

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY UPDATE: NOVEMBER 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	\$2.9 million
Number of stocks	23
NAV Unit Price	\$1.2230
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 30 November 2020	1 Month	3 Months	6 Months	1 Year	Since Inception [#]
Contact Australian Ex-50 Fund	4.8%	5.7%	11.8%	-	23.5%
S&P/ASX Midcap 50 Accumulation Index	6.6%	9.6%	23.9%	-	51.3%
Relative Performance	-1.8%	-3.9%	-12.2%	-	-27.8%

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

Global equity markets were extremely strong in November, as investors started to focus on opportunities in the COVID recovery phase and subsequent cyclical rotation. It was a hectic month, which was dominated by the US election early on. Despite initial uncertainty around a clear winner, and a general belief that a Democratic victory is worse for markets, global indices moved higher. The positive momentum in equities was supercharged by positive news on a vaccine from three different groups – all of which reported encouraging testing results.

The S&P/ASX Midcap 50 Index lagged the broader market yet was still 6.6% higher for the month. By comparison, the Fund increased by 4.8%.

Risks linger, but the prospects for 2021 are looking increasingly better due to the domestic handling of COVID, well-targeted fiscal response, and ultra-accommodative monetary policy settings. If this continues through the first quarter of the new calendar year, then this is likely to underpin business and consumer confidence. Overall market valuations appear full, but as always, we think there are pockets of opportunity beneath the surface.

Harvey Norman (HVN) delivered another strong trading update alongside its AGM. Profit before tax between July and August was up 160% year-on-year. This includes the headwinds of the Victorian lockdowns, which impacted 9% of stores. We remain optimistic on the long-term investment case for Harvey Norman due to a better macro outlook (Australian Households have increased savings by \$100 billion

during COVID). In addition, the Balance Sheet is strong and HVN should continue to grow in international markets.

During the month, Contact met with the ARB Corporation (ARB) State Manager for one-on-one site visits of several Sydney flagship stores. We were impressed with the ARB culture – all branch managers were extremely knowledgeable on products and passionate about the company. The new retail stores have great layouts, product displays and bright spacious workshops. The visits increased our conviction on the ARB investment case – this is an innovative business with strong pricing power. Customers are willing to pay for quality. ARB has been a beneficiary of the domestic travel boom and has welcomed a new customer base.

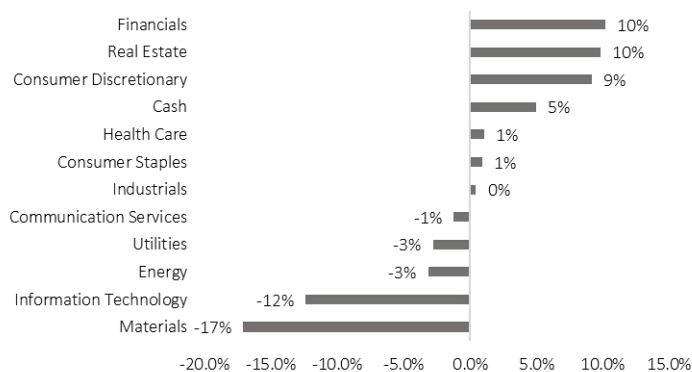
We established a small position in Inghams Group (ING) in November. ING has been operating since 1918 – it is a vertically integrated poultry producer with 40% market share (by value) in Australia and 34% in New Zealand. Chicken is the most consumed source of animal protein in both countries.

We are expecting a bumper wheat crop on the back of three years of drought. The lower feed costs have a material impact on earnings as it is 50% of the cost base. ING is trading on an undemanding P/E multiple of <15 times next year's earnings and offers a forecast dividend yield of 8.2% on a grossed-up basis. The company is expected to deliver attractive returns on invested capital in excess of 20% in the coming years.

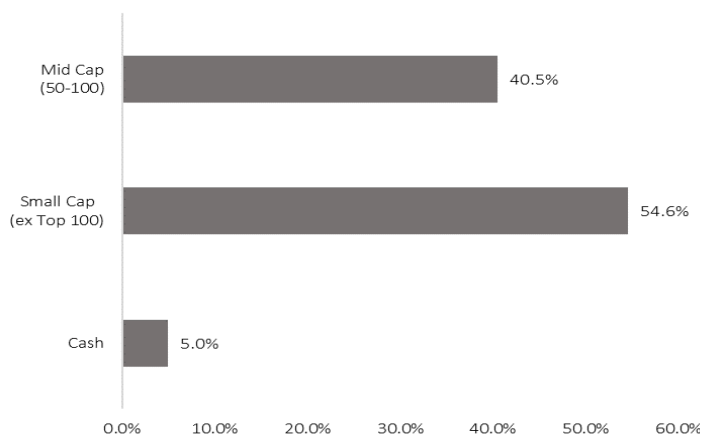
PORTFOLIO CHARACTERISTICS

Sector exposure (as at 30 November 2020)

Active Sector Exposure vs S&P/ASX Midcap 50



Capitalisation exposure



MAJOR HOLDINGS		% OF PORTFOLIO
1	Resmed Inc	8.0%
2	Magellan Financial Group	7.9%
3	Harvey Norman Holdings Limited	6.7%
4	EQT Holdings Limited	6.5%
5	IPH Limited	6.1%
6	Iress Limited	5.5%
7	TPG Telecom Limited	5.3%
8	Charter Hall Group	4.7%
9	ARB Corporation	4.6%
10	Northern Star Resources	4.5%
11	Reece Limited	4.2%
12	PWR Holdings	4.1%
13	Link Administration Holdings	4.0%
14	JB Hi-Fi Limited	3.7%
15	Platinum Asset Management	3.4%
16	Inghams Limited	3.4%
17	AV Jennings Limited	3.0%
18	Cedar Woods Properties	2.9%
19	REA Group Limited	2.5%
20	E&P Group Limited	1.8%
Cash and Cash Equivalents		5.0%
Total of Top 20 and Cash		97.6%

CONTRIBUTION TO RELATIVE RETURN – NOVEMBER 2020

Company Name	Contribution	Company Name	Detraction
Platinum Asset Management	94 bps	Xero Limited	-97 bps
Invocare Limited	75 bps	Seek Limited	-58 bps
E&P Financial Group Limited	61 bps	Tabcorp Holdings	-47 bps
Iress Limited	59 bps	Bluescope Steel Limited	-44 bps
Saracen Mineral Holdings Limited	36 bps	Bendigo & Adelaide Bank Limited	-42 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