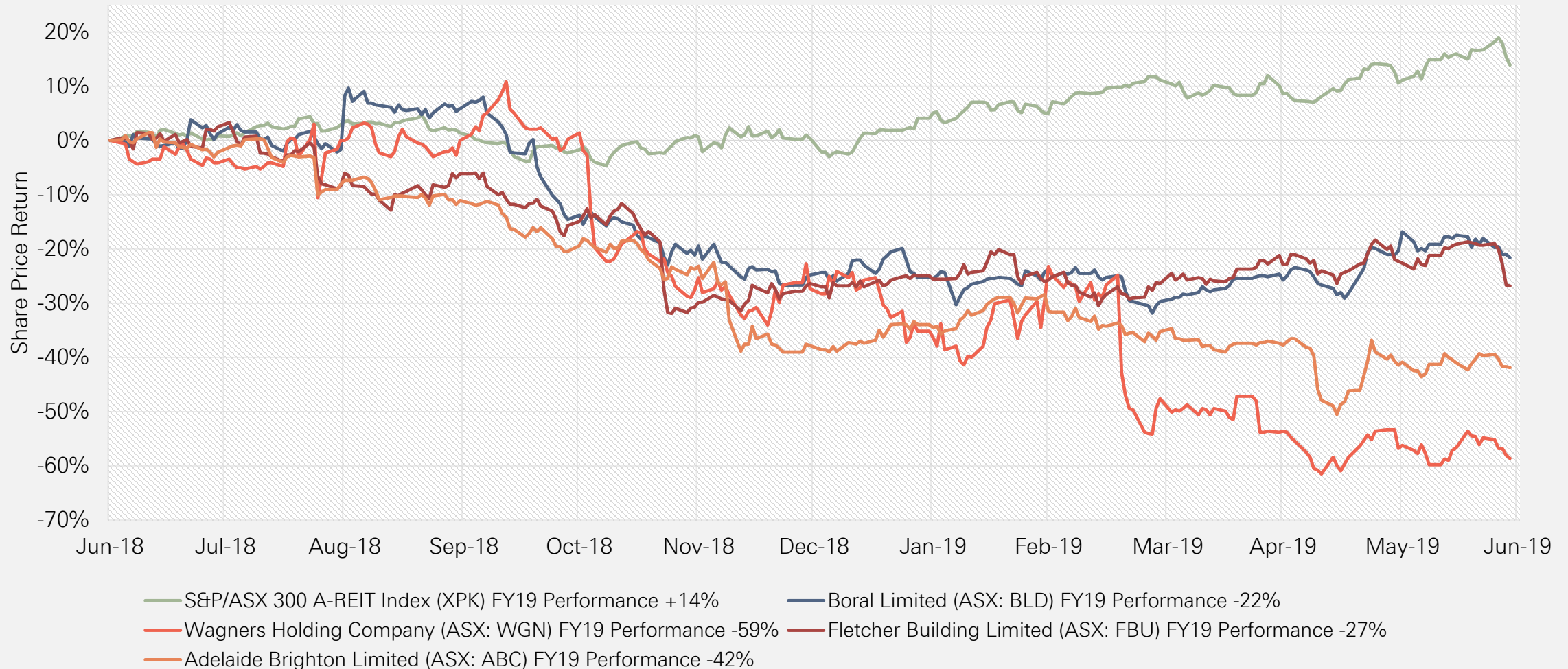
1. Growth expectations for S&P/ASX 200 Industrials continued to be revised down.
2. Earnings per share (EPS) for FY20 revised down.
3. Dividend payouts rose sharply even with relatively flat FY19 earnings.
4. Initial fatigue in some high growth industrial companies.
5. The macroeconomic environment dictated industry returns.
6. Over \$2 billion of buy-backs announced within the S&P/ASX 100.

S&P/ASX 200 Industrials revised growth expectations



Source: Factset

The macroeconomic environment dictated industry returns



Source: IRESS

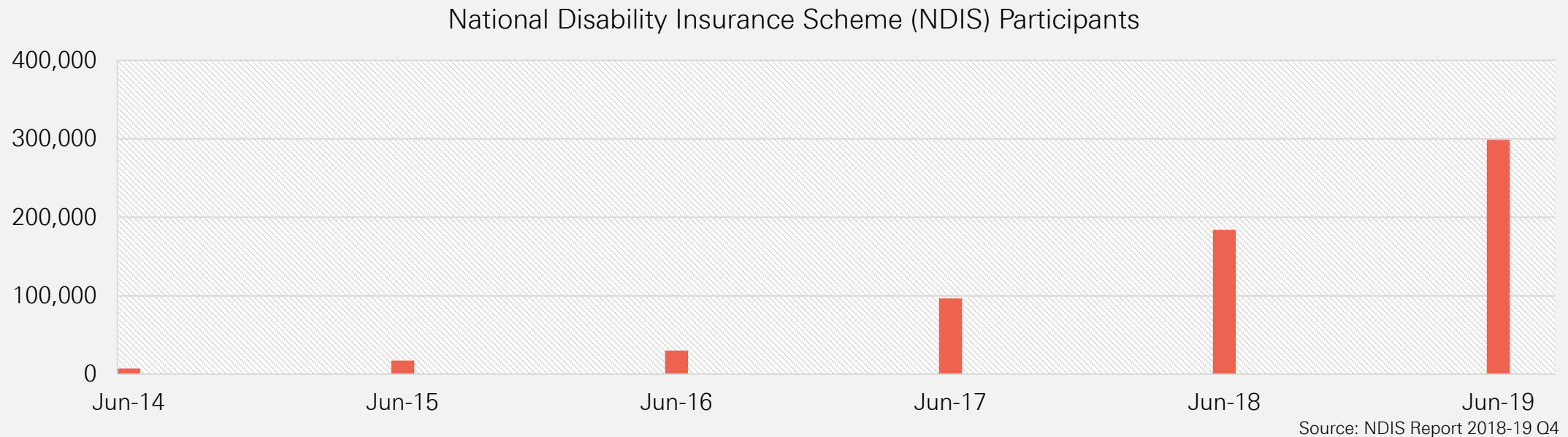
Market backdrop and portfolio considerations

We continue to minimise risk by investing in businesses that have exposure to industries with tailwinds or opportunities for structural change

