

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APIR Code: EVO4741AU

MONTHLY REPORT: JANUARY 2024



## 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	\$1.25
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 2024	1 Month	3 Months	1 Year	3 Years (p.a.)#	Since Inception (p.a.)#
<b>Contact Australian Ex-50 Fund</b>	<b>2.2%</b>	<b>12.7%</b>	<b>9.6%</b>	<b>3.7%</b>	<b>8.8%</b>
Targeted return of 10% per annum			10.0%	10.0%	10.0%
S&P/ASX Mid-cap (50%)/Small cap (50%) return	-0.6%	13.0%	0.8%	4.0%	14.3%
<i>Relative performance vs Index</i>	<i>+2.8%</i>	<i>-0.3%</i>	<i>+8.8%</i>	<i>-0.3%</i>	<i>-5.5%</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 started 2024 on solid footing with a 2.2% return in January in a mixed market. This return exceeded both the S&P/ASX Mid-cap 50 index (-2.2%) and the S&P/ASX Small Ordinaries Index (+0.9%). We are particularly pleased with our 1-year performance, which has far exceeded the returns from both indices. Our focus on Quality companies, often founder-led, has kept the Fund on good stead in a more volatile investing environment. We've remained constructive against widespread pessimism.

We made a few adjustments to the portfolio during the month, adding to many of our highest conviction holdings. Of note, we increased our investment in Yancoal Australia Limited (YAL), and the stock is now a top 5 holding. YAL is a leading Australian coal producer in the global seaborne market, producing a mix of premium thermal, semi-soft coking and PCI coals for export. YAL is printing cash. In the December quarter alone, YAL added almost \$500 million to its cash balance. It now has \$1.4 billion in the bank (having also paid out \$1.4 billion in dividends in the prior twelve months). YAL delivered on production guidance for the year, with over 33 million tonnes of saleable coal. Across the thermal coal and metallurgical coal markets, supply and demand appear relatively well balanced. While prices for thermal and metallurgical coal are off the record highs of recent years, they remain

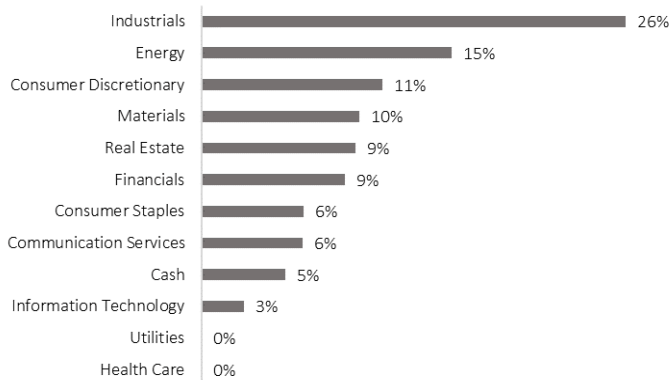
well above operating cash costs. We believe that the stock is extremely cheap with a P/E multiple of just 3.5x. We expect the company to continue to offer compelling fully-franked dividends for some time yet, with a current expected dividend yield of >15%.

Our purchases were funded from FUM inflows and sales of holdings where we consider that valuations had become overly stretched. Of note, we exited Hub24 (HUB), reduced exposure to Deterra Royalties (DRR) and liquidated a position in Arcadium Lithium (LTM).

We think that HUB is an extremely well-managed business that still has a solid pipeline of growth as it takes share from the incumbent platform operators. Its December update was sound, however, the growth comes at a cost, and HUB is required to invest in more employees and systems, which will dilute some economies of scale. With the stock trading on a FY24e P/E multiple of c.45x, we see better value elsewhere. We acquired HUB when it was on a c30x multiple and have benefited from both earnings growth and multiple expansion.

We expect the February reporting season to generate several opportunities for long-term investors. We look forward to providing a comprehensive post-results update to our fellow investors.

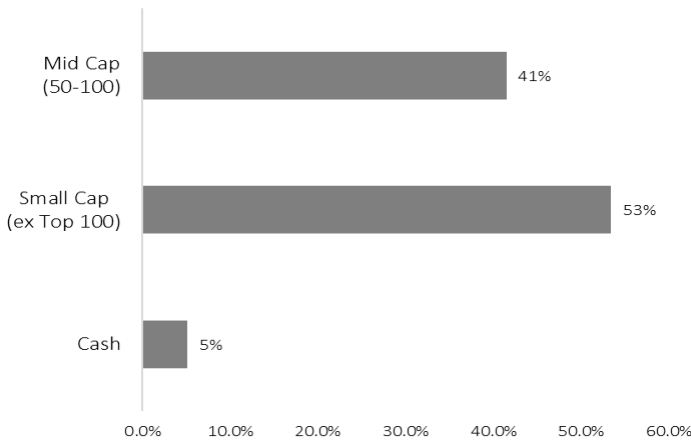
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

1	Ampol Limited
2	IPH Limited
3	Metcash Limited
4	GQG Partners
5	Yancoal Australia Limited
6	Vicinity Centres
7	Charter Hall Group
8	Flight Centre Travel
9	Deterra Royalties
10	Harvey Norman Holdings

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	26.7%
Operating Margin	27.9%
P/E Ratio (FY1e)	13.5x
Historical Net Distribution Yield*	2.7%

Source: Factset, Contact Asset Management estimates. \* The Distribution Yield is based on June 2023 and December 2023 distributions totalling 3.38 cpu and 31 January 2024 price of \$1.25

## CONTRIBUTION TO ABSOLUTE RETURN OVER THE MONTH

Company Name	Contribution	Company Name	Detraction
Yancoal Australia	0.72%	Arcadium Lithium	-0.70%
GQG Partners	0.53%	IGO Limited	-0.48%
IPH Limited	0.39%	ARB Corporation	-0.16%
Whitehaven Coal	0.35%	Reliance Worldwide	-0.16%
Smartgroup Corporation	0.31%	Redox Limited	-0.11%

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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