

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY UPDATE: DECEMBER 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	\$1.2169 (Ex-Distribution)
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 December 2020	1 Month	3 Months	6 Months	1 Year	Since Inception <sup>#</sup>
<b>Contact Australian Ex-50 Fund</b>	<b>-0.2%</b>	<b>7.0%</b>	<b>9.3%</b>	<b>-</b>	<b>23.2%</b>
S&P/ASX Midcap 50 Accumulation Index	3.4%	16.9%	22.9%	-	56.4%
Relative Performance	-3.6%	-9.9%	-13.6%	-	-33.2%

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

The S&P/ASX Midcap 50 Index built on its November gains, increasing by 3.4% in December. IT stocks again drove the gains. By comparison, the Fund decreased by 0.2%.

The index drifted in the second half of December as risks from the Sydney coronavirus outbreak weighed on sentiment. Following several months of negligible community transmission, the outbreak resulted in a localised lock-down of some Sydney suburbs and state border restrictions. The outbreak potentially presents some downside risk to market expectations of ongoing solid recovery in growth early 2021. However, at the time of writing, the risks look manageable.

As has been the case for several months, there appear to be plenty of warning signs for the markets and the broader economy. Many analysts argue that stocks are priced for perfection in 2021, and any deviation from that rosy scenario could lead to a rapid correction or worse for investors. The biggest risks would be if the vaccine rollout stumbles or a new version of the virus emerges. On the flipside, there is a lot of pent-up demand, many businesses are now more efficient than they were pre-COVID and there seems to be a resolute stance to do "whatever it takes" by Governments and Central Banks to avoid a financial meltdown.

We established a position in Nine Entertainment Holdings Group (NEC) in December. NEC is an Australian ASX listed media company with holdings in radio and television broadcasting, newspaper publications and digital media. Over the past five years, NEC has transitioned from a

Free to Air television network to a diversified, and increasingly digitized, content company without parallel in the local market. At the core of Nine's business is content - News, Sport and Entertainment. The Group operates through four segments: Broadcasting, Digital and Publishing, Domain Group (59% stake) and Stan.

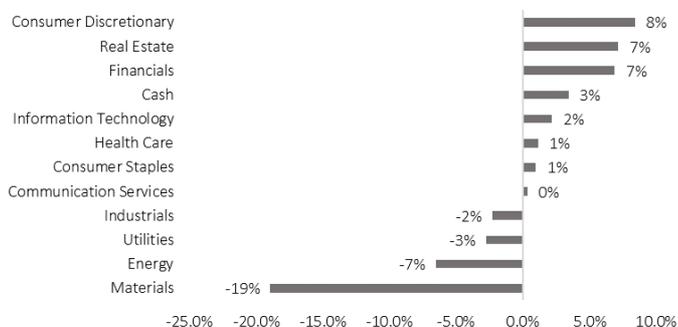
NEC's outlook is supported by its shift to growth assets in Domain, Stan and 9Now. This is complemented by a deep-reaching cost out program to offset headwinds in TV, Radio and Publishing. Stan has the potential to drive significant earnings growth and is Australia's leading local SVOD business. NEC has a solid Balance Sheet and offers an attractive grossed up yield of 4.4% in FY21 which should grow.

We are optimistic on the prospects for Ingham's Group Limited (ING) as we anticipate significant input cost relief. As we know, Australia has experienced significant drought for many years – and last year Australia was forced to finally import wheat. 2021 is set to be very different – ABARE projects Australian wheat production to double to around 31 million tons, with a potential over supply of domestic grain. This bodes well for Ingham's margins and Net Profit, with wheat accounting for over 60% of the cost of doing business for Ingham's. The sensitivity to profit is meaningful – every 5% move in the wheat price has a 6% impact on Net Profit. The price of wheat has dropped significantly from ~\$450/tonne in March 2019 to ~\$250/tonne. Volumes remain robust. With costs coming down, we anticipate positive operating leverage. In the meantime, we are being rewarded by the likelihood of a compelling dividend yield of over 8% (on a grossed-up basis).

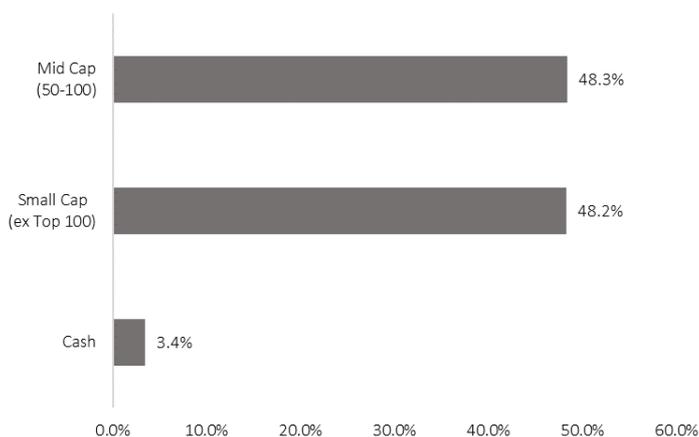
## PORTFOLIO CHARACTERISTICS

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

#### Active Sector Exposure vs S&P/ASX Midcap 50



### Capitalisation exposure



	MAJOR HOLDINGS	% OF PORTFOLIO
1	Resmed Inc	7.7%
2	Magellan Financial Group	7.2%
3	Harvey Norman Holdings Limited	6.9%
4	EQT Holdings Limited	6.3%
5	IPH Limited	5.7%
6	Iress Limited	5.6%
7	ARB Corporation	5.1%
8	Charter Hall Group	5.0%
9	TPG Telecom	5.0%
10	Reece Limited	4.7%
11	Northern Star Resources	4.5%
12	Link Administration Holdings	4.5%
13	JB Hi-Fi Limited	4.0%
14	PWR Holdings Limited	3.9%
15	Inghams Group Limited	3.5%
16	Nine Entertainment Holdings	3.2%
17	AV Jennings Limited	2.8%
18	Cedar Woods Properties	2.8%
19	REA Group Limited	2.6%
20	E&P Financial Group Limited	1.8%
	Cash and Cash Equivalents	3.4%
	<b>Total of Top 20 and Cash</b>	<b>96.2%</b>

## CONTRIBUTION TO RELATIVE RETURN – DECEMBER 2020

Company Name	Contribution	Company Name	Detraction
ARB Corporation Limited	50 bps	Afterpay Touch Group Limited	-138 bps
Reece Australia Limited	49 bps	Xero Limited	-77 bps
Link Administration Holdings Limited	38 bps	Magellan Financial Group	-43 bps
Appen Limited	28 bps	IPH Limited	-43 bps
AMP Limited	19 bps	SEEK Limited	-31 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)