

# NAOS Private Opportunities Fund (NPOF)

NAOS



PRESENTED BY NAOS ASSET MANAGEMENT

# Important Information

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# Our Mission

Our purpose is to empower exceptional private businesses through our ability to invest patient capital and provide them with access to our extensive network of trusted advisors and partners to assist in maximising long term value for all shareholders.





# Investment Team



**Sebastian Evans**  
Chief Investment Officer



**Robert Miller**  
Portfolio Manager



**Brendan York**  
Portfolio Manager



**Jared Tilley**  
Senior Investment Analyst



**Nelson DeMestre**  
Associate Analyst



# External Investment Advisory Board Members



## Michelle Cox

Significant executive experience within the tourism, hospitality and marketing industries.

Bastion Collective  
STA Travel  
APT Travel Group

Current Director of Tourism Tasmania, Experience Co. (ASX: EXP) & BSA Group (ASX: BSA)

Author & Podcast Host: The Wabi Sabi Series.



## Jim Bindon

Significant experience and a deep network within the manufacturing, agriculture and building materials industries.

Current CEO (and former CFO) of Big River Industries (ASX: BRI).

Former Business Manager of Sugar and Horticulture at Incitec Ltd.



## Felice Testini

Significant experience within the FMCG sector representing several top performing and market leading brands.

Founder of Trade Partners which partners with companies within the grocery industry.

Founder of consumer good distributor CTD which was sold in 2019 to Swiss listed group DKSH Holdings (\$4.50 billion market cap).



## Jean-Edouard van Praet

Significant experience in venture capital investing as well as running successful technology companies.

Current CEO & President of Brilliance Financial Technologies (SaaS data & pricing solution of large financial institutions).

Former Partner, Director & CFO of RIMES Technologies which was sold to global P/E firm EQT in 2020.

# NAOS Directors and Team

## OUR DIRECTORS

**SEBASTIAN EVANS**  
*Managing Director, NAOS Asset Management Limited & Director NCC, NSC & NAC*



**WARWICK EVANS**  
*Chairman, NAOS Asset Management Limited & Director NCC, NSC & NAC*



**MARK BENNETT**  
*Director, NAOS Asset Management Limited*



**TREVOR CARROLL**  
*Independent Chairman NSC*



**MATTHEW HYDER**  
*Director, NAOS Asset Management Limited*



**DAVID RICKARDS**  
*Independent Chairman & Director, NCC and NAC & Independent Director NSC*



**SARAH WILLIAMS**  
*Independent Director, NCC and NAC*



## OUR TEAM

**SEBASTIAN EVANS**  
*Chief Investment Officer and Managing Director*



**ROBERT MILLER**  
*Portfolio Manager*



**BRENDAN YORK**  
*Portfolio Manager*



**JARED TILLEY**  
*Senior Investment Analyst*



**NELSON DE MESTRE**  
*Associate Analyst*



**JULIE COVENTRY**  
*ESG Officer*



**RICHARD PREEDY**  
*Chief Financial and Operating Officer*



**RAJIV SHARMA**  
*Head of Legal & Compliance*



**ANGELA ZAMMIT**  
*Marketing & Communications Manager*



**NINA DUNN**  
*Business Development Manager*



**JULIA O'BRIEN**  
*Business Development Manager*



# Fund Objectives

- 01.** Provide a **unique exposure** to quality private companies with long term growth potential.
- 02.** Have a **long-term investment focus**.
- 03.** Invest alongside **aligned founder led businesses**.
- 04.** Invest in business that have significant exposure to industries with long-term **structural growth trends**.
- 05.** Businesses with a **identifiable MOAT** that will strengthen over time.
- 06.** Invest within the NAOS **circle of competence**.
- 07.** **Scalable** business models without significant ongoing capital requirements.





