

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

Monthly Investment Report and NTA Update: July 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): 35,231,053

Listed Options on Issue Exercisable at \$1.00
Prior 1st February 2015 (ASX: NCCO): 12,541,337

Listed Options on Issue Exercisable at \$1.13
Prior 1st August 2015 (ASX: NCCOA): 11,820,000

Fully Franked Dividend Yield: 5.60% Fully Franked (8.00% Gross)

Net Tangible Asset Value Breakdown as at 31st July 2014 (NTA Diluted for Remaining NCCO Options)

Pre Tax NTA: \$1.23 (\$1.17)

Post Tax & Pre Unrealised Gains Tax: \$1.23 (\$1.17)

After Tax NTA: \$1.19 (\$1.14)

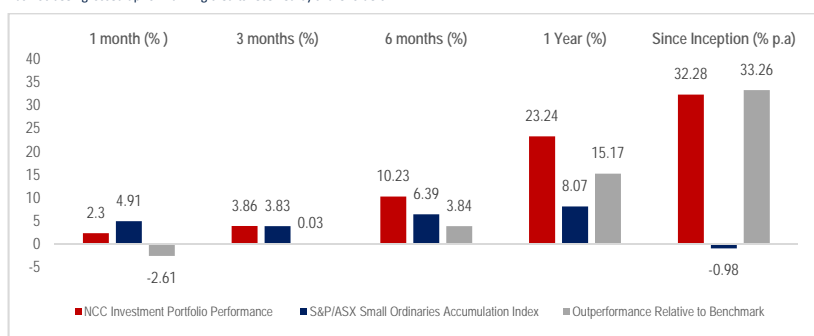
*The above NTA calculations do not account for any potential dilution from the 11,820,000 NCCOA options that remain on issue and are exercisable at \$1.13.

Investment Portfolio Performance to 31st July 2014*

The NCC investment portfolio produced a positive return of +2.30% for the month of July 2014. Noticeably the Small Ordinaries Accumulation Index had a very strong month with a return of +4.91%. A significant amount of this performance was due to a number of unloved companies producing remarkable monthly returns with Acrux for example up over +82% in July alone and a number of small resource companies rallying strongly with Northern Star, Syrah Resources, Lynas and Indophil Resources all up by over 30% in July.

