

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: MARCH 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	27
NAV Unit Price	\$1.35
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 March 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	4.2%	-2.6%	11.1%	18.1%	17.1%
Targeted return of 10% per annum			10.0%	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

Given the uncertainty in bond markets and the ongoing geopolitical tension in the Ukraine, global equities markets were remarkably strong in March. Stocks continue to shrug off the ominous signs from the bond markets, even as the widely tracked U.S. 2-year/10-year Treasury yield curve inverted for the first time since September 2019. We remain optimistic that underlying economic growth is strong enough to handle an aggressive pace of rate increases to stave off inflation.

We have received a few questions on commodities exposure recently, hence we thought it useful to discuss the rationale for three of our commodity exposed positions, **Deterra Royalties (DRR)**, **Monadelphous Group (MND)** and **OZ Minerals (OZL)**.

We consider these three businesses to be higher quality than many of the cyclical mining companies in the Australian small and mid-cap universe and we continued to build on our positions in DRR and OZL during the month. There is a high degree of volatility in the small resources segment and we tend to avoid a lot of companies in the space because of a lack of profitability, an absence of dividends and poor management alignment.

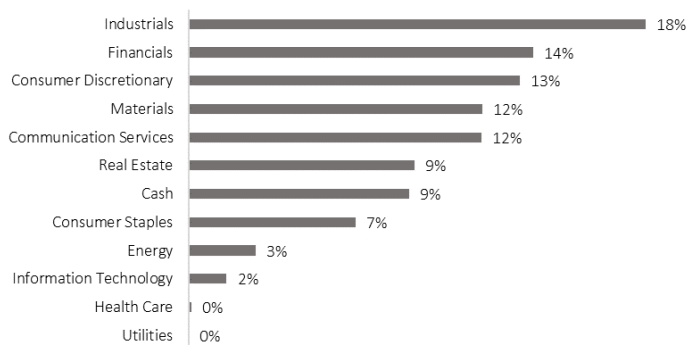
We believe that DRR continues to offer a compelling investment case. Its primary asset is its royalty over the BHP Mining Area C (MAC) operation. At MAC, production is expected to increase from current of 60mt pa to capacity 145mt pa by 2024. DRR has a strategic partner in Iluka Resources, with a 19.9% shareholding. The company is net cash and offers an attractive dividend yield of 10%. At a P/E of 14 times, DRR trades on a premium to the operating miners, which we believe is

justified as there is no operating risk. However, DRR trades on a significant discount to global "royalty" peers, most of which have P/E multiples over 35 times.

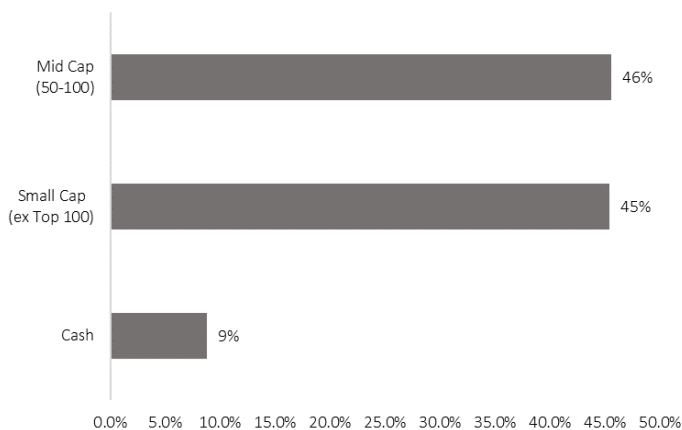
OZL has been a beneficiary of the recent strength in commodity prices and we are in the "stronger for longer" camp regarding the outlook for copper and gold. OZL is an Australian copper producer with its main operating assets in South Australia. OZL produces 125kt-140kt of copper and 205-228koz of gold annually. Global demand for copper is particularly robust. Copper is a proxy for economic growth and will benefit from increasing take-up of wind and solar infrastructure, telecommunications and EVs, all of which are heavily reliant on copper. The copper market is in supply deficit and the outlook for gold continues to be attractive given near term economic uncertainty. OZL has a solid Balance Sheet with gearing of 15%. The dividend yield is 1.5% but is sustainable as OZL balances income with further investment in growth projects. OZL is a well-managed, low-cost producer.

In mid-March, we passed the two-year anniversary for the Contact Australian Ex-50 Fund. We are pleased with the two year performance of 18.1% per annum, which has exceeded our 10% targeted return. We have achieved this through a consistent and disciplined approach. We buy quality businesses with above average rates of return, strong financials and are managed by outstanding teams that are often founder-led. We seek to buy these businesses at reasonable valuations with the intention of owning them for the long-term.

PORTFOLIO CHARACTERISTICS



CAPITALISATION EXPOSURE



TOP 10 POSITIONS

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

QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	32.0%
Operating Margin	26.3%
EPS Growth (FY1e)	13.2%
P/E Ratio (FY1e)	18.2x
Yield - Net (FY1e)	3.6%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Metcash Limited	0.63%	GQG Partners	-0.16%
Nine Entertainment Company	0.56%	IPH Limited	-0.14%
Alliance Aviation Group	0.52%	Invocare Limited	-0.14%
Deterra Royalties	0.50%	AV Jennings Limited	-0.11%
Harvey Norman Holdings	0.47%	Charter Hall Group	-0.10%

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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