

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 APiR Code: EVO4741AU

MONTHLY REPORT: JULY 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	28
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 July 2024	1 Month	1 Year	2 Years (p.a.)#	3 Years (p.a.)#	Since Inception (p.a.)#
<b>Contact Australian Ex-50 Fund</b>	<b>4.9%</b>	<b>8.9%</b>	<b>8.3%</b>	<b>0.9%</b>	<b>8.7%</b>
Targeted return of 10% per annum		10.0%	10.0%	10.0%	10.0%
S&P/ASX Mid-cap (50%)/Small cap (50%) return	3.6%	7.6%	7.1%	2.6%	14.5%
<i>Relative performance vs Index</i>	<i>+1.3%</i>	<i>+1.3%</i>	<i>+1.2%</i>	<i>-1.7%</i>	<i>-5.8%</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

July was a strong month for the Australian market. The S&P/ASX 300 Accumulation Index ended the month 4.1% higher and was one of the leading global indices. Small-cap stocks lagged again, yet still generated a solid return of 3.5% for the month. The Contact Australian Ex-50 Fund did particularly well, increasing by 4.9% through July. Consumer Discretionary, Real Estate and Financial stocks the key performers.

The strength of the local market hides the fact that global equity markets were quite volatile in July, largely due to whipsawing moves in the large technology stocks. US politics was also a distraction (something we might need to get used to!). The outlook for interest rates continues to dominate market commentary. The US looks set to start cutting rates soon, particularly given a softening labour market. Domestically, while interest rate cuts seem some time away, a lower-than-expected underlying inflation print (of 0.8% QoQ) effectively removed the risk of a RBA rate hike in August.

July is typically a quieter month for company specific news as we await the release of financial results. There were a few developments from our portfolio. Firstly, we remain positive on the outlook for Energy and we are steadfast in our belief that both gas and coal will play an important role in ensuring the reliability of energy supply as we transition to a world more focused on renewables. The coal market

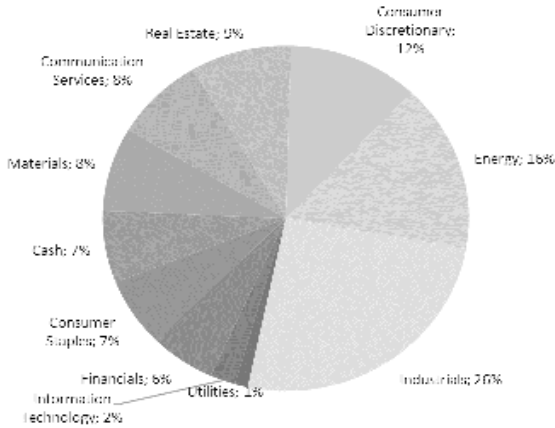
remains very tight and the recent fire at Anglo America's Grosvenor mine reminded markets that prices can move quickly on supply disruptions. Yancoal (YAL) and Whitehaven (WHC) are well placed.

GQG Partners (GQG) released an excellent update, with assets under management of US\$156 billion (vs. US\$104 billion in June 2023). This is a combination of stellar investment performance and strong inflows.

Flight Centre's (FLT) near-term guidance was amended down marginally. However, margins were stronger than expected, which bodes well for FLT's 2% margin target in FY25. The market remains sceptical on FLT ability to deliver, which we consider an opportunity.

The upcoming August Reporting Season will be interesting as always. We expect to see another volatile month. Broad based earnings growth will be more challenging, and we are particularly wary of companies with excess debt. Higher interest payments will have an outsized negative impact on earnings for some businesses. Quality will prevail. We remain optimistic on the longer-term. The Australian economy and equities market remains well placed to generate solid growth. Australia will benefit from migration, which will propel population, GDP and housing growth. Importantly, the growing superannuation pool, which is forecast to triple over the next 20 years, will provide an important tailwind for equity market returns.

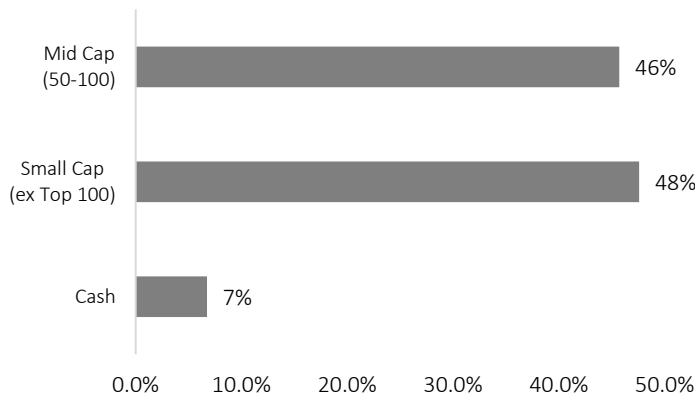
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

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

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

	The Fund
Return on Capital Employed	24.3%
Operating Margin	26.3%
P/E Ratio (FY1e)	13.3x
Historical Net Distribution Yield*	4.9%

Source: Factset, Contact Asset Management estimates. \* The Distribution Yield is based on December 2023 and June 2024 distributions totalling 6.1 cpu and 30 June 2024 ex-distribution price of \$1.19

## CONTRIBUTION TO ABSOLUTE RETURN OVER THE MONTH

Company Name	Contribution	Company Name	Detraction
Vicinity Centres	0.62%	IPH Limited	-0.16%
Harvey Norman Holdings	0.57%	IGO Limited	-0.05%
Charter Hall Property	0.53%	Carsales.com Limited	-0.03%
Yancoal Australia	0.48%	E&P Financial Group	-0.03%
Flight Centre Travel Group	0.46%	IGO Limited	-0.02%

The Contact Australian Ex-50 Fund Product Disclosure Statement (PDS), Reference Guide and Target Market Determination (TMD) is available at

<https://contactam.com.au/ex-50-fund-overview/>

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