1. Ageing population and healthcare
2. Cyclical businesses
3. Maintenance spend on infrastructure assets

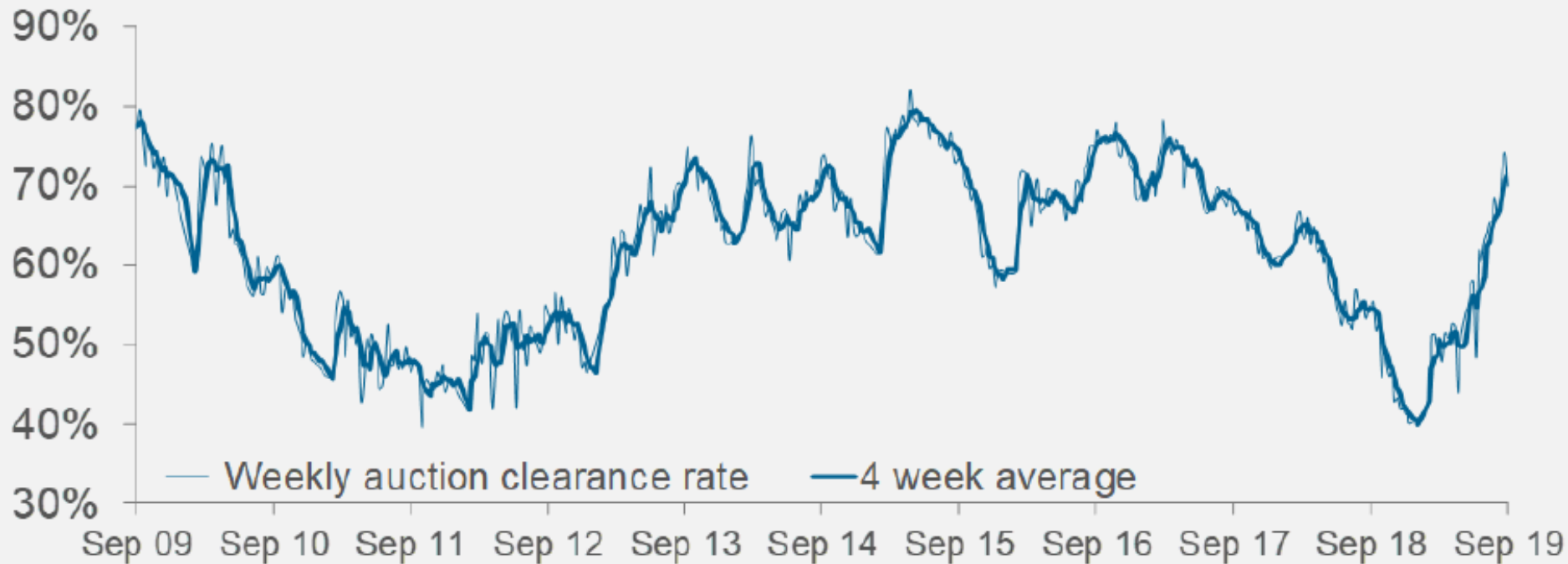
Ageing population and healthcare

1. End of aged care royal commission and potential funding changes.
2. NDIS ramp up gaining significant momentum.
3. Technological change in devices and drugs.
4. Many large unlisted businesses operate in related industries and may raise capital via listing or by sale to a listed entity.



Cyclical businesses

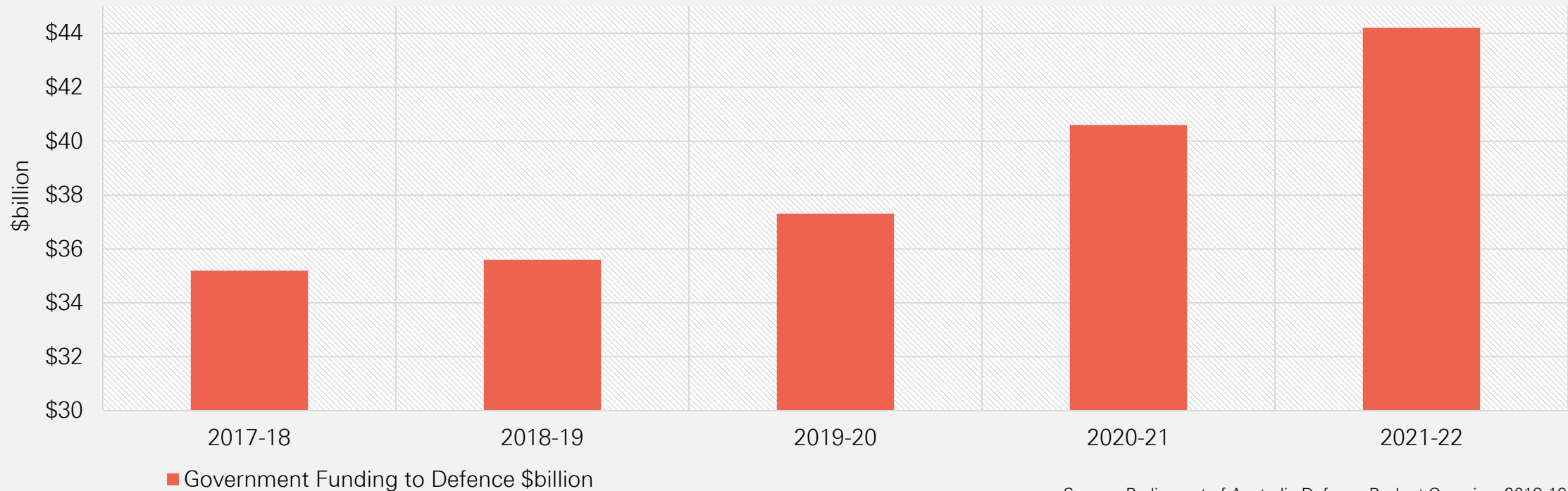
1. Signs of green shoots relating to the consumer with rising auction clearance rates now >80%.
2. Tax cuts and lower interest rates to provide potential benefits.
3. Feedback from listed and unlisted cyclical businesses suggested July and August trading has been up YOY.
4. Potential for further interest rate cuts and government stimulus programs e.g. drought relief.



Source: Corelogic September 2019

Maintenance spend on infrastructure assets

1. New infrastructure assets need to be maintained, examples include new hospitals, new airports and new toll roads.
2. Another adjacent opportunity is the spend on government and defence assets as the percentage of GDP that is spent on defence increases to 2%.



Source: Parliament of Australia Defence Budget Overview 2018-19

NCC Overview

as at 31 August 2019

NAOS

\$1.10
Pre Tax NTA

\$1.02
Share Price

7.11%
Dividend
Yield

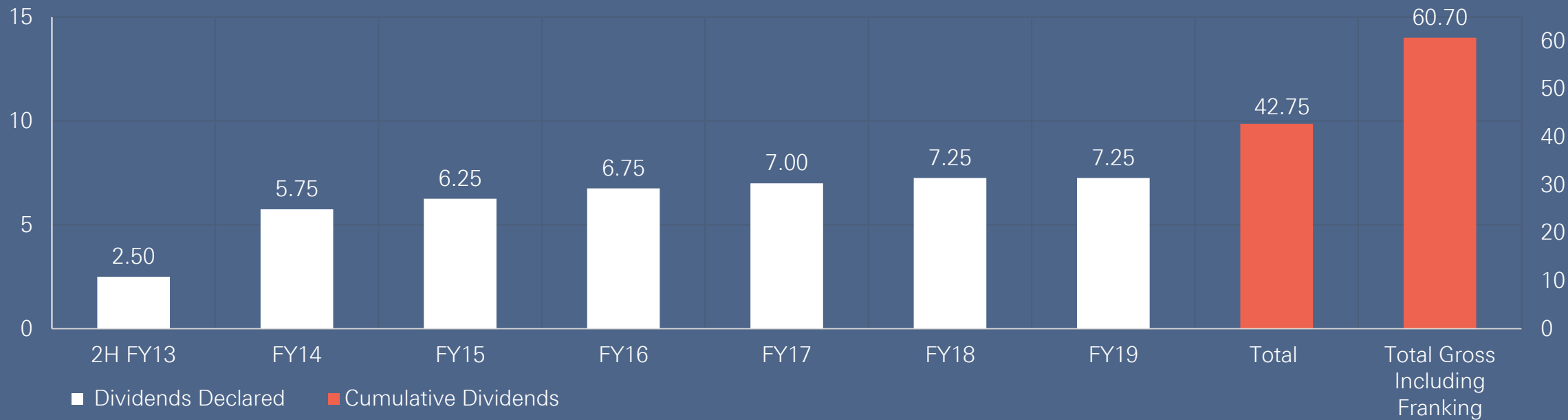
\$86.7m
Average
Market Cap.
of Portfolio

