

Contact Australian Ex-50 Fund

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MONTHLY REPORT: JUNE 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	\$1.12
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 June 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-10.2%	-16.6%	-17.6%	1.0%	6.3%
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 equities fell hard in June on economic growth concerns. The equity market finally capitulated to the caution evident in the bond market for several months. That is, concerns over rising inflation and the chance of an economic recession. Small and mid-cap Australian equities were not immune. The S&P/ASX Midcap 50 Index fell 10.3% and the S&P/ASX Small Ordinaries Index dropped 13.1%. Small companies have been very weak for the past six months, with the index losing almost one-quarter of its value.

A key issue for investors is the monetary policy tightening underway by Central Banks. There seems to be a "whatever it takes" attitude to combat inflation. It appears that Central Bankers remain convinced that economies are strong enough to handle the perceived rate increases. The pace of rate hikes remains an overhang as does the level at which interest rates settle. As it stands, it appears that market expectations are for rates (i.e. Fed Funds and RBA cash rate) to settle around 3.0-3.5% in mid-2023. While this is a significant percentage increase from the pandemic low-rate environment, a Central Bank rate of 3.5% is still very accommodative in a historical context.

Metcash Limited (MTS) delivered a strong full year result (April year-end) which was comfortably ahead of expectations across all divisions. The Food business continues to build on the momentum in recent years and EBIT increased by 4%. Liquor sales were up 9% with a 10% increase in EBIT. The Hardware segment also performed strongly with the Total Tools acquisition ahead of expectations. There are still some challenges with the supply chain. MTS trading update for the first seven weeks of

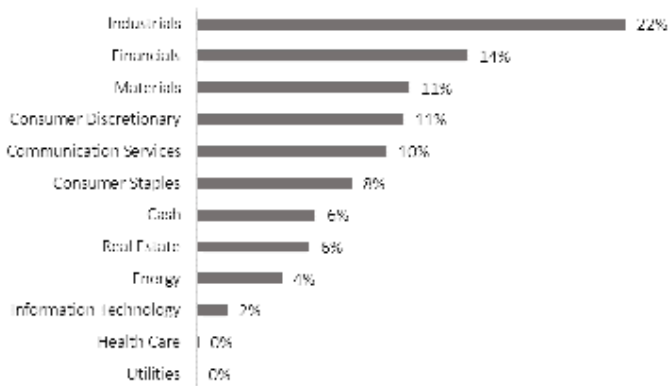
FY23 was strong, with the group benefiting from inflation. The stock is currently trading on a P/E of 14 times and remains at a significant discount to its larger Supermarket peers, which we consider unjustified.

Smartgroup's (SIQ) share price declined by 27% in June, following the announcement it had lost a Top 20 contract. The share price move seems extraordinary given the contract was less than 5% of revenue. SIQ is trading on a very low earnings multiple and a compelling yield. The Balance Sheet is strong. We consider the recent weakness to be a buying opportunity.

OZ Minerals (OZL) downgraded its CY22 guidance on lower production and higher costs, particularly at its Carrapateena mine. The operational challenges have coincided with weakness in the Copper price, which has declined by 20%. The stock was weak in June and is likely to be treated with caution in the near term given production disruption, industry cost inflation and uncertainty around commodity prices. Nevertheless, the long-term structural trends for copper remain constructive and the stock is looking attractive from a valuation perspective.

We attended a broker hosted briefing with **IPH Limited (IPH)** management in mid-June. The comments in the call highlighted the defensive nature of the business with approximately 75% recurring revenue. IPH is a beneficiary of a weaker Australian dollar. With several M&A opportunities in the pipeline, the company looks well placed in a volatile environment. We added to the Fund's holding in IPH during the month.

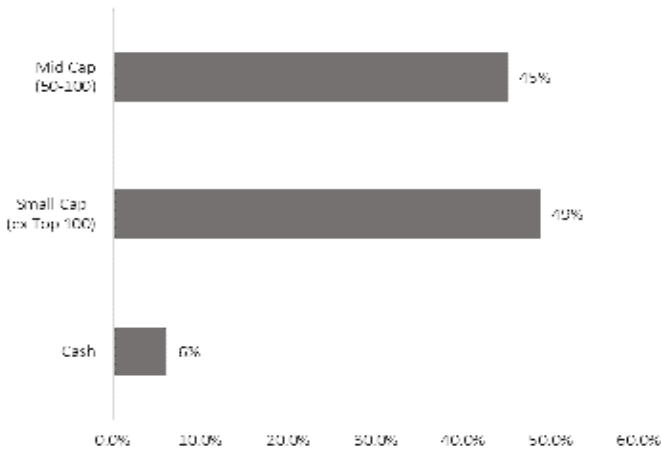
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Metcash Limited
2	Harvey Norman Holdings
3	IPH Limited
4	GQG Partners
5	Nine Entertainment Company
6	Deterra Royalties
7	Alliance Aviation
8	Ampol Limited
9	Smartgroup Corporation
10	Netwealth Limited

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	31.6%
Operating Margin	25.6%
EPS Growth (FY1e)	19.2%
P/E Ratio (FY1e)	13.6x
Yield - Net (FY1e)	4.7%

Source: Factset, Contact Asset Management estimates

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
IPH Limited	0.24%	Smartgroup Corporation	-1.32%
TPG Telecom Limited	0.07%	Kelsian Group	-1.19%
Ampol Limited	0.07%	Oz Minerals Limited	-1.15%
ReadyTech Holdings	0.07%	Harvey Norman Holdings	-1.01%
REA Group	0.02%	Nine Entertainment Company	-0.86%

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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