

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY UPDATE: MAY 2020

FUND DESCRIPTION

The Contact Australian Ex-50 Fund (the Fund) balances growth and income to provide access to a concentrated portfolio of quality Australian companies that sit outside the S&P/ASX 50 Index. This strategy seeks to find long term investments in tomorrow's leaders.

The Fund seeks to achieve strong relative returns in excess of the benchmark, 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
Benchmark	S&P/ASX Midcap 50 Accumulation Index
Fund size	\$0.6 million
Number of stocks	22
NAV Unit Price	\$1.1079
Management Fee*	0.75% per annum (excluding GST)
Performance Fee*	15% (excluding GST). No Performance Fee is payable for any period in which the total return of the Fund is less than the Benchmark return or the total return of the Fund is negative.

Performance across different periods	March 2020 [#]	April 2020	May 2020	1 Year	Inception to 31 May [#]
Contact Australian Ex-50 Fund	-1.0%	4.2%	7.2%	–	10.5%
S&P/ASX Midcap 50 Accumulation Index	-2.3%	16.1%	7.7%	–	22.1%
Relative Performance	+1.3%	-11.9%	-0.5%	–	-11.6%

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 COMMENTARY

Given we maintained a conservative stance in the portfolio and a high proportion of cash, we were pleased that the Contact Australian Ex-50 Fund generated a solid performance in May 2020. The Fund returned 7.2% for the month, marginally lower than the S&P Midcap 50 Index (the Benchmark) which increased by 7.7%.

The rally in global markets continued in May, as Government stimulus and Central Bank intervention encouraged market participants to maintain a risk-on approach. We continue to be surprised with the speed of the recovery in equities markets – we remain worried that the market is being driven by speculation rather than fundamentals. As we noted in our last monthly report, while we remain optimistic on the long-term, we still think it prudent to maintain a higher proportion of cash than typical. We continue to believe that this is a market where individual stock selection is paramount.

When we seeded this Fund with our own capital in mid-March, we had held back through the volatility of late February and early March while uncertainty dominated. We avoided a 40% loss of capital as a result. We continue to focus on capital appreciation and finding good quality investments rather than losing any sleep that we have too much cash in a market that, in many sectors, is being fuelled by a Fear of Missing Out (FOMO). As we have seen time and time again, sooner or later, valuations will matter. We are happy to be judged against a benchmark on a three-year time horizon rather than three months.

There were several pleasing developments in the Fund during May. TPG

Telecom (TPG) announced that it had received approval by the Foreign Investment Review Board (FIRB) to allow the proposed merger between Vodafone and TPG. We believe this is an attractive combination which combines TPG's fibre optic assets with Vodafone's mobile assets, with both players having over 20% market share in fixed and mobile respectively. The combined business is expected to generate attractive free cash flow and has several synergy and cost-out opportunities. We expect to receive a fully franked special dividend in the coming months.

We added AV Jennings (AVJ) to the Fund in May. AVJ is trading at a material discount to its net asset backing and is expected to be a beneficiary of the recently announced *HomeMaker* stimulus. AVJ is run by insiders owning a significant proportion of the company.

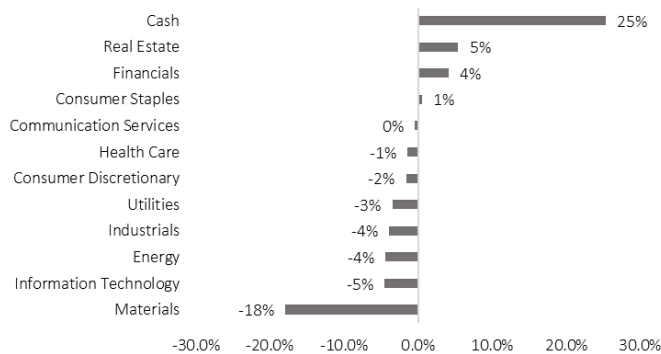
We also added Link Administration Holdings (LNK) to the Fund. LNK provides outsourced administrative services and is well positioned to benefit from super fund consolidation and outsourcing opportunities. The stock dropped significantly in recent months and we established a position at a significant discount to our assessment of intrinsic value. LNK offers both an attractive yield and growth characteristics in the medium term.

