



NAOS SMALL COMPANIES FUND 31 January 2010

Fund Objective

Investment objective for the Naos Small Companies Fund, is to outperform the UBS Bank Bill Index over a rolling three year period in any market environment.

Fund Details

Inception Date 24/01/2005
 Total Fund Size \$17.2m
 Application Price CUM (\$) 1.2697
 Redemption Price CUM (\$) 1.2445

1 Month Portfolio Return 2.28%

Portfolio Exposure

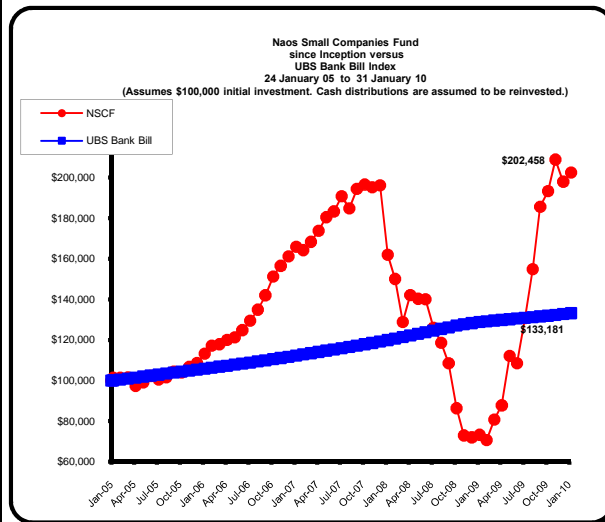
Long Portfolio 119.6%
 Short Portfolio -34.4%
 Cash 14.8%
 Total 100.0%

Top Five Long Positions

Starpharma 13.81%
 Nanosonics 12.89%
 Acrux 12.55%
 Dragon Resources 11.59%
 CBD Energy 10.72%

Short Positions

Streetracks -24.97%
 Healthscope -9.46%



Investment Performance Net of Fees*

Inception Date: 24 Jan 2005	Fund	UBS Bank Bill Index	Out-Performance
One Month	2.28%	0.32%	1.96%
Three Month	4.73%	0.95%	3.78%
Six Month	54.92%	1.75%	53.17%
Twelve Month	176.30%	3.41%	172.89%
Since Inception	15.09%pa	5.88%pa	9.21%pa

*This report has been prepared by Naos Asset Management. Information retained in this report does not represent advice. In preparing this report we have not taken into account the investment objectives, financial situation or needs of any particular investor. Past performance is not indicative of future results. Before making an investment decision, investors must read the PDS and should seek their own financial product advice. Information in this report has been given in good faith. Returns are compounded for periods greater than 12 months.



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Commentary

Market Overview

The All Ordinaries Index started the decade as it had left of in 2009, continuing upwards reaching highs which hadn't been seen since the middle stages of 2008. The second half of January saw a substantial correction in the markets with almost a 10% fall in the All Ordinaries to close out the month. The Small Ordinaries Index ran a similar path closing more than 12% down from its early January highs at month end.

In domestic economic news, the RBA decided to leave interest rates unchanged at 3.75% in January. Following last year's decision by the major banks to raise interest rates above the central bank's official rate, the RBA opted to see the effects of the 2009 interest rate rises on consumers before any further action is taken. January also saw the release of the Christmas retail trading figures, which were the weakest December retail sales figures for more than a decade, with sales volumes up just 2.1% on the same month in 2008. A similar scenario was seen in USA and the UK which had its weakest Christmas period for more than two years.

The Fund

The NAOS Small Companies Fund had a positive return of 2.28% for the month of January, outperforming the Small Ordinaries by almost 10%, which fell 7.43% in January. The declining nature of the market saw many of our stocks hold steady positions throughout January, which was a strong performance when put into consideration. However the main contributors to the month end return were Firstfolio Limited and Unilife Corporation. Firstfolio Limited completed their equity raising in January as well as acquiring a core savings and loans package. This saw the stock rise 25% at month end. Unilife Corporation (previously Unilife Medical Solutions) completed a re-listing and re-domiciling as the company transferred operations from Australia to the USA. Unilife Corporation share price rose 60% for the month of January in the midst of strong demand for stock before the company listing on the NASDAQ in February.

There were two changes to the Small Companies portfolio during January. The fund exited its position in Buglass Limited, an innovative LED lighting company, in an attempt to increase portfolio flexibility. Adding to this, the fund entered into a position in CBD Energy. CBD Energy is a diversified renewable energy and energy storage company that is seen to be a leader in this ever growing and important industry.

The January correction in the markets has created an air of anxiousness as investors lack conviction and direction going into reporting season. Some believe that the decline in equity markets throughout the latter stages of January was due to a substantial sell-off as investors looked to book profits from 2009. Others believe that the market could fall another 10-15% before we start to see markets on the rise.

With a lack of conviction in the market leading into reporting season the emphasis more than ever is on stock selection. Companies with a strong competitive advantage and management team with which we believe are undervalued are some of the criteria on which we develop our portfolio. We believe our current portfolio fits this well.