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ASSET MANAGEMENT

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Corporation

Investor Roadshow 2024

Emerging Equities: Time for a Golden Era?

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Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

We are NAOS

We are active, long-term investors in emerging companies. Our aim is to compound shareholders' capital and deliver dividend growth over the long-term, and we have a resolute commitment to investing our capital alongside our shareholders.

With a focus on quality over quantity, we predominantly take significant minority shareholdings (10%-35%) in our investee businesses to support the execution and achievement of their long-term goals.

FY24 in Review

Factors That Contributed to Poor FY24 Performance






- Many of our investments failed to grow earnings at the rate we expected in FY24.
- Subdued economic activity led to several core investments downgrading 2H FY24 earnings.
- Significantly reduced valuation multiples for emerging companies (especially <\$500 million).
- Divergence of valuations applied to large liquid businesses and those that are smaller and/or illiquid.

LIC	FY24 Investment Portfolio Performance*
NCC	-26.49%
NAC	-27.98%
NSC	-22.93%

Q1 FY25 Performance	Inception Performance (p.a.)
+6.62%	+5.75%
-6.36%	+5.41%
+6.34%	-0.36%

*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. 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 (NCC), November 2014 (NAC) and December 2017 (NSC). Returns compounded for periods greater than 12 months. Inception Performance to 30 September 2024.

Select Core Holdings Performance – FY24 vs FY23

	FY23				FY24			
	EPS	NPAT	Share Price	Market Cap	EPS	NPAT	Share Price	Market Cap
	\$0.124	\$23.7m	\$1.38	\$263.1m	\$0.123	\$24.2m	\$1.13	\$219.2m
	<i>% Change</i>				-1%	+2%	-18%	-17%
	\$0.08	\$9.5m	\$1.12	\$122.1m	\$0.0996	\$11.3m	\$0.81	\$94.6m
	<i>% Change</i>				+5.4%	+12%	-28%	-23%
	\$0.139	\$7.7m	\$2.65	\$126.4m	\$0.121	\$6.6m	\$1.96	\$108.1m
	<i>% Change</i>				-13%	-14%	-26%	-14%
	\$0.082	\$5.9m	\$0.60	\$42.9m	\$0.258	\$18.9m	\$0.73	\$53.0m
	<i>% Change</i>				+215%	+219%	+22%	+24%
	\$0.29	\$24.8m	\$2.49	\$206.8m	\$0.115	\$9.8m	\$1.36	\$115.7m
	<i>% Change</i>				-60%	-61%	-46%	-44%

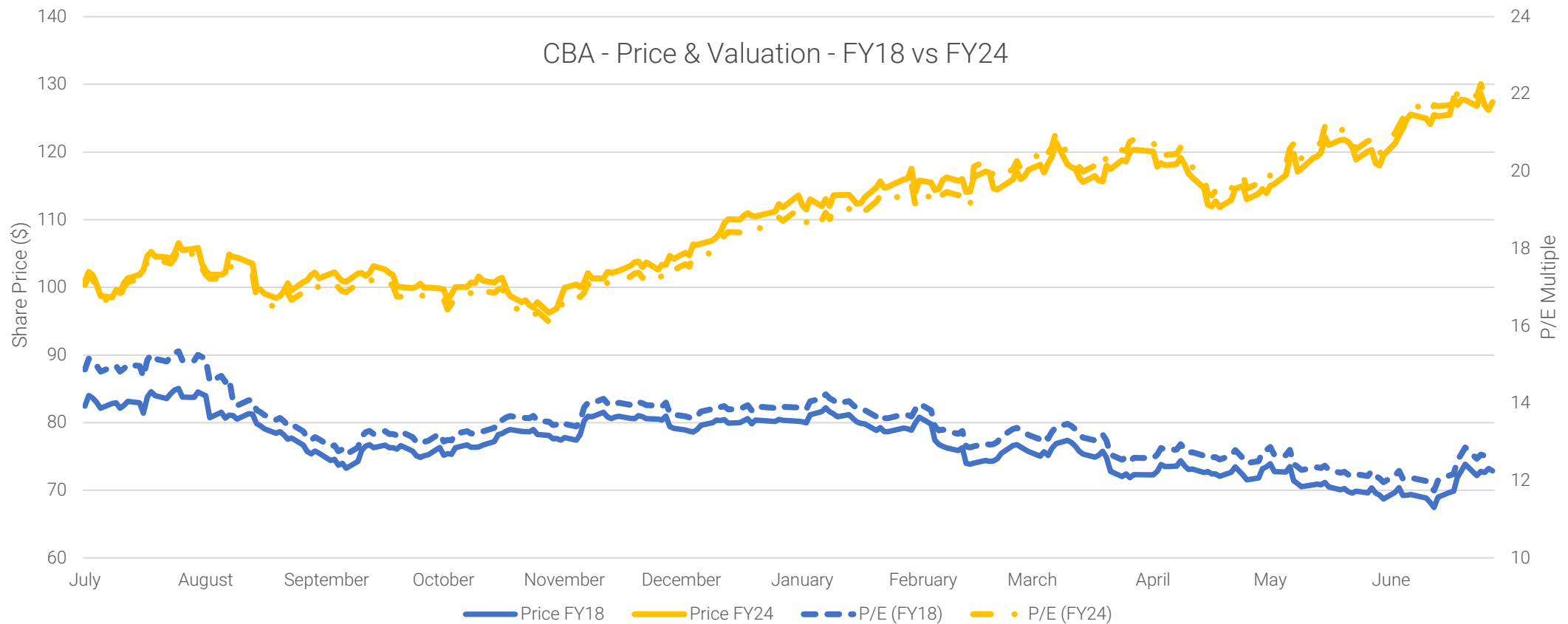
Source – Iress, Company Annual Reports, NAOS. Figures as at 30 June 2023 and 30 June 2024.



Emerging Equities: Time for a Golden Era?

Unique Times For Company Valuations

- In FY18, CBA reported net profit of \$9.3Bn and traded at ~\$80/share, with a market cap of \$120Bn.
- In FY24, CBA reported net profit of \$9.4Bn and traded at \$128/share, with a market cap of \$240Bn.



Source – Iress

FY24 - A Dynamic Period

Lithium prices have crashed this year, squeezing margins at Australian miners

Housing approvals fall to lowest level in 12 years despite Labor's pledge of 1.2m new homes

Air Trunk's \$23.5b AI pay day

Households are hurting. Savings are weak. The future's uncertain. Is a rate cut near?

Business insolvencies hit record highs with worse to come, warns Creditor Watch

Australia facing looming power shortage crisis in 2027

Developers warn rising costs ruling out affordable homes

Developers warn rising costs ruling out affordable homes

ASX hits record high; CBA eclipses BHP as Australia's biggest company

Australian venture capital funding surges 12pc to \$1.5bn but 'remains subdued': KMPG

Migration has been blamed for the housing crisis, but it's not that simple

'Marking their own homework: Inside Australia's \$200b unregulated private credit boom

