

NAOS Emerging Opportunities Company (NCC)

ABN 58 161 106 510

MONTHLY INVESTMENT REPORT AND NTA UPDATE

NAOS

KEY CHARACTERISTICS

1. Genuine Exposure to Undervalued Emerging Companies with an Industrial Focus

Regardless of market capitalisation and/or liquidity, NCC seeks to provide investors with exposure to high quality, undervalued emerging companies (market capitalisation generally <\$250 million) in a transparent and concentrated structure that has the competitive advantage of being a nimble closed ended structure with no liquidity constraints.

2. Sustainable Growing Fully Franked Dividends

NCC's dividend has grown every year since inception with dividends usually paid on a six-monthly basis. To date all dividends have been fully franked.

3. Focus on Quality of Companies Not Quantity or Size

Our primary focus is on developing a deep understanding and appreciation of the companies in our portfolio. We believe the best way to achieve this is to focus on a select number (target 0-15) of high quality investment ideas in order to capitalise on our 'long term knowledge & liquidity advantage'. We target an Internal Hurdle Rate of 20% p.a. over a rolling three-year period for all our investment holdings.

4. Portfolio Flexibility with a Benchmark Unaware Approach

This means we are not forced holders of stocks with large benchmark/index weightings that we are not convinced are attractive investment propositions. NCC can also hold up to 100% cash. It has been proven that holding cash offers the 'best hedge' during times of crisis.

5. Significant Alignment of Interests with Shareholders

NAOS directors and employees (including related parties) own over 10 million NCC shares, providing shareholders with a significant alignment of interests.

6. Environmental, Social and

Governance (ESG) NAOS adopts an ESG screen across its investments.

Net Tangible Asset Value Breakdown as at 30 April 2018

Pre Tax NTA:	\$1.30
Post Tax & Pre Unrealised Gains Tax NTA:	\$1.28
Post Tax NTA:	\$1.25
Share Price:	\$1.27
Historical Fully Franked Dividend Yield	5.71%

Investment Portfolio Performance & Market Insight

The NCC Investment Portfolio produced a return of -1.49% compared to the Benchmark S&P/ASX Small Ordinaries Accumulation Index ('XSOAI') which returned +2.75%. This brings the portfolio performance since inception of 5 years and 2 months to +125.11% vs. the XSOAI which has returned +37.03%.

Over the short-term, the Investment Portfolio has underperformed the wider market, which can be primarily attributed to two factors: the first being NCC's non-existent exposure to small cap resources, businesses which have performed very strongly over the past 6-12 months; and secondly the lack of share price appreciation from some of the core positions within the investment portfolio i.e. Consolidated Operations Group (ASX: COG), BSA Limited (ASX: BSA) and Enero Group (ASX: EGG), which has more than offset some of the better performers such as CML Group (ASX: CGR). One of our significant competitive advantages at NAOS is our ability and desire to take a long-term view on our investments (i.e. more than 24 months), though in today's environment this can lead to periods of underperformance. This is similar to what we experienced in FY15, recording a gain of just +1.43% before returning a gain of +24.77% the following year, with a very similar group of investments.

There was little significant news within the investment portfolio during April, although there were updates of note from BTC Health (ASX: BTC), Big River (ASX: BRI), and Enero Group (ASX: EGG). Firstly, it was pleasing to see the Executive Chairman of BTC acquire a further 2% of all shares on issue at 20 cents per share, a price almost 100% higher than at the beginning of CY2017, demonstrating significant alignment with shareholders. Big River released disappointing full year profit guidance to the market, driven by their manufacturing division which we believe will just breakeven this year. In our view it is debatable whether this part of the business is core, it is not central to our investment thesis, which is based around the distribution business, but is disappointing nonetheless. Finally, Enero added further industry expertise to their Board, with the announcement that David Brain will join the Board as an Independent Director. David was previously a Director of the Group supervisory board of the world's largest PR firm, Edelman, and was CEO of two of their three global divisions.

