

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 APiR Code: EVO4741AU

MONTHLY REPORT: SEPTEMBER 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	29
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 September 2023	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-2.8%	2.6%	8.7%	3.9%	7.5%
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

Volatility returned in September as bond market gyrations flowed through to equity markets. With reporting season behind us, the intense focus on macroeconomic drivers was again a feature. Most developed markets closed the month lower, with the biggest drawdowns occurring in the United States (down approximately 5%). The Contact Australian Ex-50 Fund continued its recent history of strong relative performance in September. The Fund declined by 2.8%, however this fared far better than both the S&P/ASX Small Ordinaries Index (-4.0%) and the S&P/ASX Mid-cap 50 Accumulation Index (-4.6%).

We added to our highest conviction positions in September amid negative market sentiment, which allowed us to buy at (what we consider) attractive prices. We have discussed Ampol Ltd in recent months and discuss other key positions below.

We encourage our investors to read the latest BKI Investment Company Quarterly Report, whereby we discuss the power of recurring revenue streams. In the note, we undertake a deeper dive into IPH Limited (IPH). IPH is a leading intellectual property ("IP") services firm, specializing in patents and trademarks. IPH operates in over 10 IP jurisdictions and employs over 1,300 people. In FY23, IPH generated almost \$500 million in revenue and \$170 million EBITDA.

We have been surprised by the relative softness in the IPH share price in recent months. IPH boasts a defensive business model and a solid growth outlook; characteristics that would normally be eagerly sought after by investors. IPH is currently trading at almost 20% discount to its average P/E since listing. In addition, IPH is a beneficiary of a weaker

AUD/USD, however the historical correlation to IPH's share price has recently broken down. IPH does not hedge its FX and estimates that for every 1c move in the AUD/USD equates to AUD\$1.9m in revenue.

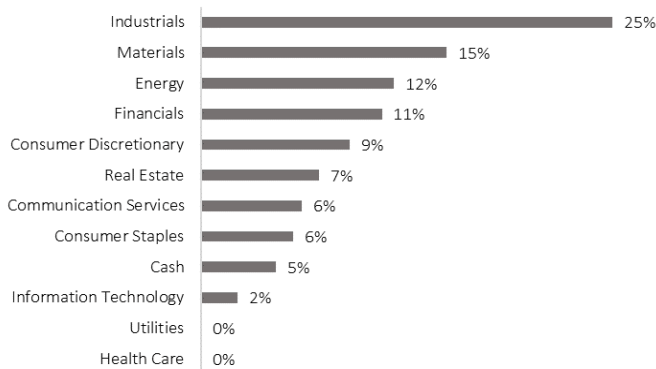
Iron ore prices at US\$120/t are delivering exceptional cash flows to Deterra Royalties (DRR) via the BHP Mining Area C in the Pilbara. DRR has a strong Balance Sheet, pays a grossed-up dividend yield of almost 10% and generates a ROE more than 100%. We believe this is a high-quality business providing exposure to the Resources sector.

We remain optimistic on the prospects for GQG Limited (GQG) and continue to build our holding in the company. At 30 September, GQG disclosed Funds Under Management of US\$105 billion. GQG continues to drive net inflows while almost all its ASX-listed peers face continued outflows. Yet, GQG is being valued on similar multiples to its growth-challenged peers. We see a compelling opportunity.

Our outlook on the market and our portfolio is not drastically different to what it has been for some time now. We think general investor sentiment is too negative. At a macro level, inflation looks to have peaked, employment remains robust and, as we learned in August Reporting Season, the death of the consumer has been greatly exaggerated.

Our confidence in our portfolio positions has only grown. We focus on Quality-first investing. We believe that many of our favoured stocks continue to trade at compelling prices, and we will endeavour to add to our holdings in the hope of owning these businesses for the long-term.

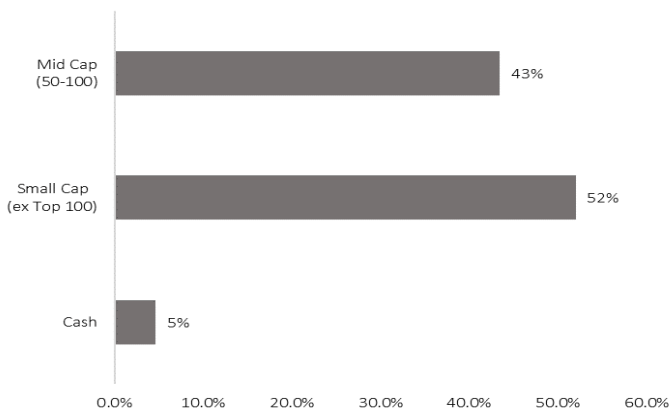
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

1	Ampol Limited
2	IPH Limited
3	Deterra Royalties
4	Metcash Limited
5	Whitehaven Coal Limited
6	GQG Partners
7	IGO Limited
8	HUB24 Limited
9	Vicinity Centres
10	Redox Limited

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	27.8%
Operating Margin	28.9%
Expected EPS Growth (FY1e)	3.9%
P/E Ratio (FY1e)	12.3x
Historical Net Distribution Yield*	2.9%

Source: Factset, Contact Asset Management estimates. \* The Distribution Yield is based on December 2022 and June 2023 distributions totalling 3.42 cpu and 30 September 2023 price of \$1.1811

## MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Whitehaven Coal	0.76%	Redox Limited	-0.62%
Deterra Royalties	0.42%	GQG Partners	-0.47%
Service Stream Limited	0.15%	Charter Hall Group	-0.45%
Metcash Limited	0.08%	Allkem Limited	-0.42%
Nine Entertainment Holdings	0.06%	Vicinity Centres	-0.35%

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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