

Contact Australian Ex-50 Fund

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MONTHLY REPORT: NOVEMBER 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	\$1.17
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 October 2023	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	3.9%	-4.1%	2.0%	1.1%	6.8%
Targeted return of 10% per annum			10.0%	10.0%	10.0%
S&P/ASX Mid-cap (50%)/Small cap (50%) return	6.2%	-4.7%	-3.5%	2.7%	13.1%
<i>Relative performance vs Index</i>	<i>-2.3%</i>	<i>+0.6%</i>	<i>+5.5%</i>	<i>-1.6%</i>	<i>-6.3%</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

Global equities staged a strong revival in November, which was primarily tied to the view that inflationary pressures are receding. The rally has been helped by a sharp drop in bond yields as the market increasingly views the Fed hiking cycle as over and turns its attention to potential for policy easing in 2024.

After a reasonably lacklustre 2023 to date, the Australian market had a strong month. Small caps (+7.0%) finally caught a bid, delivering the best monthly return in almost 18 months. The Contact Australian Ex-50 Fund has delivered strong relative performance over the past twelve months as Quality factors have been rewarded. However, the Fund trailed the broader market in November. This is not unusual when Growth and Momentum factors generate large monthly returns.

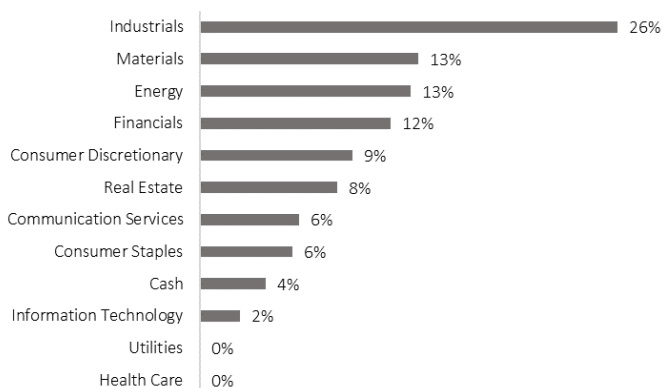
We have been increasing the exposure to Small Caps in recent months (versus mid-cap stocks) and we continue to see the greatest opportunities in this segment of the market for outsized returns. We have also increased exposure to the Real Estate sector, primarily through our investment in Charter Hall Group (CHC) and Vicinity Centres (VCX). REIT share prices have underperformed on global interest rate worries and the consequent implications for valuations and yields. We believe that both CHC and VCX are trading at compelling discounts to asset backing. We believe we are near the peak of a rising

interest rate environment, which could see a material re-rating in REITs, which have been shunned by investors over the past two years.

We explained our GQG Partners (GQG) investment thesis in a *Contact Insights* note in early November and continue to be optimistic on the stock. The company continues to grow Funds Under Management at an impressive rate and has now passed US\$110 billion. We struggle to reconcile why GQG is valued at similar multiples to other ASX listed Fund Managers despite far superior growth prospects. Notwithstanding a 16% rally in GQG in November, the stock is still trading on a P/E multiple of only 9x and a dividend yield near 10%.

November was a busy month for Bank results, Annual General Meetings and Investor Conferences. We have undertaken extensive company engagement and we maintain the stance that we've had for some time. That is, investors are overly bearish. While patchy in parts, the Australian economy remains resilient, buoyed by low unemployment and growth from migration. Fears of a widespread "mortgage cliff" and corporate layoffs have not materialised. The commentary from several of the management teams we've met is one of cautious optimism. Inflation headwinds are moderating. We believe that valuation multiples look attractive for much of the market, and we see many compelling opportunities for long-term investors.

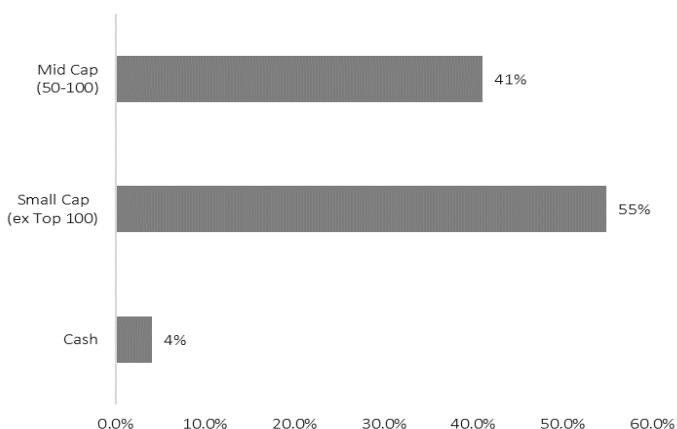
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Ampol Limited
2	IPH Limited
3	Deterra Royalties
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	27.5%
Operating Margin	28.9%
P/E Ratio (FY1e)	12.0x
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 November 2023 price of \$1.17

MONTHLY CONTRIBUTION TO ABSOLUTE RETURN

Company Name	Contribution	Company Name	Detraction
Charter Hall Group	0.70%	IGO Limited	-0.31%
GQG Partners	0.65%	Allkem Limited	-0.22%
Ampol Limited	0.52%	Redox Limited	-0.12%
Vicinity Centres	0.47%	Alliance Aviation	-0.12%
HUB24 Limited	0.43%	Whitehaven Coal	-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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