NAOS Emerging Opportunities Company (NCC)

MONTHLY INVESTMENT REPORT AND NTA UPDATE

JUNE 2015

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COMPANY OVERVIEW

Investment Objective

NCC seeks to provide investors with exposure to high quality emerging companies in a transparent and concentrated long/short structure. 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 delivering shareholder value over the medium to long term.

Investment Strategy

To actively manage a concentrated portfolio (approximately 0-20 positions) of high quality emerging companies (typically ASX ex 100) across a wide range of industries, which investors may have had limited exposure to.

Many of these emerging companies are often overlooked and are therefore potentially inefficiently priced by the wider investment community.

Inception Date: 26th of February 2013

Share Price at 30th June 2015: $0.995

Fully Franked Dividend Yield: 6.37%
Gross Fully Dividend Yield 9.10%

Benchmark: Small Ordinaries Accumulation Index (XSOAI)

Shares on Issue (ASX: NCC): 46,918,297

Listed Options on Issue Exercisable at $1.13 Prior 1st August 2015 (ASX: NCCOA): 11,789,026

Total Directors Shareholding in NCC: 3,210,079 Ordinary Shares

Net Tangible Asset Value Breakdown as at 30th June 2015

Pre Tax NTA:	**$1.08**
Post Tax & Pre Unrealised Gains Tax:	**$1.08**
After Tax NTA:	**$1.08**

The above NTA calculations do not account for any potential dilution from the 11,789,026 NCCOA options that remain on issue (expiry 1st August 2015) and which are exercisable at $1.13.

Investment Portfolio Performance to 30th June 2015

The month of June proved to be highly volatile for markets both domestically and globally. The Small Ordinaries Accumulation Index (XSOAI) fell by more than -7.75% for the month while the NCC investment portfolio produced a return of -4.27%, outperforming the market by +3.50%. On a 'since inception' basis, the NCC investment portfolio has outperformed its benchmark by almost +54% in nominal terms.

For the Financial Year 2015, the NCC investment portfolio outperformed the benchmark XSOAI with a return of +1.81% compared to the XSOAI which rose by +0.44% over the same period.

Trading for the month was soft, as has been the case in previous years, particularly in the small capitalisation space. The main reason for this was low levels of liquidity due to financial year end together with tax loss selling, creating significantly lower market movements for small capitalisation stocks on much lower market volumes.

During periods when volatility spikes and the flight to liquidity intensifies, regardless of the risk profile, excellent investment opportunities can often be found. Many quality businesses (i.e. those that have been operating successfully for many years and which are growing in their respective markets) that have a high proportion of their listed capital owned by business owners/management are often those which are punished as a result of low liquidity. During such times, when opportunities are presented, investors should ask themselves what the risk of permanent capital loss is and, given where valuations sit, are you being adequately rewarded if you take a long term investment view?

	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	Inception (p.a.)	Inception (Nom.)
NCC Investment Portfolio Performance*	-4.27%	-1.81%	-1.10%	+1.81%	+15.73%	+18.23%	+48.20%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	-7.77%	-4.04%	+2.97%	+0.44%	+6.59%	-2.43%	-5.60%
Outperformance Relative to Benchmark	+3.50%	+2.23%	-4.07%	+1.37%	+9.14%	+20.66%	+53.80%

*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.

Positive Stock Attribution Analysis (1st March 2013 to 30th June 2015)

The table below 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. We will disclose securities that the Company has a substantial holding in or when we have exited the name. All of the below may either of been a long or short position.

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
Calliden Group Limited	+16.11%	BSA Limited	+6.89%
Capitol Health Limited	+11.73%	Investment A	+6.85%
Lindsay Australia	+8.36%	Tamawood Limited	+6.72%
Sirtex Medical Limited	+7.20%	RHG Limited	+5.70%
Gage Road Brewing Limited	+6.95%	Village Roadshow Limited	+5.66%

Portfolio Positioning as at 30th June 2015

Over the last 2-3 months we have reduced the number of long exposures in the investment portfolio and actively closed all our short positions as a result of the recent market pullback.

During the month of June, one of our long positions was closed on valuation grounds and another long position was increased in size due to a significant liquidity opportunity.