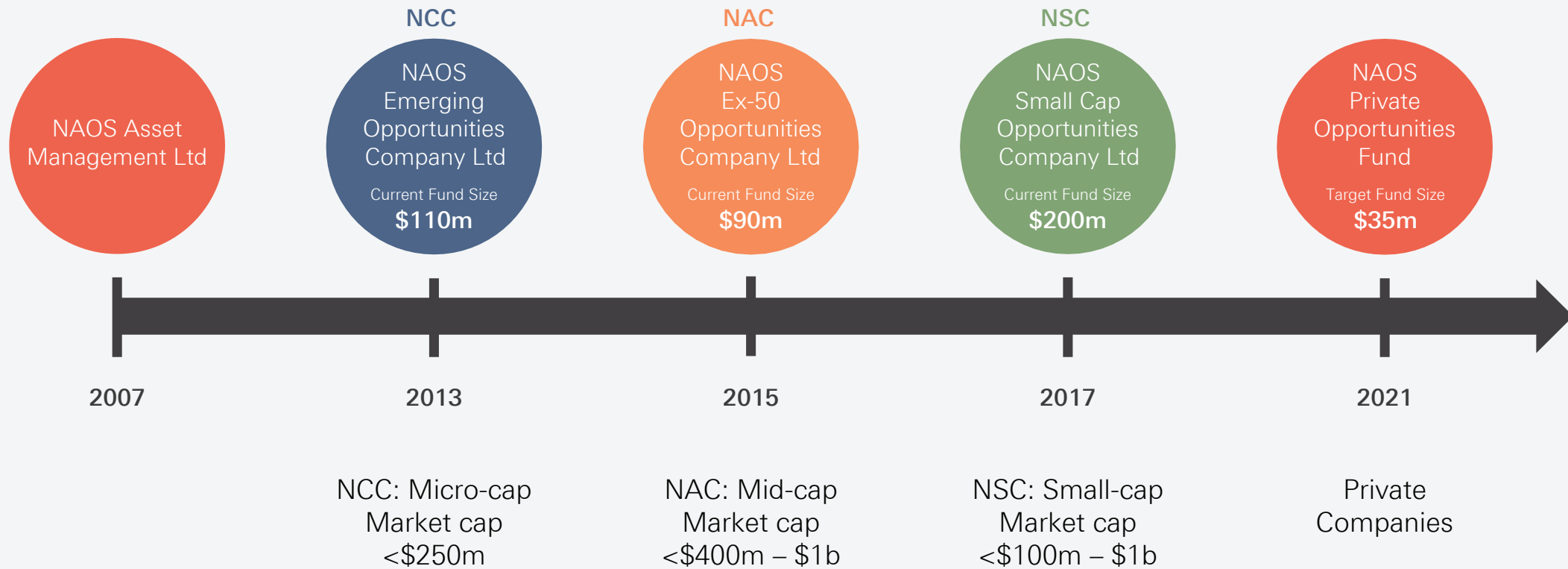
# Using the NAOS philosophy & experience to broaden exposure to our investors

- NAOS has deep experience in small-cap and micro-cap investing
- The characteristics of these markets and private investing are similar:
  - Inherently lower levels of liquidity;
  - An ability to support with growth capital;
  - Founders and management holding significant interests in the business;
  - Long-term thinking to strategy and profitability leading to stronger relationships between NAOS and the business; and
  - A value-added relationship going both ways – from sourcing Directors and advisors to growth strategy and communications.



# Fund Evolution

NAOS Asset Management is a specialist fund manager providing genuine, concentrated exposure to Australian emerging industrial companies.



# NAOS Record of Successful Investing in Emerging Companies

## PROVEN INVESTMENT MANAGER WITH A STRONG LONG TERM TRACK RECORD

NCC +13.44% p.a.\*  
**+5.86% p.a. outperformance** over 8 years and 5 months.

NAC +17.72% p.a.\*  
**+9.19% p.a. outperformance** over 6 years and 8 months.

NSC +8.98% pa\*  
**-0.51% p.a. outperformance** over 3 years and 7 months.

\*As at 30 June 2021

## AVERAGE PORTFOLIO MARKET CAPITALISATION (AVERAGE SIZE OF INVESTMENT COMPANY)

NCC - \$129 million (10 Investments)

NAC - \$333 million (9 Investments)

NSC - \$197 million (7 Investments)

## Numerous large strategic long-term investments



Big River Industries (ASX: BRI) - 30.50%



COG Financial Services (ASX: COG) – 29.70%



Saunders International (ASX: SND) – 25.00%



Experience Co. (ASX: EXP) – 20.20%



# Why Private Businesses?

- Quality of the businesses compared to listed peers
- Number of investment opportunities
- Aligned management & founders
- Lower levels of investor participation
- Trend towards businesses staying private for longer
- Reduced information asymmetry
- Ability to structure investments in a more favourable manner
- Ability to gain quality exposures to industries which are hard to directly access via listed companies
- Private businesses have greater flexibility, allowing the best long term decisions for the business regardless of the effect on short term profitability



