

Contact Australian Ex-50 Fund

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MONTHLY REPORT: FEBRUARY 2022



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 invest in Founder-led businesses and tomorrow's leaders within the mid and small cap Australian Equities universe.

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	28
NAV Unit Price	\$1.29
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 28 February 2022	1 Month	3 Months	6 Months	1 Year	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	2.1%	-4.6%	-8.2%	9.9%	15.4%
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 outbreak of war in Ukraine dominated headlines in late February as investors looked to reduce risk. While most global equities markets declined by 3.0% or more, Australian equities weathered the volatility relatively well. The S&P/ASX Small Ordinaries Index was flat and the S&P/ASX Mid-cap 50 Index declined by 0.3%. It is worth noting that the Small Ordinaries Index has declined by 8.0% in the past quarter. By comparison, we were pleased to deliver a 2.1% return for February for the Fund.

The outperformance of the Australian market was due to a higher proportion of Resources and Commodities companies in our index and less Technology stocks relative to offshore peers. In addition, the February reporting season was characterised by generally robust results with more beats than misses. The EPS outlook for the Australian market was upgraded. Valuation and yield metrics now appear more attractive.

Several of our larger holdings in the Fund delivered pleasing results.

Harvey Norman (HVN) delivered an exceptionally strong interim result. Earnings are proving more resilient than anticipated and sales momentum remains robust, even against a very strong comparative period. The result also included property revaluations of almost \$130 million. HVN boasts property assets of almost \$4 billion on its Balance Sheet. This asset backing has long been a key tenet of our HVN investment case. On a Sum of the Parts valuation, if one was to strip out the property assets, we believe that the core retail business is trading on a low single digit multiple. With a strong domestic business

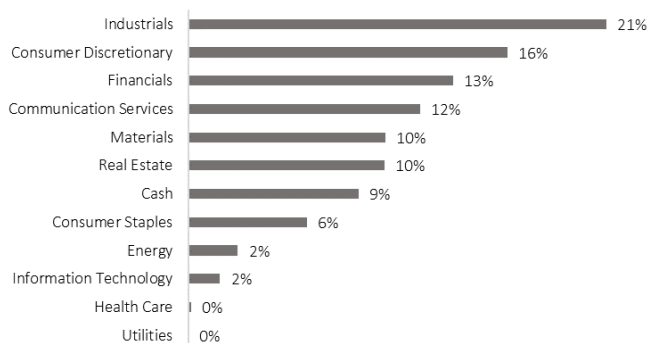
complemented by exciting growth offshore, we consider HVN to be an attractive investment proposition. HVN has invested in inventory to overcome supply chain uncertainty and has almost zero debt. Cash conversion is strong and the grossed-up dividend yield exceeds 10%.

Nine Entertainment Holdings Company (NEC) reported strong growth as positive momentum in the advertising market continued, particularly in Television and Video on Demand. NEC is generating outstanding levels of Free Cash, culminating in a very strong Balance Sheet. Net debt was \$63 million, down from \$170m in June 2021. There is now potential for capital management at the August result. The 7 cps dividend was 40% higher than the prior year. NEC has provided a bullish earnings outlook for the remainder of the fiscal year and expects FY22 Group EBITDA growth of 22%.

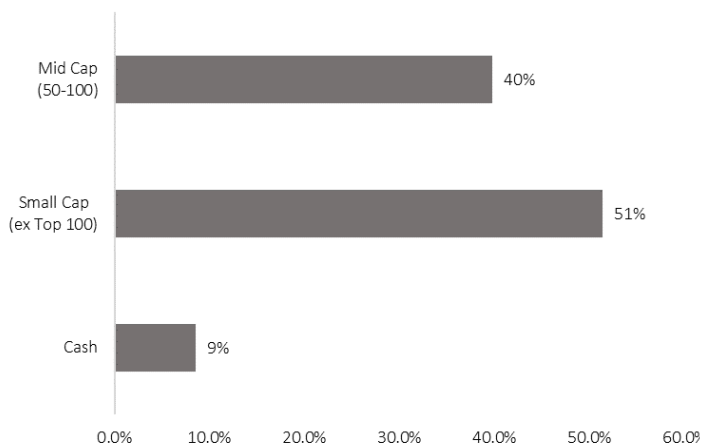
We have discussed **Charter Hall Group (CHC)** several times in recent months as the company keeps upgrading earnings guidance. At the recent interim result, management upgraded guidance yet again. Continued strength in inflows, combined with performance fees is expected to drive more than 80% growth in FY22 earnings.

Equity markets have faced increased volatility in recent months, initially on interest rates uncertainty, then slowing macroeconomic conditions and now the threat of war. We remain committed to a portfolio of high-quality companies as the best strategy during macro uncertainty. The Fund boasts a portfolio of quality companies that show fundamental strength in their business, generate steady profits, produce positive free cash flow and attractive returns on equity.

PORTFOLIO CHARACTERISTICS



CAPITALISATION EXPOSURE



TOP 10 POSITIONS

1	Harvey Norman Holdings
2	Nine Entertainment Holdings
3	Metcash Limited
4	Charter Hall Group
5	Smartgroup Corporation
6	ARB Corporation
7	Kelsian Group
8	Deterra Resources
9	GQG Partners
10	Netwealth Group

QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	29.8%
Operating Margin	24.8%
EPS Growth (FY1e)	12.2%
P/E Ratio (FY1e)	18.0x
Yield - Net (FY1e)	3.7%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Monadelphous Group	0.72%	Alliance Aviation Group	-0.62%
Smartgroup Corporation	0.69%	ARB Corporation	-0.34%
Invocare Limited	0.53%	Cedar Woods Properties	-0.27%
Harvey Norman Holdings	0.47%	REA Group	-0.27%
Nine Entertainment Company	0.35%	Netwealth Group	-0.19%

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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