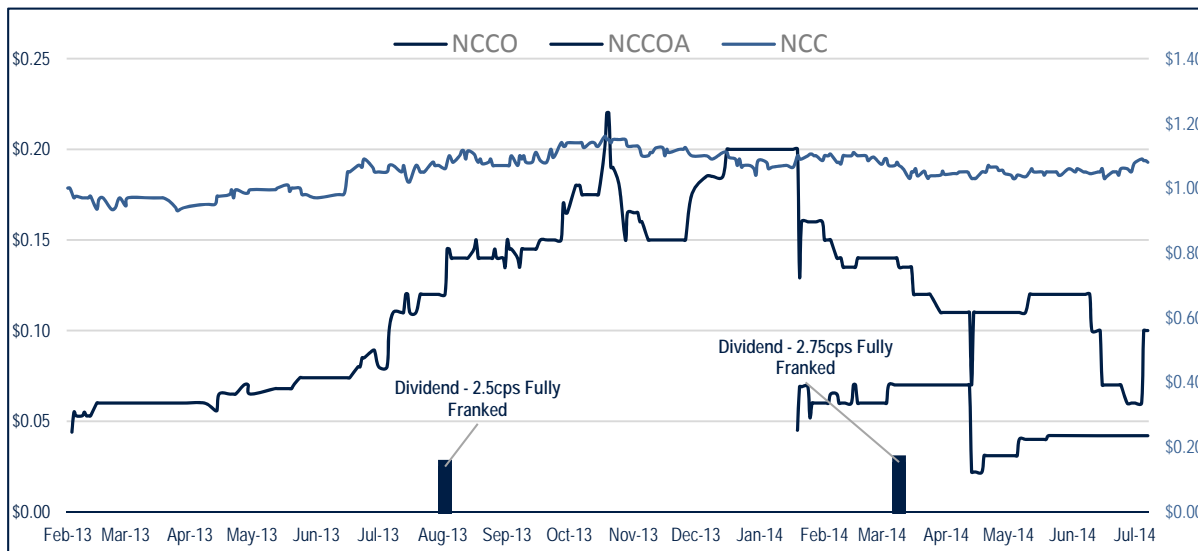
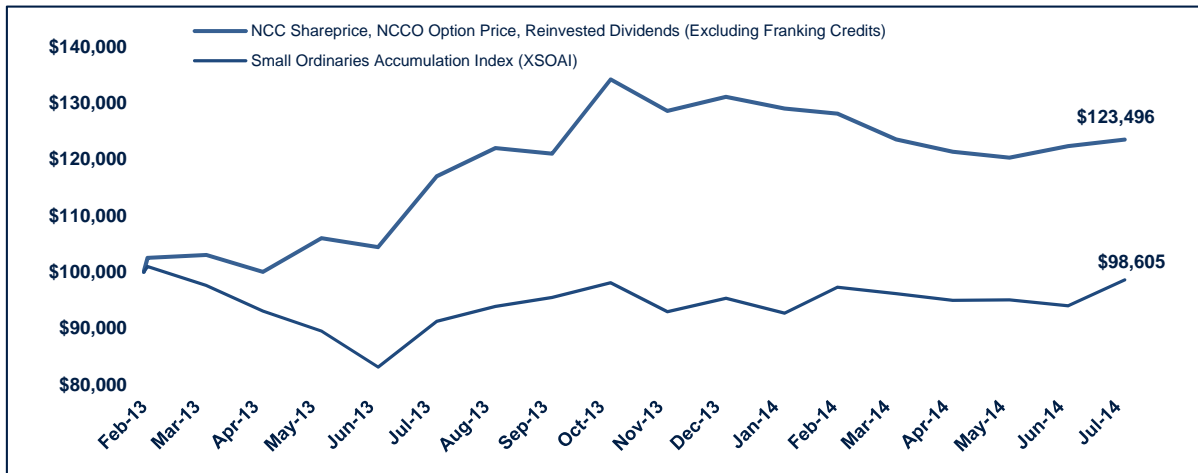
	1 Month	3 Months	6 Months	1 Year	Inception (p.a.)	Inception (Nom.)
NCC Investment Portfolio Performance*	+2.30%	+3.86%	+10.23%	+23.24%	+32.28%	+48.92%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+4.91%	+3.83%	+6.39%	+8.07%	-0.98%	-1.40%
Outperformance over Benchmark	-2.61%	+0.03%	+3.84%	+15.17%	+33.26%	+50.32%

*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 – July 2014 (continued)

Shareholder Return Analysis (IPO Investors)



Positive Stock Attribution Analysis (1st March 2013 to 31st July 2014)

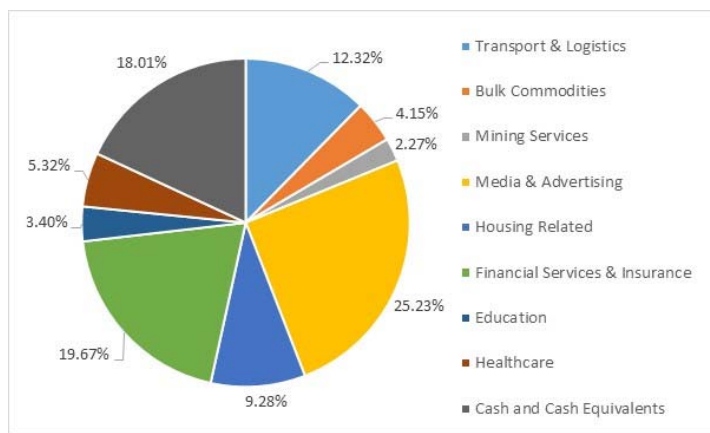
Below is a chart which lists the top positive contributors to NCC total return since 1st March 2013. The purpose of the chart is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated 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)
Capitol Health	+10.31%	Current Investment C	+4.96%
Current Investment A	+10.12%	Gage Road Brewing	+4.42%
Current Investment B	+5.84%	Current Investment D	+3.34%
Village Roadshow	+5.57%	AMA Group	+2.76%
RHG Limited	+5.03%	Sirtex Medical	+2.16%