	1 Month	1 Year	3 Years (p.a.)	4 Years (p.a.)	5 Years (p.a.)	Inception (p.a.)	Inception (nom.)
NCC Investment Portfolio Performance*	-1.49%	+9.96%	+14.32%	+11.94%	+16.04%	+16.99%	+125.11%
S&P/ASX Small Ordinaries Accumulation Index (XSOAI)	+2.75%	+18.45%	+11.07%	+9.60%	+8.05%	+6.28%	+37.03%
Outperformance Relative to Benchmark	-4.24%	-8.49%	+3.25%	+2.34%	+7.99%	+10.71%	+88.08%

*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. and nom.) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

Positive Stock Contribution Analysis

(Contribution is what has attributed to NCC’s performance since inception of 1 March 2013)

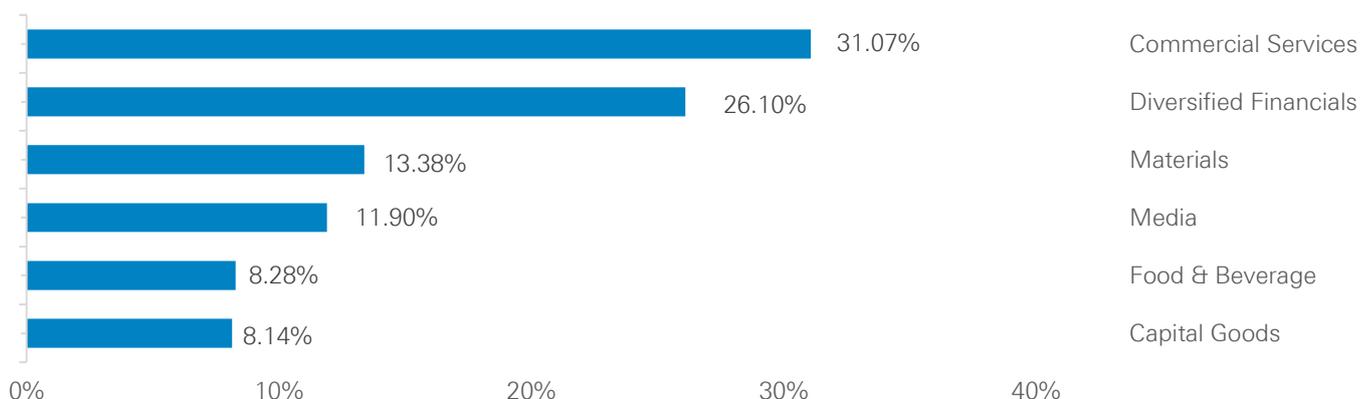
The table below lists the top positive contributors to NCC’s total return since inception. The purpose of the information is to illustrate that the performance the investment team derive over time is not simply from one or two positions but from a variety of positions, even with a highly concentrated portfolio of investments that is often 0 -15 securities at any one time. We will disclose securities in which NCC has a current substantial holding, or when we have exited the position.

Investment	Contribution to Return (%NAV)	Investment	Contribution to Return (%NAV)
BSA Limited	+26.75%	Lindsay Australia Limited	+10.45%
Calliden Group Limited	+16.20%	MNF Group Limited	+10.29%
Capitol Health Limited	+15.75%	Tamawood Limited	+9.02%
Consolidated Operations Group Ltd	+12.34%	Village Roadshow Limited	+8.53%
CML Group Limited	+11.58%	Sirtex Medical Limited	+8.51%

