

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY UPDATE: OCTOBER 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	\$1.8 million
Number of stocks	23
NAV Unit Price	\$1.1698
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 October 2020	1 Month	3 Months	6 Months	1 Year	Since Inception [#]
Contact Australian Ex-50 Fund	2.3%	3.4%	14.3%	-	17.8%
S&P/ASX Midcap 50 Accumulation Index	6.1%	9.3%	25.2%	-	42.0%
Relative Performance	-3.8%	-5.9%	-10.9%	-	-24.2%

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

Mid-cap stocks continued a strong recent outperformance in October. The S&P/ASX Midcap 50 Index closed 6.1% higher, well ahead of the broader market (measured by the S&P/ASX 300 Index) which climbed 1.9%. The S&P/ASX Small Ordinaries lagged the market, closing up 0.5% for the month. The Fund increased by 2.3% during October.

Despite weakness in the NASDAQ, Australian tech stocks were again the best performing sector in October (up 8.6%). This goes some way to explaining the outperformance of the S&P/ASX Midcap 50 Index, which is very tech-heavy. The weighting of I.T. stocks in the benchmark is now almost 22% - it was less than 10% in March.

While global news flow was dominated by the US election and a ramp up in COVID-19 cases, there was also significant activity domestically. The Australian equities market focused on first quarter trading updates and commentary from Annual General Meetings. In addition, the Morrison Government delivered the 2020 Commonwealth Budget, which delivered a much larger than expected fiscal stimulus. The 20/21 budget balance was downgraded to a record -\$214bn. The combined fiscal stimulus (including State Governments) is now up to ~\$343bn or 17% of annual GDP over 4 years. Consumer confidence and business conditions continue to rise in Australia as we do better than most in keeping COVID-19 numbers under control.

There were several pleasing developments in the Fund's investments. On 12 October, Link Administrative Holdings (ASX code: LNK) received a non-binding indicative proposal from a consortium comprising Pacific

Equity Partners, Carlyle Group and their affiliates to acquire 100% of the shares in Link Group by way of Scheme of Arrangement. Currently, the consortium is offering \$5.40 per share for LNK – due diligence will continue for a few more weeks. Link also held its AGM during the month. Its trading update was below market expectations for its traditional registry services business but above expectations for PEXA, a platform to protect homebuyers and sellers in online exchange and settlement. We view PEXA as a key pillar of the LNK investment case.

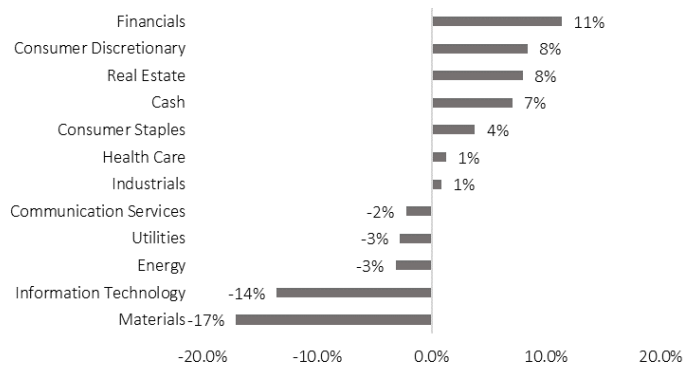
Evans Dixon Limited (ASX code: ED1) increased by 21% in October, largely due to a hostile bid for the company from 360 Capital Group (ASX code: TGP). The current bid is \$0.40 per ED1 share plus 1 TGP stapled security for every four ED1 share held. The Offer Price values ED1 at \$0.61/share (based on TGP trading at \$0.835). There are several conditions attached to the bid. As it stands, Contact considers the bid undervalues ED1.

ResMed Inc. (ASX code: RMD) delivered a strong 1Q21 update with a net profit result that was almost 20% ahead of expectations. The result highlighted a sharper recovery in Resmed's base business. RMD also continues to benefit from ventilator sales as COVID-19 numbers spike again. Looking ahead, RMD continues to expect a U-shaped recovery for the base business throughout FY21. US sleep labs are currently back up to ~70% of pre-COVID capacity, Germany at 85-90% and China back up to ~70%. The investment case is underpinned by a significant global market opportunity (900 million people have sleep apnea and only 20% have been diagnosed).

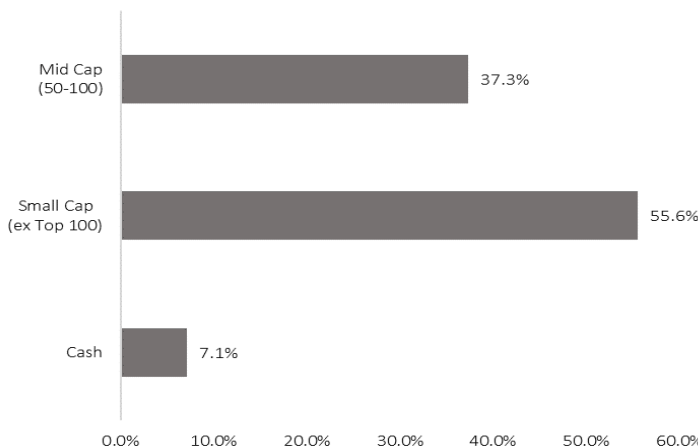
PORTFOLIO CHARACTERISTICS

Sector exposure (as at 31 October 2020)

Active Sector Exposure vs S&P/ASX Midcap 50



Capitalisation exposure



MAJOR HOLDINGS		% OF PORTFOLIO
1	Resmed Inc	8.2%
2	Magellan Financial Group	7.1%
3	EQT Holdings	6.8%
4	IPH Limited	6.7%
5	Harvey Norman Holdings Limited	6.6%
6	Invocare Limited	6.2%
7	TPG Telecom Limited	5.3%
8	Iress Limited	5.0%
9	ARB Corporation	4.6%
10	Northern Star Resources	4.5%
11	PWR Holdings	4.2%
12	Charter Hall Group	4.2%
13	Reece Limited	4.1%
14	Link Administration Holdings	3.3%
15	JB Hi-Fi Limited	3.0%
16	Platinum Asset Management	2.7%
17	Cedar Woods Properties	2.3%
18	AV Jennings Limited	2.3%
19	Evans Dixon Limited	2.1%
20	REA Group Limited	1.8%
Cash and Cash Equivalents		7.1%
Total of Top 20 and Cash		98.1%

CONTRIBUTION TO RELATIVE RETURN – OCTOBER 2020

Company Name	Contribution	Company Name	Detraction
Link Administration Services	85 bps	Afterpay Touch Group	-144 bps
ResMed Inc	71 bps	IPH Limited	-54 bps
ARB Corporation Limited	56 bps	Coca-Cola Amatil Limited	-54 bps
Evans Dixon Limited	35 bps	EQT Holdings Limited	-51 bps
Reece Australia Limited	25 bps	Xero Limited	-45 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