# The Private Company Opportunity

## LARGE NUMBER OF PRIVATE BUSINESSES COMPARED TO LISTED COMPANIES

The number of private businesses opportunities is significant compared to listed businesses:

- \$2-10 million revenue  
49,782 private businesses

Source: ATO

## PRIVATE FOR LONGER

Businesses are staying private for longer with fewer companies (excluding mining & energy) completing IPOs on the ASX:

- 2017 = 90 IPOs
- 2018 = 62 IPOs
- 2019 = 58 IPOs
- 2020 = 54 IPOs
- 1H2021 = 31 IPOs

Source: FactSet, NAOS

## GREATER OPPORTUNITIES

The opportunity set of ASX listed businesses with revenues between \$5-\$100 million is relatively small:

- 375 in total (excluding mining and energy)
- Of which 67 have revenues between \$5-10 million

Source: FactSet

## LACK OF FUNDING FOR PRIVATE COMPANIES

There is a clear lack of funding options for a majority of private businesses that:

- Do not want to IPO.
- Do not want Private Equity as a shareholder.
- Do not want to cease majority control.



# Why Do Private Companies Require External Capital?

## STAGED RETIREMENT/SUCCESSION

There are a significant amount of private businesses that are owned by founders born in the baby boomer period and have few succession options/plans.

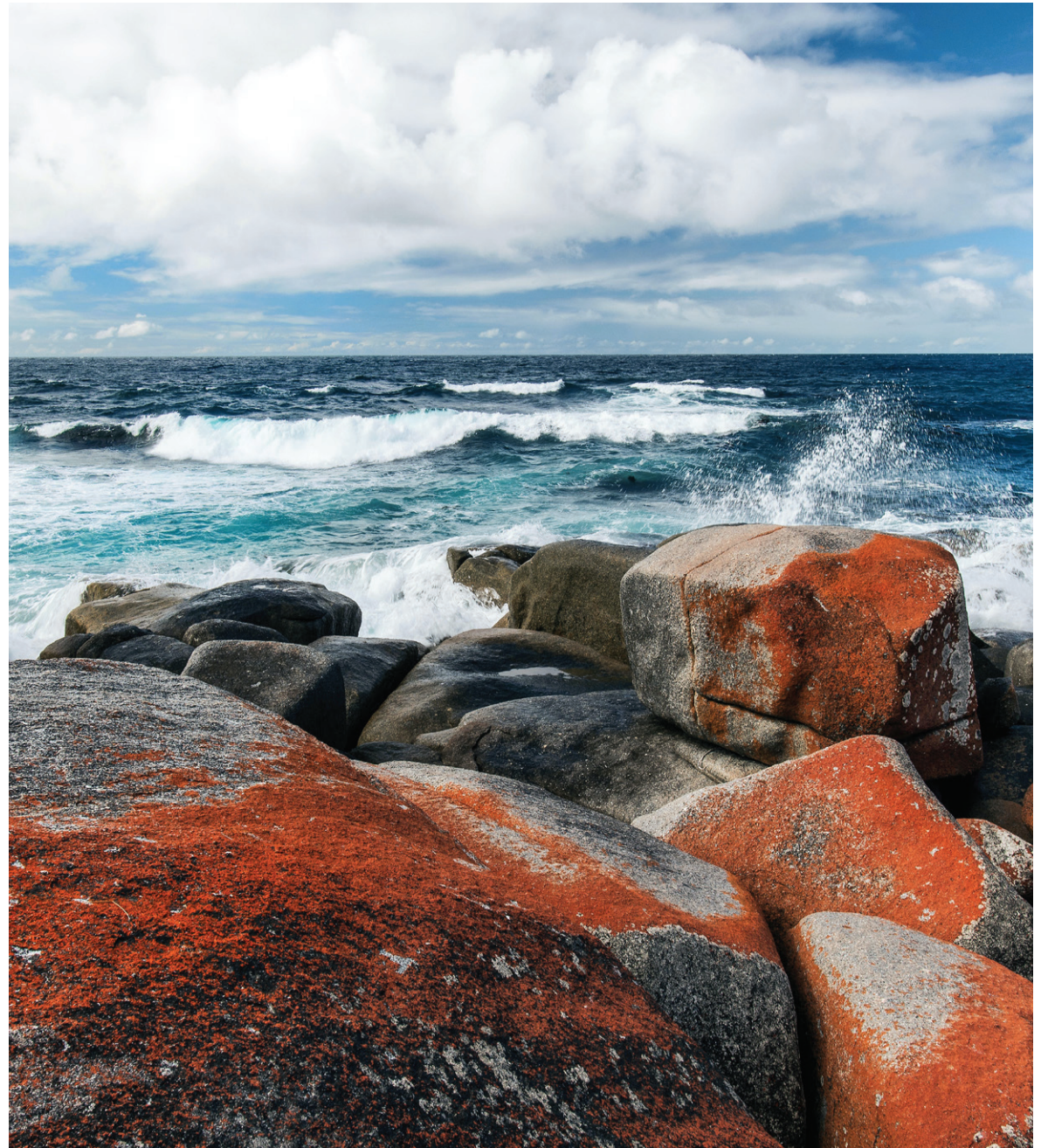
This can often lead to management buyouts.