The holding that we increased our exposure to is a 'typical' NAOS investment candidate. This business has experienced significant growth over the past 4 years, predominantly due to its ability to offer a unique service in comparison to its industry peers. The service offering has been developed in-house with a research and development team that now boasts over 15 dedicated data engineers. The customer list for the business includes large multinational companies such as Microsoft (through Skype) and Malaysian Telecom. The business' differentiated service offering, along with growth in its customer base, has led to significant revenue growth; from $38 million in FY12 to $60 million in FY14. The business has also experienced significant EBITDA margin expansion over the same period from 11% to >15%. Importantly, a significant part of the growth in the business has been due to growth in managed services revenue by cross selling products to the existing customer base within the company's legacy voice business. The business has also recently acquired a tier-1 international voice network, of which the existing customer base has no managed services contracts through. This newly acquired network is over 3 times the size of the existing network and provides the business with the ability to sell its managed services offering through an enlarged customer base. This is an attempt to replicate the success they have had in the Australian domestic market.

Taking a 36 month view, we believe all current holdings in the portfolio have the ability to produce an annualised total shareholder return over our internal hurdle rate of 20% p.a.

Of the 11 current positons in the portfolio, the top-5 holdings represent over 65% of total portfolio assets. All of the top 5 holdings are profitable businesses with balances sheets that are, on average, net cash.

Market Insight

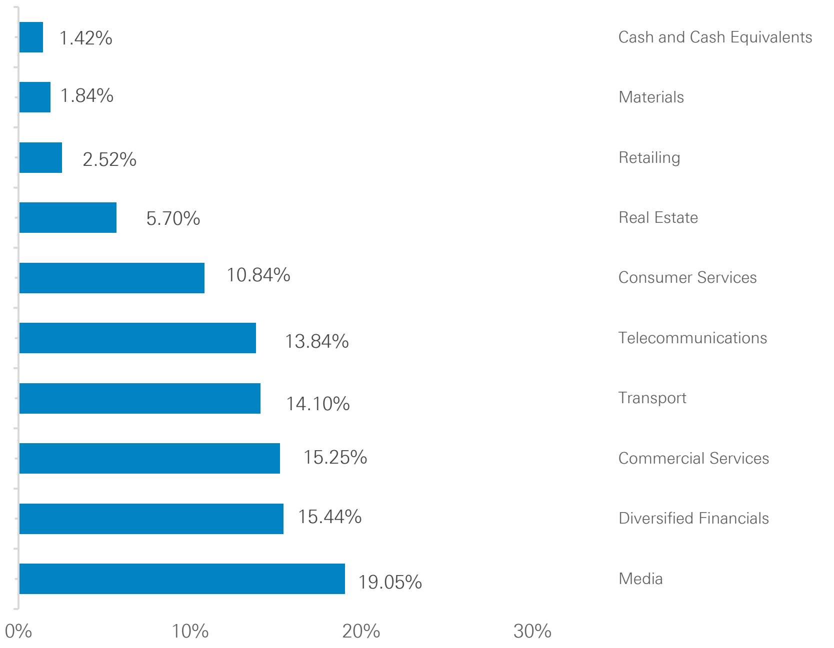
There were a number of notable downgrades from well-known and well held household names within the S&P/ASX-300 over the month. These included Qube Logistics (QUB) -19.0%, Vertis Health (VRT) -30.8%, Slater & Gordon (SGH) -41.0%, Flight Centre (FLT) -26.7%, Channel 9 (NEC) -27.9% and Seek (SEK) -16.9%. Many, if not all, of these downgrades were influenced by company specific variables though clearly the weakness within the domestic economy in most industries apart from housing & construction continues to provide companies with very little earnings visibility and conviction in their ability to forecast earnings over a 6-12 month period.

Interestingly, one of the weakest sectors in the month of June was the consumer discretionary sector, as consumer confidence retreated back to levels similar prior to the federal budget. The sector continues to polarise many investors in the market place as some continue to bank on lower interest rates flowing through to increased consumer spending. On the other side of the equation, retailers face a number of headwinds such as; a lower AUD which increases input prices, de-gearing of the personal balance sheet of the general public as they continue to save any excess cash surplus and finally, a consumer that is much more well informed on styles, prices and trends and therefore demands much more from their supplier and at a lower cost. These factors combined is forcing retailers to move stock more quickly and at much lower prices.

