

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: MAY 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	\$1.25
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 May 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-5.4%	-3.2%	-1.7%	7.7%	11.9%
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

Global markets continued to display a cautious stance in May, as the PE multiple derating of the high growth sectors continued. After a solid performance in April, the Australian market underperformed most global peers during May. The underperformance was most pronounced in the smaller end of the market. The S&P/ASX Mid-cap 50 declined 3.4% and Small Ordinaries declined by 7.0%.

Many of the macro themes from recent months continued to dominate headlines. Primarily, the inflation and interest rates adjustment and the subsequent impact on valuations. Domestically, the RBA increased interest rates for the first time since 2010 in May. At the time of writing, the RBA hiked by a further 50bps in early June to 0.85%.

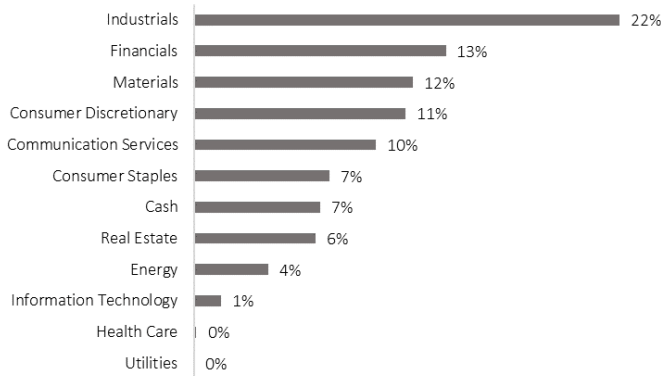
While the last six months has seen some major moves in equity markets, we think it important to maintain some perspective. Global markets have enjoyed a very buoyant period for several years on the back on cheap money and Government stimulus. Corrections are a normal part of market cycles. It is often in times of uncertainty whereby the greatest opportunities emerge.

We remain optimistic on the investment case for **GQG Partners (GQG)**, which we believe has been caught up in the indiscriminate selling of global Fund Managers in early 2022. GQG is founder-led, it has an outstanding track record and continues to generate net inflows (GQG has Funds Under Management of US\$95 billion). Its success is attributable to strong performance and a client focused management fee structure, which is well below its peers. GQG is trading on a PE of 10x and a dividend yield of 9% - we consider the stock compelling.

In early May, **Alliance Aviation (AQZ)** reached an agreement whereby Qantas would fully acquire the company, subject to ACCC clearance and shareholder approval. Qantas currently owns 20% of AQZ. The transaction is proposed to be a scheme arrangement, which values AQZ at \$4.75 or a 32% premium to AQZ's volume weighted average price for the previous three months. Surprisingly, AQZ closed the month at \$4.07. There seems to be market hesitation about the deal receiving competition clearance, notwithstanding the fact that Qantas received ACCC approval when it acquired the initial 19.9% three years ago. We consider the price to be fair and derive a similar valuation for AQZ on relatively conservative assumptions. Regardless of the deal going ahead, we think AQZ is well positioned to benefit from increased utilisation. We toured the company's Brisbane operations in early April and were impressed by the calibre of management, the growth prospects for the company and the manner in which the group has acquired assets in recent years.

We are genuinely excited by some of the investment opportunities being offered amongst the volatility. There are plenty of good quality businesses, with strong Balance Sheets and attractive business models (e.g. with pricing power) that are trading at very attractive valuations. We have the added confidence that the majority of our holdings are Founder or family led and are being managed with the long-term in mind. We continue to believe that a preference for investing in quality companies is the most appropriate strategy for long-term investing success.

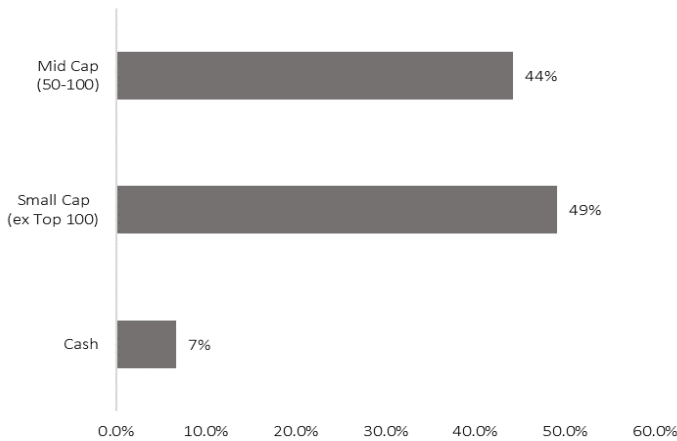
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

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

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	30.6%
Operating Margin	25.4%
EPS Growth (FY1e)	16.8%
P/E Ratio (FY1e)	16.0x
Yield - Net (FY1e)	4.0%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
GQG Partners	0.72%	Nine Entertainment Company	-1.10%
Alliance Aviation	0.24%	Harvey Norman Holdings	-0.97%
Service Stream	0.19%	ARB Limited	-0.80%
Monadelphous Limited	0.18%	Metcash Limited	-0.76%
IPH Limited	0.17%	Charter Hall Group	-0.67%

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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