Investment Report & NTA Update – July 2014 (continued)

Portfolio Positioning as at 31st July 2014

The Investment Portfolio added a new position in the month of July which has been partially funded through one current position and cash reserves. This has brought down the current cash and cash equivalent holdings within the portfolio to 18.01%. The new company operates within the healthcare space and has recently replaced their Chairman with a well-respected and proven Director in the emerging healthcare space.



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 July the Investment Management Team had direct contact with over 41 unlisted and listed companies of which several are listed below:

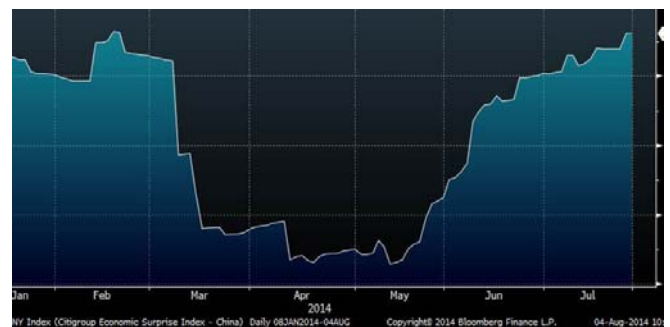
Capitol Health (CAJ)	Lode-ed Education (Unlisted)	Easton Investments (EAS)
Spookfish (Unlisted)	Phosphogenics (POH)	Kit McGrath (KME)
Beyond International (BYI)	Emerchants (EML)	Paws for Life (Unlisted)
Clarius Group (CND)	Count Plus (COU)	Lyndsay Group (LAU)

Market Insight

In July, the local market produced a positive total return of just under 4.5%. This was driven primarily by resource stocks and in particular mid-cap resource stocks. It was likely this was due to a raft of Chinese economic data releases in late June and early July beating market expectations in aggregate. This is evident when looking at the Citi Economic Surprise Index for China which turned positive at the start of the month (see chart below). After a number of months of negative analyst revisions to Chinese economic data, it is likely that the latest more positive trends or upgrades have forced many market participants to “equal-weight” resource companies in their portfolios after a long period of being underweight.

In looking back at the FY14 year, the best three macro and sector themed performers were Diversified Financials, Housing Linked and Banks according to Morgan Stanley’s “The Monthly”. In our view, the performance of these thematics was as a result of the low and falling interest rate environment in Australia. Low interest rates promote the movement of capital into riskier assets i.e. from cash on deposit towards equities and property. More recently, the time to future expected interest rate rises has been progressively lengthened as domestic economic performance has remained somewhat lackluster as the economy negotiates a challenging transition. As a result, it is likely that these settings will remain in place for some time allowing for continued performance from these sectors in FY15.

Citi Economic Surprise Index (China)



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

Naos Asset Management Ltd
Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
AFSL: 273529
Telephone: (02) 8064 0568
Facsimile: (02) 8215 0037

Share Registry

Boardroom Pty Limited
7/207 Kent Street
Sydney NSW 2000
Telephone: 1300 737 760
Facsimile: 1300 653 459

Auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

Enquiries

Anneke Senden
Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
Telephone: (02) 8064 0567
Email: asenden@naos.com.au
Website: www.naos.com.au

Registered Office

Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
Telephone: (02) 8064 0568
Facsimile: (02) 8215 0037