Small caps are as cheap as they've been this century

Investors Demand Liquidity Regardless of EPS Growth

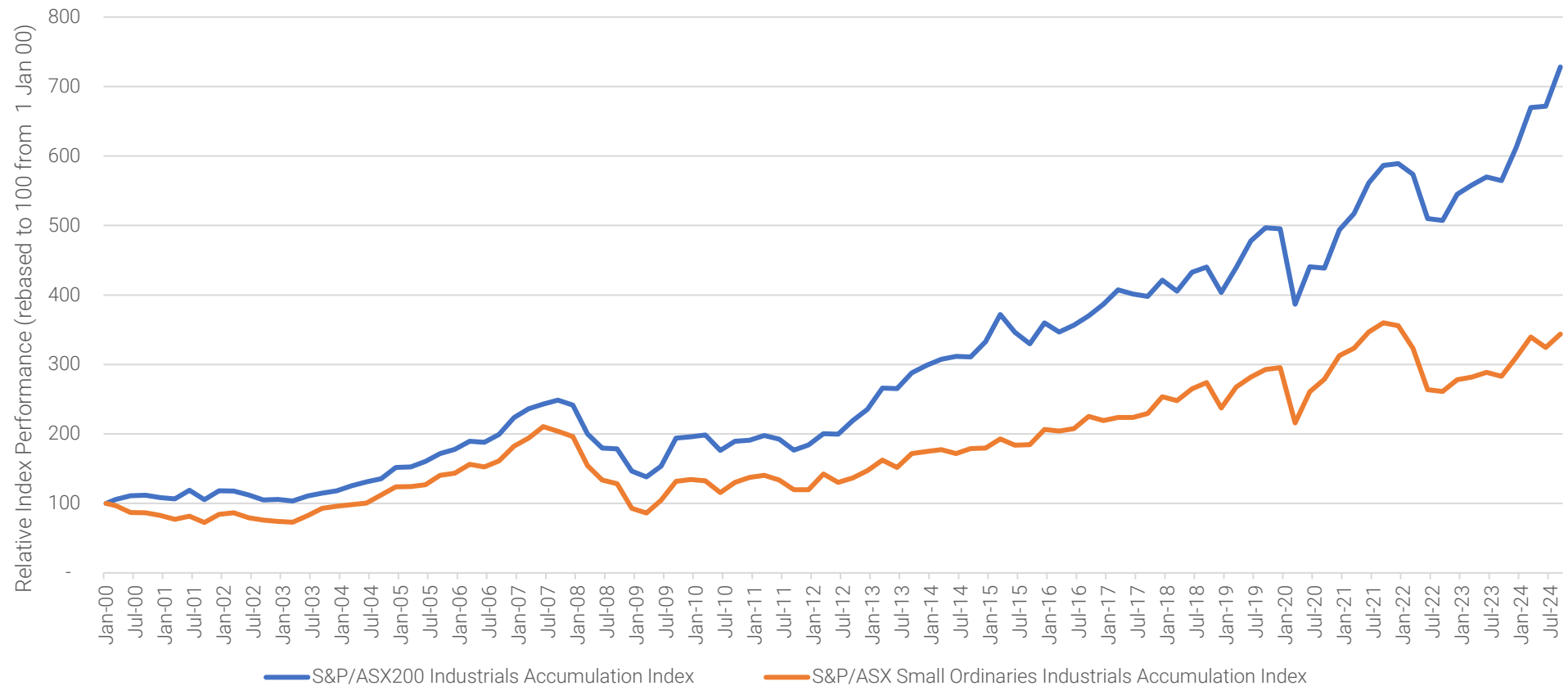
	1 yr TSR*	P/E Multiple^	FY24 EPS Growth
Wesfarmers Limited (ASX: WES)	+31.08%	31.6	+3.71%
Commonwealth Bank of Australia (ASX: CBA)	+34.41%	23.6	-3.65%
Reece Limited (ASX: REH)	+30.19%	41.3	+8.19%
JB Hi-Fi (ASX: JBH)	+59.27%	19.7	-15.88%
Goodman Group (ASX: GMG)	+36.65%	29.4	+14.0%
James Hardie Industries (ASX: JHX)	+16.87%	20.9	+0.87%

Source – Iress, NAOS

Note - * Total Shareholder Return is 1 year to 31 August 2024. ^Forward 12 months P/E as at 31 August 2024.

Valuation Dispersion At Record Levels Between Large and Small Companies

Relative Performance of the S&P/ASX Small Ordinaries Industrials Accumulation Index Vs S&P/ASX200 Industrials Accumulation Index



Record valuation dispersion.

Small Ordinaries Industrials Accumulation Index has now underperformed by ~53% since Jan-00.

Source – Iress

What Drives Emerging Company Outperformance?

Performance Following Recessionary Environments

Recessionary Event	Years	Recovery Years	XSOAI Index Trough	XSOAI Index Peak	XSOAI Trough to Peak Return
'The Recession We Had to Have'	1990-1991	1992-1999	Q4 1990	Q4 1999	+214.1%
Dot Com Crash	2000-2002	2003-2006	Q3 2001	Q4 2007	+270.0%
GFC	2007-2008	2009-2019	Q1 2009	Q1 2020	+202.2%
COVID-19	2020-2021	2022-2024	Q2 2020	Q1 2022	+78.3%

Note : XSOAI = S&P/ASX Small Ordinaries Accumulation Index

Source – Iress, NAOS

What Drives Emerging Company Outperformance?

1. Ability to grow profitability in earnings per share (at a reasonable rate).
2. A more accommodating and certain economic environment.
3. Increased investor risk appetite.

Ability to Grow Earnings Per Share

Demand for goods and services:

- Is the demand profile for goods and services stable and predictable?
- Are customers happy to enter into long-term contracts?
- How easy is it for businesses to pass on genuine cost increases?
- Is competitor activity rational and predictable?
- Are customers more price sensitive or going out to tender to reduce price?

Ability to Grow Earnings Per Share

Flexibility to manage cost base in a reasonable manner:

- Staff costs often represent >50% of a company's cost base.
- Occupancy costs are becoming increasingly significant, especially for distribution businesses.
- Freight, electricity, and insurance cost increases are all significant.
- For businesses with debt, interest costs are a cost that can't be passed through to the customer.

A More Accommodating Economic Environment

A more suitable inflationary environment.

- Inflation is often directly correlated to many of the cost variables mentioned previously.
-

Interest rates that make it attractive for companies to borrow and invest.

- Can a company generate an adequate return given the interest rate level?
-

A stable and predictable regulatory backdrop.

- Do businesses have medium-term certainty that regulation won't affect their operations?
-

A consumer that has both the capacity and intention to increase consumption.

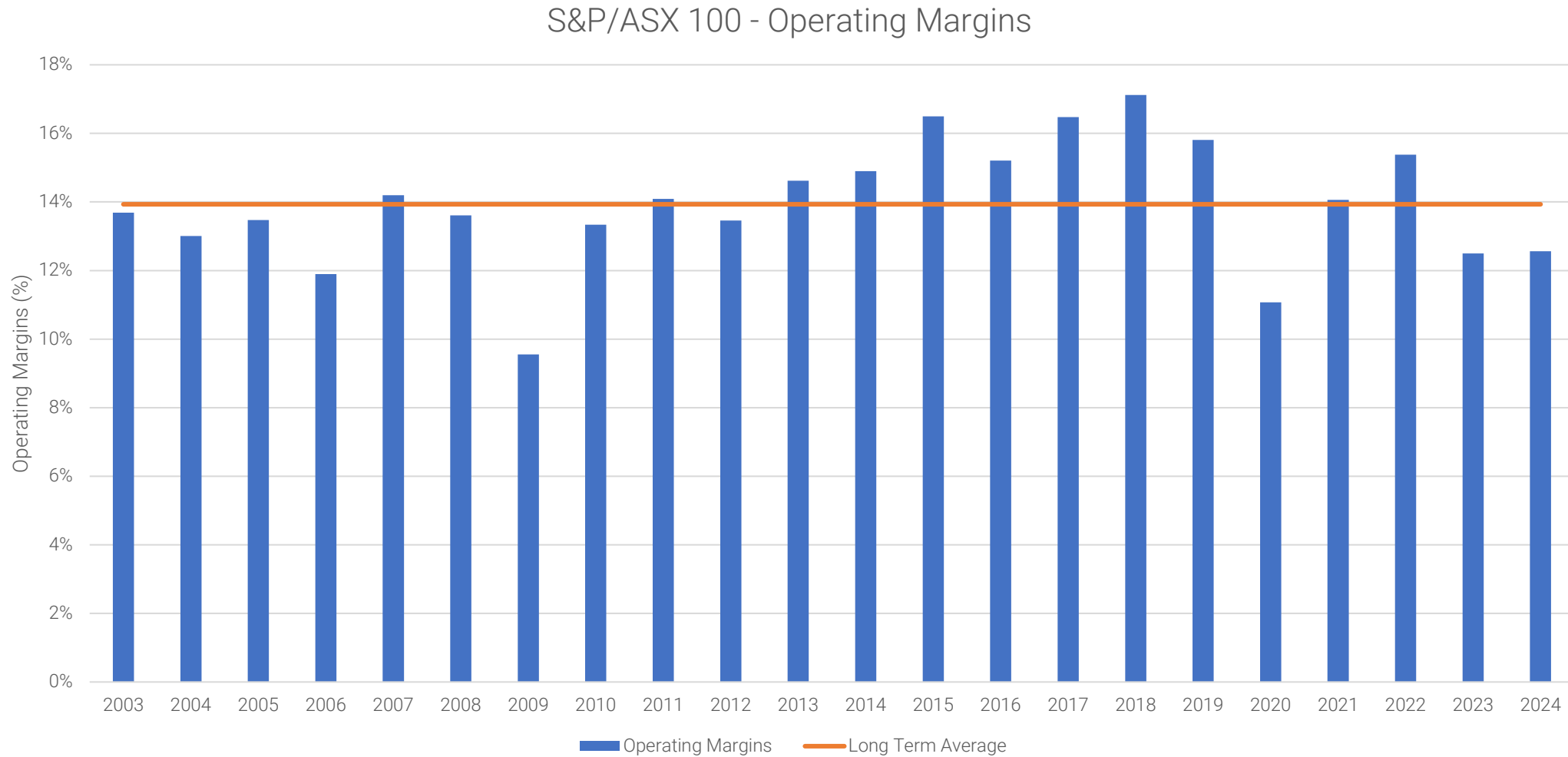
- Do consumers have the means to increase consumption in a measured way?

