

Contango Microcap CTN

Manager Contango Microcap Limited

Morningstar Category™
Equity Australia Mid/Small Blend

Market Index
S&P/ASX Small Ordinaries TR

Net Assets 31/08/12
\$165.0 M

Listing Date
25/03/04

Morningstar Recommendation



NTA Information (31/08/12)

| | |
|-----------------------------|--------|
| NTA (Pre-Tax) | \$1.13 |
| NTA (Post-Tax) | \$1.13 |
| Premium/Discount (Pre-Tax) | -15.26 |
| Premium/Discount (Post-Tax) | -15.26 |

Trading Information (21/09/12)

| | |
|------------------------------------|---------------|
| Closing Market Price | \$0.93 |
| 52-Week Range | \$0.82 - 1.19 |
| % Below 52-Week High | 21.85 |
| Average Daily Shares Traded (1 Yr) | 156,521 |
| Shares Outstanding (21/09/12) | 148,448,269 |
| Avg 4-Week Buy/Sell Spread % | 0.96 |
| Exchange | ASX |

Fee Information

| | |
|----------------------------|------|
| Management Fee % pa | 1.25 |
| Performance Fee Applicable | Yes |

Role In Portfolio

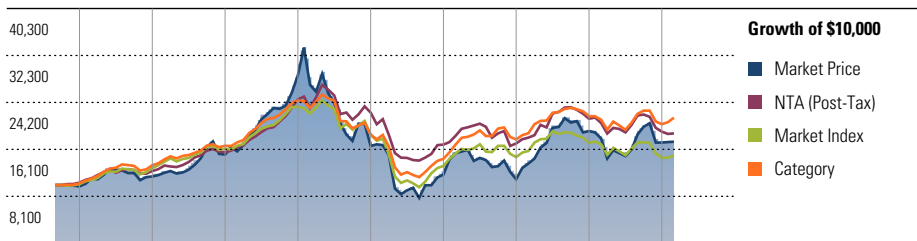
Supporting Player. This strategy invests at the smallest end of the market, resulting in greater volatility, and so should only occupy a small part of an investor's Australian equities exposure.

Bulls Case

Experienced, stable investment team
Strong, proven process

Bears Case

High fee and performance fee charged on inappropriate benchmark
Large sector biases
Focus on micro-caps leads to greater volatility



| | Jun-04 | Jun-05 | Jun-06 | Jun-07 | Jun-08 | Jun-09 | Jun-10 | Jun-11 | Jun-12 | Aug-12 | Performance |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------------|
| Market Price | - | 17.35 | 32.76 | 89.48 | -42.13 | -29.39 | -6.87 | 75.34 | -10.29 | 0.82 | Market Return % |
| NTA (Post-Tax) | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | NTA (Pre-Tax) % |
| Market Index | - | 18.90 | 26.20 | 57.83 | -9.11 | -24.50 | 1.14 | 24.73 | -10.35 | -1.57 | NTA (Post-Tax) % |
| Category | - | 27.41 | 25.48 | 44.43 | -20.46 | -28.58 | 11.18 | 16.41 | -14.61 | 2.76 | Market Index % |
| | - | 30.03 | 24.94 | 46.15 | -23.68 | -22.32 | 22.99 | 22.36 | -6.33 | 5.50 | Category Index % |

Morningstar Take

Contango Microcap (CTN) delivers attractive access to the hard-to-reach micro-cap segment, but is very expensive. We view this LIC as only suitable for investors who desire dedicated micro-cap exposure, and warn about the risks such an investment brings. Portfolio Manager Bill Laister is well-supported by a competent team that has been working together for nearly a decade. The process seeks to integrate both top-down and bottom-up fundamental analyses. Industry analysis is used to determine secular trends in industries, before preferred stocks within each sector are identified. The portfolio is diversified at the stock level, holding 93 securities at 31 March 2011, and is not overly top-heavy. The portfolio can however develop significant exposures to specific sectors from time to time. (Industrial Materials accounted for more than 50.0 percent of the portfolio at 31 March 2011.) Contango does use stock and sector limits in an attempt to mitigate this risk. The firm considers stocks with market-caps as low as A\$10.0 million. Investing this far down the market offers greater alpha potential, but also comes with greater risks. We believe that the 1.25 percent management fee plus the potential performance fee of 15.0 percent is excessive. The All Ordinaries Index, a broad market indicator, is used as the hurdle rate. We believe a more appropriate yardstick would be a small-cap benchmark. CTN does not qualify for the LIC tax concession, which means that post-tax Net Tangible Assets is the most appropriate figure to use when assessing premiums or discounts. The portfolio

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Morningstar Analyst 27/06/11

has typically traded at a deep discount relative to its post-tax NTA in recent years. This was around 20.0 percent at 31 March 2011. CTN should only occupy a small amount of space in an investor's portfolio, given the volatile nature of micro-cap stocks. Investors looking to dabble in micro-caps can consider this a worthy although expensive candidate.

Portfolio Construction: The investment philosophy behind CTN is based on the belief that macroeconomic factors influence the relative performances of both sectors and stocks. The approach draws on both internal and external sources to identify various stages of the economic cycle. The team attempts to identify themes that will be important drivers of performance for particular sectors and industries, and then invests in the most attractive securities within these sectors. CTN typically only invests in firms with market capitalisations of A\$10.0 – A\$450.0 million. The portfolio typically holds 80 - 100 stocks.

Fees: CTN has a 1.25 percent annual fee and a performance fee of 15.0 percent payable on returns above the Australian All Ordinaries Index subject to a high watermark. This is more expensive than other LICs, but in line with similar unlisted funds. Brokerage and buy/sell spreads should also be considered.

