

Contact Australian Ex-50 Fund

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MONTHLY REPORT: DECEMBER 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	\$1.24 (cum-distribution)
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 December 2023	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	6.1%	4.8%	13.4%	3.2%	8.3%
Targeted return of 10% per annum			10.0%	10.0%	10.0%
S&P/ASX Mid-cap (50%)/Small cap (50%) return	7.1%	6.6%	7.8%	4.0%	14.8%
<i>Relative performance vs Index</i>	<i>-1.0%</i>	<i>-1.8%</i>	<i>+5.6%</i>	<i>-0.8%</i>	<i>-6.5%</i>

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. The reference to the blended Mid cap/Small cap index is for information only. There are no performance fees or hurdles tied to this index.

FUND COMMENTARY

The Contact Australian Ex-50 Fund delivered an excellent performance in 2023, with a 13.4% return over the year. This was more than 5.5% ahead of both the S&P/ASX Mid-cap 50 index (+7.82%) and the S&P/ASX Small Ordinaries Index (+7.75%). It also exceeded our 10% p.a. target. The gains were widespread and were generated through a focus on Quality companies. We also stayed fully invested and maintained an optimistic bias throughout the year against a sense of pessimism from investors.

The headline returns in global exchanges hide the fact that 2023 was, in the main, a challenging time for markets. As noted, investor sentiment was often deeply bearish amid a complex macroeconomic environment and a volatile bond market. However, towards the end of the year, investors focused on the positives such as softening of inflation, easing supply chain disruptions, a more constructive labour market and more stable energy prices. This culminated in very strong markets in November and December.

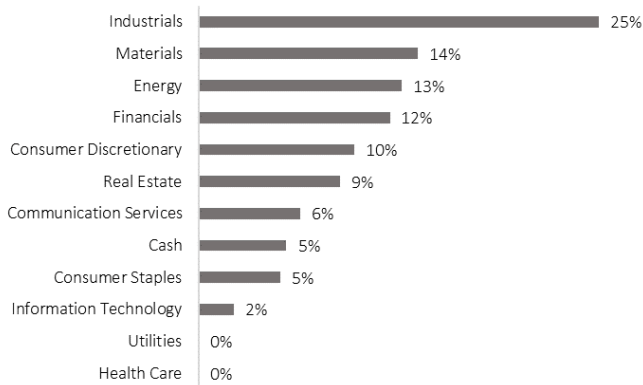
Smartgroup Corporation (SIQ) was the best performing stock in the portfolio in 2023. SIQ is a specialist provider of a range of employee management services including salary packaging, novated leasing, fleet management and payroll administration. In December, SIQ announced it had won the tender with the SA government to provide salary

packaging and novated leasing services for up to 10 years. It is a meaningful contract that will drive earnings growth from mid-2024. SIQ also provided a trading update that it expects to report CY23 NPATA of ~\$63 million, on a revenue base of \$249 million, largely driven by higher novated leasing volumes. This is ahead of consensus expectations. SIQ has generated solid operating momentum over the last twelve months as supply chain pressures have eased and EV tailwinds increase. SIQ is trading on a mid-teens P/E and a dividend yield close to 5%. We continue to believe that the company is well positioned for growth and the stock appropriately priced.

On the other hand, we've been surprised by the relative underperformance of IPH Limited during the past twelve months. IPH is an international intellectual property (e.g. trademarks and patents) group with clients in more than 25 countries. With a high percentage of recurring revenue, much of which is USD denominated, we had expected a better share price performance. IPH has been growing through acquisition. As IPH beds down its M&A, particularly in Canada, we expect EPS accretion and cashflow to increase and investors to be rewarded. The stock looks compelling on a P/E multiple of 14x.

The Fund will pay a semi-annual distribution of 1.78 cents per unit in early January. This suggests a distribution yield of close to 3%.

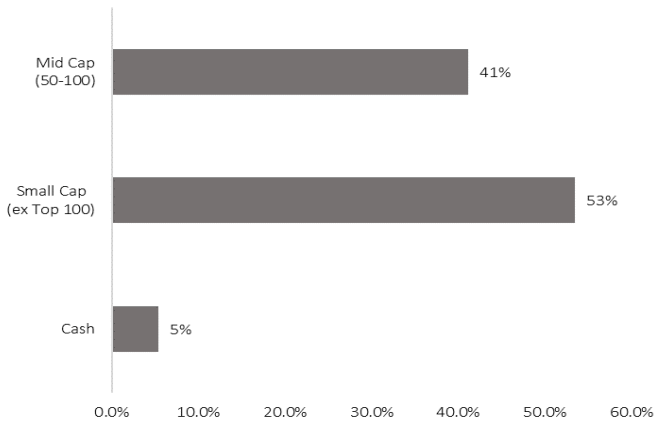
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Ampol Limited
2	Deterra Royalties
3	IPH Limited
4	Metcash Limited
5	GQG Partners
6	Vicinity Centres
7	Charter Hall Group
8	HUB24 Limited
9	Redox Limited
10	Flight Centre Travel

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	27.7%
Operating Margin	29.4%
P/E Ratio (FY1e)	13.0x
Historical Net Distribution Yield*	2.8%

Source: Factset, Contact Asset Management estimates. * The Distribution Yield is based on June 2023 and December 2023 distributions totalling 3.38 cpu and 31 December 2023 ex-distribution price of \$1.22

CONTRIBUTION TO ABSOLUTE RETURN OVER THE YEAR

Company Name	Contribution	Company Name	Detraction
Smartgroup Corporation	2.69%	IPH Limited	-1.59%
Ampol Limited	1.93%	IGO Limited	-1.01%
GQG Partners	1.49%	Whitehaven Coal Limited	-0.37%
REA Group	1.43%	Redox Limited	-0.37%
Deterra Royalties	1.39%	Metcash Limited	-0.36%

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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