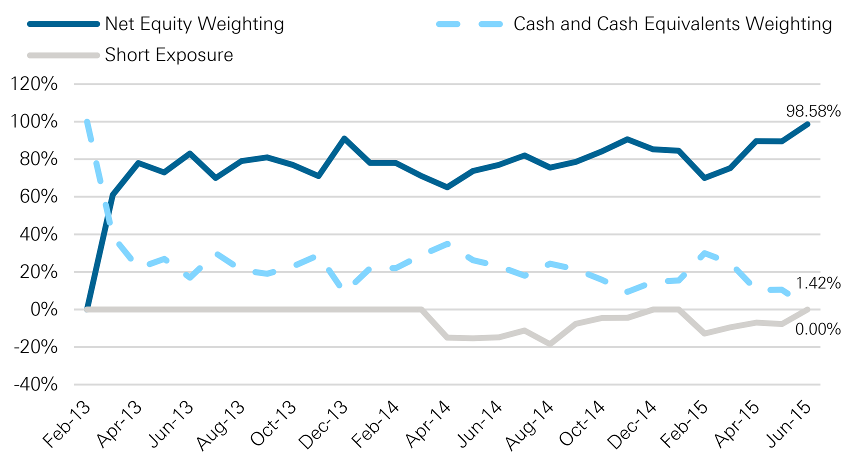
The one bright spot of the global economic picture, and one that will flow through to the domestic economy through a lower AUD/USD, continues to be the data out of the US economy and the ever increasing prospect of interest rate rises in September. Notably, the Q1 economic contract which was released earlier in the year was revised up to just -0.2% which, considering not only the adverse weather events but also the port issues in California at the time, was an excellent reading.

Click here to open the chart in your

Industry Exposure



Net Equity Exposure



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 NAOS Investment Team has direct contact with many listed and unlisted Emerging Companies across a wide range of industries. A selection of the companies met with during the month of June is provided below.

- Lindsay Australia Limited (LAU)
- MyNetFone (MNF)
- Vocation Limited (VET)
- National Storage (NSR)
- Maxitrans Industries (MXI)
- Sirtex Medical Limited (SRX)
- Macquarie Telecom (MAQ)
- STW Communications (SGN)
- Vision Eye Institute (VEI)
- Engenco Limited (LGN)
- Enero Group Limited (EGG)
- Appen Limited (APX)

Market Insight

Wage inflation also remains a key indicator to watch. We have seen continued commentary from major employers around rising wages and indications that employers are unable to hire skilled employees without offering an increased financial package. As this theme continues to play out and becomes front and centre of investors' minds, we believe we will see the USD strength take over from the AUD weakness. This will continue to drive the AUD lower thereby benefitting many domestic industries such as agricultural and manufacturing. It is also worth noting that the AUD was relatively flat over the period April to June while the spot iron ore price increased from $47 to $60 per tonne. This may provide the AUD with further weakness as the iron ore price falls back to recent lows.

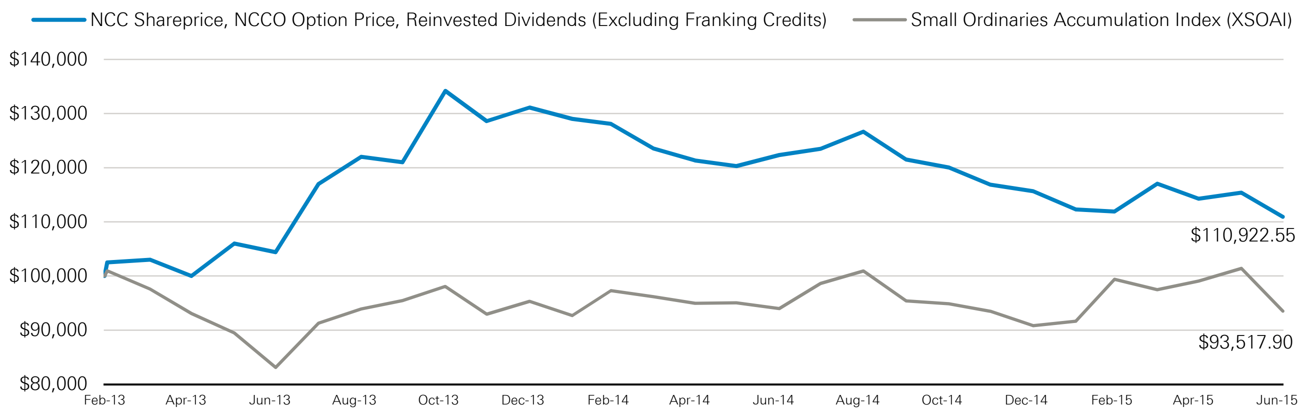
Portfolio Characteristics – Summary Data