9
Holdings

1.51%
Cash
Weighting

2.5 Years
Dividend
Reserves

Fully Franked Dividend (cents per share)



NCC Results Overview

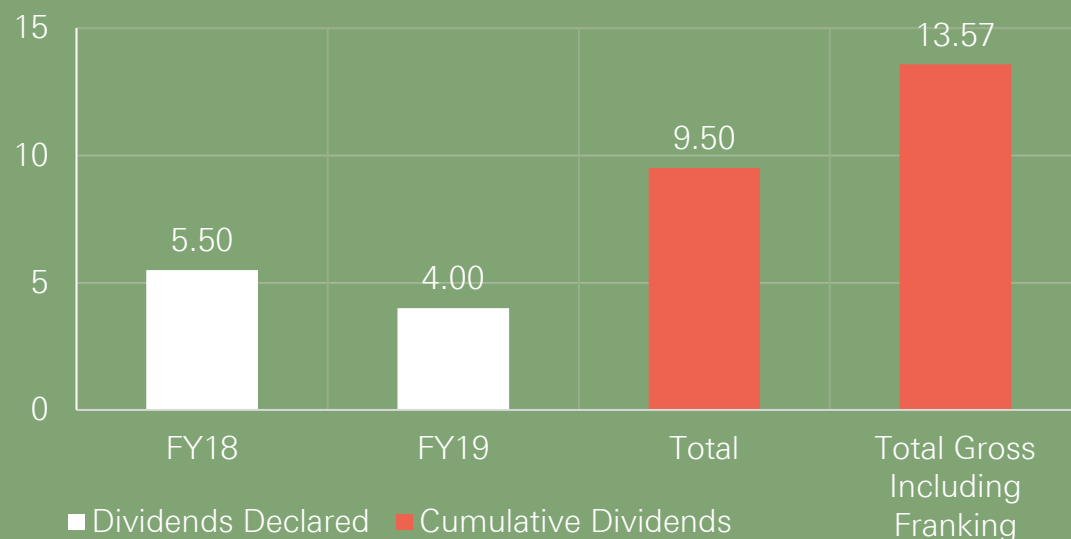
HOLDING NAME	FY19 SHARE PRICE RETURN	FY20 SHARE PRICE RETURN TO 31 AUG 2019	INDUSTRY	NET DEBT 30 JUNE 2019 \$M	EBITDA FY19 \$M	LONG-TERM OUTLOOK?
BSA Limited (ASX: BSA)	+8.2%	+16.9%	Commercial Services (Contracting)	-\$12.2	\$24.6	
BTC Health (ASX: BTC)	-57.5%	+58.8%	Healthcare/ Biotech	-\$3.9	n/a	
Enero Group (ASX: EGG)	+38.7%	+26.8%	PR, Marketing and Communications	-\$9.5	\$20.7	
CML Group (ASX: CGR)	-17.1%	-5.5%	Finance (Cashflow Solutions)	\$91.9	\$20.4	

Source: IRESS

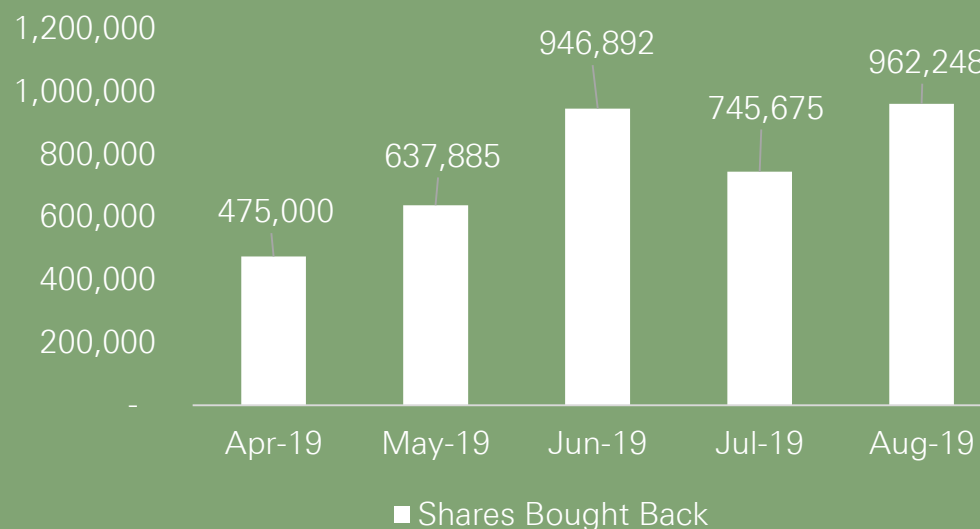
NSC Overview as at 31 August 2019

\$0.81 Pre Tax NTA	\$0.61 Share Price	6.56% Dividend Yield	\$192.8m Average Market Cap. of Portfolio	12 Holdings	5.18% Cash Weighting	2.75 Years Dividend Reserves
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Fully Franked Dividend (cents per share)