## ORGANIC GROWTH

Private businesses often require capital to speed up their organic growth plans and often don't have the funding to achieve this regardless of their size.

## ACQUISITION/MERGER

Businesses fast track their growth if they can acquire complementary products/service or expand geographically via acquisitions.





# Targeted Investments

## PRIVATE/UNLISTED BUSINESSES

Not expecting an initial public offering or exit within 24 months.

## PRE-INITIAL PUBLIC OFFERING (IPO)

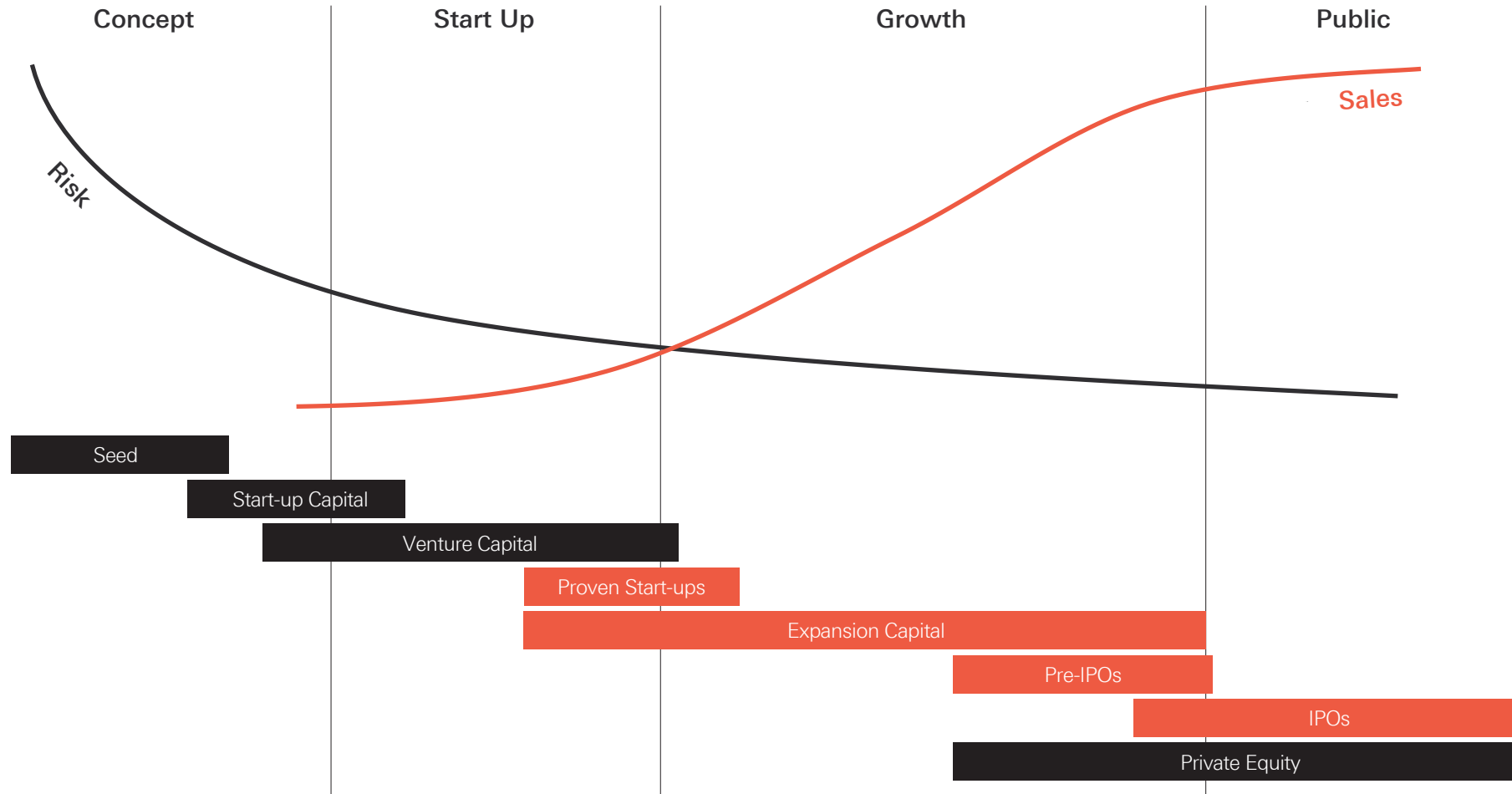
Funding required with IPO expected within 24 months.