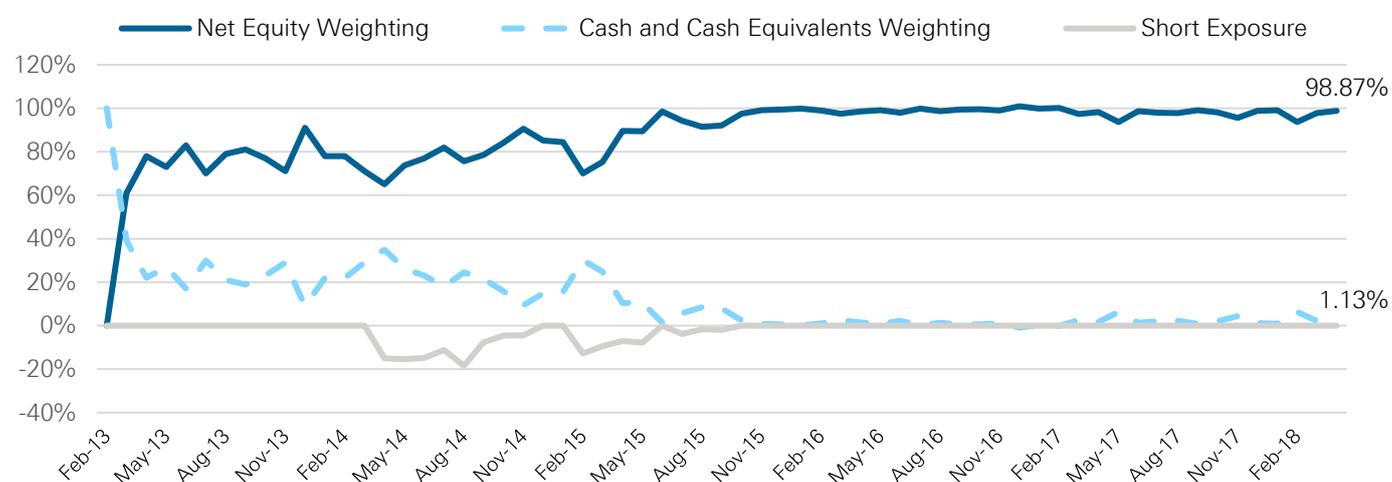
Portfolio Positioning as at 30 April 2018

As at 30 April 2018, the portfolio’s net equity exposure was ~98.87% with a subsequent cash weighting of +1.13%. The core holdings in the portfolio did not change over the course of the month. As at month end, the portfolio was comprised of 9 long positions and no short positions. There were also no income instruments in the portfolio.

Net 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. This 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 the team had contact with during the month were as follows:

- Tempo Australia Ltd (TPP AU)
- Saunders International Ltd (SND AU)
- P2P Transport Ltd (P2P AU)
- Vonex Telecom (upcoming IPO)
- Freedom Insurance Group (FIG AU)
- iSelect Ltd (ISU AU)
- Buymyplace.com.au Ltd (BMP AU)
- Over The Wire Holdings Ltd (OTW AU)
- CML Group Ltd (CGR AU)
- Octet (Unlisted)

