

MONTHLY INVESTMENT REPORT & NTA UPDATE

AS AT 31 AUGUST 2020

Net Tangible Asset Value Breakdown

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings	Cumulative Fully Franked Dividends	Fully Franked Dividend Yield
\$0.96	\$0.96	\$1.00	\$0.92	9	\$0.50	7.88%

The above NTA figures are inclusive of the 3.50 cents per share fully franked FY20 final dividend, which has an ex-dividend date of 5 October 2020 and a payment date of 21 October 2020.

Market Insight

After the Investment Portfolio produced a return of +7.98% in July the portfolio was not able to carry on with this momentum in August, finishing slightly down with a return of -0.90%. This brings the inception return of the investment portfolio to +10.14% p.a. or +106.54% on a total return basis, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which has increased by +5.56% p.a. or +50.11% over the same period. Experience Co. (ASX: EXP), Consolidated Operations Group (ASX: COG) and Enero Group (ASX: EGG) provided the most significant positive contributions for the month, though this was offset by negative returns from two positions, being BSA Limited (ASX: BSA) and Wingara Ag (ASX: WNR), the latter of which completed a poorly executed and heavily discounted share placement.

Investment Portfolio Performance Monthly and FY Returns*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total Return
FY21	+7.98%	-0.90%											+7.00%
FY20	+6.85%	+2.86%	+6.56%	-3.56%	-0.04%	+4.11%	+11.11%	-8.57%	-28.25%	+5.39%	+8.70%	+1.32%	-0.54%
FY19	-2.42%	+3.94%	+2.88%	-6.09%	-6.12%	-2.92%	-0.24%	+4.96%	-1.80%	-3.54%	-1.43%	+0.20%	-12.51%
FY18	+3.43%	+4.94%	-1.24%	+2.32%	+2.39%	+0.14%	-0.77%	-1.52%	+0.43%	-1.49%	-1.89%	+0.44%	+7.13%
FY17	+4.63%	+6.48%	+3.65%	-0.49%	-0.45%	+1.92%	+0.08%	-1.93%	+0.82%	-3.69%	+0.70%	+0.44%	+12.39%
FY16	+2.28%	-5.77%	+0.86%	+3.72%	+1.10%	+4.56%	-3.26%	+4.96%	+1.57%	+4.67%	+5.31%	+2.97%	+24.77%
FY15	+2.30%	+3.58%	-1.51%	-2.39%	+0.58%	+0.46%	+0.58%	+2.81%	-2.59%	-0.18%	+2.37%	-4.27%	+1.43%
FY14	+9.19%	+7.64%	+2.80%	+5.11%	-4.84%	-3.57%	+4.76%	+3.87%	+2.91%	-0.70%	+0.85%	+0.67%	+31.54%
FY13								+0.03%	+3.81%	+3.03%	+4.48%	-0.99%	+10.67%

* 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.

On a positive note, the key highlight for the month for the NCC Investment Portfolio was EXP. In light of a horrendous macro backdrop for the EXP business, the EXP management team have utilised this time and optimised the business for the re-opening of the interstate borders and international travel which will eventually follow. To highlight just how far this management team have come, EXP reported that July's trading was breakeven at the underlying EBITDA level, even with numerous state borders closed and essentially no inbound tourism. From a liquidity point of view the business has a significant asset backing with a net cash position prior to the inclusion of finance lease liabilities. Looking forward we believe over the next 3-4 years the EXP business will achieve a much higher margin and become a more diversified business with strong brand appeal and awareness. We believe margin improvement will be driven by a business that will command more direct bookings and therefore lower commission rates, together with a more price inelastic offering due to the superior product offering compared to its peers. In regard to diversification we believe this will occur both organically through complementary product offerings as well as via acquisition. Many private operators within the tourism industry

Fully Franked Dividend Profile (Cents Per Share)



Conviction. Long Term. Aligned

Investment Beliefs

Value with Long Term Growth

Quality over Quantity

Invest for the Long Term

Performance v Liquidity Focus

Ignore the Index

Pure Exposure to Industrials

Environmental, Social and Governance (ESG)

Management Alignment

Constructive Engagement

Market Insight Continued

will face some tough decisions over the next 6 months and we believe EXP has the potential to acquire strategic assets that will complement their current offering. Over the long term we think EXP could be a much larger business than the one that it is today, driven by a board and management team that is highly regarded within the tourism space.

Finally, the key negative detractor for performance was Wingara Ag (ASX: WNR). This was the result of a \$5 million share placement which was completed at a 28% discount to the last traded price of \$0.265. We believe this was a very poor decision by the WNR Board, particularly as a new Chairman was only appointed 2 weeks prior to this announcement. We firmly believe that Wingara operates in an industry where there are obvious and significant tailwinds, which over time should lead to significant growth in shareholder value with effective capital allocation and strategic execution by management. Clearly this has not been the case over the past 36 months as revenue has increased to \$35 million yet NPAT has remained at an unsatisfactory level, just \$0.79 million in FY20.

Going forward we believe there are a number of key points that need to be addressed. Firstly, stating the targeted return on assets and return on invested capital (which has not previously been communicated); moving to a majority independent board by appointing two new independent Directors who have served on public or private businesses with a track record of strong shareholder returns; renewing and bolstering the depth of the management team via the appointment of a COO; and finally delivering consistent and clear messaging to shareholders that is measurable and transparent. WNR has the potential to be a highly profitable business but for the valuation multiple to re-rate and satisfactory shareholder returns to be generated we firmly believe the said changes need to be implemented in the near term.

Core Investment Portfolio Examples

		
BTC Health ASX: BTC BTC Health is a founder led high growth distributor of niche high quality medical devices in Australia and New Zealand. The company's strategy is to make active investments in businesses that acquire, develop and commercialize product opportunities in the healthcare space and which will benefit from greater access to development capital.	Saunders International ASX: SND Saunders International was established in 1951 and provides constructions, maintenance and remediation services to the energy, resources and infrastructure sectors. Clients include Sydney Water, Australian Government, Lend Lease and Rio Tinto.	Experience Co ASX: EXP Experience Co is the largest operator of tandem skydives within Australia and New Zealand with over 150,000 tandem jumps per year. EXP also operates a number of cruise and diving experience in far north Queensland (Cairns and Port Douglas) that generally accommodate over 250,000 customers per year.

Investment Portfolio Performance

	1 Month	1 Year	5 Years (p.a.)	7 Years (p.a.)	Inception (p.a.)	Inception (Total return)
NCC Investment Portfolio Performance*	-0.90%	-3.17%	+7.73%	+6.83%	+10.14%	+106.54%
S&P/ASX Small Ordinaries Accumulation Index	+7.24%	+2.07%	+10.47%	+6.93%	+5.56%	+50.11%
Performance Relative to Benchmark	-8.14%	-5.24%	-2.74%	-0.10%	+4.58%	+56.43%

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

Key Metrics – Summary Data

Weighted Average Market Capitalisation of the Investments	\$72.3 million
Cash Weighting	0.39%
Standard Deviation of Returns (NCC)	16.61%
Standard Deviation of Returns (XSOAI)	16.76%
Downside Deviation (NCC)	11.55%
Downside Deviation (XSOAI)	10.68%
Shares on Issue	61,784,395
NCC Directors Shareholding (Ordinary Shares)	4,289,990
NCC Options Closing Price (ASX: NCCOB)	\$0.007

NAOS Asset Management Giving Back

NAOS Asset Management Limited, the Investment Manager, donates approximately 1% of all management fees to the following charities.

		
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