## IPOs

Funding required at the IPO stage.



# Where We Will Invest



# Key Investment Considerations

## Industry and structural tailwinds

Is the business heavily exposed to an industry that is conducive to long term sustainable growth?

## People, culture and alignment

Are the key executives/ founders aligned with all shareholders and do they support a business culture that aligns with our own values?

## Capital management & quality of earnings

What is the company's history of capital management and has a sound investment return been generated from previously completed capital injections?

## Company MOAT

Has the company built up a sustainable competitive advantage over time and will the MOAT continue to increase over time?

## ESG & impact considerations

Does the investment align with our ESG policy? Will this be an ongoing focus for management and a core component for their long term strategy?



# Investment Exit Strategies

## MANAGEMENT BUYOUT

Existing management team buys out external equity holders.

## TRADE SALE

The business is marketed for sale and sold in its entirety.

## MERGER

The business merges with a complementary business and everyone's respective ownership level decreases or is bought out.

## IPO

Funds raised via an IPO are used to remove existing shareholders.  
Once an IPO is completed the investment can be sold on-market over time.

## ON-MARKET SALE

Certain instruments can be converted to ordinary equity and sold on-market.

## DEBT REPAYMENT

Debt generally must be repaid at maturity date.

# Excluded Investments

Investments may be excluded due to one of the following characteristics (but not limited to):

- Revenue <\$5 million.
- Little shareholder alignment.
- Poor industry dynamics/structure.
- Revenue is directly (or indirectly) related to sales within industries that do not meet out stringent ESG requirements.
- Poor MOAT or unsustainable MOAT.
- Outside NAOS Circle of Competence.





# NAOS Competitive Advantage

## **Patient capital with no requirements for exits or listings:**

- Unlike most private investment funds, NPOF is structured as patient capital with no requirements for exits or listings within a short-term timeframe after investing.

## **Increased lead generation via Investment Advisory Board & NAOS network with diverse industry contacts:**

- Our I.A.B. is made up of a diverse range of members with proven track records of operating in a range of industries with different skillsets.

## **In-house due diligence capability:**

- Legal/Compliance
- Finance/Operations
- Funding/M&A
- Network/Board Members





# Why would Business Owners Partner with NAOS?

- History of owning large minority positions in businesses for a long period of time
- No majority control requirement
- Understanding of capital markets and ongoing funding options
- In-house experience around financial, operational and legal tasks
- Access to NAOS network of contacts including industry specialists, investment community and capital providers
- Access to advisory board members and their networks for mentoring



# Superior Idea Generation

- Direct to idea (NAOS proprietary business database)
- Investment Advisory Board
- Brokers/ advisors/ intermediaries
- NAOS network of existing investments & their industry networks
- External leads via website/ direct contact





# Investment Structure Flexibility to Minimise Capital Risk

As opposed to publicly traded investments, private investments are not necessarily made via an ordinary equity structure. Other investment structures may include:

## Convertible notes

An equity or debt like instrument that can give the investor both equity upside and downside protection via face value redemption.