Buy-Back Program



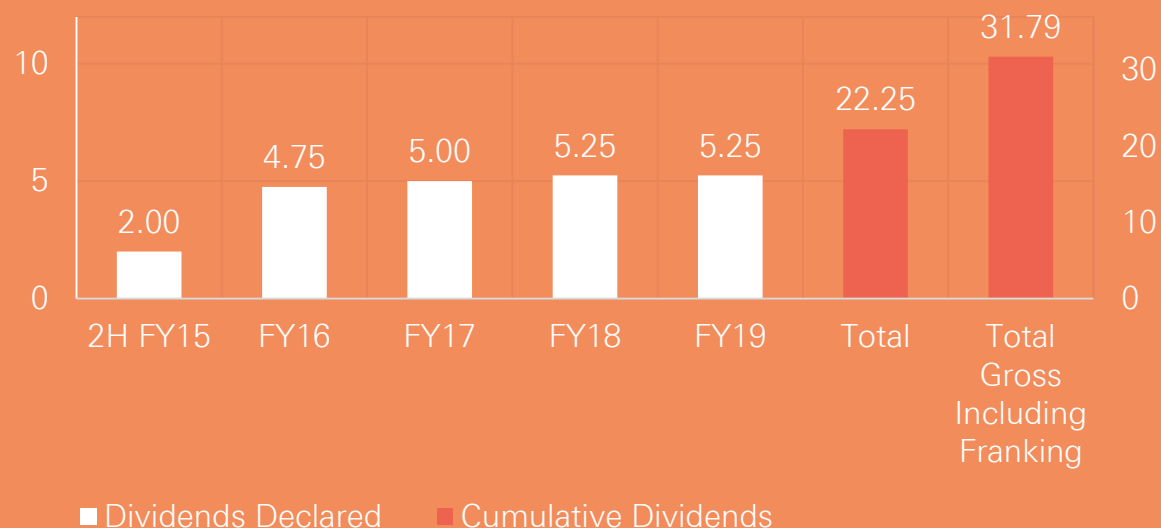
NSC Results Overview

HOLDING NAME	FY19 SHARE PRICE RETURN	FY20 SHARE PRICE RETURN TO 31 AUG 2019	INDUSTRY	NET DEBT 30 JUNE 2019 \$M	EBITDA FY19 \$M	LONG-TERM OUTLOOK?
MNF Group (ASX: MNF)	-25.5%	+27.3%	Software and Services	\$40.1	\$27.2	
Motorcycle Holdings Limited (ASX: MTO)	-63.5%	+93.0%	Motorcycle Retailer and Accessory Wholesaler	\$39.3	\$18.0	
Enero Group (ASX: EGG)	+38.7%	+26.8%	PR, Marketing and Communications	-\$9.5	\$20.7	
Over The Wire Limited (ASX: OTW)	+48.9%	-15.1%	Telco Software and Services	\$0.5	\$20.1	

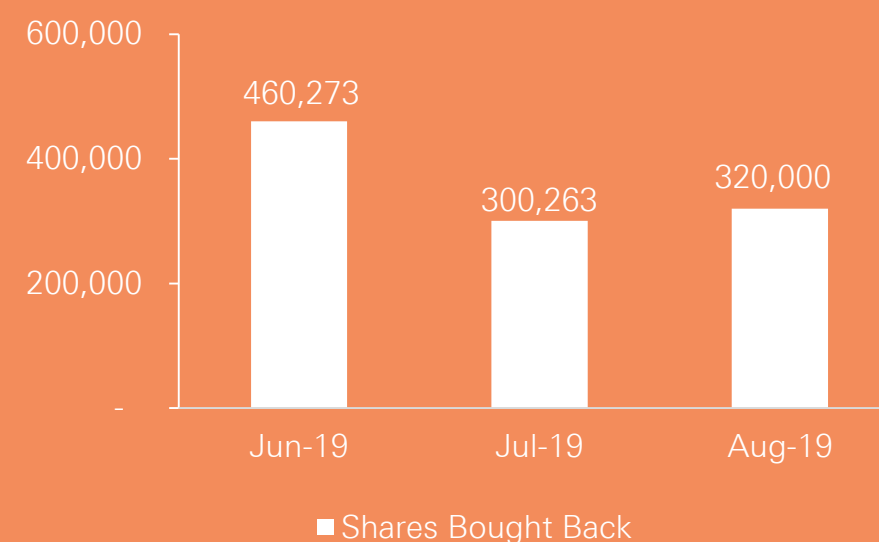
NAC Overview as at 31 August 2019

\$1.08 Pre Tax NTA	\$0.85 Share Price	6.18% Dividend Yield	\$379.6m Average Market Cap. of Portfolio	9 Holdings (0 Short Positions)	16.29% Cash Weighting	2 Years Dividend Reserves
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Fully Franked Dividend (Cents Per Share)



Buy-Back Program



NAC Results Overview

HOLDING NAME	FY19 SHARE PRICE RETURN	FY20 SHARE PRICE RETURN TO 31 AUG 2019	INDUSTRY	NET DEBT JUNE 30 2019 \$M	EBITDA FY19 \$M	LONG-TERM OUTLOOK?
MNF Group (ASX: MNF)	-25.5%	+27.3%	Software and Services	\$40.1	\$27.2	
Smartgroup Corporation (ASX: SIQ)	-23.3%	+33.8%	Salary Packaging Services	\$32.5	\$115.6*	
AP Eagers (ASX: APE)	+19.2%	+26.2%	Motor Vehicle Retailing	\$209.6	\$167.6#	
People Infrastructure (ASX: PPE)	+113.8%	+3.3%	Workforce Management Solutions	\$19.5	\$17.8	

*EBITDA 2018 H2 \$56.8m + EBITDA 2019 H1 \$58.8m #EBITDA 2018 H2 \$63.9m + EBITDA 2019 H1 \$103.7m

Source: IRESS

Outlook

1. New Opportunities

- Several long-term opportunities that have been analysed by the NAOS team over a number of months and in some cases more than a year.
- These include Experience Co Limited (ASX: EXP), Class Limited (ASX: CL1), Eureka Group (ASX: EGH) and Vitalharvest (ASX: VTH).
- The balance of risk versus return remains the key consideration.

Outlook

2. Existing Opportunities

- We believe a number of existing NAOS portfolio holdings that have been built up over the past 12-36 months are on the verge of significant growth and maturity as listed entities, which may lead to significant share price re-ratings.
- Examples include Wingara AG (ASX: WNR), BTC Health (ASX: BTC), Big River Industries (ASX: BRI) and Saunders International (ASX: SND).
- In addition, several of the more mature positions such as BSA Limited (ASX: BSA), Enero Group (ASX: EGG) and People Infrastructure (ASX: PPE) may continue to re-rate as they increase in scale, becoming more liquid and relevant for larger fund managers, and also develop the financial flexibility to potentially expand via acquisition.

Outlook

3. Continue to Address the Discount to NTA

- Maintain a focus on performance.
- We will not deviate from the NAOS investment strategy and philosophy.
- Continued focus on maintaining and growing a stream of fully franked dividends.
- Continue to acquire shares via buy-back programs (accretive for shareholders).
- NAOS staff and directors continue to be amongst the largest shareholders across the NAOS strategies thus aligning their interests with all shareholders.
- Maintain a very high standard of marketing materials and communications so all current and prospective shareholders have a clear understanding of the NAOS offering.

Focus on the controllable

NAOS will continue to focus on the controllable to maximise risk adjusted returns.

• Can Control

1. Investing with proven management teams based on value/price and stock specific fundamentals on a 3-5 year view.

2. Assisting our investee companies with:

- Board composition and skills
- Shareholder communication and messaging
- Capital management and funding initiatives for growth
- Managing shareholder expectations and long-term versus short-term initiatives

Can't Control

Market noise and timing of short-term market movements.

