

Contact Australian Ex-50 Fund

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MONTHLY REPORT: APRIL 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	29
NAV Unit Price	\$1.32
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 30 April 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-1.8%	4.5%	4.5%	14.6%	15.4%
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

Uncertainty returned to global equity markets in April following a surprisingly strong March. The main driver of the decline in US markets was a more hawkish Federal Reserve, which pushed up real yields and pressured equity valuations. Tech stocks were hit especially hard since their often-elevated valuations and promise of future growth begin to look less attractive in a rising-rate environment. Chinese markets were also weaker as COVID-linked restrictions hampered activity. By comparison, the Australian market fared much better than global peers. The S&P/ASX Mid-cap 50 and the S&P/ASX Small Ordinaries indices declined by 1.5%.

Relative to global peers, we believe that the Australian market looks very attractive. Even in a rising interest rate environment, we think it is highly likely that Australian equities can keep delivering reasonable earnings growth. We base this assumption on a combination of low unemployment, strong household deposits, a re-opened economy and commodity prices which we see as "stronger for longer".

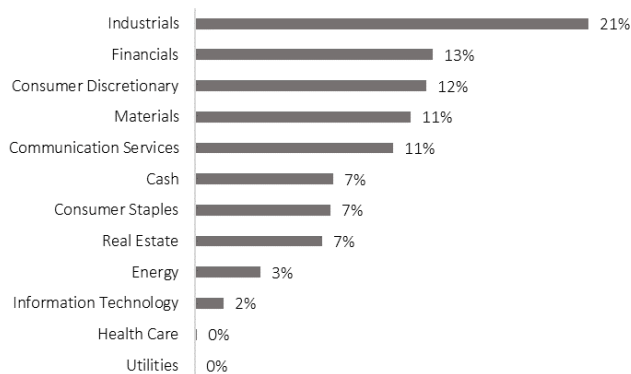
As volatility has intensified in recent weeks, we have been pleased with the resilience of the Fund. Indeed, the recent draw down has seen the quality companies outperform. We do not invest in unprofitable, non-dividend paying companies trading on eye watering multiples. As such, we have done relatively well in a tougher market. We prefer companies with strong financials that generate high return on capital and are managed by capable people, ultimately founders. We believe that quality companies will continue to surprise on the upside.

Orora Limited (ORA) has been one such resilient performer of late. The company has been successful in managing inflation in both North America and Australia through price rises. ORA held an investor day in late April, which underlined the solid fundamentals in the business. The North American business has now returned to growth and the margin improvement has been admirable. Domestically, ORA is investing for growth with canning line expansions at both Dandenong and Revesby. With attractive free cash flow generation, ORA has found a good balance of dividend payout and reinvestment, while also paying out excess capital to shareholders.

Bank of Queensland (BOQ) delivered a mixed result during the month. Our positive investment case is premised on upside from the ME Bank acquisition combined with tailwinds from synergies and provision releases. We also note an attractive dividend which should grow. BOQ looks compelling from a relative value perspective.

We added to **IPH Limited (IPH)** late in the month following recent weakness. We expect earnings and dividends will continue to grow at high single digit rates. Recurring revenue from the patents business is high. The dividend yield is over 5%. ROIC is improving and will soon be back above 20%, cash flow generation is solid and the Balance Sheet is strong. Asia is an important growth driver and perhaps the lockdowns in China are being perceived as a long-term negative earnings headwind. The company has successfully grown by acquisition in the past. We consider IPH to be a quality stock that is undervalued.

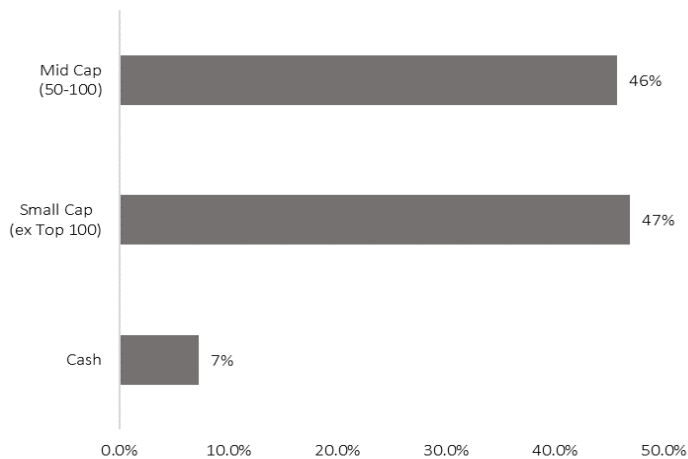
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

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

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	33.0%
Operating Margin	25.3%
EPS Growth (FY1e)	19.8%
P/E Ratio (FY1e)	16.8x
Yield - Net (FY1e)	3.8%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Kelsian Group Limited	0.49%	Nine Entertainment Company	-0.61%
Metcash Limited	0.36%	E&P Financial Group	-0.48%
Orora Limited	0.29%	Netwealth Group	-0.47%
Ampol Limited	0.29%	Service Stream Limited	-0.40%
Smartgroup Corporation	0.21%	Harvey Norman Holdings	-0.36%

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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