## Preference shares

Similar to a share but can command a coupon payment as well as preferential ranking.

## Ordinary equity

Ranks at the lowest part of the capital structure.

## Debt

Provide a business with debt in return for a coupon payment and the return of investment face value at a later date.

## Ratchet mechanisms

A ratchet clause can be applied if a business does not hit certain pre-agreed KPIs which may cause a change in the investment structure.

## Drag and tag clauses

Drag and tag clauses can allow minority shareholders to sell their stakes on the same terms as a majority holder.

## Dilution mechanisms

Such mechanisms can protect minority shareholders from being diluted via capital raisings etc.

## Shareholder agreements

Shareholder agreements can be amended prior to investment to ensure all shareholder rights are protected.

## Board representation

Board representation may be agreed upon for certain shareholders & generally depends on the size of their stake.



# Fund Characteristics

|                            |  |
|----------------------------|--|
| Structure:                 | Unlisted wholesale unit trust  |
| Investor Type:             | Sophisticated or wholesale investors only  |
| Minimum Investment:        | \$100,000  |
| Expected Term:             | 5 Years  |
| Capital Call:              | 100% Upfront   |
| Liquidity:                 | The Fund is subject to a lockup for the Term. All redemptions before the end of Term are at the sole discretion of the Trustee |
| Distributions:             | Yearly (net realised gains)  |
| Management Fee:            | 1.65% p.a.   |
| Performance Fee:           | 20% (10% annually and 10% deferred subject to achievement of cumulative returns over the expected term)                        |
| Hurdle:                    | 5.5% p.a. (compounded annually and performance is calculated post all fees and expenses)                                       |
| No. of Investments:        | Concentrated, ranging from 0-20 investments  |
| Holding Time-Frame:        | 3-5 years (for each investment)  |
| Expected Size of Offering: | Up to \$35 Million   |
| Selling Fee:               | 1.00% plus GST on invested capital payable by the Investment Manager   |
| Service Provider:          | Administration – Unity Fund Services, Custodian – NAB, Unit Registry – Boardroom, Auditor – Deloitte                           |
| Target IRR:                | 16%+ p.a. (this is not a forecast)   |

# Reasons to Consider Investing in the Fund

**\$\$**

**SMALL FUND SIZE**

Small dollar investments can have a significant effect on overall investment performance.

**\$2m**

**ALIGNMENT**

NAOS (Investment Manager) & its related parties will invest >\$2 million.

**5 YEARS**

**TERM**

The Fund will aim to return all funds to investors within 5 years.

**PROVEN INVESTMENT MANAGER**

Experience in investing in listed micro/small cap businesses.

**UNIQUE ASSET CLASS**

Exposure to an asset class which can be difficult to access for investors.

