

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY UPDATE: AUGUST 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	\$1.3 million
Number of stocks	23
NAV Unit Price	\$1.1566
Management Fee*	0.60% 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 to 31 August 2020	1 Month	3 Months	6 Months	1 Year	Since Inception#
Contact Australian Ex-50 Fund	2.5%	5.7%	-	-	18.0%
S&P/ASX Midcap 50 Accumulation Index	6.3%	13.0%	-	-	38.0%
<b>Relative Performance</b>	<b>-3.8%</b>	<b>-7.3%</b>	-	-	<b>-20.0%</b>

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.

## FUND COMMENTARY

The August 2020 Reporting Season was as tempestuous as they come from an earnings perspective. Unexpectedly, it was the best August in eleven years from a share market performance perspective. Economic conditions changed drastically in the six months since companies last presented their results. In February, COVID-19 was a potential but oft dismissed threat. With the August results, COVID-19 was omnipresent.

The Fund delivered a solid 2.5% return for the month but was overshadowed by the performance of the benchmark (the S&P/ASX Midcap 50 Index) which increased by 6.3%. Tech stocks, which now account for almost 20% of the Index, continued a strong run. The IT segment of the benchmark is now 52% higher than it was at the start of calendar 2020, notwithstanding a 6% drop in earnings expectations.

There were several pleasing results from companies within the Fund.

Harvey Norman (HVN) delivered one of the best results of the period. The rebound in activity from the depths of the March lockdown has been quite remarkable and this has been mirrored in its stores internationally. The free cash flow generation was a highlight – up almost 200% on FY19. The business is now net cash and has a significant property portfolio that underpins the valuation.

ResMed (RMD) RMD delivered a solid result driven by higher ventilator sales more than offsetting the decline in CPAP (continuous positive airway pressure) sales. COVID-19 has highlighted the importance of digital health and the value of out of hospital healthcare and respiratory medicine. The Company's progress in the SaaS component of the

business bodes well for future growth, particularly in a post COVID-19 world. With 900 million people globally suffering from sleep apnea and only 20% diagnosed the long-term thesis remains intact.

The FY20 result emphasised the strength of ARB Limited's (ARB) brand and business. ARB delivered positive earnings growth which was better than expected. Despite COVID-19 the outlook for the business has improved with Government stimulus and border closures driving an increase in domestic travel. The Company noted that July was its highest ever sales month and the current order book is at record levels.

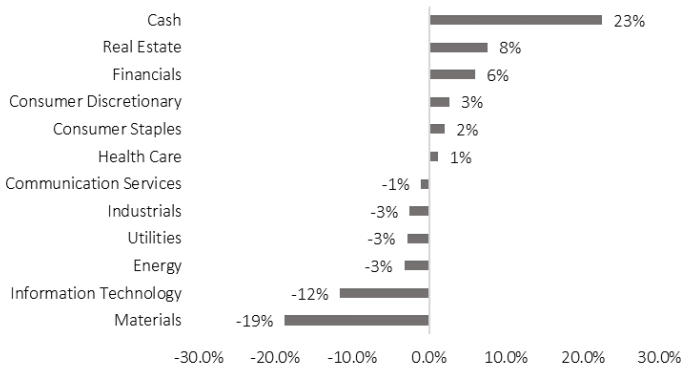
Reece Limited (REH) REH reported a record result that was ahead of expectations. With a focus on innovation and technology we expect REH to maintain its market leading position. We are positive on the long-term growth prospects in the US where the Company currently has 184 branches servicing a population of over 300 million compared with Australia with over 600 branches servicing a population of only 25 million. Management's long-term approach and alignment provides us with comfort in their ability to execute the US strategy. The recent capital raising has strengthened the Balance Sheet providing financial flexibility to pursue growth opportunities.

We remain cautious on many segments of the Australian market – particularly the valuations for many tech stocks. However, expect to gradually reduce our cash weighting in the coming months into high quality, income producing companies. We remain convinced that in the end optimism rules and opportunities never cease.

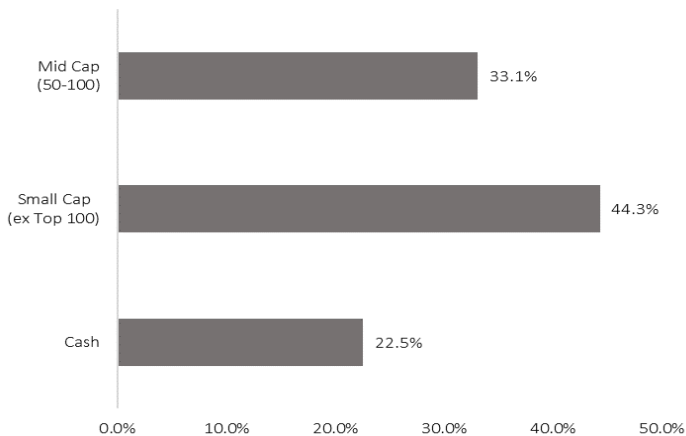
## PORTFOLIO CHARACTERISTICS

### Sector exposure (as at 31 August 2020)

Active Sector Exposure vs S&P/ASX Midcap 50



### Capitalisation exposure



MAJOR HOLDINGS		% OF PORTFOLIO
1	TPG Telecom	6.8%
2	Resmed Inc	6.2%
3	Magellan Financial Group	5.4%
4	EQT Holdings	5.1%
5	IPH Limited	5.0%
6	Harvey Norman Holdings	5.0%
7	Iress Limited	4.2%
8	Reece Australia	4.2%
9	Charter Hall Group	4.0%
10	Invocare Limited	4.0%
11	ARB Corporation Limited	3.6%
12	Northern Star Limited	3.5%
13	Link Administration Holdings	3.3%
14	PWR Holdings	2.5%
15	JB Hi-Fi Limited	2.5%
16	Evans Dixon Limited	2.1%
17	Cedar Woods Properties	2.0%
18	AV Jennings Limited	2.0%
19	BWP Group	2.0%
20	Platinum Asset Management	2.0%
Cash and Cash Equivalents		22.5%
<b>Total of Top 20 and Cash</b>		<b>97.9%</b>

## CONTRIBUTION TO RELATIVE RETURN – AUGUST 2020

Company Name	Contribution	Company Name	Detraction
ARB Corporation Limited	120 bps	Afterpay Touch Group	-218 bps
Reece Australia Limited	88 bps	Xero Limited	-51 bps
Harvey Norman Holdings Limited	73 bps	WiseTech Global Limited	-47 bps
Saracen Minerals Limited	36 bps	Cleanaway Limited	-41 bps
EQT Holdings Limited	36 bps	AV Jennings Limited	-40 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\* 0.60% 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](http://www.contactam.com.au)