Increased Investor Risk Appetite

- What risk adjusted returns are investors able to easily access?
- Are higher risk asset classes seeing increased demand globally?
- Is there more certainty on the outlook for riskier asset classes? i.e. equity earnings, high yield debt serviceability

The Challenging Macro Backdrop Remains

Operating Margins Under Pressure



Source - Bloomberg

The Economy is Growing..... Just



Source - ABS

Is Opportunity on the Horizon?

The Outlook is Improving

Corporate Earnings

- Overall economic activity has stabilised, albeit at a low base.
 - Cost inflation remains elevated despite slowing from the increases seen in FY23 and FY24.
-

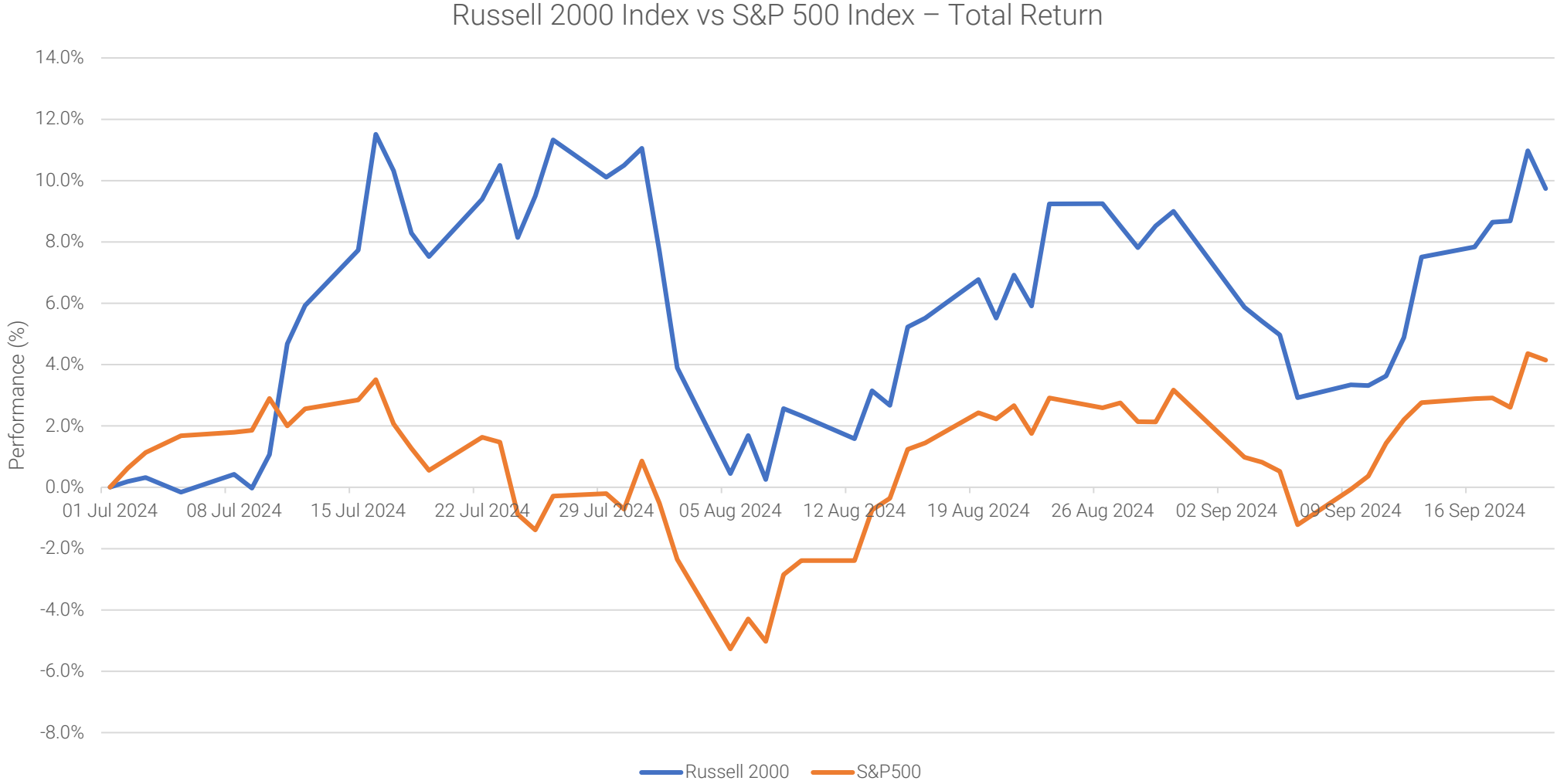
A More Accommodating and Certain Economic Environment

- Interest rates have reached a ceiling and the Bank of England, US Federal Reserve & RBNZ have all now entered a rate cutting cycle.
 - Uncertainty remains over timing of domestic rate cuts.
-

Investor Risk Appetite

- Lower risk investment alternatives are seeing early signs of lower returns, e.g. term deposit rates.
- We expect earnings expectations for small caps to turn positive in 2H FY25 (share prices move ahead of earnings).

Recent Russell 2000 Index Outperformance



Source: Koyfin, 20 September 2024

US 10-Year Yields Have Fallen Significantly

US 10 Year Yield



Source: Koyfin

Summary

- Previous bull markets have provided stellar returns over a multi-year period for emerging equities .
- We are seeing early signs of earnings stabilisation which we believe will lead to increased investor confidence.
- As interest rates fall, investors will seek investment alternatives such as emerging equities.
- We do not believe it will be a “rising tide lifts all boats” scenario. Cash flow generation, balance sheet strength and minimal capital requirements will be key to delivering substantial EPS growth.