Portfolio Characteristics – Summary Data as at 30 April 2018

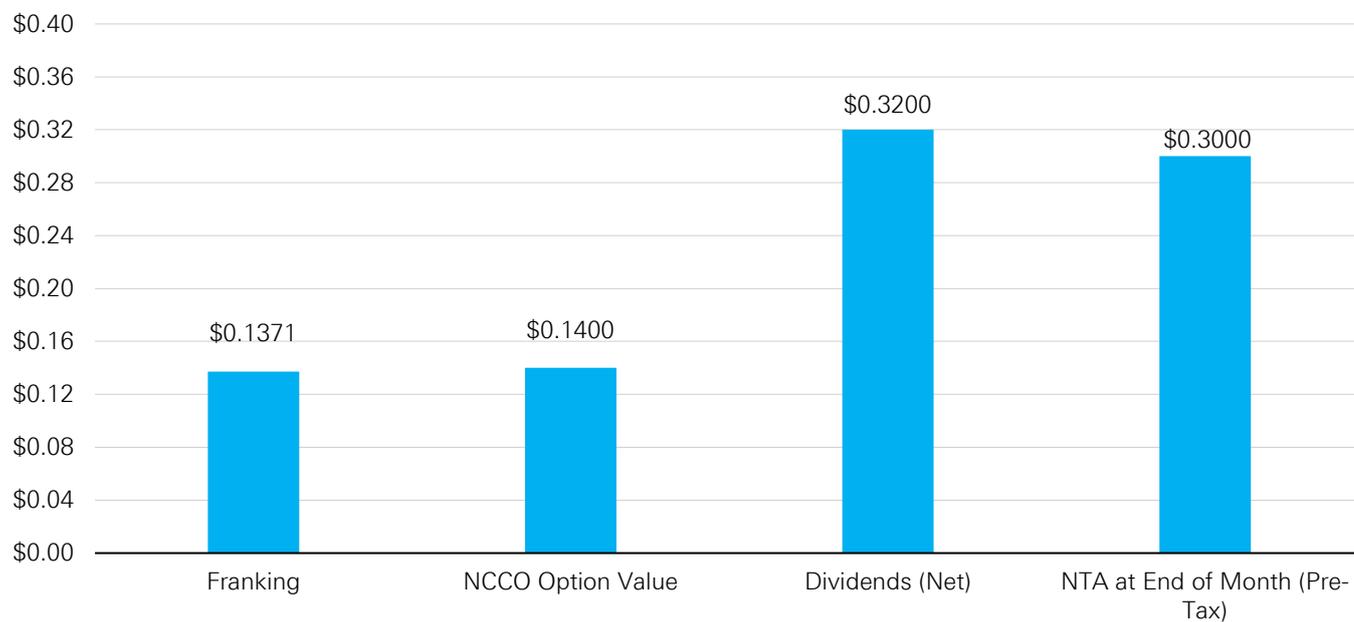
Below are a number of historical portfolio risk measures. Our aim in providing these metrics is to demonstrate to investors how NCC is placed from a risk adjusted basis to meet its objective, being to outperform the benchmark over the long term, and to also preserve investors' capital. A glossary of the terms used below and the method used for calculating them can be found on the last page of this report.

Average Market Capitalisation of the Portfolio's Equity Holdings	\$93.1 million
Percentage of Positive Months (NCC)	69%
Percentage of Positive Months (XSOAI)	58%
Standard Deviation of Returns (NCC)	10.60%
Standard Deviation of Returns (XSOAI)	13.06%
Correlation of Returns to XSOAI	0.52
Sortino Ratio	3.17
Downside Deviation (NCC)	4.63%
Downside Deviation (XSOAI)	6.88%
Current Estimated Portfolio Beta (6 Month Historical)	0.27

