

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY REPORT: OCTOBER 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	29
NAV Unit Price	\$1.34
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 October 2021	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.) [#]
Contact Australian Ex-50 Fund	-1.9%	-2.6%	5.4%	15.9%	21.2%
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

Equity investors continued to look through the uncertainty in the bond markets in October, instead remaining upbeat on the reopening trade and growth stocks. The Australian market lagged most offshore peers, closing the month almost unchanged. The Fund closed the month 1.9% lower.

We added new stocks to the Fund in October. We participated in the **GQG Partners (GQG)** Initial Public Offering during the month. GQG is a global investment boutique focused on managing active portfolios. The Company has grown quickly to ~US\$90 billion in funds under management (FUM) across four different investment strategies. Management fees are low and performance fees are not a major driver of revenue. We like that approach. We also like the high management alignment and that the business is founder led. The IPO involved a 20% sell down by the major shareholders, however co-founders Ravij Jain will continue to own 69% of GQG and Tim Carver 6%. GQG boasts exceptional financial and operational metrics – strong organic growth, significant net flows in primary strategies and high free cash flow generation. EBITDA margins are very attractive at 78%. The company has no debt. ROE is expected to be >80%. GQG will pay quarterly dividends and offers a forecast dividend yield of c.5.5%.

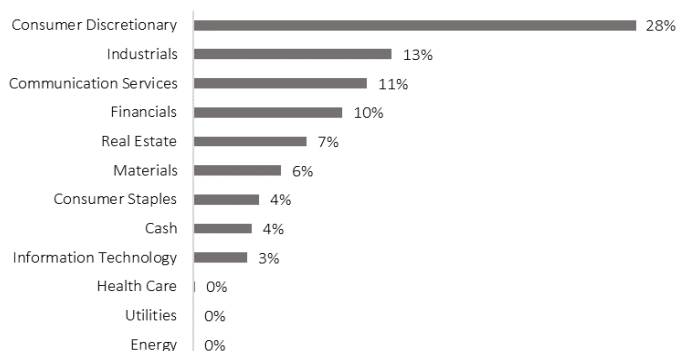
We also established a holding in **ReadyTech Holdings (RDY)**, a business that engages in the provision of software as a service (SaaS) solutions. RDY operates in several software verticals (education, workforce solutions, local government and justice etc.). This is a competitive space but one that comes with attractive, long-term recurring revenue. RDY's

software products are primarily sold on subscriptions basis. Recurring revenue is very high at 87%. This is a solid foundation for future revenue growth. RDY is targeting organic revenue of >\$125 million by FY26 - it generated \$50 million in FY21. RDY is scaling nicely, and this is driving rapid expansion in ROE given its capital light model. The company has a large addressable market. RDY is founder-led and will soon start paying dividends.

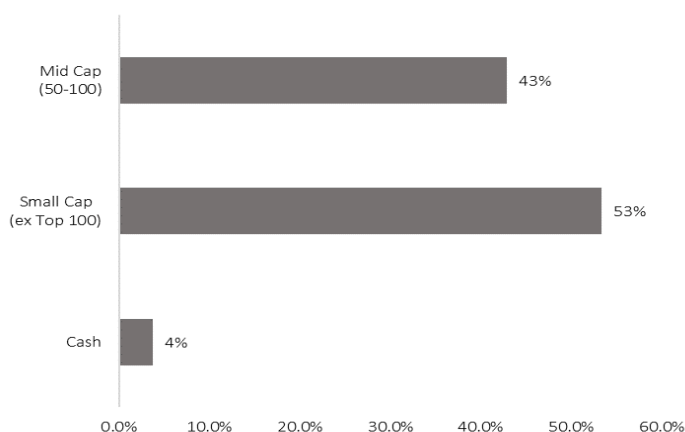
Finally, we added **Sealink Travel Group (SLK)** to the Portfolio. We are optimistic on the prospects for SLK as economies reopen and transport and tourism ramp up. SLK is Australia's largest integrated land and marine, tourism and public transport service provider with established international operations in London and Singapore. It is one of Australia's most experienced and diverse multi-modal transport businesses, across ferry, bus and light rail. This is another business with significant management alignment, Chairman Neil Smith owns over 15% of the company. SLK spins off attractive levels of cash, which should see it maintain a reasonable dividend payout ratio and reduce debt. We consider SLK to be attractively priced.

Based on FY22 consensus forecasts, the portfolio is expected to deliver near double digit earnings growth vs low single digits for the market. This will be driven by a diverse group of founder-led and strategic partner businesses that comprise more than 70% of the Fund. We remain big believers that founder or family led businesses outperform. History continues to teach us that there are few better determinants of human behaviour than alignment and incentives.

PORTFOLIO CHARACTERISTICS



CAPITALISATION EXPOSURE



TOP 10 POSITIONS

1	Harvey Norman Holdings
2	Nine Entertainment Holdings
3	Reece Limited
4	Charter Hall Group
5	ARB Corporation
6	GQG Partners
7	Bank of Queensland
8	Metcash Limited
9	Invocare Limited
10	IPH Limited

QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	26.0%
Operating Margin	25.1%
EPS Growth (FY1e)	10.7%
P/E Ratio (FY1e)	19.0x
Yield - Net (FY1e)	3.6%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Monadelphous Group	0.31%	Pendal Group	-0.76%
Reece Limited	0.23%	Smartgroup Corporation	-0.45%
Nine Entertainment Holdings	0.23%	Resmed Inc	-0.35%
Metcash Limited	0.16%	Alliance Aviation Limited	-0.35%
PWR Holdings	0.12%	IPH Limited	-0.34%

The Contact Australian Ex-50 Fund Product Disclosure Statement (PDS), Reference Guide, Target Market Determination (TMD) and Investor Handbook is available at

<https://contactam.com.au/ex-50-fund-overview/>

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