

# NAOS Emerging Opportunities Company (ASX: NCC) (ASX: NCCO, NCCOA)

## Monthly Investment Report and NTA Update: August 2014

### Company Overview

**Investment Objective:** NCC seeks to provide investors with exposure to high quality emerging companies in a transparent and concentrated structure, with the ability to outperform the Benchmark over the medium to long term. The Company will seek to pay a minimum dividend yield of 4.00% per annum franked to the maximum extent possible. The Company has the ability to short sell securities and hold significant levels of cash to assist in protecting investor's capital.

**Investment Process:** A unique 5-step investment process that places a strong emphasis on long term industry dynamics, management team capabilities and track record of producing significant shareholder value over the medium to long term. Finally, catalysts are identified for each potential investment so that these investments will be re-rated by the market and trade on valuations closer to their larger counterparts.

**Investment Strategy:** To actively manage a concentrated portfolio (approximately 0-15 positions) of high quality emerging companies across a wide range of industries, which investors may have a limited exposure to through investing in companies just in the ASX-100 Index. Many of these emerging companies are often overlooked and therefore potentially inefficiently priced by the wider investment community.

**Inception Date:** 26th of February 2013

**Benchmark:** Small Ordinaries Accumulation Index (XSOAI)

**Shares on Issue (ASX: NCC):** 35,312,027

**Listed Options on Issue Exercisable at \$1.00**  
**Prior 1<sup>st</sup> February 2015 (ASX: NCCO):** 12,491,338

**Listed Options on Issue Exercisable at \$1.13**  
**Prior 1<sup>st</sup> August 2015 (ASX: NCCOA):** 11,789,026

**Fully Franked Dividend Yield:** 5.40% Fully Franked (7.71% Gross)

### Net Tangible Asset Value Breakdown as at 31<sup>st</sup> August 2014 (NTA Diluted for Remaining NCCO Options)

**Pre Tax NTA: \$1.27 (\$1.20)**

**Post Tax & Pre Unrealised Gains Tax: \$1.27 (\$1.20)**

**After Tax NTA: \$1.21 (\$1.15)**

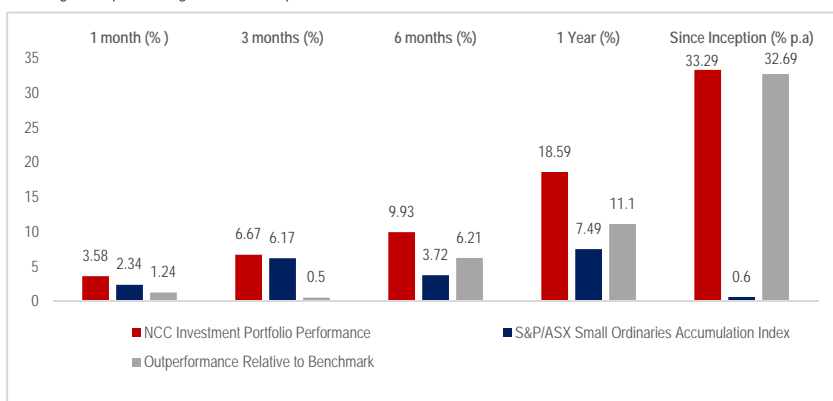
\*The above NTA calculations do not account for any potential dilution from the 11,789,026 NCCOA options that remain on issue and are exercisable at \$1.13.

### Investment Portfolio Performance to 31<sup>st</sup> August 2014\*

The NCC investment portfolio produced a positive return of +3.58% for the month of August 2014. This performance was achieved with a cash and cash equivalents holdings of over 25% through the month. A significant amount of this performance was due to a takeover bid for Calliden Insurance (ASX: CIX) in which NAOS is a substantial holder and has been since close to the inception of NCC. No new long positions were added through the month though one new short position was entered into. The investment team believes that this company has significant funding issues moving forward and a number of corporate governance weaknesses that must be addressed in the near term.

