

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: NOVEMBER 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	\$1.18
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 November 2022	1 Month	3 Months	1 Year	2 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	1.8%	-1.0%	-9.8%	0.7%	8.6%
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 were strong in November as investors started to consider the possibility that we are nearing peak inflation. The potential for a China reopening and subsequent stimulus measures was also a factor.

The Australian market (as measured by the S&P/ASX 300 Accumulation Index) continued to rally in November, increasing 6.6%. The performance was driven by the Utilities and Big Miners. The market is now almost back to all-time highs.

Several companies held Annual General Meetings or quarterly updates. While some profit forecasts have been tempered, we believe that the tone from most management teams is one of cautious optimism. Several companies are cycling unusual comparable numbers from 2021 (when Covid restrictions complicated events). Yet the level of activity is strong when compared to "normal" levels of activity.

**Harvey Norman (HVN)** held its AGM in November and noted that its stores continue to trade strongly and are well ahead of pre-COVID levels. The other notable development was the commitment to growth in Malaysia with a long-term target of 80 stores by 2028, from 28 currently. Despite the solid update, the share price reaction was muted. Many investors are convinced that the combination of higher inflation and rate rises curtailing demand over the coming year so feel that current profit levels aren't sustainable. We think market expectations are too negative.

**ARB Limited (ARB)** provided a trading update at its AGM which noted sales were tracking 10% lower year-on-year and profit declining at a lower rate. The second quarter has started well, with ARB seeing improved supply in key models. Despite low visibility short term, the long-term opportunity remains attractive.

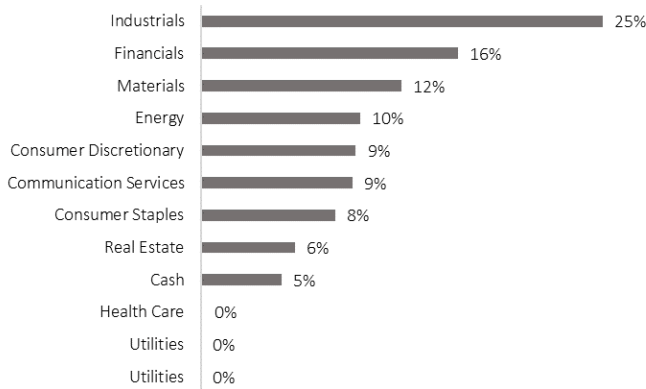
**Charter Hall Group (CHC)** reported its September quarter update. Momentum seems to have slowed over the last six weeks as sale and lease-back and office sector transaction volumes have moderated. However, FUM growth is tracking ahead of expectations. The potential for short-term upgrades is likely on the back of Property FUM growth. Offshore capital continues to be attracted to Australia.

**REA Group (REA)** provided a 1Q23 trading update, which was in line with expectations. Yield/depth has held up for now, yet listings outlook is softer than expected. REA is managing its cost base as a result.

**Kelsian (KLS)** announced the acquisition of Horizons West buses, providing entry to the education sector. Two bus depots are also being acquired, enhancing KLS' strategic positioning. KLS is expected to seek bolt on acquisitions, particularly in the bus space. The recurring revenue stream from these contracts is attractive. Elsewhere, KLS retained two Gladstone marine contracts during the month, underpinning the exposure to defensive, inflation protected earnings.

The Fund is essentially fully invested with cash of c.5%. We believe that the portfolio is high quality and offers an attractive risk / return proposition given a valuation of only 12 times (P/E).

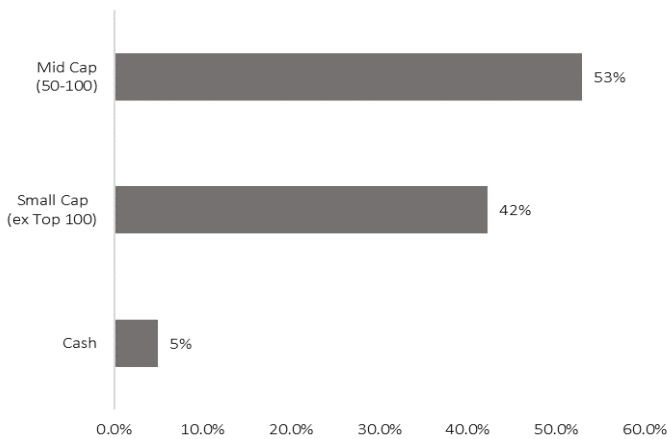
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

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

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS OF THE PORTFOLIO

	The Fund
Return on Capital Employed	25.0%
Operating Margin	29.0%
Expected EPS Growth (2 yr CAGR)	13.1%
P/E Ratio (FY1e)	12.2x
Historical Distribution Yield (FY22)	3.9%

Source: Factset, Contact Asset Management estimates. The Distribution Yield is based on FY22 distributions of 4.66 cpu and 30 November 2022 price of \$1.18

## MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Deterra Royalties	0.54%	IPH Limited	-0.37%
Netwealth Group	0.50%	Alliance Aviation	-0.32%
Whitehaven Coal Limited	0.48%	Service Stream Limited	-0.23%
Kelsian Group	0.44%	Allkem Limited	-0.18%
Charter Hall Group	0.31%	ARB Limited	-0.10%

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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