How Are We Positioned & Outlook

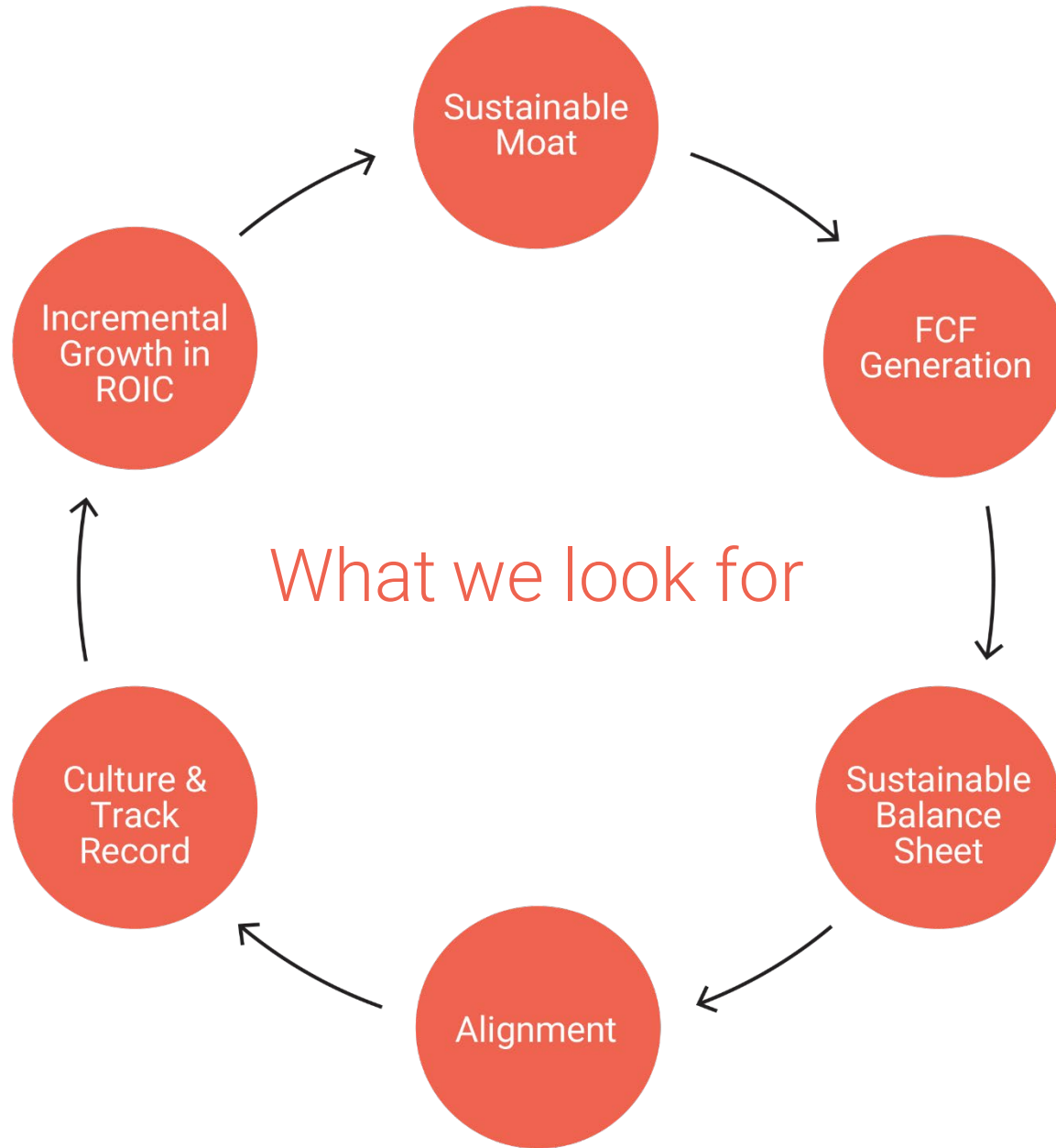
We Are Laser Focused on Maximising Shareholder Value

- Six new core investments.
- Board representation strategy yielding results.
- Increased board representation.
- Continued focus on quality not quantity of investments.
- Directors and NAOS (the investment manager) continue to increase their alignment to NCC, NAC & NSC.

New Core Investments

Six New Core Investments:

	AMA Group Ltd	ASX: AMA	Australia's largest smash repair network now ~net debt free with a proven board in place.
	Dropsuite Ltd	ASX: DSE	A global provider of data backup recovery software.
	EVT Ltd	ASX: EVT	Well-known brands with a highly credible management team trading below NTA.
	Hancock & Gore Ltd	ASX: HNG	Recent events could see HNG as the leading school uniform provider in both Australia and the UK.
	Objective Corporation Ltd	ASX: OCL	Provider of digital government software in Australia, New Zealand and the UK.
	PWR Holdings Ltd	ASX: PWH	A leading provider of cooling equipment to the likes of Formula One.



Board Appointee Strategy

Strategy paying dividends with BSA, BTC health and Saunders International:



BSA Ltd (ASX: BSA)

- Produced its strongest financial performance in FY24 and soon to be net debt free.



BTC health Ltd (ASX: BTC)

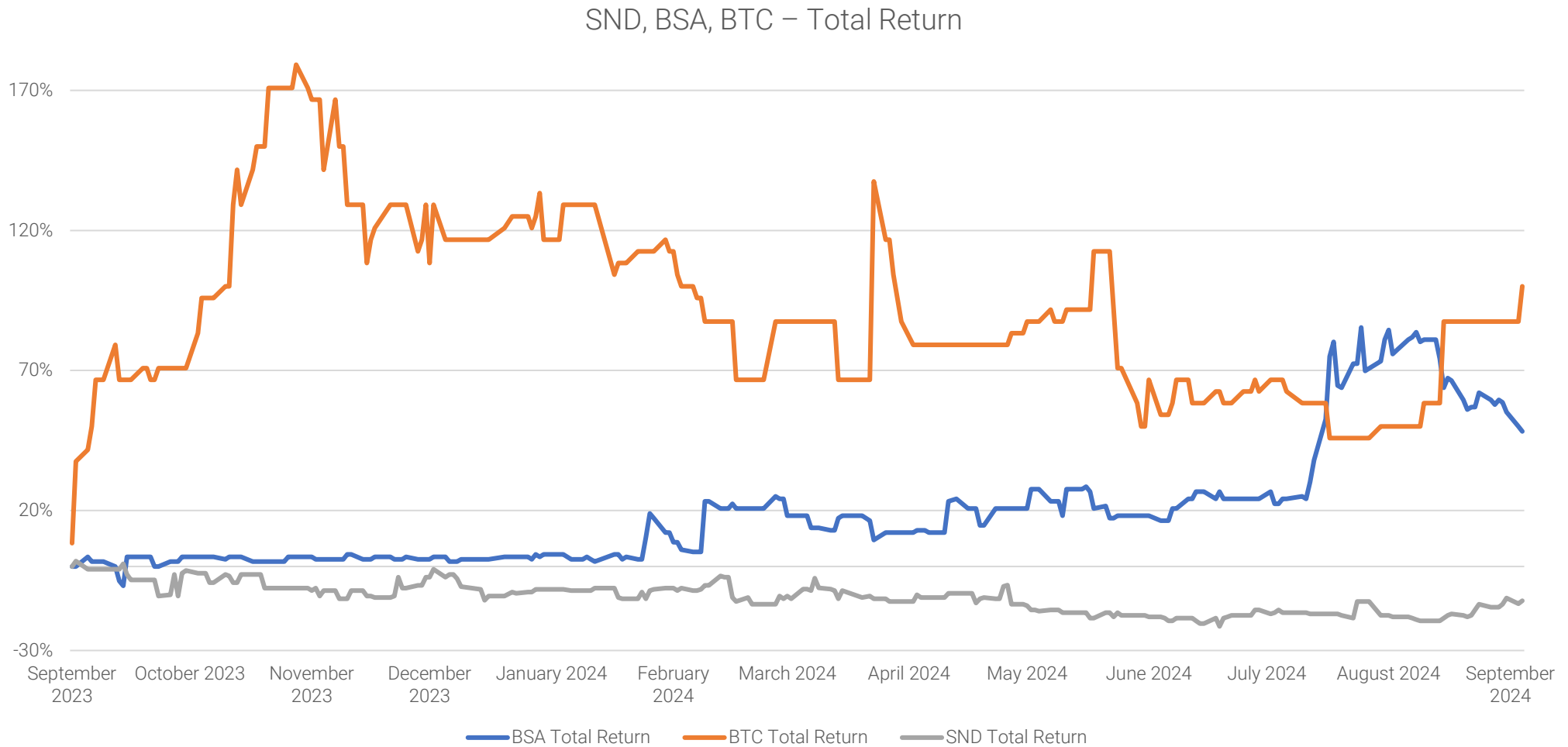
- A rejuvenated management team and strategy.
- Strong FY24 result with a positive outlook into FY25.