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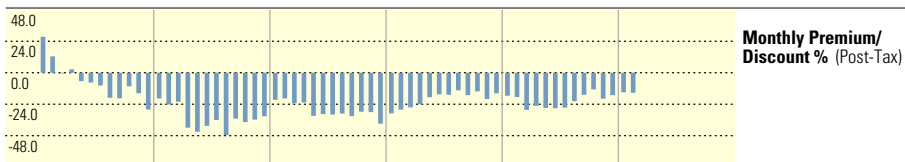
Risk & Performance 31/08/12

| Risk Measures (Mkt) | 3 Yr | 5 Yr | 10 Yr |
|---------------------|-------|-------|-------|
| Standard Deviation | 30.70 | 41.20 | — |
| Sharpe Ratio | 0.13 | -0.15 | — |
| Tracking Error % | 20.94 | 25.13 | — |
| Information Ratio | 0.37 | 0.15 | — |

| MPT Statistics (Mkt) | 3 Yr | 5 Yr | 10 Yr |
|----------------------|------|------|-------|
| R-Squared | 0.55 | 0.62 | — |
| Beta | 1.28 | 1.28 | — |
| Alpha | 9.13 | 6.74 | — |

| Trailing Total Return | Mkt% | NTA (Post)% | Mkt Idx% |
|-----------------------|-------|-------------|----------|
| 6 Months | -6.71 | -14.04 | -12.80 |
| 12 Months | -3.03 | -8.58 | -11.08 |
| 3 Yr Annualised | 4.07 | 0.74 | -0.69 |
| 5 Yr Annualised | -8.53 | -4.07 | -7.47 |
| 10 Yr Annualised | — | — | 6.91 |

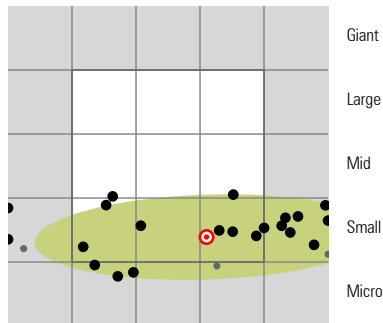
Price Information



| | Jun-08 | Jun-09 | Jun-10 | Jun-11 | Jun-12 | Aug-12 | Premium/Disc (Post-Tax) |
|--|--------|--------|--------|--------|--------|--------|-------------------------|
| | -6.19 | -34.85 | -28.76 | -20.14 | -21.50 | -15.07 | Avg |
| | 27.43 | -19.62 | -19.59 | -13.38 | -12.72 | -14.88 | High |
| | -28.05 | -47.47 | -38.85 | -30.97 | -28.33 | -15.26 | Low |

Portfolio 31/08/11

Morningstar Ownership Zone™



Deep Val Core Val Blend Core Grth High Grth
 ● Centroid = weighted average of stock holdings
 ● Zone = 75% of the fund's stock holdings

Average Mkt Cap (\$Mil) NAv

| Value Measures | Stocks |
|------------------|--------|
| Price/Earnings | NAv |
| Price/Sales | NAv |
| Price/Book | NAv |
| Price/Cash Flow | NAv |
| Dividend Yield % | NAv |

| Growth Measures | Stocks |
|-----------------------|--------|
| Long-Term Earnings % | NAv |
| Historical Earnings % | NAv |
| Sales % | NAv |
| Cash Flow % | NAv |
| Book Value % | NAv |

Market Cap Breakdown

| Market Cap | Stocks % |
|------------|----------|
| Giant | NAv |
| Large | NAv |
| Medium | NAv |
| Small | NAv |
| Micro | NAv |

Top 20 Holdings

| Top 20 Holdings | Assets % |
|-----------------------------------------|----------|
| Cash & Cash Equivalents | 3.87 |
| Aurora Oil & Gas | 3.64 |
| WPG Resources Ltd. | 3.07 |
| Intrepid Mines Limited | 2.97 |
| Industrial Minerals Corporation Limited | 2.71 |
| NRW Holdings Limited | 2.56 |
| Automotive Holdings Group Limited | 2.54 |
| Austin Engineering Limited | 2.31 |
| Forge Group Limited | 2.27 |
| McMillan Shakespeare Limited | 2.10 |
| Ausdrill Limited | 2.10 |
| Saracen Mineral Holdings Limited | 2.06 |
| Troy Resources NI | 1.81 |
| Emeco Holdings Limited | 1.64 |
| Maca Ltd. | 1.62 |
| Slater & Gordon Limited | 1.59 |
| Imdex Limited | 1.57 |
| Reckon Limited | 1.55 |
| Decmil Group Limited | 1.52 |
| TFS Corporation Limited | 1.49 |
| % Assets In Top 20 Holdings | 44.99 |
| Total Number of Holdings | 90 |

Morningstar Stock Sectors

| Morningstar Stock Sectors | Stocks % |
|---------------------------|--------------|
| Cyclical | 53.22 |
| Basic Materials | 40.10 |
| Consumer Cyclical | 7.66 |
| Financial Services | 2.74 |
| Real Estate | 2.72 |
| Sensitive | 46.78 |
| Communication Services | 2.48 |
| Energy | 11.77 |
| Industrials | 28.75 |
| Technology | 3.78 |
| Defensive | 0.00 |
| Consumer Defensive | 0.00 |
| Healthcare | 0.00 |
| Utilities | 0.00 |

Top 5 World Regions

| Top 5 World Regions | Stocks % |
|---------------------|----------|
| Australasia | 100.00 |
| — | — |
| — | — |
| — | — |
| — | — |

Top 5 Countries

| Top 5 Countries | Stocks % |
|-----------------|----------|
| Australia | 100.00 |
| — | — |
| — | — |
| — | — |
| — | — |