Capital Structure – Summary Data as at 30 April 2018

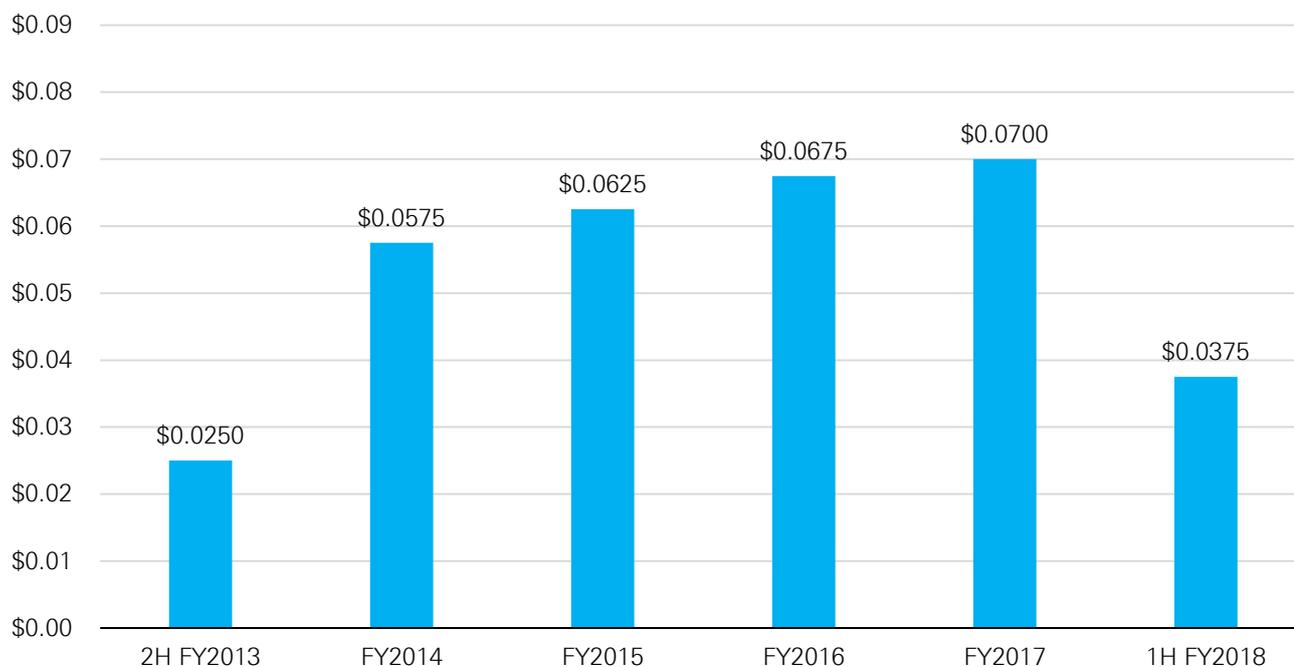
Share Price	\$1.27
Premium/(Discount) to NTA (Pre-Tax)	(-2.31%)
Shares on Issue	59,673,562
NCC Directors Shareholding (Ordinary Shares)	3,920,980

Historical Shareholder Return Breakdown



*Assumes an intrinsic NCCO value of \$0.14 cents per option at expiry (1 February 2015), based on pre-tax NTA on this date diluted for remaining options.

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



A Description of Statistical Terms/Glossary

Average Market Capitalisation of the Portfolio's Equity Holdings – The sum of, the percentage of each individual position relative to the total value of all Equity Holdings multiplied by each company's respective market capitalisation (Cash and Income/Debt securities are excluded).

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 variables move in relation to each other. In this case the two variables 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 Sharpe 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. Returns less than that of the benchmark (S&P/ASX Small Ordinaries Accumulation Index - XSOAI) are classified as negative asset returns.

Downside Deviation - A measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR). For our calculations, we use returns negative to zero for the calculation of portfolio downside deviation.

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 indicated that a security/portfolio should be less volatile than the market.

XSOAI – S&P/ASX Small Ordinaries Accumulation Index

Important Information:

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CORPORATE DIRECTORY

Directors

David Rickards (Independent Chairman)
Warwick Evans (Director)
Sebastian Evans (Director)

Company Secretary

Rajiv Sharma

Investment Team

Sebastian Evans (Chief Investment Officer)
Ben Rundle (Portfolio Manager)
Robert Miller (Portfolio Manager)
Chadd Knights (Investment Analyst)
Rachel Folder (Investment Analyst)

Chief Financial/Operating Officer

Richard Preedy

Senior Legal Counsel

Rajiv Sharma

Business Development Manager

Julia Stanistreet

Communications & Marketing

Megan Walker

Distribution & Sales Manager

Scott Hildebrand

Share Registry

Boardroom Pty Limited
12/225 George Street
Sydney NSW 2000
Telephone: 1300 737 760
Facsimile: 1300 653 459

Investment Manager

NAOS Asset Management Limited
Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000
(AFSL: 273529)

Auditor

Deloitte Touche Tohmatsu
Level 25, Grosvenor Place
225 George Street
Sydney NSW 2000

Registered Office

Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000

ENQUIRIES

Julia Stanistreet

Telephone: (02) 9002 1576
Email: jstanistreet@naos.com.au

Megan Walker

Telephone: (02) 9002 1577
Email: mwalker@naos.com.au
Email: enquiries@naos.com.au

www.naos.com.au