

NAOS Emerging Companies Long/Short Equity Fund

Monthly Report – June 2011

Fund Objective

The Fund seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term (5-7 years), after fees and to provide capital growth and some income. The Fund is managed to a 130/30 strategy, with a minimum equity exposure of 70%.

Unit Prices

30 June 2011	Application Unit Price	Redemption Unit Price	NAV Unit Price
	2.0364	2.0060	2.0212

Market overview

Equity markets remained subdued and under pressure throughout June with many investors looking to wait on the sidelines for the remainder of the financial year. The month started as May left off, with uncertainty surrounding global economic issues driving market movements. A positive vote on Greek austerity measures in late June coupled with positive US & Japanese data as well as positive indications from Chinese policy makers that inflation pressure has been somewhat curbed were all catalysts for a minor rally in late June.

On the domestic front it was a similar scenario with many investors looking to consolidate gains & tax loss sell throughout early June. As the positive data began to flow through risk weightings were increased to end the month and kick start into FY12. The All Ordinaries Accumulation Index returned -2.39% for June, whilst the Small Ordinaries Accumulation Index returned -5.09%. Domestic economic data highlighted the slowdown in momentum resulting in the RBA leaving rates on hold at 4.75% for another month, believing the board's current "mildly restrictive stance on monetary policy remains appropriate".

In June, commodities experienced volatile trading conditions. Gold was choppy; whilst oil traded below US\$95/bbl. and base metals were mixed. The AUD/USD retreated back below \$1.05 while the AUD/EUR appreciated on the back of euro uncertainty & continued to hit record highs against the GBP.

Top 5 holdings – June 2011

Stock Name	Sector
Macquarie Telecom Group	Telecommunications
Reva Medical Inc	Health Care
Engenco Limited	Industrials
Impedimed Ltd	Health Care
Village Roadshow Ltd	Consumer Disc.

Fund performance

The Emerging Companies Fund returned 79.36% in FY11 compared with the benchmark's financial year return of 16.41%. The fund has returned 73.28%pa over 2 years and 21.14%pa over 5 years, significantly outperforming all benchmarks indices over a medium to long term horizon. FY11 was another strong year for the Emerging Companies Fund as stock specific catalysts & greater market awareness drove share price rises for numerous of our key portfolio holdings. Notable stocks held throughout FY11 which are examples of this included Acrux Ltd (ACR), Macquarie Telecom (MAQ), Regis Resources (RRL), Starpharma Ltd (SPL) & Vocus Communications (VOC).

The continuation of a market slowdown throughout June saw investors happy to wait out the year with lower risk profiles to lock in yearly profits & sell down any tax losses. Market conviction improved throughout the latter stages off intra-month lows. The core of the portfolio remained very stable as we remained as confident as ever in our medium/long term investment views on positions despite the recent market movements. Tissue Therapies (TIS) was a notable outperformer throughout June, whilst Patry's Limited (PAB) & Stonehenge Metals (SHE) were the major contributors on the downside.

Going into FY12 the fund will maintain its overweight exposure to the healthcare sector with many upcoming catalysts for positions within the portfolio. Select industrials were also held in strong weightings, whilst maintaining our short exposure through exchange traded funds. As monthly movements can be volatile within the small cap space as always we will look to outperform the benchmark index over a 5 year horizon.

Sebastian Evans, Managing Director/Fund Manager

Thank you for your support. Please contact a member of the NAOS team if you have any questions. www.naos.com.au

	3 Months	1 Year	3 Years	5 Years	Inception
NAOS Emerging Companies Long/Short Equity Fund	-15.03%	79.36%	32.49%p.a	21.14%p.a	20.15%p.a
S&P/ASX Small Ordinaries Accumulation Index	-9.31%	16.41%	-2.59%p.a	1.21%p.a	4.99%p.a
Value Added (NECF vs. ASX Small Ordinaries Accumulation Index)	-5.72%	62.95%	35.08%p.a	19.93%p.a	15.16%p.a