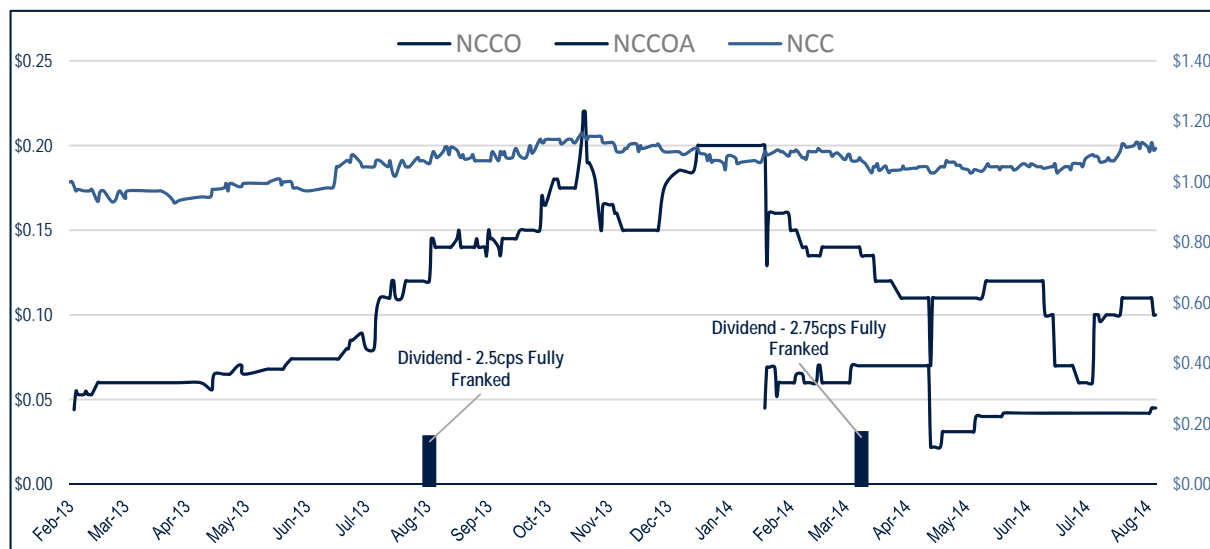
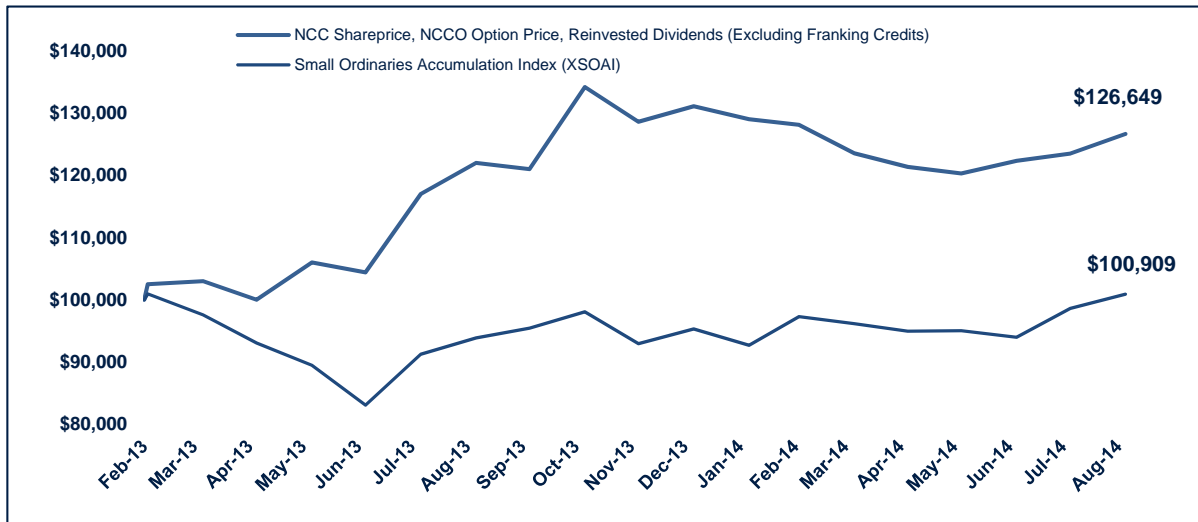
	1 Month	3 Months	6 Months	1 Year	Inception (p.a.)	Inception (Nom.)
NCC Investment Portfolio Performance*	+3.58%	+6.67%	+9.93%	+18.59%	+33.29%	+54.26%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+2.34%	+6.17%	+3.72%	+7.49%	+0.60%	+0.91%
Outperformance over Benchmark	+1.24%	+0.50%	+6.21%	+11.10%	+32.69%	+53.36%

\*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



## Investment Report & NTA Update – August 2014 (continued)

### Shareholder Return Analysis (IPO Investors)



### Positive Stock Attribution Analysis (1st March 2013 to 31<sup>st</sup> August 2014)

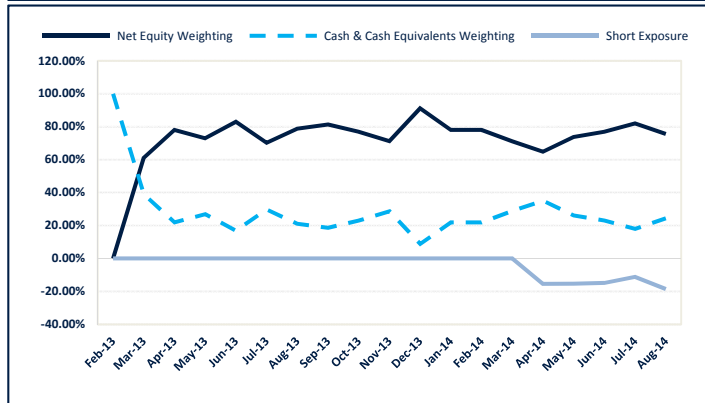
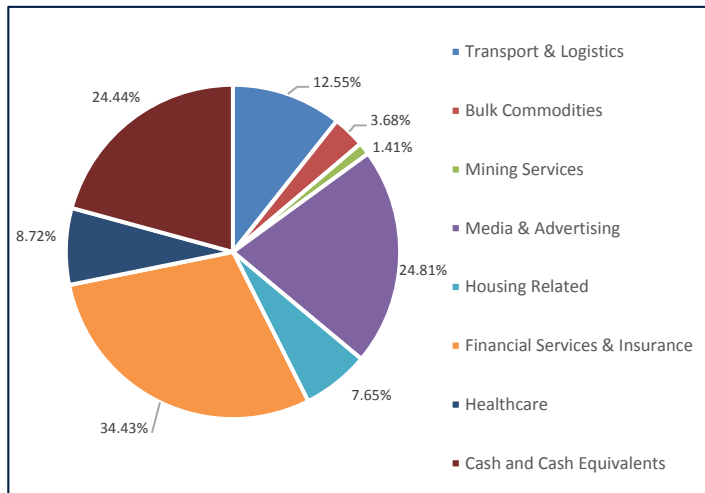
Below is a chart which lists the top positive contributors to NCC total return since 1st March 2013. The purpose of the chart is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated portfolio of investments that is often 0 -15 securities at any one time. Any security that is currently held within the investment portfolio will not be disclosed until it is no longer part of the portfolio.