**FOCUS ON PROVEN BUSINESS MODELS**

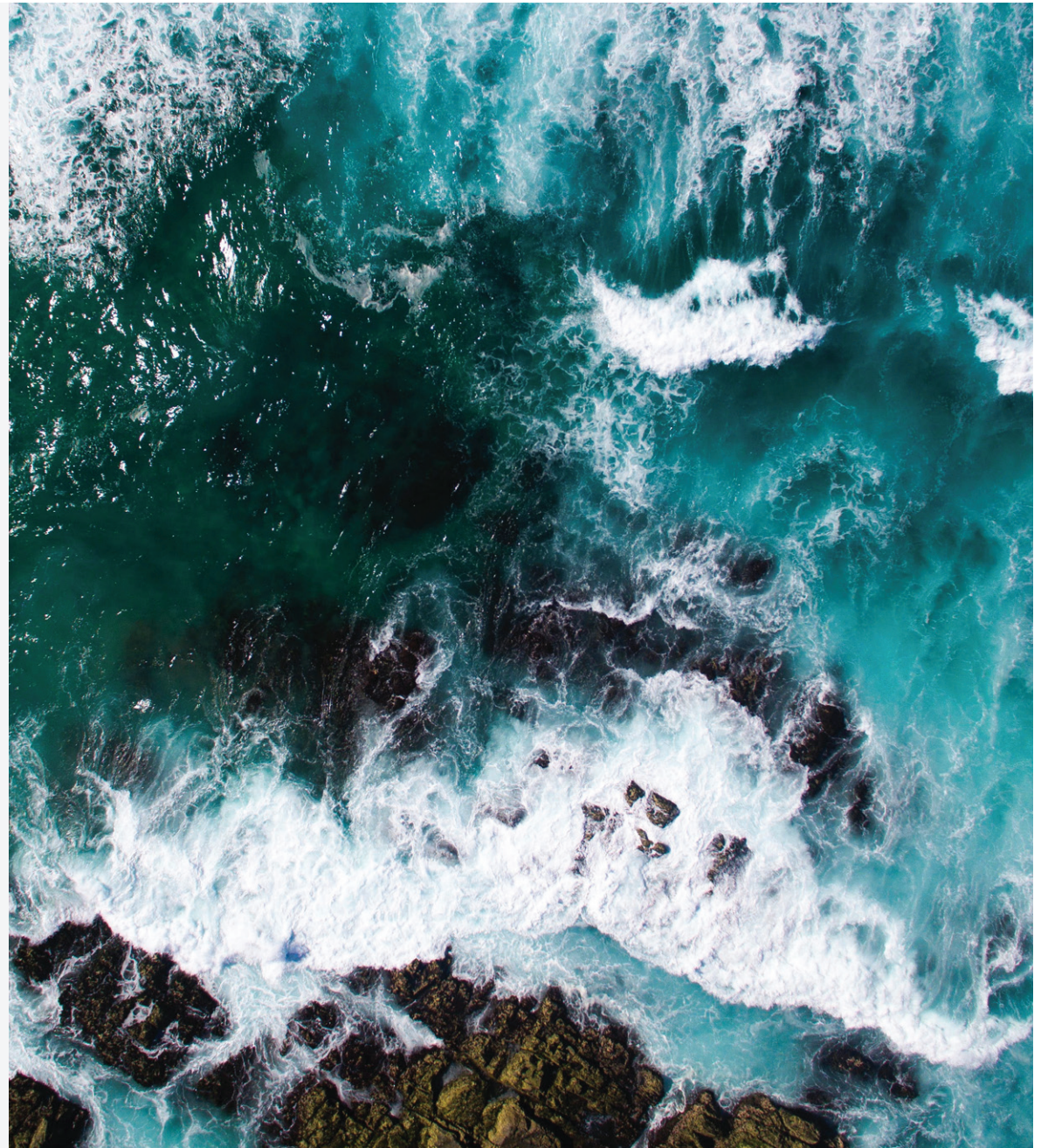
Minimise risk for permanent capital loss and maximise gains.

**EXPERIENCED INVESTMENT ADVISORY BOARD**

An I.A.B. that has relevant industry and business experience & networks.

# Co-Investment Opportunities

- Investments may be sourced which could require a greater amount of capital than the NAOS Private Opportunities (NPOF) can provide.
- In this event, a co-investment opportunity may arise where investors in the NPOF will be offered a co-investment opportunity to increase their exposure to this particular investment.
- As an example, if a business requires \$10 million and the NPOF subscribed for \$5 million then \$5 million would be offered to investors within the fund directly in a structure outside of the fund.





# Timeline

FUNDRAISING  
**OPENS**

Tuesday – 5th October

FUNDRAISING  
**CLOSES**

Friday – 29th October

FUND  
**LAUNCHES**

Monday – 1st November

# NAOS Asset Management 1% Pledge

As a company, we commit to Pledge 1% of revenue, time and intellect to movements and missions that matter.



## 1% REVENUE

Each year NAOS donates 1% of its annual revenue to the charity partners below. Each charity supports a cause that we strongly believe in.



## 1% TIME

Our people have an incredible range of skills that can be a huge help to charities and community organisations. Each year, team members have the opportunity to take 2 days paid volunteer leave to lend a helping hand to an organisation of their choice.



## 1% INTELLECT

NAOS sees the value in supporting young members of the investment community. We provide training and mentorship for one student each year.



# Investor awareness and communication



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