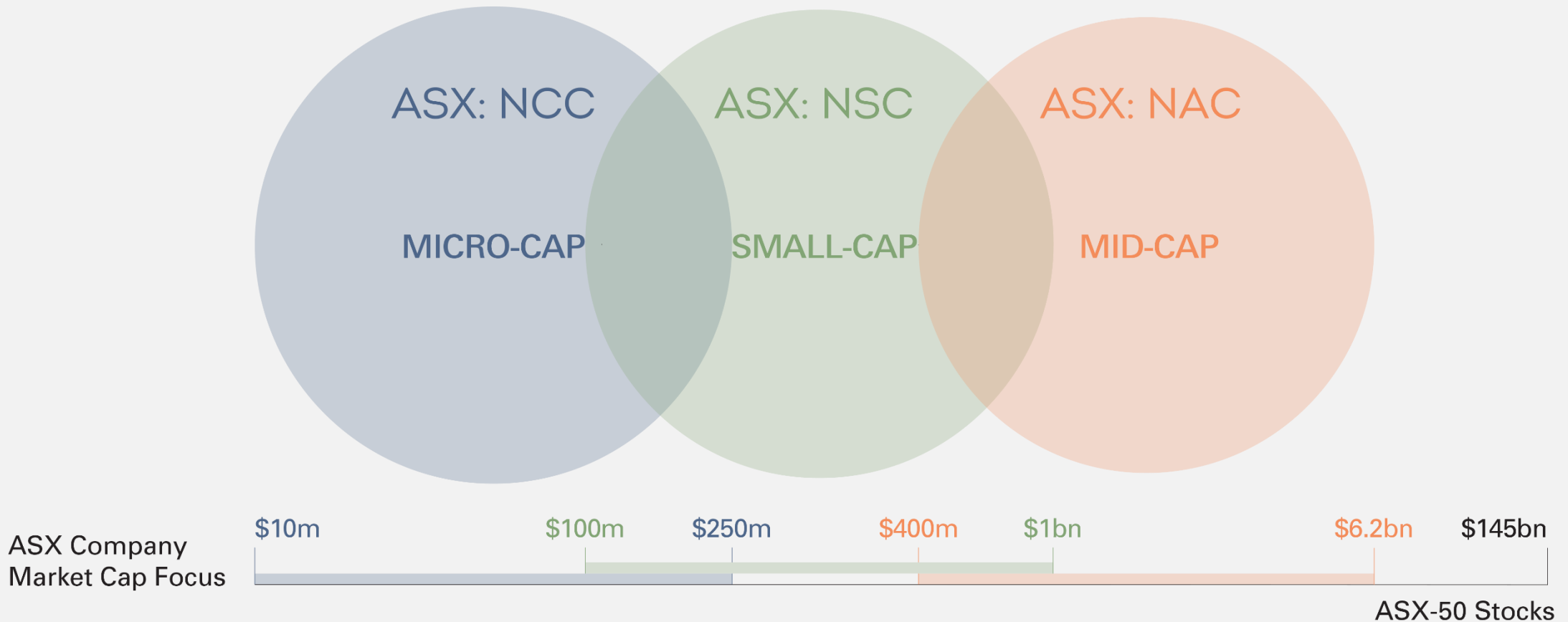


Appendix

NAOS

NAOS Listed Investment Companies

Each of our LIC's target a concentrated portfolio of 10-20 companies



NTA & Performance as at 31 August 2019

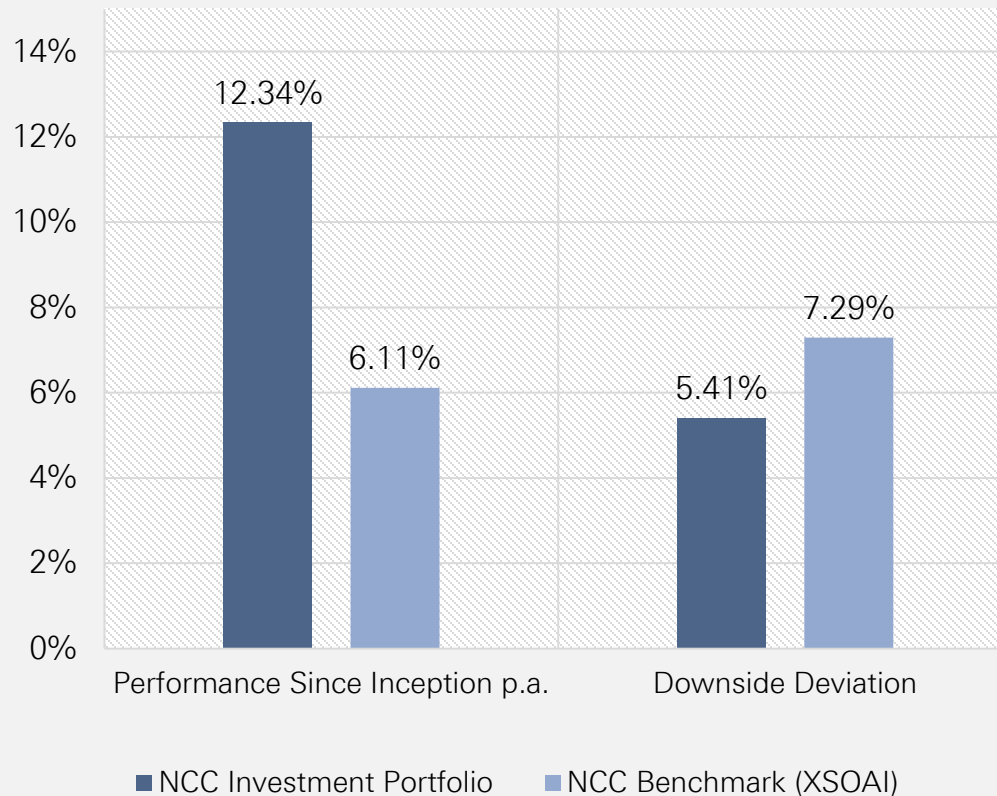
	PRE TAX NTA	1 MONTH	1 YEAR	INCEPTION (P.A.)	INCEPTION (Total Return)
NCC [*]	\$1.10	+2.86%	-5.20%	+12.34%	+113.30% (6 years 7 months)
NSC [^]	\$0.81	+12.91%	-5.53%	-3.26%	-5.63% (21 months)
NAC [*]	\$1.08	+8.14%	-0.85%	+12.57%	+76.53% (4 years 10 months)

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

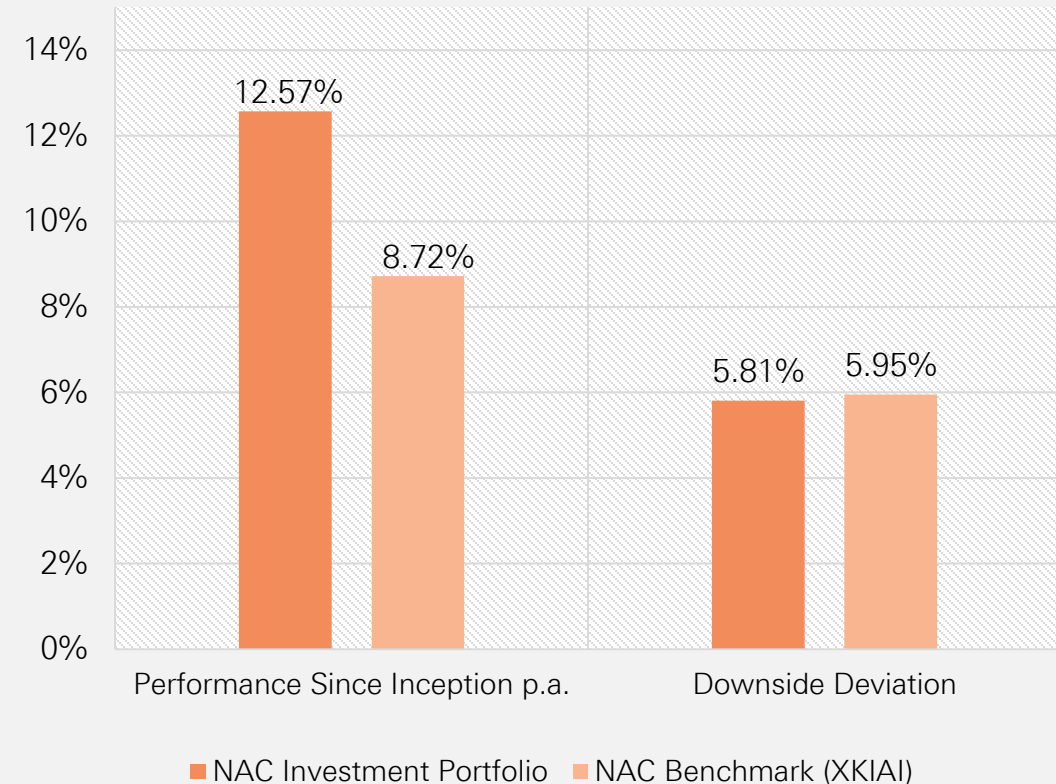
[^] Investment performance is post all operating expenses, before fees, taxes and interest. Performance has not been grossed up for franking credits received by shareholders. Inception performance (p.a. and total return) is 1 December 2017.

