

# Contact Australian Ex-50 Fund

ARSN: 639 574 708 | APiR Code: EVO4741AU

MONTHLY REPORT: SEPTEMBER 2024



## INVESTMENT STRATEGY

The Contact Australian Ex-50 Fund invests in a concentrated portfolio of quality Australian companies that sit outside the S&P/ASX 50 Index, with a focus on Founder-led businesses and tomorrow's leaders.

The Fund's investment objective is to seek a total return in excess of 10% per annum, after deduction of management fees and expenses. We invest in quality companies that are profitable, pay dividends, generate attractive returns on capital and are managed by capable people. Our investment process builds on a legacy that has been honed for five generations.

Our management fees are low. Contact Asset Management's founders are aligned through co-investment in the Fund and we pride ourselves on taking a sensible and long-term approach to investing.

## CONTACT EX-50 FUND OVERVIEW

Portfolio Managers	Will Culbert and Tom Millner
Targeted Return	10% per annum (net of fees)
Number of Stocks	29
NAV Unit Price	\$1.28
Management Fee*	0.60% per annum (excluding GST)
Performance Fee	Nil
Platform Availability	AMP North, BT Panorama, Hub24, Macquarie Wrap and Netwealth

### A Proven Track Record

We have over 80 years combined investment experience, running a variety of very successful portfolio strategies.

### Robust Investment Process

We invest in Quality companies for the long-term using a process and philosophy that has been honed for generations.

### Founder Led Alignment

We aim to invest in founder-led businesses. Founder-led businesses tend to outperform significantly over the long-term.

### Industry low Fees

Our fees are among the lowest in the Australian market. Low fees boost the ability to effectively compound capital over time.

## FUND COMMENTARY

The Contact Australian Ex-50 Fund gained 5.2% in September, driven by Charter Hall (CHC), ARB Limited (ARB) and Redox Limited (RDX) as well as recently acquired Lovisa Holdings (LOV). Mid-cap stocks were solid, increasing 3.1%. Small Ordinaries were also strong, up 5.1%.

In the final week of September, the People's Bank of China (PBOC) announced a very targeted stimulus package aimed at igniting some confidence into the troubled real estate sector and with the hope it would also lift overall economic sentiment. The package saw a cut in short-term interest rates and lower interest rates on existing mortgages as well as a longer-term intention to inject billions of dollars of liquidity into the stock market. Global markets responded sharply, led by the Materials sector. However, it was also the commodities and any stock that had direct exposure to China who were the main beneficiaries.

The other important development was the start of the US Federal Reserve's easing cycle with a 50bps interest rate cut. This boosted IT and Real Estate stocks.

We added Lovisa Holdings (LOV) to the portfolio in early September. Lovisa is a fast-growing retailer specializing in affordable fashion jewellery, with a significant presence in Australia and expanding internationally. It was established in 2010 by Brett Blundy, who has been instrumental in scaling the business with a strong operational foundation. Blundy remains the major shareholder in LOV with a 40% share and continues to be the driving force behind LOV's strategy and expansion.

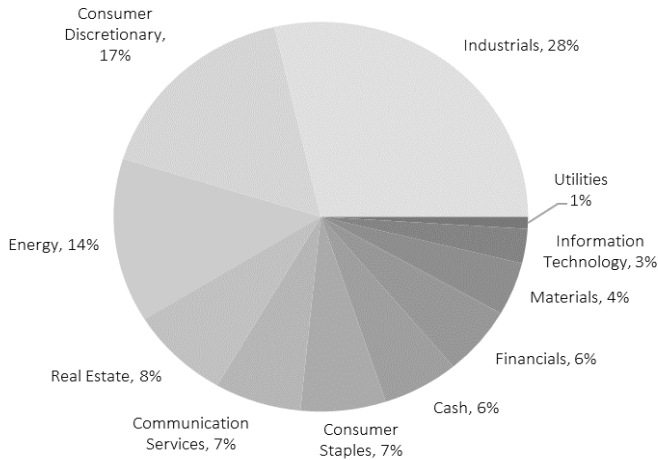
We established a position in LOV following an extremely negative share price reaction to the company's FY2024 result. While the results aligned with market forecasts, showing double-digit increases in sales and earnings, some investors were disappointed with the same store sales growth.

We have taken a longer-term view and are optimistic on LOV's ambitious global expansion plans. Lovisa has demonstrated consistent revenue and earnings growth, even during challenging retail environments. It has successfully built a recognizable brand with a strong retail presence in multiple countries, benefiting from being one of the few global players dedicated specifically to fashion jewellery at an affordable price point. With an experienced and aligned founder driving the strategy, we anticipate solid growth.

We exited the holding in Orora Limited (ORA) during September following the announcement that the company had sold its North American business for a better-than-anticipated price. This was a positive outcome and will alleviate pressure on the Balance Sheet, which had become increasingly levered following the Saverglass acquisition. While we think ORA has reasonable prospects going forward, particularly in the Australian cans business, we decided to lock-in recent profits and seek better opportunities elsewhere.

Finally, we recently circulated a Contact Insights note titled "The case for Quality Small Caps in a Diversified Portfolio", which is available on our website. We continue to see several compelling opportunities in quality founder-led small caps.

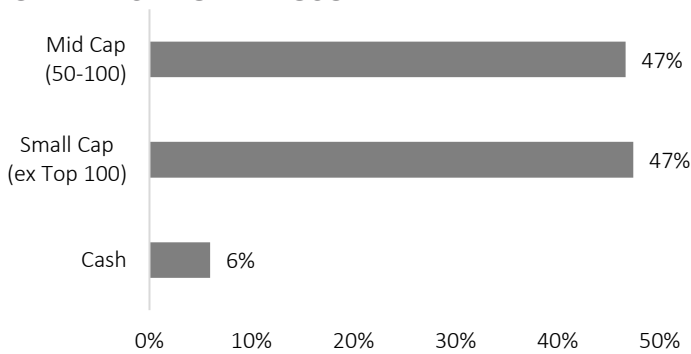
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

1	Ampol Limited
2	Metcash Limited
3	IPH Limited
4	GQG Partners
5	Charter Hall Group
6	Flight Centre Travel Group
7	Harvey Norman
8	Whitehaven Coal
9	ARB Corporation
10	Redox Limited

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

Return on Capital Employed	22.6%
Operating Margin	22.7%
P/E Ratio (FY1e)	14.8x
EPS Growth	12.8%
Historical Net Distribution Yield*	4.8%

Source: Factset, Contact Asset Management estimates. \*The Distribution Yield is based on December 2023 and June 2024 distributions totalling 6.1cpu and 31 July 2024 NAV price of \$1.28

Performance to 30 September 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>5.2%</b>	<b>14.2%</b>	<b>11.4%</b>	<b>2.0%</b>	<b>9.0%</b>
S&P/ASX Small Ordinaries Index	5.1%	18.8%	12.7%	-0.6%	11.2%
S&P/ASX Mid-cap 50 Index	3.1%	18.6%	14.4%	6.6%	18.6%
Targeted return of 10% per annum		10.0%	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. 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.

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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