Below are a number of historical portfolio risk measures. Our aim in providing these metrics is to demonstrate to investors how NCC is placed from a risk adjusted basis to meet its objective, being to outperform the benchmark over the long term and to preserve investors' capital. This month we have added the metric for downside deviation compared to that of the benchmark. This metric provides a basis upon which the volatility of negative returns can be assessed. A glossary of the terms used below and the method used for calculating them can be found on the last page of this report.

Total Number of Equity Holdings (Long & Short)	11
Total Number of "Income" Instruments	0
Total Number of Holdings	11
Portfolio Weighted Average Market Capitalisation	$85mn
Percentage of Positive Months (NCC)	69%
Percentage of Positive Months (XSOAI)	48%
Standard Deviation of Returns (NCC)	11.54%
Standard Deviation of Returns (XSOAI)	14.67%
Correlation of Returns to XSOAI	54.44%
Sortino Ratio	3.17
Downside Deviation	4.93%
Downside Deviation XSOAI	7.63%
Current Estimated Portfolio Beta	0.08

Capital Management – Summary Data

Shareholder Return Analysis (IPO) Investors

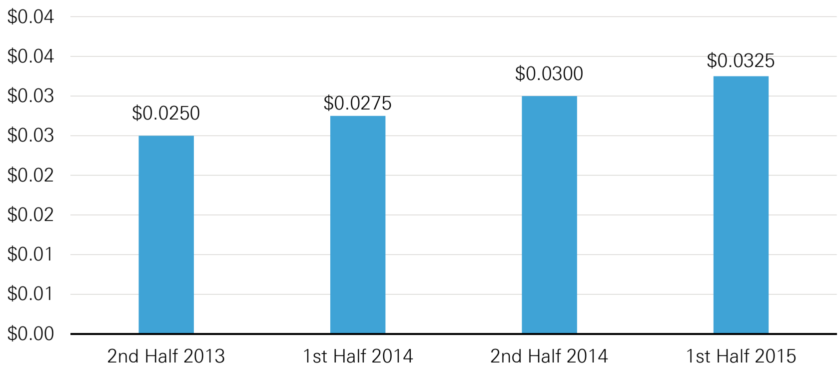


*Assumes an intrinsic value of $0.02 cents per option at expiry (1st February 2015).

As at 30th June 2015

Fully Franked Dividend Yield	6.37%
Gross Dividend Yield	9.10%
Shares on Issues	46,918,297
Options on Issue	11,789,026 (strike at $1.13, currently out of the money)
Directors Shareholding	3,210,079

Dividend Profile - Historical Fully Franked Dividends (Cents per Share)



Description of Statistical Terms/Glossary

Portfolio Weighted Average Market Capitalisation – The portfolio weight of each individual position multiplied by each companies respective market capitalisation.

Standard Deviation of Returns – A historical analysis of the volatility in monthly returns also known as historical volatility.

Correlation of Returns – A statistical measure of how two securities move in relation to each other. In this case the two securities are NCC and XSOAI. If the correlation is 1 then the two securities should have the same monthly returns and if the correlation is -1 and XSOAI had a return of -1.00% then NCC would be expected to have a return of +1.00%

Sortino Ratio – A modification of the Sharp ratio that differentiates harmful volatility from general volatility by taking into account the standard deviation of negative asset returns, called downside deviation. A large Sortino Ratio may potentially indicate that there is a low probability of a large capital loss.

Downside Deviation - A measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR).

Portfolio Beta – A measure of the volatility, or systematic risk of a portfolio or security. A beta of 1 indicates a portfolio/security's price will move with the market. A beta of less than 1 means that the security/portfolio will be less volatile than the market.

XSOAI – Small Ordinaries Accumulation Index (XSOAI)

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Warwick Evans (Director)
Sebastian Evans (Director)

Company Secretary
Lawrence Adams

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