

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY REPORT: JULY 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 | 27 |
| NAV Unit Price | \$1.38 |
| Management Fee* | 0.60% per annum (excluding GST) |
| Performance Fee | Nil |

* Management fee 0.60% per annum (excluding GST) of the net asset value of the Fund (after any current accrued Management Fees and expenses).

| Performance to 31 July 2021 | 1 Month | 3 Months | 6 Months | 1 Year | Since Inception (p.a.) [#] |
|----------------------------------|---------|----------|----------|--------|-------------------------------------|
| Contact Australian Ex-50 Fund | 0.4% | 8.3% | 12.9% | 23.0% | 27.9% |
| 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 Fund increased by 0.4% in July. It was an unusual month dominated by COVID news in Australia. For now, the market seems unperturbed by the economic impact from another round of COVID-related lockdowns. Additional stimulus will help stem the economic impact to a certain extent as we await an uptick in Australian vaccination rates to allow us to "return to normal". We continue to generate solid performance from several of our key holdings.

ARB Limited (ARB) announced a very solid trading update, underpinning what has been a very strong run in the stock over the past twelve months. In its unaudited FY21 results, ARB noted sales of \$623 million and Profit before Tax to be between A\$145-150 million – this was almost 20% better than market expectations. The strength is driven by Australian Aftermarket which is underpinned by robust new vehicle sales in the June quarter. Light commercial vehicle sales were up 33% in the June half and ARB's backlog of work is over six months long. The offshore business is also performing well; we remain very optimistic on growth arising from the new Ford Bronco collaboration in the US.

We discussed **Iress Limited (IRE)** in our June report and there was more news flow of note in July. IRE held an Investor Strategy Day late in the month where it outlined very ambitious growth plans to double profits by 2025. IRE also announced a \$100 million on-market share buyback. The Strategy Day coincided with IRE disclosing that it had received a confidential unsolicited non-binding and indicative proposal from EQT to acquire all of Iress' shares via a recommended scheme of arrangement at \$15.30-15.50/share. This is the second proposal from

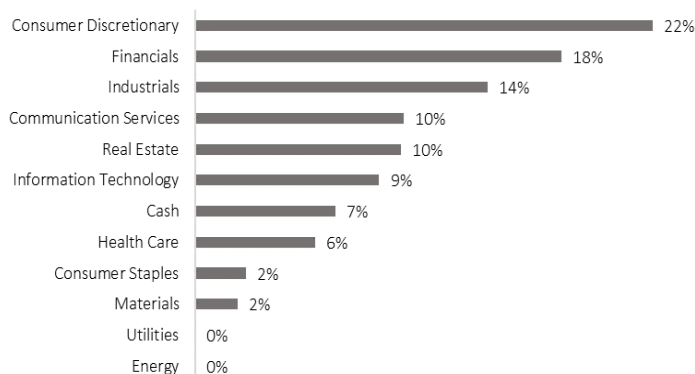
EQT following an earlier bid at \$14.80. At the time of the announcement, IRE shares were trading at \$12.51. The IRE Board noted that it had rejected the offer as it does not represent compelling value for shareholders, however it has allowed EQT access to further information.

Pendal Group (PDL) increased FUM during the June quarter by \$5 billion to \$107 billion. The growth has been driven by strong investment performance. The company is targeting 50% increase in FUM by FY25. This doesn't include the Thompson, Siegel & Walmsley (TSW) acquisition, which closed in July. TSW is a US-based value-oriented investment management and advisory company, operating primarily in long-only equity (International and US) and fixed income asset classes with, \$24.6 billion of AUM. PDL is trading on a PE discount to its Australian fund manager peers and looks compelling given its strong investment team and growth prospects.

The August reporting season will tell us a lot about the past six months, however the timing of the most recent lockdowns and uncertainty around their duration will make forward guidance difficult for many corporates. We expect some will back away from giving guidance. Nevertheless, the results should outline several positive underlying trends, with profits recovering strongly for cyclical stocks, as evidenced by the strong and consistent earnings upgrades seen since the February reporting season.

Dividends should also be a feature as it was at the February results season after market DPS fell ~30% on aggregate in 2H20.

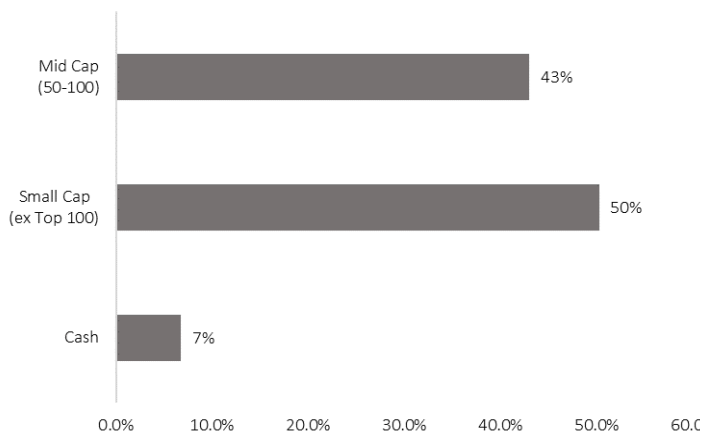
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

| | |
|----|------------------------------|
| 1 | Harvey Norman Holdings |
| 2 | ResMed Inc. |
| 3 | ARB Corporation |
| 4 | Nine Entertainment Holdings |
| 5 | Equity Trustees |
| 6 | Link Administration Holdings |
| 7 | IPH Limited |
| 8 | Iress Limited |
| 9 | Charter Hall Group |
| 10 | Invocare Limited |

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS

| | The Fund |
|----------------------------|----------|
| Return on Capital Employed | 13.3% |
| Operating Margin | 20.1% |
| Gearing | 33.3% |
| EPS Growth (FY1e) | 23.8% |
| P/E Ratio (FY1e) | 23.5x |
| Yield - Net (FY1e) | 2.9% |

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

| Company Name | Contribution | Company Name | Detraction |
|------------------------|--------------|------------------------------|------------|
| Resmed Inc. | 0.52% | Invocare Limited | -0.35% |
| ARB Corp Limited | 0.40% | Magellan Financial Group | -0.33% |
| Iress Limited | 0.37% | Nine Entertainment Company | -0.28% |
| Harvey Norman Holdings | 0.23% | Link Administration Holdings | -0.20% |
| Charter Hall Group | 0.20% | E&P Financial Group | -0.15% |

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/>

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