Saunders International (ASX: SND)

- FY25 was the 5th consecutive year of record profit and EPS.
- Now has a national presence and an offering covering tanks, piping, automation and civil works.

1-Year Total Shareholder Return of BSA, BTC & SND



Source – NAOS

Board Appointee Strategy

Extended in FY24 through Maxiparts and Urbanise.com



Urbanise.com Ltd (ASX: UBN)

- Darc Rasmussen appointed as Independent Chairman.
- Also has board position on highly successful software businesses Objective Corp (ASX: OCL) and Gentrack Group (ASX: GTK), which are current or previously held investee companies.



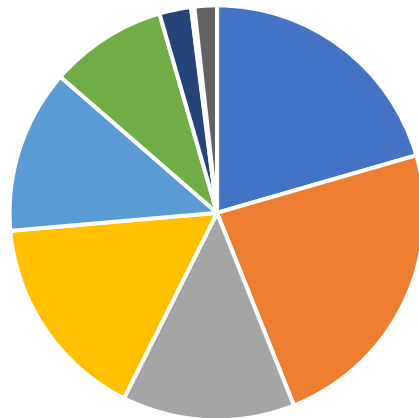
Maxiparts Ltd (ASX: MXI)

- Brendan York appointed as Non-Executive Director.
- Ensure strong focus on organic growth strategy (margin improvement) and capital management execution following three acquisitions and two equity raisings.

Portfolio Composition – Emerging Companies

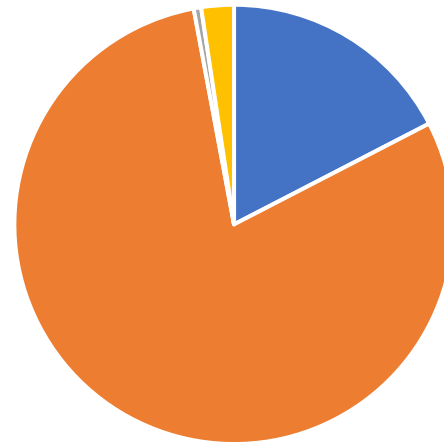
The NAOS LICs have exposure to emerging companies with unique moats, often benefiting from structural industry changes.

Industry Exposure



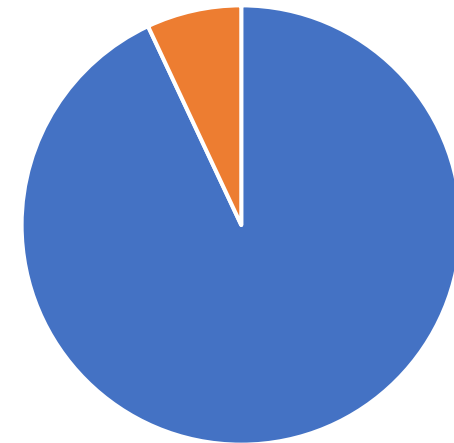
- Financial Services
- Logistics/Freight
- Healthcare
- Building Materials
- Contractor
- Agriculture
- Construction/Fuel Storage
- Technology
- Specialised Manufacturing

Market Capitalisation Buckets



- <\$50m
- \$50-\$250m
- \$250-500m
- >\$500m

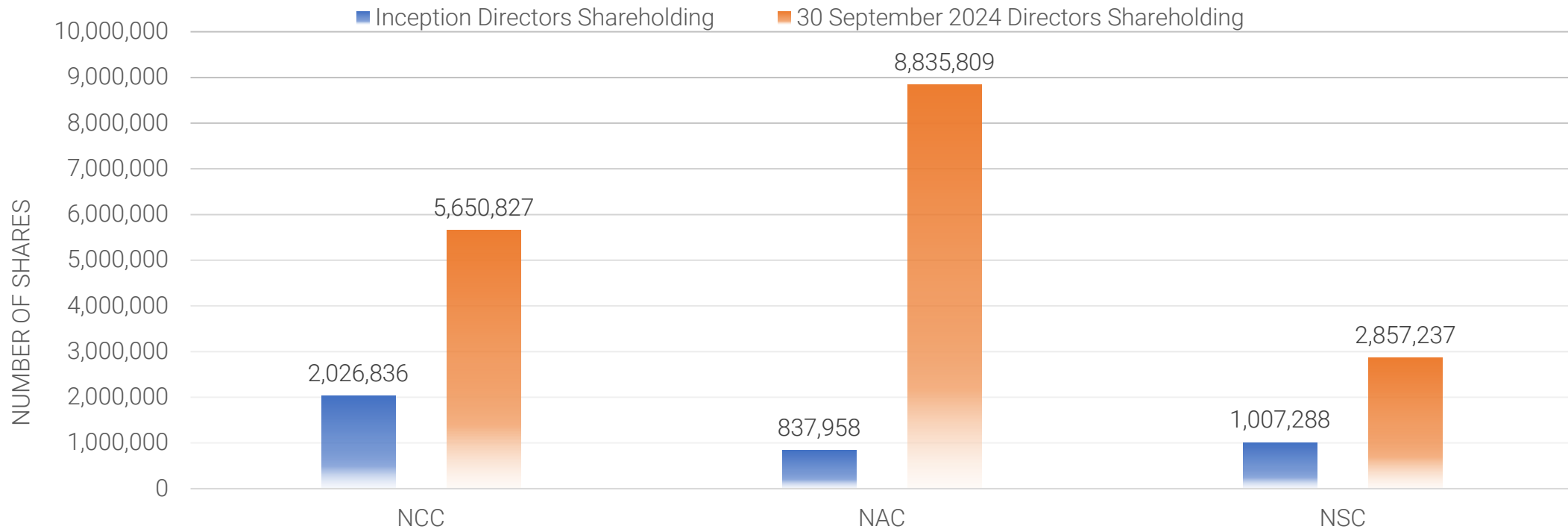
Investment type



- Listed
- Unlisted

Source – NAOS (as at 23 September 2024)

