

Contact Australian Ex-50 Fund

ARSN: 639 574 708 APiR Code: EVO4741AU

MONTHLY REPORT: AUGUST 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	\$1.19
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 August 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	3.0%	-1.3%	-12.3%	4.1%	10.0%
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 were lower in August. After a reasonable rally from mid-June lows, investor sentiment struggled against the backdrop of inflation concerns and overly hawkish US Federal Reserve commentary. The broader Australian market (as measured by the S&P/ASX 300 Accumulation Index) outperformed global peers, increasing by 1.2%. The Fund delivered a resilient performance during the busy August reporting season and increased by 3.0%.

We discuss some August highlights from our larger holdings below. For more detail, please visit our website (contactam.com.au/insights/), where we expand on our key takeaways from Reporting Season.

Early in the month, **OZ Minerals Limited (OZL)** received an unsolicited bid from BHP Group at \$25/share, a 32% premium at the time. The OZL Board rejected the bid, citing it as opportunistic and undervaluing the business. The bid overshadowed an underwhelming result, which was plagued by short-term challenges including conveyer belt outage, weather disruption & absenteeism. Management commentary was very focused on takeover defence, that is OZL's ability to double production capacity and the attractive fundamentals of copper.

Harvey Norman (HVN) delivered a solid result in what was a year of two halves. After a challenging, COVID impacted first half, HVN delivered steady growth in the second half, which has continued into FY23. The overseas segment now accounts for 25% of earnings. The property segment remains strong with real, tangible property assets exceeding \$3.7b. Our investment case is tied to the proposition that HVN is trading on a very attractive valuation for the retail business once the Property

assets are stripped out. Whilst we wait for that value to be realised, we are being rewarded by a grossed-up dividend yield of >10%.

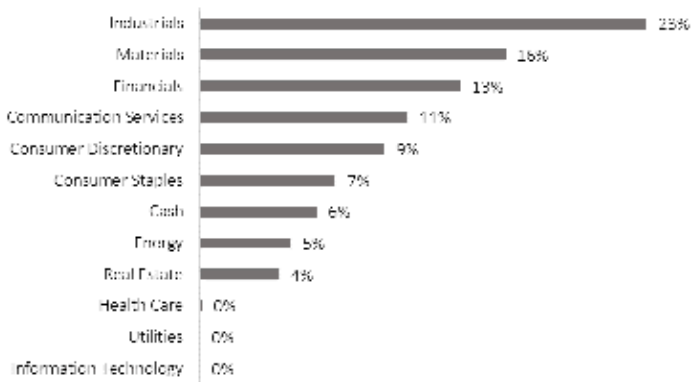
Nine Entertainment Company (NEC) announced a solid result that was ahead of expectations. Buoyancy in the ad market has continued, leading to excellent Free Cash Flow generation. The growth in BVOD (Broadcast Video on Demand) and other digital assets continues to drive high rates of growth. Given its strong result and Balance Sheet position, NEC announced an on-market buyback (up to 10% of shares).

Fund Manager **GQG Partners (GQG)** reported a pleasing interim result that was ahead of both consensus and prospectus forecasts. Despite significant market volatility in the first half of 2022, GQG's investment performance has been excellent, which is attracting consistent inflows. The Balance Sheet is net cash. We continue to see material upside in our valuation of GQG, which is founder-led and building its brand.

Another founder-led business, **Netwealth Group (NWL)**, posted a result characterised by excellent top line growth offset by higher expenses. Importantly, NWL continues to generate continued growth in Funds Under Administration (FUA). An underappreciated earnings tailwind is the spread on cash transaction accounts is back to 120bps, from 80bps in the ultra-low interest rate environment. Cash balances on platforms exceeds \$4 billion, hence the earnings tailwind is material.

After a reasonably pleasing Reporting season, we consider the Fund well placed. We believe that the metrics are compelling for a Fund of quality companies, many of which are founder-led.

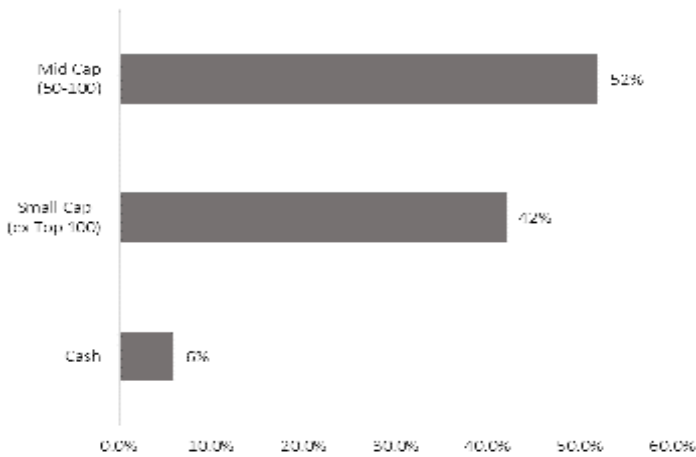
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Metcash Limited
2	Harvey Norman Holdings
3	Nine Entertainment Company
4	Alliance Aviation
5	GQG Partners
6	Ampol Limited
7	Deterra Royalties
8	Netwealth Group
9	Charter Hall Group
10	OZ Minerals Limited

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	24.0%
Operating Margin	27.8%
EPS Growth (FY1e)	23.6%
P/E Ratio (FY1e)	14.0x
Historical Distribution Yield (FY22)	3.9%

Source: Factset, Contact Asset Management estimates. The Distribution Yield is based on FY22 distributions of 4.66 cpm and 31 August 2022 price of \$1.19

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
OZ Minerals Limited	1.15%	Service Stream Limited	-1.38%
Monadelphous Group	0.74%	Smartgroup Corporation	-0.50%
IGO Limited	0.64%	TPG Telecom Limited	-0.37%
Allkem Limited	0.60%	Kelsian Group	-0.33%
GQG Partners Inc	0.59%	ARB Corporation Limited	-0.28%

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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