Strong long term risk adjusted returns*

NCC Investment Portfolio Risk and Performance Metrics



NAC Investment Portfolio Risk and Performance Metrics

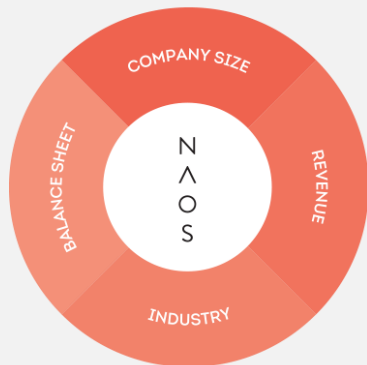


* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Since inception (p.a.) includes part performance for the month of February 2013 (NCC) and November 2014 (NAC). Returns compounded for periods greater than 12 months. All risk metrics are calculated from the inception date of each portfolio. All Figures are as at 31 August 2019.

NAOS investment process

01

INVESTMENT UNIVERSE SCREEN CRITERIA



2568

TOTAL ASX LISTED COMPANIES*

02

INVESTMENT UNIVERSE FUNNEL

-1168

COMPANY SIZE

Remove: ASX Top 50, <\$10m Market Cap

-504

REVENUE

Remove: No Substantial Revenue

-200

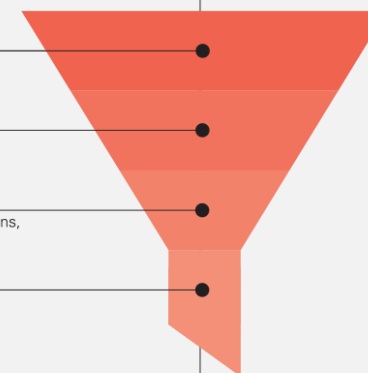
INDUSTRY

Remove: Tobacco, Gambling, Nuclear & Uranium, Controversial Weapons, Coal Mining Operations, Oil & Gas Production

-400

BALANCE SHEET

Remove: Unsustainable Debt Levels



04

THE NAOS LICs

- 0-15 ASX:NCC**
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
NCC generally invests in 0-15 ASX listed **MICRO-CAP** industrial companies with a target market cap of <\$250m
- 0-30 ASX:NSC**
NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED
NSC generally invests in 0-30 ASX listed **SMALL-CAP** industrial companies with a target market cap of <\$100m-\$1b
- 0-20 ASX:NAC**
NAOS Ex-50 OPPORTUNITIES COMPANY LIMITED
NAC generally invests in 0-20 ASX listed **MID-CAP** industrial companies with a target market cap of <\$400m-\$1b+

50-80

NAOS ACTIVE INVESTMENT
UNIVERSE WATCHLIST

03

INVESTMENT CRITERIA

MANAGEMENT & CULTURE

- Does the management team have a long term proven track record?
- Are the management team aligned with shareholders?
- Is there management team depth?
- Does the culture support a sustainable competitive advantage?

VALUATION, GROWTH & MARGIN OF SAFETY

- Does long term valuation meet a 20% p.a. return hurdle?
- Can the balance sheet support future growth?
- What is the trend and future of return on invested capital (ROIC)?
- Is the industry conducive to revenue growth?
- Does free cash flow allow for both organic growth and growth by acquisition?
- Are the earnings drivers transparent to shareholders?
- Is there a clear plan and a history of earnings growth?
- Is the company developing processes and services to increase sales?

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

- Does the Company comply with our ESG Framework?