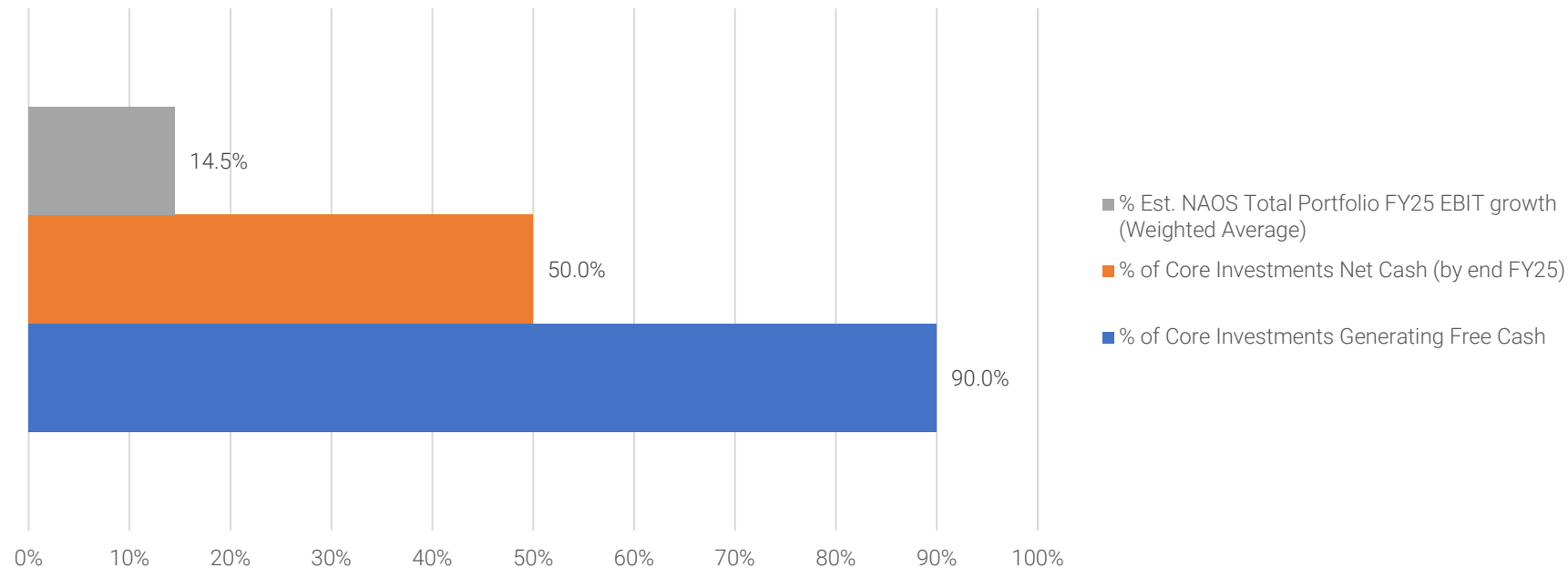
Shareholder Alignment: LIC Directors & Investment Manager



- Directors' shareholdings have significantly increased since the inception of each LIC.
- Investment Manager Fee Reinvestment: NAOS is also reinvesting a portion of its management fees each month into buying LIC shares on-market.

Potential to Grow NTA Significantly Over Long Term

NAOS Core Investment Analysis for FY25



- Valuations multiples are depressed.
- Long-term structural growth trends are intact.
- Each of the NAOS LICs are geared, thus amplifying portfolio performance on NTA per share movement.

Source – NAOS (as at 31 August 2024)

Potential FY25 Valuation Upside May Be Significant

Company	ASX Code	Share Price	Implied P/E Multiple
Saunders International Ltd	ASX: SND	\$0.89	9.5
BSA Ltd	ASX: BSA	\$0.95	3.4
MaxiPARTS Ltd	ASX: MXI	\$1.845	12.1
COG Financial Services Ltd	ASX: COG	\$0.945	7.2
Big River Industries Ltd	ASX: BRI	\$1.50	12.7
Hancock & Gore Ltd	ASX: HNG	\$0.31	13.2
Company	Stock Code	Share Price	Implied ARR* Multiple
Urbanise.com Ltd	ASX: UBN	\$0.44	2.0
Dropsuite Ltd	ASX: DSE	\$3.44	3.2

Small Ordinaries Industrials P/E for FY25 is 21.16

ANZ SaaS[^] median EV/ARR ~5

**ARR = annualised recurring revenue. ^Select group of ANZ-listed software businesses*

Note – Multiples using NAOS normalised estimates for FY25

Share prices as at 26th September 2024

Source – NAOS

Implied Valuations for Investments With Increased Execution Risk

Although the execution risk is significant in these investments, if they can deliver on their respective strategies, we believe their valuation multiples will expand materially.

Company	Our Target	Timeframe	Implied P/E Multiple
AMA Group Ltd	8% EBITDA Margins	End FY26	7
EVT Ltd	Pre-COVID EBITDA	End FY26	17
Move Logistics Group	3.50% EBIT Margins	End FY26	8
PWR Holdings Ltd	15% EBIT Margins	End FY27	29

Source – NAOS

Summary

- We are acutely aware that the performance over the past 24 months has been poor, and we are committed to restoring value and growing shareholder returns significantly.
- History has shown us many times that being true to a sound investment philosophy yields outsized results during long-term bull markets.
- Dividend yields will support our returns today. As investor confidence returns, we believe we will see a significant increase in valuations, and then finally earnings/profit growth as economic conditions improve.

Questions & Answers

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Thank you for your ongoing support

Appendix

NCC Overview as at 30 September 2024

\$0.47
Pre-Tax NTA*

\$0.57
Post-Tax NTA*

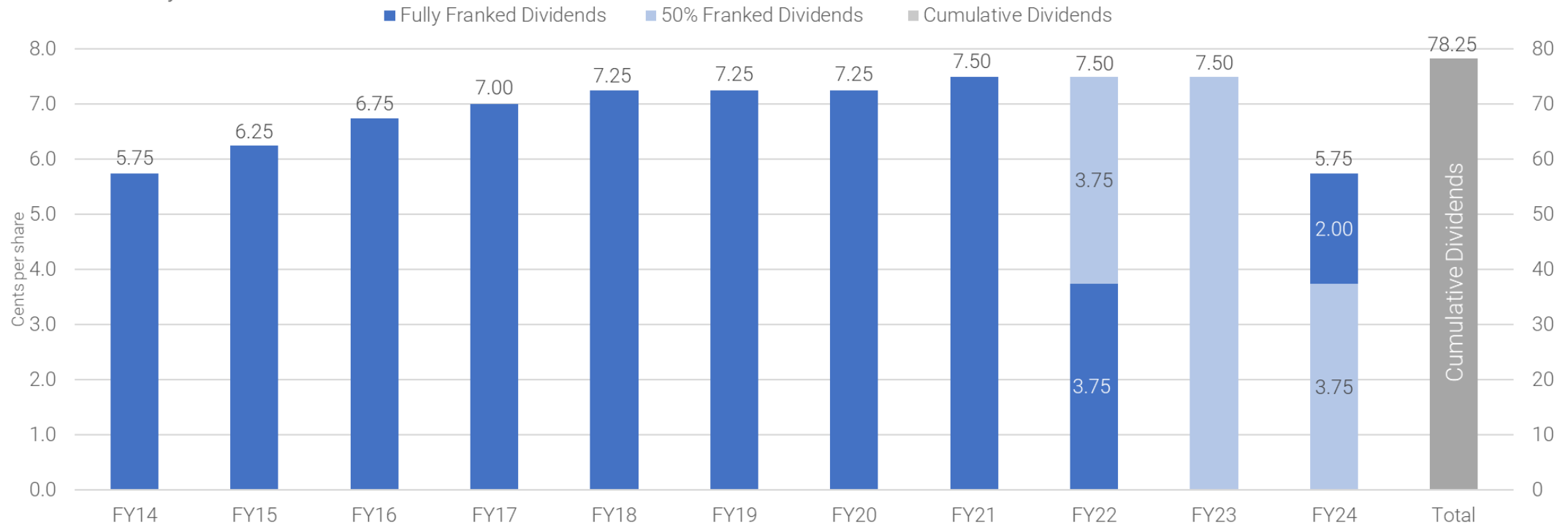
\$0.385
Share Price

14.94%
Dividend Yield[†]

11
Number of
Holdings

\$109.9m
Weighted Average
Market Capitalisation
of the Investments

NCC Dividend History



*The above NTA figures are inclusive of the 2.00 cents per share fully franked FY24 final dividend, which went ex-dividend on 9 October 2024 and will be paid on 31 October 2024.

†Dividend yield based on the FY24 full-year dividend of 5.75 cents per share and the 30 September 2024 closing share price of \$0.385.

