

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY REPORT: MAY 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	27
NAV Unit Price	\$1.13
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 May 2023	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-2.0%	-2.4%	-4.5%	3.4%	6.5%
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 Australian market declined in May, with the All Ordinaries down 2.6%. The Fund declined by 2.0% during the month, lagging the S&P/ASX Midcap 50 Index, which was flat, yet outperforming the Small Ordinaries Index, which declined 3.3%.

IT was the best sector in May, which has been rising with US technology names. Consumer Discretionary lagged the market on the back of trading updates from many retailers that signalled a weakening in consumer spending. Consumer names were not helped by the RBA, which increased rates by 25 bps in early May, catching the market off-guard. Inflation has persisted throughout the month and at the time of writing, the RBA has increased rates yet again in early June to a decade high 4.10%.

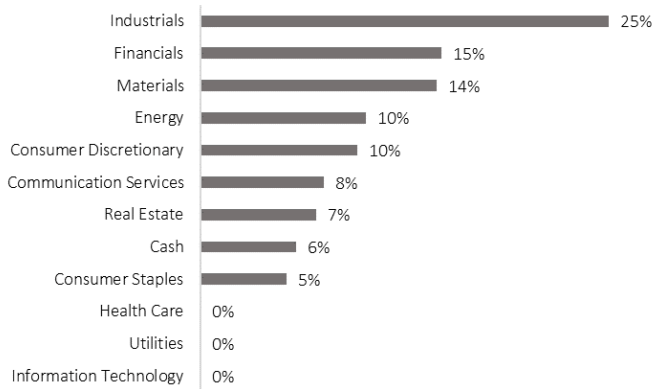
Lithium stock **Allkem Limited (AKE)** increased by 21% in May as it agreed to an all stock merger of equals with US Livent Corporation. A large rationale for the merger is synergies. Both companies have brine operations in Argentina and spodumene projects in Quebec. Following the significant jump in the share price, we took the opportunity to take some profits in AKE. Our investment case was tied to the growth in the Lithium market that was underpinned by AKE's strong Balance Sheet and cash flow generation. While those characteristics persist, we thought it appropriate to reduce exposure into recent strength. We still have almost 3% of the portfolio in the stock. We also reduced our holding in IGO Limited following a similarly strong run, which sees the stock trade above our valuation.

Another stock that has performed well yet is looking expensive is **Reece Limited (REH)**. The plumbing products manufacturer/distributor is now trading at close to 30 times earnings. While we are fond of the REH business model and its founder-led management team, we struggle to justify the valuation. We have exited the stock.

We have further increased exposure to **Ampol Limited (ALD)** and the stock is now our largest position. ALD boasts several strategic assets dominated by the Lytton Refinery, 6 pipelines and 24 terminals. The company also has 2,350 retail sites, which further highlights the significant barriers to entry. While we believe that demand for fuel will continue for some time yet, ALD is already investing ahead of the curve into EV fast charging to future-proof the business. Our thesis sees continued growth in the convenience store business alongside fuel demand, which generates significant cash. We are also being rewarded by an attractive fully franked dividend yield of 6%.

Equity markets have displayed increased volatility in recent months. The RBA's pause on interest rate rises was short-lived, creating a second-order economic impact. We are now seeing the cost-of-living strains flow through to the Consumer Discretionary sector. Trading updates for many retailers have been soft. We remain committed to a portfolio of high-quality companies as our best strategy during macro uncertainty. We believe the Fund boasts a portfolio of quality companies that show fundamental strength in their business, generate profits, produce positive free cash flow and attractive returns on equity.

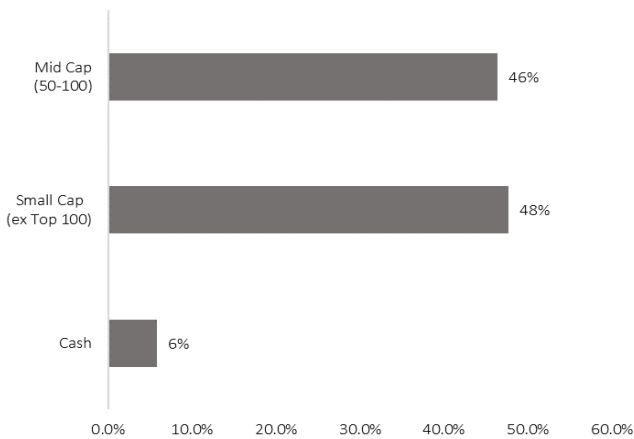
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Ampol Limited
2	IPH Limited
3	Deterra Royalties Limited
4	Metcash Limited
5	Smartgroup Limited
6	Kelsian Limited
7	IGO Limited
8	Alliance Aviation Limited
9	Whitehaven Coal Limited
10	HUB24 Limited

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	28.5%
Operating Margin	27.8%
Expected EPS Growth (3 yr CAGR)	3.8%
P/E Ratio (FY1e)	12.1x
Historical Distribution Yield*	5.0%

Source: Factset, Contact Asset Management estimates. * The Distribution Yield is based on June 2022 and December 2022 distributions totalling 5.64 cpu 31 May 2023 price of \$1.13

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Allkem Limited	0.60%	Whitehaven Coal	-0.96%
Kelsian Limited	0.44%	Hub24 Limited	-0.53%
Smartgroup Corporation	0.35%	Metcash Limited	-0.50%
Flight Centre Travel Group	0.23%	Vicinity Centres	-0.37%
Ampol Limited	0.20%	Nine Entertainment Group	-0.32%

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/>

The material contained within this Report (The Report) has been prepared by Contact Asset Management Pty Limited (ABN 54 614 316 595, AFSL 494045)(Contact). It is issued by the Responsible Entity of the Fund, Evolution Trustees Limited (ABN 29 611 839 519, AFSL 486217)(Evolution). Figures referred to in The Report are unaudited. The NAV Unit Price has been used for performance reporting, however if an investor is to come out of the fund that would be done at the exit price. The Report is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. Neither Evolution nor Contact guarantee repayment of capital or any particular rate of return from the Fund. Neither Evolution nor Contact gives any representation or warranty as to the reliability, completeness or accuracy of the information contained in this Report. Investors should consult their financial adviser in relation to any material within this document. Past performance is not a reliable indicator of future performance. Investors should consider the PDS, Reference Guide, TMD and any other material published by Contact or Evolution in deciding whether to acquire units in the Fund. This information is available at www.contactam.com.au