

Contact Australian Ex-50 Fund

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MONTHLY REPORT: SEPTEMBER 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	\$1.12
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 September 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-6.0%	3.3%	-14.6%	1.6%	7.1%
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

Ongoing concerns around persistent inflation and hawkish Central Banks drove another round of equity market weakness in September. This is not new news. The same themes have been plaguing markets since the start of the calendar year. Nevertheless, it seems that investors are now increasingly concerned that ongoing monetary policy tightening will result in a recession in the near term.

The Australian market (as measured by the S&P/ASX 300 Accumulation Index) declined by 6.3% in September. There was also a material outperformance of large stocks versus small stocks. The S&P/ASX Top 20 declined by 4.9%, the S&P/ASX Mid-cap 50 fell 7.5% yet the Small Ordinaries declined by 11.2%. The Fund performed relatively well against the Small and Mid-Cap indices, closing September 6.0% lower.

The poor performance of Small Industrials has been a feature of calendar 2022. Over 12 months, the Small Industrials segment of the market has declined by 27.5%.

Metcash Limited's (MTS) trading update highlighted that strong growth has continued into 1H23 across all three pillars – Food, Liquor and Hardware. MTS is taking share driven by retailer reinvestment into stores and is likely benefiting from strong regional economies after years of drought. MTS remains well placed to benefit from inflation and the strong trade hardware market. At ~13x FY23 PE, the stock looks cheap relative to peers and history.

Reliance Worldwide Group (RWC) hosted an Investor Day in Atlanta focusing on its Americas and EMEA businesses. The company released

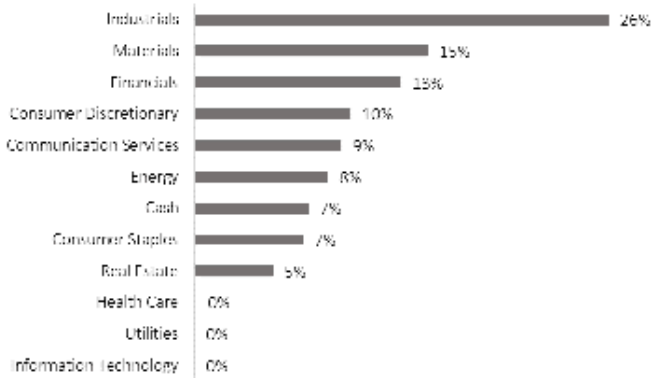
a strong trading update for August 2022 sales growth. Management provided examples of how RWC continues to gain shelf space with key distributors by leveraging new product launches and acquisitions. RWC remains good value, in our view, but lack of sales visibility in the current environment is capping near term share price performance. RWC is a beneficiary of a weaker Australian Dollar. With a P/E multiple equal to the Free Cash Flow Yield (10x and 10%), we remain positive.

Thermal coal prices have been extremely strong in 2022, and remain near record levels, which has been a major tailwind to **Whitehaven Coal's (WHC)** earnings. WHC delivered an enormous FY22 result in late August which as characterised by strong NPAT growth and cash generation. In September, WHC announced that it will seek approval at its upcoming AGM to extend its buyback and purchase 240m shares, which is 25% of the shares on issue.

Macroeconomics continues to dominate the short-term direction of the market. It seems that we wake each day and witness the market whipsaw from optimism to pessimism based on anticipation of how much the Fed might increase rates. Sooner or later, company fundamentals will again prevail. Until then, patience is required.

A patient, long-term approach is where we believe we have an edge as investors. We are not chasing a short-term performance fee against some arbitrary index. Instead, we target a 10% p.a. total return over the long-term. We think that this is an admirable return target and one that is likely to outperform the broader equities market in any case.

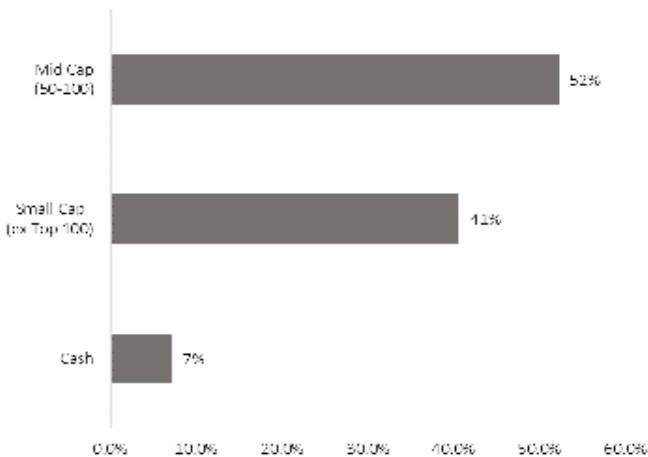
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Metcash Limited
2	Harvey Norman Holdings
3	Nine Entertainment Company
4	GQG Partners
5	Alliance Aviation
6	Whitehaven Coal
7	Deterra Royalties
8	IGO Limited
9	Ampol Limited
10	Monadelphous Group

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	25.9%
Operating Margin	29.3%
EPS Growth (FY1e)	23.3%
P/E Ratio (FY1e)	11.6x
Historical Distribution Yield (FY22)	4.2%

Source: Factset, Contact Asset Management estimates. The Distribution Yield is based on FY22 distributions of 4.66 cpm and 30 September 2022 price of \$1.12

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Whitehaven Coal Limited	0.38%	Nine Entertainment Holdings	-0.63%
E&P Financial Group	0.05%	Alliance Aviation Limited	-0.62%
IGO Limited	0.05%	Ampol Limited	-0.59%
Monadelphous Group	0.04%	Charter Hall Group	-0.59%
OZ Minerals Limited	0.01%	Smartgroup Limited	-0.44%

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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