We participated in capital raisings for some of our portfolio holdings in May and are likely to participate in others announced in early June. These included Invocare Limited (IVC), Breville Group (BRG) and Iress Limited (IRE).

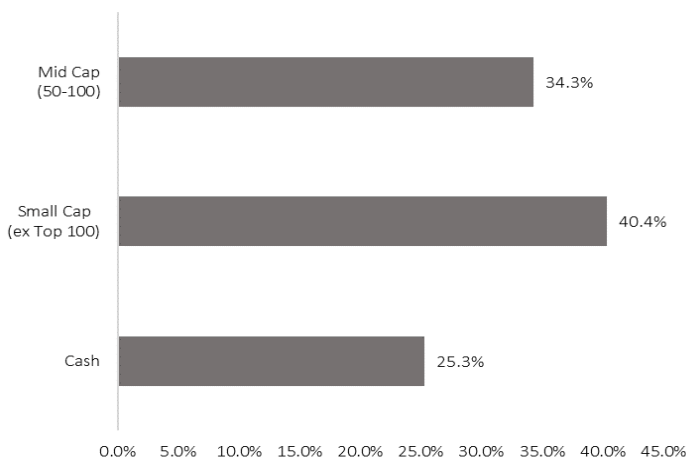
PORTFOLIO CHARACTERISTICS

Sector exposure

Active Sector Exposure vs S&P/ASX Midcap 50



Capitalisation exposure



MAJOR HOLDINGS		% OF PORTFOLIO
1	TPG Telecom	7.2%
2	Resmed Inc	5.2%
3	Magellan Financial Group	5.1%
4	Invocare Limited	5.0%
5	The A2 Milk Company	4.9%
6	Iress Limited	4.1%
7	Charter Hall Group	4.1%
8	EQT Holdings	4.0%
9	Harvey Norman Holdings	3.9%
10	IPH Limited	3.9%
11	Northern Star Resources	3.8%
12	Reece Australia	3.7%
13	ARB Corporation Limited	3.3%
14	Platinum Asset Management	3.2%
15	BWP Trust	3.0%
16	Link Administration Holdings	2.5%
17	AV Jennings Limited	2.2%
18	REA Group	1.5%
19	Evans Dixon Limited	1.5%
20	Cedar Woods Properties	1.0%
Cash and Cash Equivalents		25.3%
Total of Top 20 and Cash		98.3%

CONTRIBUTION TO RELATIVE RETURN – MAY 2020

Company Name	Contribution	Company Name	Detraction
Breville Group	68 bps	Afterpay Touch Group	-181 bps
EQT Holdings Limited	56 bps	Evolution Mining Limited	-89 bps
Invocare Limited	52 bps	Qube Logistics	-55 bps
Charter Hall Group	50 bps	Ansell Limited	-48 bps
TPG Telecom Limited	50 bps	SEEK Limited	-46 bps

The Contact Australian Ex-50 Fund Product Disclosure Statement (PDS), Reference Guide and Investor Handbook is available at <https://contactam.com.au/ex-50-fund-overview/>

* Management fee* 0.75% per annum (excluding GST) of the net asset value of the Fund (after any current accrued Management Fees and expenses, but before any Performance Fee accrual for the relevant period). Performance fee 15% (excluding GST) of the total return of the Fund (after deduction of Management Fees and expenses) that is in excess of the return of the Benchmark during a relevant performance period (or part period where), and provided any underperformance from previous periods has been recovered. No Performance Fee is payable for any period in which the total return of the Fund is less than the Benchmark return or the total return of the Fund is negative. 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 and Reference Guide 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