NAC Overview as at 30 September 2024

\$0.45
Pre-Tax NTA

\$0.60
Post-Tax NTA

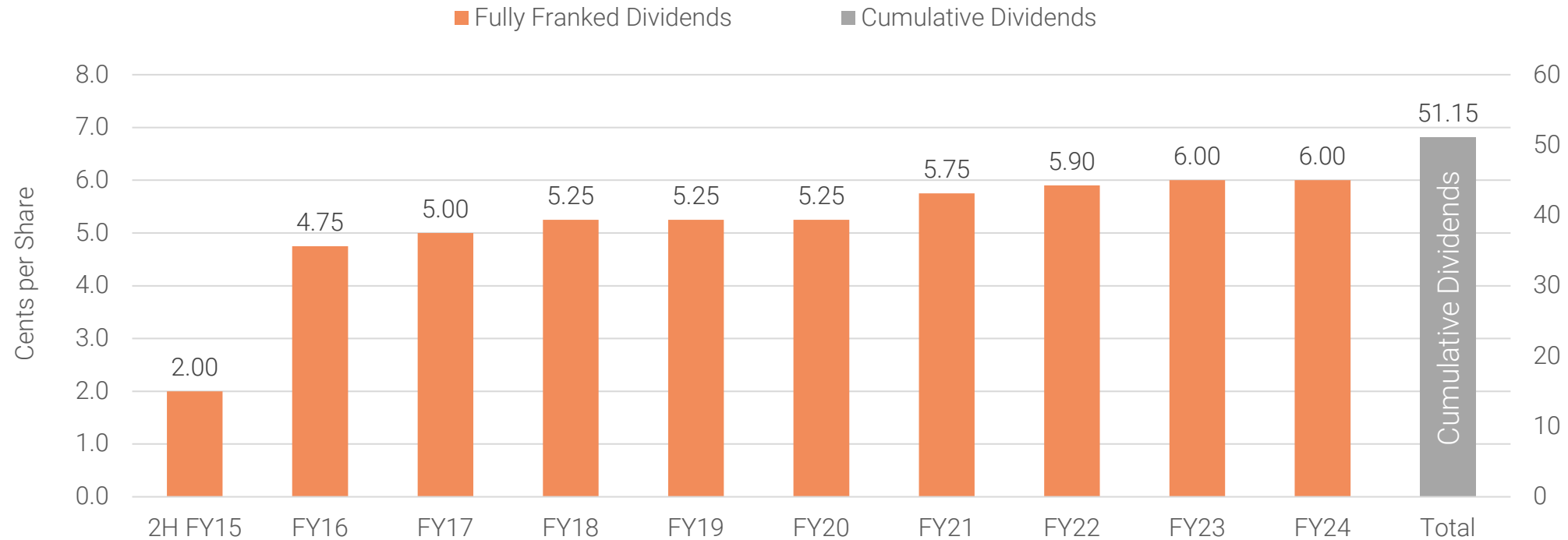
\$0.495
Share Price

12.12%
Fully Franked
Dividend Yield[^]

7
Number of
Holdings

\$258.3m
Weighted Average
Market Capitalisation
of the Investments

FULLY FRANKED DIVIDEND HISTORY



[^]Dividend yield based on the FY24 full-year dividend of 6.0 cents per share and the 30 September 2024 closing share price of \$0.495.

NSC Overview as at 30 September 2024

\$0.53
Pre-Tax NTA

\$0.61
Post-Tax NTA

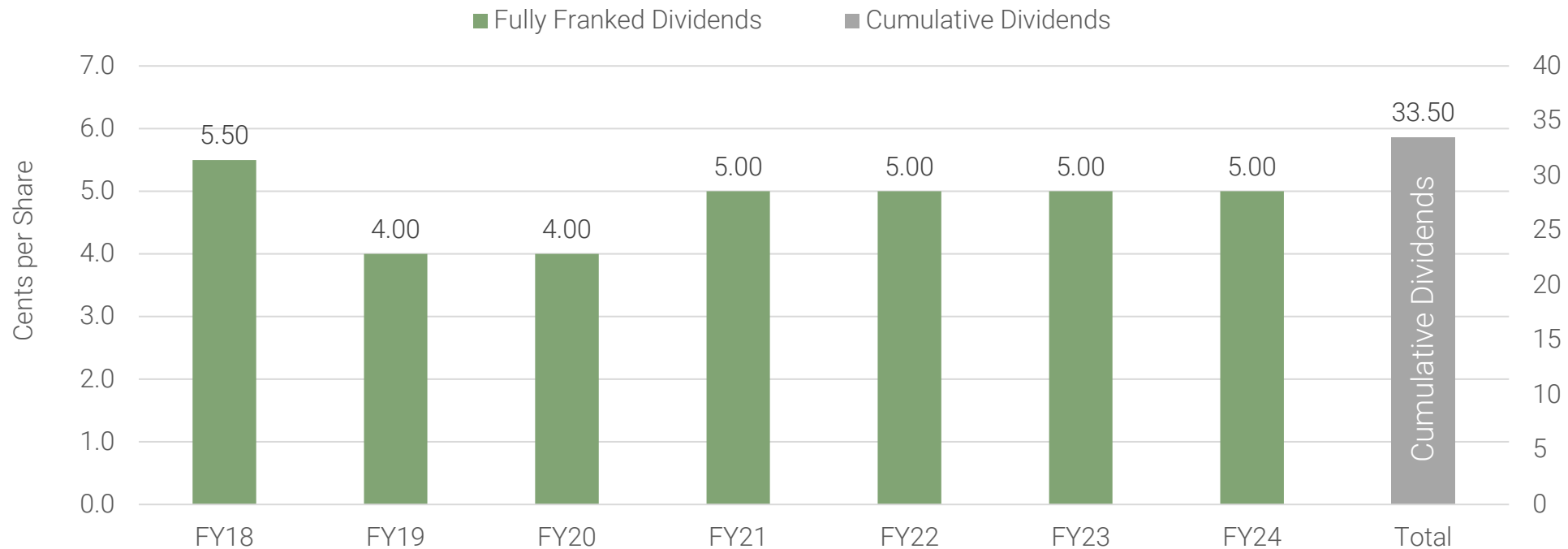
\$0.465
Share Price

10.75%
Fully Franked
Dividend Yield[^]

9
Number of
Holdings

\$140.8m
Weighted Average
Market
Capitalisation of the
Investments

FULLY FRANKED DIVIDEND HISTORY



[^]Dividend yield based on the FY24 full-year dividend of 5.0 cents per share and the 30 September 2024 closing share price of \$0.465.

Why Invest via a Listed Investment Company?

We strongly believe LICs are a highly effective structure to give investors the highest quality exposure to specific asset classes, which in the case of NAOS is emerging businesses.

A Listed Investment Company structure:

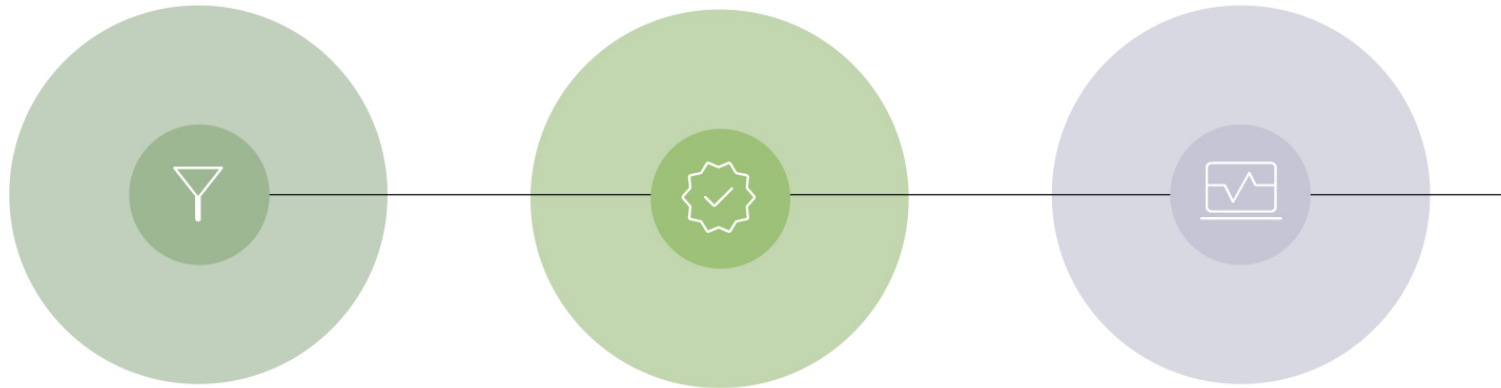
- Allows the investment manager to build a concentrated portfolio of high-quality investments **without needing to worry about short-term liquidity requirements.**
- **Fund size is generally limited** to the upside, allowing investors to maintain a significant exposure to the underlying investments and not be diluted by new investors, which may occur in an open-ended fund.
- Enables a **smoother distribution profile** as profits can be retained, as opposed to managed funds which distribute all taxable income annually. Dividends from a LIC may also be fully franked.
- Can provide **access to a range of alternative asset classes** which may not be suited to an open-ended structure.

