

Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: JANUARY 2023



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 | 26 |
| NAV Unit Price | \$1.17 |
| 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 January 2023 | 1 Month | 3 Months | 1 Year | 2 Years (p.a.)# | Since Inception (p.a.)# |
|----------------------------------|---------|----------|--------|-----------------|-------------------------|
| Contact Australian Ex-50 Fund | 5.7% | 2.7% | 2.9% | 0.8% | 8.5% |
| 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 made a solid start to the year, on hopes that inflation has peaked across key developed markets. While policy makers emphasise the tightening cycle is not complete, the probability of a soft landing increased. China's reopening, robust employment numbers and strong commodity prices added to the more positive sentiment.

The Australian market performed strongly, with the S&P/ASX 300 Index increasing by 6.3%. Consumer Discretionary, Materials and Real Estate were the best performing sectors. Utilities was the only sector that finished in the red.

Ampol Limited (ALD) reported a solid quarterly update, which highlighted the continued improvement in retail shop and fuels profitability. Importantly, the company continues to generate sound refining margins, which are now less volatile compared to a few years ago. ALD is trading on a single digit P/E multiple and a dividend yield of 6.5%. We believe the stock is attractively priced.

Deterra Royalties (DRR) continues to benefit from strong iron ore prices, notwithstanding the production from Mining Area C was marginally below expectations. The company generates outstanding returns on capital and offers a compelling income stream.

Both **Hub24 (HUB)** and **Netwealth (NWL)** posted slightly disappointing FUA numbers as volatile equity markets slowed fund flow. On a positive note, rising interest rates have lifted cash margins, which will help underpin earnings growth. We continue to expect momentum from both companies as they take share from the incumbents.

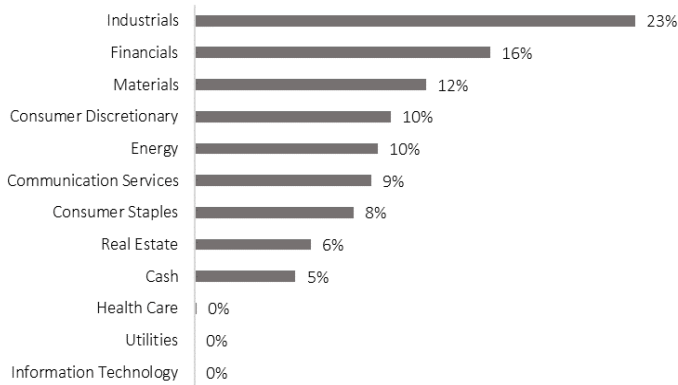
TPG Telecom (TPG) owned Vodafone announced price increases for its mobile plans. Notably, the lowest priced plan has increased by 13% to \$45 per month with no additional data. The mobile market is now far more rational and operators are delivering ARPU growth. This bodes well for earnings stability.

The upcoming February reporting season is likely to produce strong operating results across most sectors. However, we expect outlook statements to be limited, reflecting the uncertain economic conditions.

In our opinion, investor sentiment domestically remains too negative. Economic uncertainty is not new; indeed, there is always something to worry about and the bear case is often easier to believe. While we concede that a rising interest rate environment creates headwinds for valuations and consumer sentiment, there are several positive signals. Unemployment is at record lows. This is a critically important metric. Further, earnings expectations have moderated significantly, notably in consumer facing industries where consensus forecasts now anticipate a significant reduction in year-on-year growth. Cash positions remain above average for a lot of Australian institutional and retail investors, which would likely be put to work in a drawdown.

We continue to advocate the importance of investing with a "Quality first" mindset with a long-term horizon. Market multiples are not excessive by historical standards, particularly in much of the Small Ordinaries Index, which suffered a torrid 2022. We believe that the Fund is well positioned with a portfolio of well-priced, profitable businesses, many of which are founder-led.

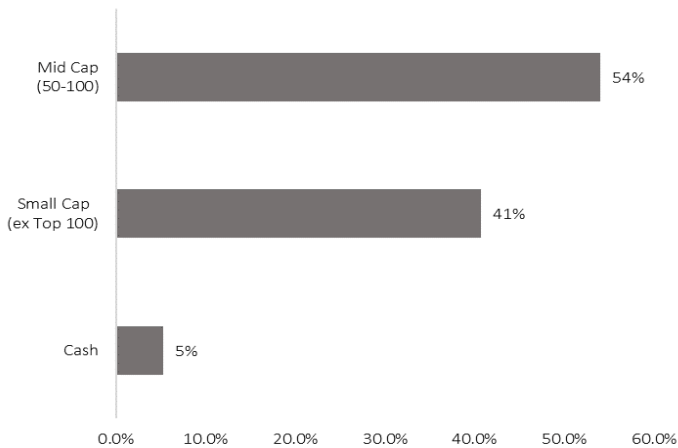
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

| | |
|----|----------------------------|
| 1 | Metcash Limited |
| 2 | Harvey Norman Holdings |
| 3 | Ampol Limited |
| 4 | Deterra Royalties |
| 5 | Nine Entertainment Company |
| 6 | Charter Hall Group |
| 7 | Smartgroup Limited |
| 8 | Netwealth Group |
| 9 | Alliance Aviation Limited |
| 10 | ARB Corporation |

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS OF THE PORTFOLIO

| | The Fund |
|---------------------------------|----------|
| Return on Capital Employed | 24.8% |
| Operating Margin | 29.6% |
| Expected EPS Growth (2 yr CAGR) | 12.5% |
| P/E Ratio (FY1e) | 12.5x |
| Historical Distribution Yield* | 4.8% |

Source: Factset, Contact Asset Management estimates. * The Distribution Yield is based on June 2022 and December 2022 distributions totalling 5.64 cpa 31 January 2022 price of \$1.17

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

| Company Name | Contribution | Company Name | Detraction |
|--------------------|--------------|-----------------|------------|
| ARB Corporation | 0.89% | Whitehaven Coal | -0.54% |
| Charter Hall | 0.66% | Service Stream | -0.35% |
| Nine Entertainment | 0.49% | IPH Limited | -0.12% |
| Harvey Norman | 0.48% | E&P Financial | -0.11% |
| Smart Group | 0.47% | Hub24 Limited | -0.05% |

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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