

Contact Australian Ex-50 Fund

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MONTHLY REPORT: OCTOBER 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	30
NAV Unit Price	\$1.21
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

After a strong run, the Fund had a more challenging month in October as several key holdings tempered earnings expectations. Management updates from Flight Centre (FLT), Metcash (MTS) and Ampol (ALD) were harshly judged by the market, resulting in material share price corrections. We view the headwinds as short-term in nature and we remain comfortable with the long-term investment thesis for our key holdings.

Flight Centre Travel (FLT) recently provided updated guidance, showing steady year-over-year growth, but with results lagging behind management's ambitious expectations. Despite this, the company's underlying profit continues to expand, though month-to-month trading volatility is evident. Deflation in international airfares is dampening the benefits of increased travel volumes, while the corporate travel sector presents a mixed picture of recovery. FLT remains resolute in its goal to achieve a 2% pre-tax profit margin in the coming years—a target that, if met, could drive a notable surge in earnings. We view the volatility as a buying opportunity.

Metcash (MTS) also provided a trading update during the month. While the Food and Liquor businesses continue to perform admirably, there has been a noticeable deterioration in the Hardware business. Like-for-like sales at Mitre 10 and Home Hardware are down nearly 4% FYTD, notwithstanding a lot of promotional activity. Management noted that building activity had decreased across all segments of the market. Frustratingly, despite the housing shortage issue, approvals are not replenishing quickly enough to drive demand. We believe that MTS continues to look attractive at 12x earnings and a grossed-up yield >8%.

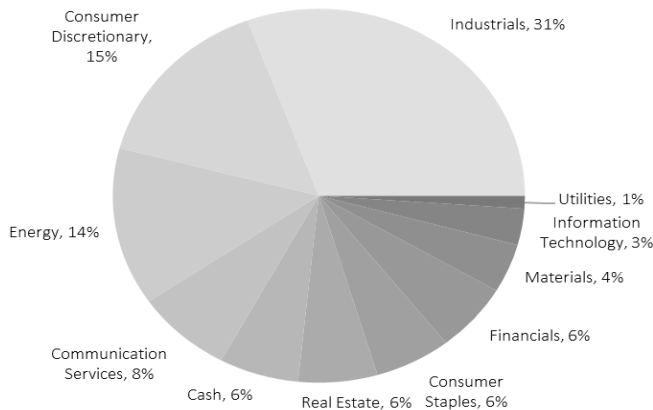
Volatility in oil markets has put pressure on Ampol Limited's (ALD) refining margins. ALD was another company with a mixed trading update. Refining margins were weak, albeit buffered by Government support, yet the Convenience offering continues to perform well. While refining margins could be a near-term headwind, there is a lot of capacity coming out of the market, which will underpin long-term earnings. We are willing to be patient and believe we could see a material turnaround in earnings growth.

We added Johns Lyng (JLG) to the portfolio in early October. JLG is an integrated building services group operating in Australia and the US. Its core business is restoration services after damage by insurable events (e.g. weather and fire). The company generally works on a cost-plus basis and has a solid pipeline of work. It is growing its footprint in the United States, which should drive meaningful growth. JLG also has a sizable strata management business.

JLG is founder-led. It is net cash and is well poised to deliver double-digit earnings growth in the coming years. The company reported a slightly softer-than-expected trading update at its August result briefing, which saw the stock sold off heavily. We have followed the company for several years and viewed the share price weakness as an attractive entry point. The company has been trading on a mid-20x P/E multiple in recent years, reflecting its sound growth prospects. We have been buying the stock at c.14x next year's earnings, which we view as compelling. We also expect to benefit from a growing dividend stream.

After a challenging month, we believe the portfolio dynamics are very attractive and remain optimistic on the long-term.

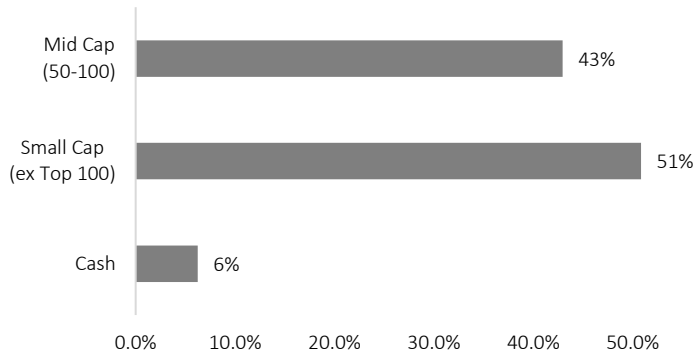
PORTFOLIO CHARACTERISTICS



TOP 10 POSITIONS

1	Ampol Limited
2	Metcash Limited
3	IPH Limited
4	GQG Partners
5	Harvey Norman
6	Redox Limited
7	Whitehaven Coal
8	REA Group
9	Flight Centre Travel
10	Aurizon Holdings

CAPITALISATION EXPOSURE



QUALITY & VALUATION RATIOS

Return on Capital Employed	22.8%
Operating Margin	22.1%
P/E Ratio (FY1e)	14.2x
EPS Growth	17.8%
Historical Net Distribution Yield*	5.0%

Source: Factset, Contact Asset Management estimates. *The Distribution Yield is based on December 2023 and June 2024 distributions totalling 6.1cpu and 31 October 2024 NAV price of \$1.21

Performance to 31 October 2024	1 Month	1 Year	2 Years (p.a.)#	3 Years (p.a.)#	Since Inception (p.a.)#
Contact Australian Ex-50 Fund	-5.9%	13.0%	6.3%	0.5%	7.4%
S&P/ASX Small Ordinaries Index	0.8%	26.6%	9.6%	-0.6%	11.4%
S&P/ASX Mid-cap 50 Index	-2.4%	24.4%	9.2%	5.6%	17.6%
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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