NAOS ESG Framework

Considering ESG Factors in the NAOS Investment Process

At NAOS, as an investment manager, we recognise and accept our duty to act responsibly and in the best interests of all stakeholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors are associated with a sustainable business model over the longer term, which also benefits the broader economy.

We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.



Screening

NAOS excludes investment in specific industries and companies that do not align with our responsible investment goals, such as:

- Tobacco
- Gambling
- Nuclear & uranium
- Controversial weapons
- Coal mining operations, oil & gas production
- Animal cruelty

Due Diligence and Investment Decision

- Identify ESG factors we think are relevant to each proposed investment
- Consider our stance on these ESG factors, based on the principles and frameworks we believe can help to influence positive social return
- Integrate our findings into our broader investment process, which focuses on quantitative and qualitative analysis

Ownership and Monitoring

- With our long-term, concentrated investment approach, we are often a substantial shareholder in our investee companies and can meaningfully influence them to address identified ESG issues
- Creating accountability through ongoing monitoring and engagement with our investee companies

Our Guidelines

Our approach to considering ESG factors in our investment process is guided by:

Signatory of:



The Principles for Responsible Investment (UNPRI)

A globally recognised framework consisting of six principles that guide the incorporation of Environmental, Social and Governance (ESG) factors into investment analysis.



The United Nations Sustainable Development Goals (UNSDG)

A global framework that addresses sustainability challenges worldwide, offering 17 interconnected goals to achieve by 2030.

Accreditation

Certified

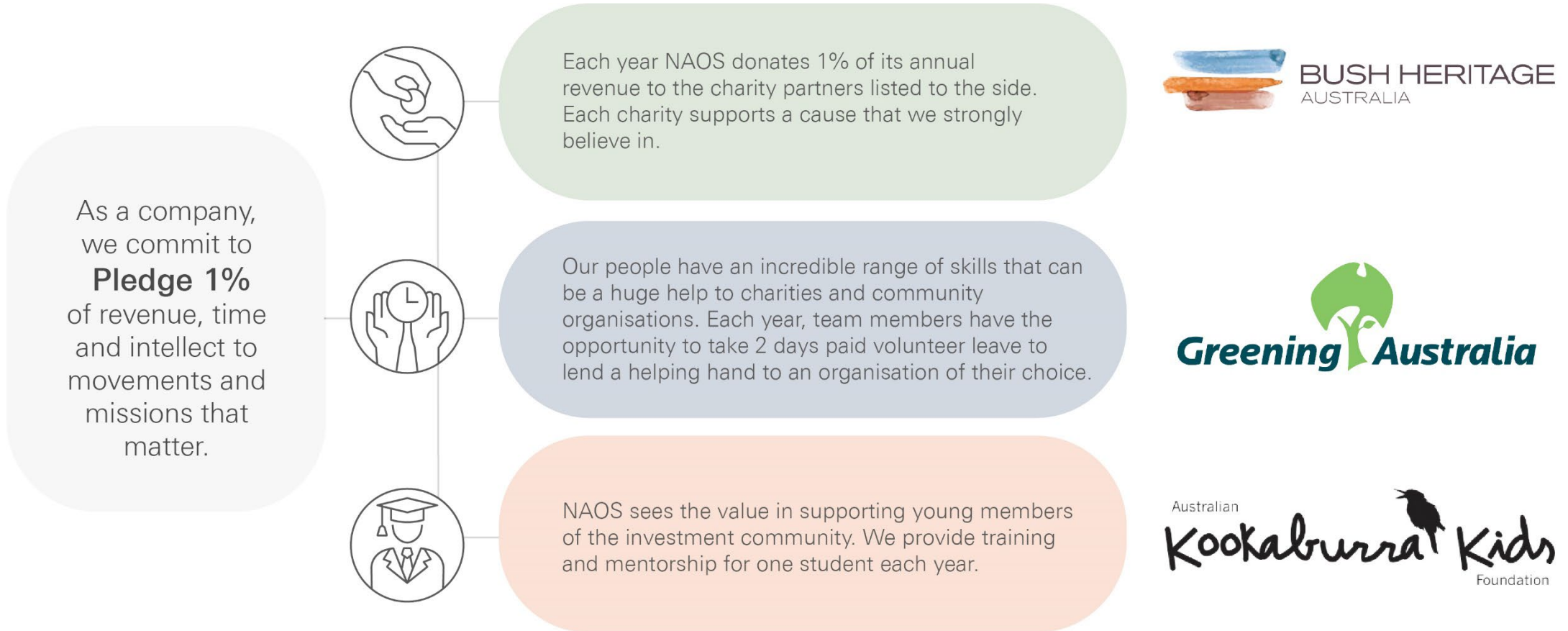


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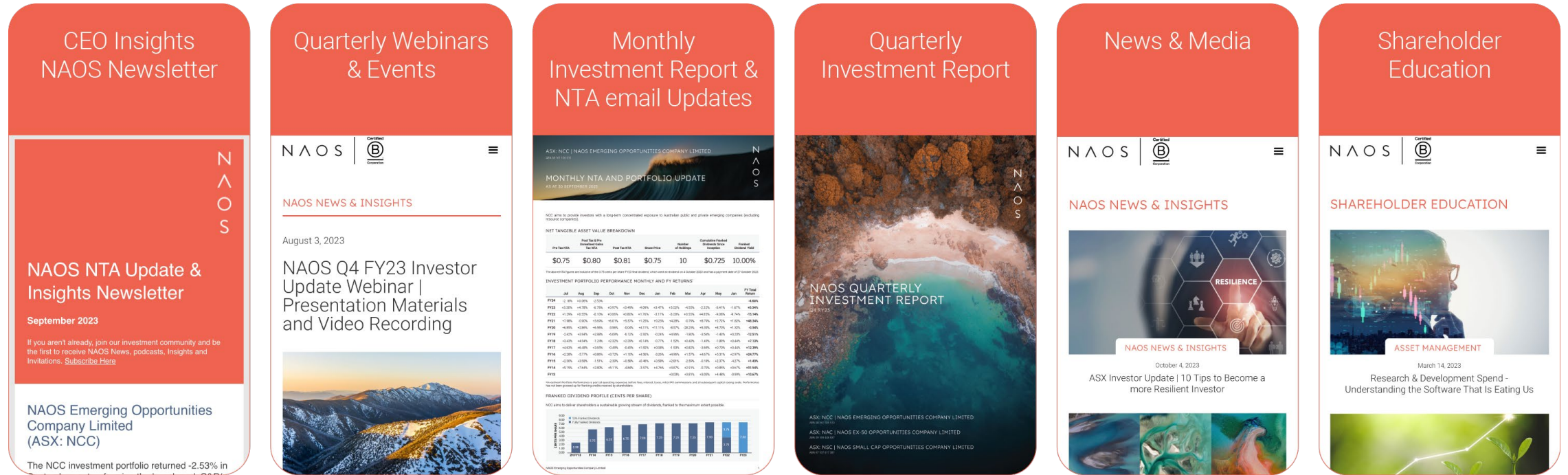
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