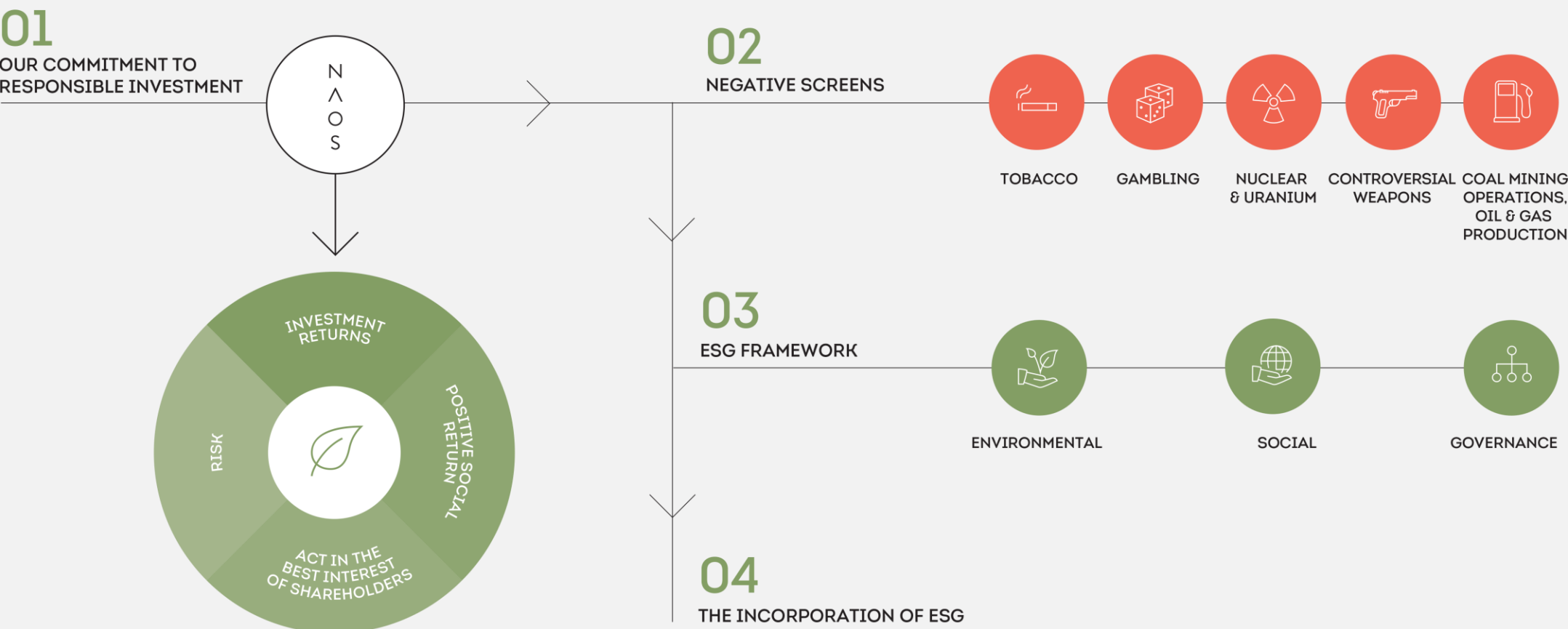
COMPANY

296

COMPANIES IN
THE NAOS UNIVERSE

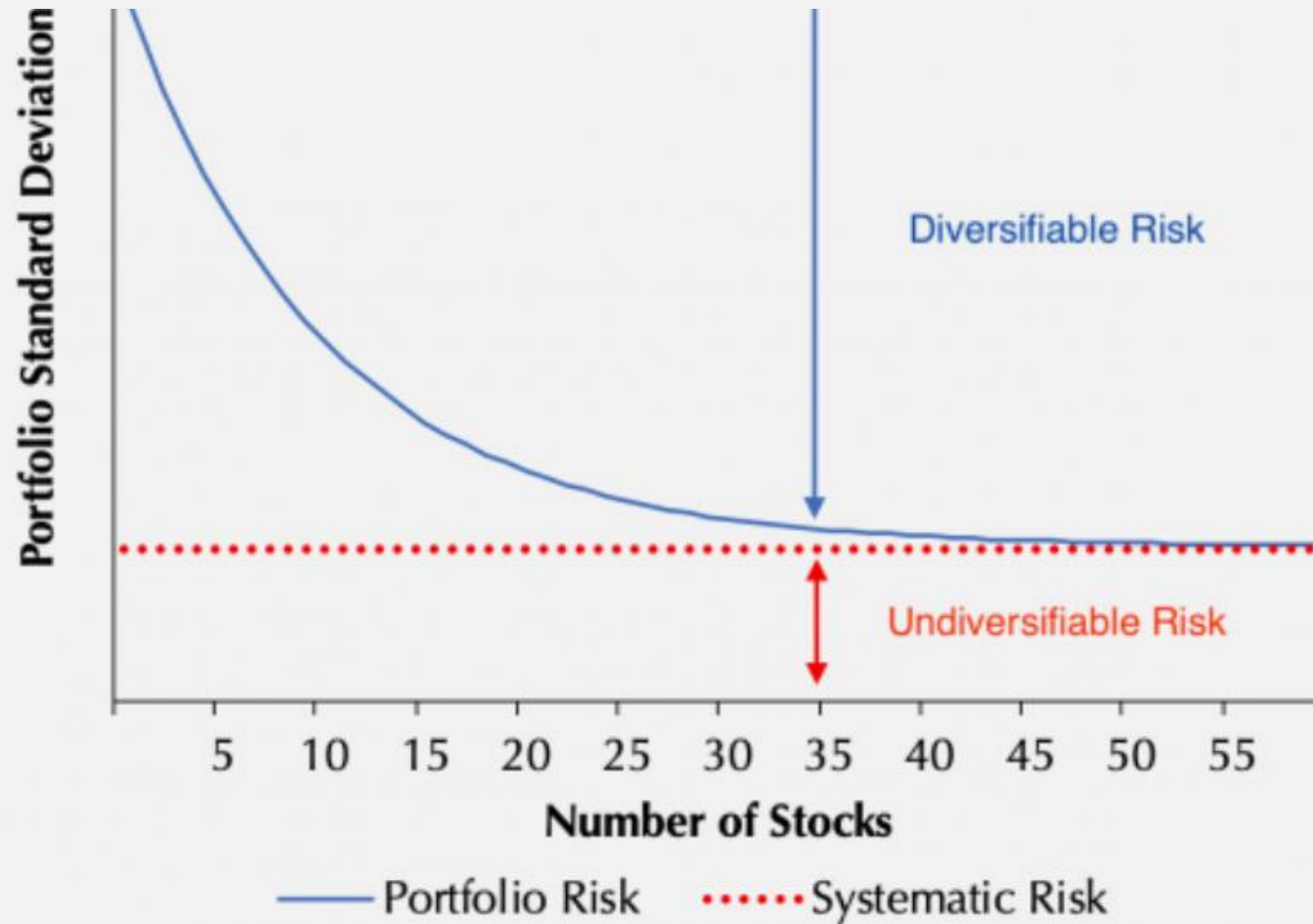
* Source: Bloomberg Data as at June 2019

