

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: AUGUST 2023



FUND DESCRIPTION

The Contact Australian Ex-50 Fund (the Fund) balances growth and income to provide access to a portfolio of quality Australian companies that sit outside the S&P/ASX 50 Index. This strategy seeks to invest in Founder-led businesses and tomorrow's leaders within the mid and small cap Australian Equities universe.

The Fund's investment objective is to seek a total return in excess of 10% per annum, after deduction of Management Fees and expenses, through a concentrated portfolio of high quality small to medium sized ASX listed companies.

The Fund is managed by Contact Asset Management, which is a research driven, active equities manager, investing for the long term. We seek profitable, well-managed companies that offer a sustainable yield and are attractively priced.

FUND OVERVIEW	
Portfolio Managers	Will Culbert and Tom Millner
Targeted return	10% per annum (net of fees)
Number of stocks	28
NAV Unit Price	\$1.22
Management Fee*	0.60% per annum (excluding GST)
Performance Fee	Nil

* Management fee 0.60% per annum (excluding GST) of the net asset value of the Fund (after any current accrued Management Fees and expenses).

Performance to 31 August 2023	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	0.6%	8.7%	5.2%	4.4%	8.6%
Targeted return of 10% per annum			10.0%	10.0%	10.0%

Performance is reported net of all fees and assumes reinvestment of distributions. Past performance is not a reliable indicator of future returns. # Inception date is 17 March 2020. Performance figures may be subject to rounding. Numbers greater than one year are annualised.

FUND COMMENTARY

The Contact Australian Ex-50 Fund continued its recent history of strong relative performance in August. In a busy month dominated by Reporting Season, the Fund returned +0.6% in a declining market. By comparison, the S&P/ASX Small Ordinaries Index (-1.3%) and the S&P/ASX Mid-cap 50 Accumulation Index (-1.3%) closed lower. The Fund has performed particularly well in recent months as our quality businesses have delivered solid results. In the last three months, the Ex-50 Fund has increased by 8.7%, outperforming the Small Ordinaries Index (+2.2%), Mid-cap 50 Accumulation Index (+4.2%) and remain focused in achieving a 10% p.a. total return.

We continue to believe that we are in a stock pickers market and a focus on quality companies remains the most sensible strategy. August 2023 provided clear evidence of our entry into a more challenging phase of the economic cycle. While revenues generally exhibited strength, the driving force behind this upturn often stemmed from price escalations rather than volume expansion. Profit margins came under strain, frequently attributed to rising labour costs, albeit alleviated by declining freight rates and energy costs. A notable development is the escalating cost of debt, as interest payments emerged as a formidable challenge for enterprises grappling with stretched Balance Sheets.

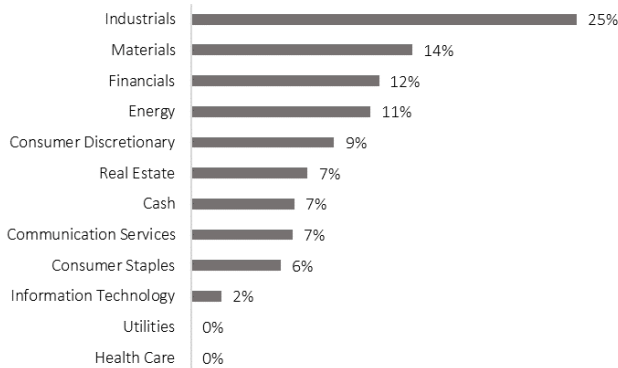
A significant portion of the challenges mentioned above had already been anticipated. Consequently, the reporting period exceeded pessimistic expectations. Even the mere notion that earnings might not plummet triggered a substantial upward revision of share prices in several cyclical industries.

August was important for the Fund for more than just the companies that outperformed. Importantly, our focus on quality meant that we avoided any disastrous results. Generally, the companies that dragged on Fund performance had arguably enjoyed too strong a run into the result (Flight Centre and Smartgroup are two examples).

Ampol Limited (ALD) delivered a strong interim result, signalling strong underlying business momentum. We remain optimistic on long-term refining margins given increasing supply constraints, which is complemented by Convenience retail and a robust Balance Sheet. We expect further capital management initiatives in the near-term.

The Harvey Norman Holdings (HVN) result was a reasonable proxy for the broader Consumer Discretionary sector in general. That is, retail trading conditions are not as bad as feared. While earnings are down from the super profits generated during the pandemic, the financials are still very robust. Cash generation was excellent and the HVN Balance Sheet is strong, backed by a valuable Property portfolio. Momentum continues to build in the offshore retail business, which now accounts for 20% of Profit before Tax. The market has been very negative on the Consumer Discretionary sector in the recent months. As an example, in June HVN was trading at \$3.20/share, which given HVN's property assets, we believe ascribed almost zero value to the retail business. At August-end, as more clarity emerged on operating conditions, HVN had re-rated to \$4.04.

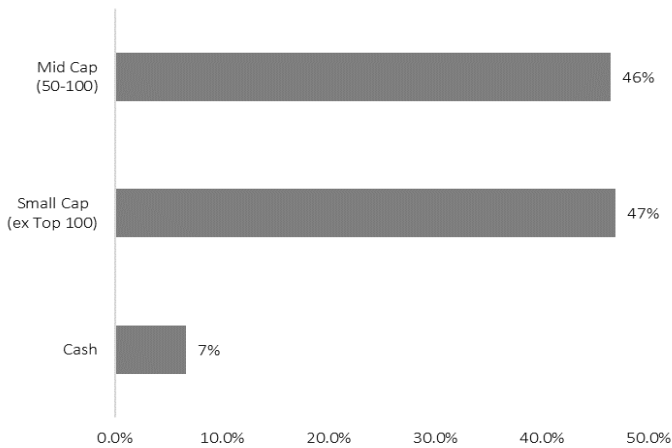
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Ampol Limited
2	Metcash Limited
3	Deterra Royalties
4	IPH Limited
5	Whitehaven Coal Limited
6	GQG Partners
7	IGO Limited
8	Redox Limited
9	HUB24 Limited
10	Vicinity Centres

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	27.4%
Operating Margin	29.9%
Expected EPS Growth (3 yr CAGR)	2.1%
P/E Ratio (FY1e)	14.5x
Historical Net Distribution Yield*	2.8%

Source: Factset, Contact Asset Management estimates. * The Distribution Yield is based on December 2022 and June 2023 distributions totalling 3.42 cpu and 31 August 2023 price of \$1.2155

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
HUB24 Limited	0.52%	Whitehaven Coal	-0.37%
Ampol Limited	0.50%	Flight Centre Travel Group	-0.36%
Redox Limited	0.47%	Kelsian Group	-0.22%
Harvey Norman Holdings	0.22%	Smartgroup Corporation	-0.18%
ARB Corporation	0.20%	GQG Partners	-0.14%

The Contact Australian Ex-50 Fund Product Disclosure Statement (PDS), Reference Guide, Target Market Determination (TMD) and Investor Handbook is available at

<https://contactam.com.au/ex-50-fund-overview/>

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