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
Current Investment A	+13.74%	Current Investment C	+4.60%
Capitol Health	+10.67%	Gage Road Brewing	+4.57%
Current Investment B	+5.86%	Current Investment D	+3.97%
Village Roadshow	+5.73%	AMA Group	+2.84%
RHG Limited	+5.20%	Current Investment E	+2.43%

## Investment Report & NTA Update – August 2014 (continued)

### Portfolio Positioning as at 31<sup>st</sup> August 2014

The Investment Portfolio added a new short position in the month of August. This has increased the current cash and cash equivalent holdings within the portfolio to +24.44%. The new company operates within the agriculture space and has recently experienced a sharp rally in its share price and completed a large capital raising.



### Company Meetings

The NAOS investment philosophy is based around the belief that for an Emerging Company to succeed and generate strong returns for shareholders it must be led by a motivated, proven and experienced management team. That is why the Investment Management Team has direct contact with many listed and unlisted Emerging Companies across a wide range of industries. During the month of August the Investment Management Team had direct contact with over 105 unlisted and listed companies of which several are listed below:

Billabong (BBG)	Enero Group (EGG)	Mortgage Choice (MOC)
HFA Holdings (HFA)	The Reject Shop (TRS)	Magellan Financial (MFG)
Calliden Group (CIX)	CML Group (CGR)	Blackmores (BKL)
REA Group (REA)	Somnomed (SOM)	Pas Group (PGR)

### Market Insight

The S&P/ASX All Ordinaries Accumulation Index rose +0.72% in August, with the market primarily focused on full year reporting. After a strong price performance into reporting season, profit numbers largely delivered on expectation however it's fair to say that this was still not revenue driven and further cost cutting delivered the profit results towards expectations across the board. The best performing sector was Healthcare with strong reporting from CSL and RHC. Iron Ore hit a two year low at sub \$90/t (chart below) and helped Materials deliver the worst performing sector result in the ASX-200.

Underwhelming Chinese data releases were the main cause of this decline, showing that the economy continued to slow in August and credit conditions tightened.

The US S&P-500 however hit record highs on more promising data releases particularly on the housing market and US Consumer Confidence reaching levels not seen since late 2007. The VIX dropped below 12%.

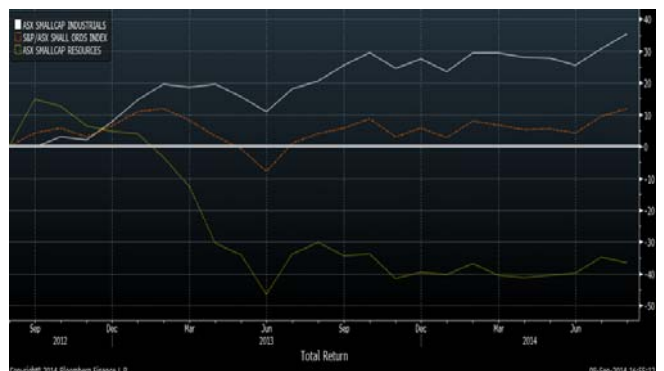
The ASX Small Ordinaries Accumulation Index was up +2.34%, with Small Industrials delivering all the gains whilst Small Resources detracted on the overall performance of the index which is a continuation of what we have seen over the last two years (see chart below).

The top performers in the Small Ordinaries Accumulation Index were ACR, WTF, NST and SYR. The worst performers were SLX, MAD NWT and TRY.

#### Iron Ore Fines 62% Fe Offshore Export Price (Source: Bloomberg)



#### Total Return Small Resources/Industrials (Source: Bloomberg)



# Corporate Directory



## Directors

David Rickards (Chairman)  
Warwick Evans  
Sebastian Evans

## Company Secretary

Lawrence Adams

## Investment Team

Sebastian Evans: Portfolio Manager  
Tom Granger: Assistant Portfolio Manager  
Jeffrey Kim: Investment Analyst  
Robert Miller: Investment Analyst

## Business Development

Anneke Senden

## Investment Manager

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## Auditor

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Sydney NSW 2000

## Enquiries

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