NAOS ESG framework



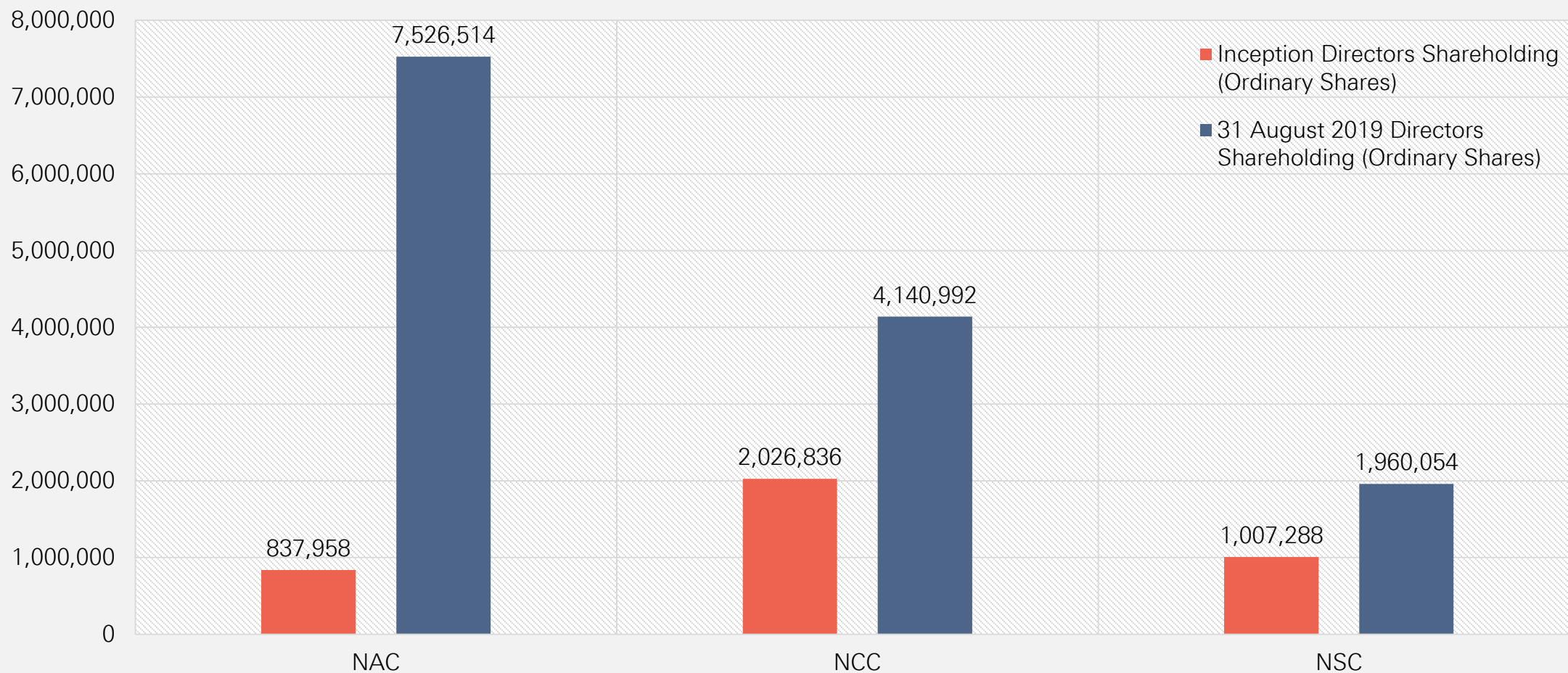
The case for concentrated investing

Holding too many stocks in a portfolio can lead to poor performance

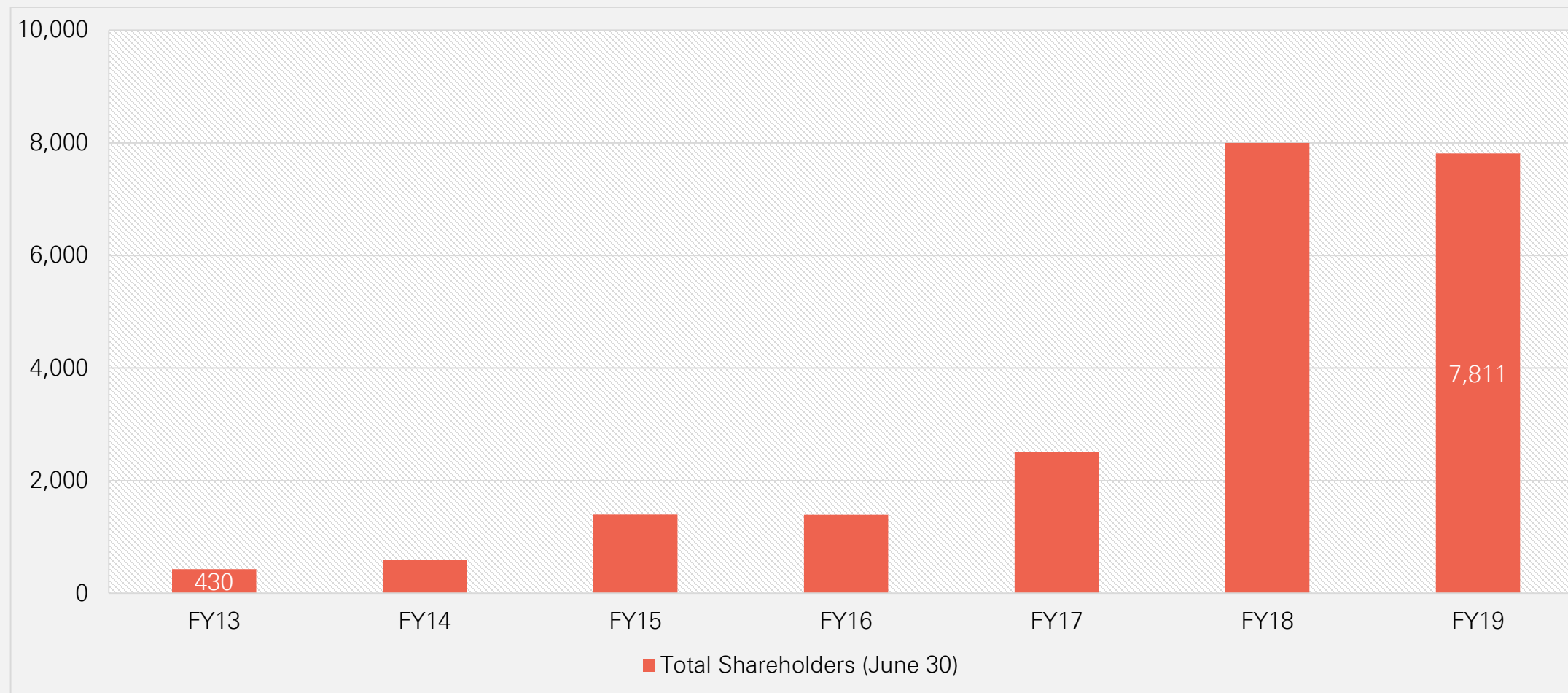


Source: Dresdner Kleinwort Macro Research

NAOS management alignment



NAOS Shareholder Numbers



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



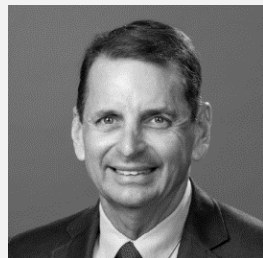
RFDS, dedicated to providing healthcare to Australians in remote communities

NAOS Directors and Team

OUR DIRECTORS



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



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



Mark Bennett
Director, NAOS Asset Management Limited



Trevor Carroll
Independent Chairman NSC



Matthew Hyder
Director, NAOS Asset Management Limited

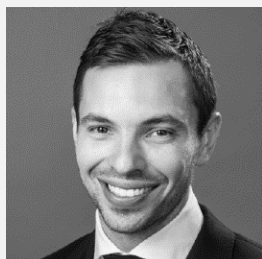


David Rickards
Independent Chairman & Director, NCC and NAC & Independent Director NSC

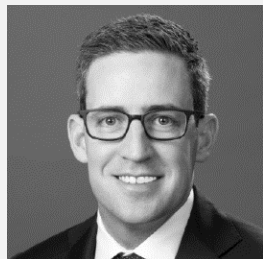


Sarah Williams
Independent Director, NCC and NAC

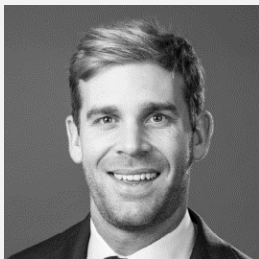
OUR TEAM



Sebastian Evans
Chief Investment Officer



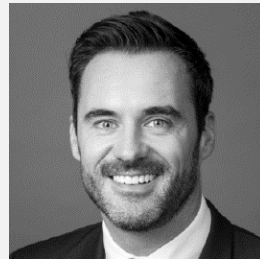
Ben Rundle
Portfolio Manager



Robert Miller
Portfolio Manager



Rachel Cole
Investment Analyst



Richard Preedy
Chief Financial and Operating Officer



Julia Stanistreet
Business Development Manager



Julie Coventry
Compliance Officer

Investor awareness and communication



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



Shareholder
Conference Calls,
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website
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#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



Twice yearly National
Roadshow

FOLLOW NAOS





Thank you for your continued support
Q&A