

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: MAY 2021



FUND DESCRIPTION

The Contact Australian Ex-50 Fund (the Fund) balances growth and income to provide access to a 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's investment objective is to seek a total return in excess of 10% per annum, after deduction of Management Fees and expenses, 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
Targeted return	10% per annum (net of fees)
Number of stocks	26
NAV Unit Price	\$1.29
Management Fee*	0.60% per annum (excluding GST)
Performance Fee	Nil

Performance to 31 May 2021	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.) [#]
Contact Australian Ex-50 Fund	0.7%	8.2%	5.6%	18.0%	24.6%
Targeted return of 10% per annum				10.0%	10.0%

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 figures may be subject to rounding. Numbers greater than one year are annualised.

FUND COMMENTARY

The Australian market edged higher in May. The month was dominated by the results from the Major Banks and generally positive trading updates from other companies. In addition, the Federal Budget was delivered mid-month and contained few surprises. The Australian Government continues to favour stimulus over austerity in the face of the ongoing pandemic. The Fund increased by 0.7% for the month.

We seek to meet with management teams and business owners as often as possible and we had several insightful meetings in May. Generally, our discussions unveiled that business conditions are robust across most industries. Buoyant demand is creating some supply chain bottlenecks and inflation. We explore this issue in more detail in our monthly *Contact Insights* piece, which is available on our website.

We added **Pendal (PDL)** to the Fund in May as the Fund Manager raised capital to acquire US-based value-oriented asset manager Thompson, Siegel & Walmsley (TSW) for US\$320m (A\$413m). The acquisition represents 7.6x EBITDA and is expected to be double digit EPS accretive in first full year. The combined business will have Funds Under Management in excess of \$130 billion. We considered the raising, which was priced at \$6.80, to be an attractive entry point. The implied FY22 P/E ratio is approximately 11x for a company that will generate significant near-term earnings growth across a diverse range of products and geographies.

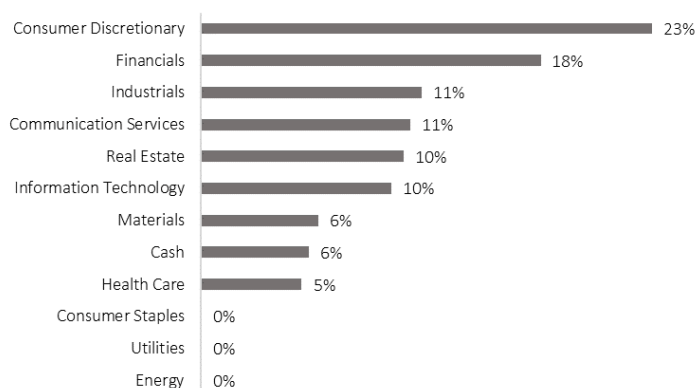
We also added to the Fund's position in **Link Administration Holdings (LNK)**. We have long been impressed by the PEXA business, which LNK has a 44% equity ownership. PEXA, which stands for Property Exchange

Australia Limited, is a digital conveyancing business. Electronic conveyancing was introduced to Australia in 2012 and all Australian states are in the process of transitioning to electronic conveyancing in accordance with state-based mandates. PEXA has over 80% share of this market.

LNK has a well-established and diversified business in fund administration, with a high proportion of recurring revenues. It boasts strong market positions, particularly in Australia and the UK. However, it is the PEXA business that we deemed to have the most potential for growth and valuation upside. The market seemed to be valuing PEXA in the \$1.7-\$1.9 billion range in recent months. Since then, corporate activity has ramped up which has seen a takeover bid from KKR/Domain at an implied value of \$3.1 billion. LNK and its partners are pursuing a June 2021 IPO of PEXA, valuing it at \$3.3 billion. The decision by LNK to retain its stake ensures exposure to the upside and optionality in this business while ensuring a solid valuation. We consider LNK to be extremely cheap on a Sum-of-the-Parts basis and expect the company to deliver sustainable earnings growth for some time.

We travelled to Canberra for the **Invocare (IVC)** Strategy Day, the first under the newly appointed senior management team. The refreshed sites are impressive, notwithstanding that the business has suffered from the restrictions arising from the pandemic. We expect earnings to improve and are encouraged by Management's long-term targets of low to mid-teens Earnings per Share growth. We consider IVC to be cheap at current prices.

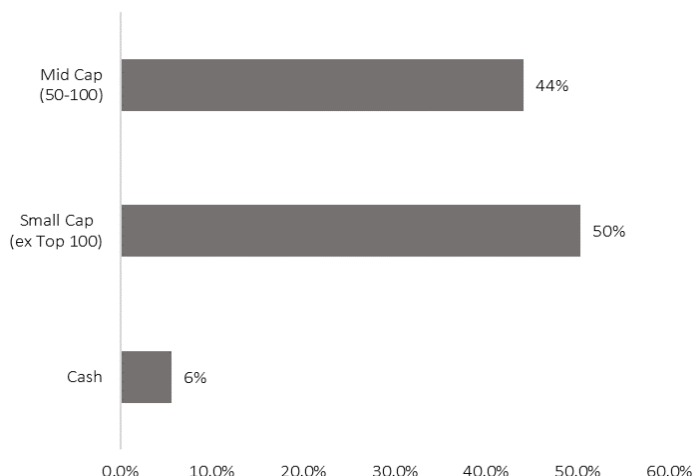
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Harvey Norman Holdings
2	ARB Corporation
3	Reece Limited
4	Link Administration Holdings
5	Nine Entertainment Holdings
6	ResMed Inc.
7	Charter Hall Group
8	Equity Trustees
9	Magellan Financial Group
10	PWR Holdings

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	13.9%
Operating Margin	21.5%
Gearing	30.1%
EPS Growth (FY1e)	18.2%
P/E Ratio (FY1e)	23.7x
Yield (FY1e)	2.9%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
ARB Corporation Limited	0.48%	Monadelphous Limited	-0.63%
Pendal Group Limited	0.47%	Invocare Limited	-0.37%
Northern Star Resources Limited	0.37%	EQT Holdings Limited	-0.25%
PWR Holdings Limited	0.31%	Cedar Woods Properties Limited	-0.21%
Iress Limited	0.28%	TPG Telecom Limited	-0.20%

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). 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