

# Contact Australian Ex-50 Fund

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MONTHLY REPORT: NOVEMBER 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 to 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	\$1.23
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 Australian Equities market continued its positive trajectory in November, with the S&P/ASX 300 Accumulation Index delivering a solid 3.7% return. The S&P/ASX Midcap 50 outperformed with an impressive 5.7% return, while the S&P/ASX 20 Index posted a 3.3% return. The Small Ordinaries recorded a modest 1.3% return for the month. The Fund increased by 2.0%.

Following Donald Trump's victory in the US Presidential election, U.S. stock markets reached record highs as investors jumped on the "Trump Trade" and priced in expectations of tax cuts and tariffs promised by the President-elect. These policies also fuelled the dollar's strength, a further lift in Bitcoin and triggered a sell-off in U.S. bonds.

Sector performance was mixed, with Information Technology and Utilities leading the way, both delivering approximately 10% returns. In contrast, Materials and Energy lagged, both slightly negative. There has been some impressive moves over the past year, none moreso than Info Tech, which has increased by an exceptional 64%.

Hansen Technologies (HSN) was the best performing portfolio stock (+17%) during the month as investors gain more confidence in the outlook for its Powercloud business. Stocks that have US exposure also did well in the main, as increased economic activity on the back of the abovementioned Trump trade took hold. Beneficiaries of this included Reece Limited (REH), Carsales (CAR), ARB Limited (ARB), Reliance Worldwide (RWC) and Johns Lyng Group (JLG).

We added Symal (SYL) to the portfolio in November as the company listed on the ASX. SYL is a civil construction contractor and commercial services provider. The majority of SYL's earnings come from its

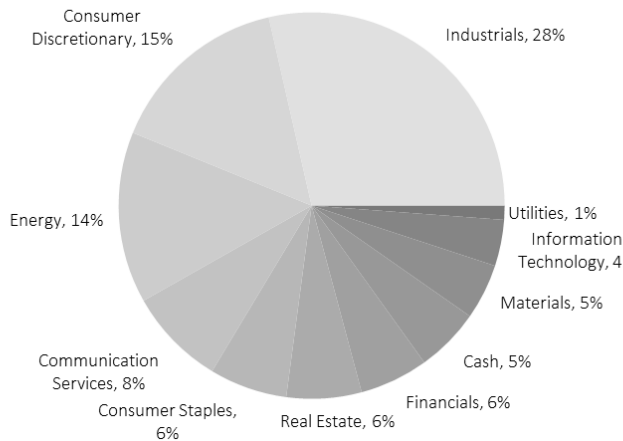
Construction division, which includes major projects across Infrastructure, Defence and Energy. It also engages in non-construction work including Asset Management, Logistics, Landfill and Quarries. It has work-in-hand of \$1.3 billion. The company is well positioned to benefit from ongoing investment in Infrastructure and Defence. Symal has a good reputation in its end markets and has a strong culture.

The strong culture can be partly attributed to SYL being founder-led. It was established in 2001 by Joe Bartolo who remains the Managing Director. The management team owns c.60% of the business. The company is net cash and is well poised to deliver solid earnings growth in the coming years. SYL generates solid returns on invested capital of >20%. The company was listed on what we consider to be attractive valuation metrics of c.4x EBITDA multiple and c.10x price-earnings multiple.

While we remain optimistic on the long-term, valuations are certainly more stretched for many segments of the market. Widespread value is harder to find and the market is reacting violently to any stocks that display a hint of weakness. Local investor sentiment has been buoyed by declining inflationary pressures and although delayed compared to earlier original forecasts, the continued anticipation of easing monetary policy.

We expect periods of volatility in 2025. We will continue to focus on investing in quality companies. As it stands, the portfolio demonstrates a good mix of income and growth. Importantly, the portfolio metrics are also compelling with a P/E multiple of the Ex-50 Fund at 14x times vs c.19x for the market.

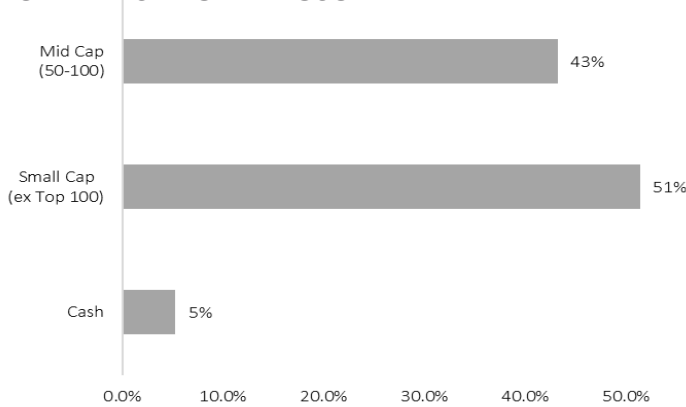
## PORTFOLIO CHARACTERISTICS



## TOP 10 POSITIONS

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

## CAPITALISATION EXPOSURE



## QUALITY & VALUATION RATIOS

Return on Capital Employed	24.5%
Operating Margin	22.0%
P/E Ratio (FY1e)	14.4x
EPS Growth	17.6%
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 6.1cpu and 30 November 2024 NAV price of \$1.23

Performance to 30 November 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>2.0%</b>	<b>10.9%</b>	<b>6.4%</b>	<b>0.7%</b>	<b>7.7%</b>
S&P/ASX Small Ordinaries Index	1.4%	20.0%	7.8%	0.0%	11.3%
S&P/ASX Mid-cap 50 Index	5.7%	24.8%	9.6%	7.1%	18.7%
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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