

CONTANGO MICROCAP LIMITED (CTN)

MONTHLY NTA STATEMENT

31 AUGUST 2017

Contango Microcap Limited (CTN) is Australia's longest running micro-cap LIC. The company was founded in 2004 and has delivered significant performance since its inception. The aim of the company is to achieve of a long term return over and above the benchmark ASX All Ordinaries Accumulation Index and to also pay regular and franked dividends. To achieve its objective, the fund invests in a diversified portfolio of ASX listed micro-cap stocks with a market cap of between \$30 million and \$350 million.

The Company's portfolio is managed by Contango Asset Management Limited. Contango Asset Management use a unique top-down and bottom-up investment approach that has delivered strong returns since inception.

KEY DETAILS

Report Date:	31 AUGUST 2017
ASX Code:	CTN / CTNG
Listed on ASX:	25 March 2004
Investment Manager:	Contango Funds Management Ltd
Benchmark:	Small Ordinaries Index
No. of stocks held:	86
Max cash position:	50%
Stock universe:	Market cap \$30m-350m
Portfolio size:	\$201.81 million
Shares on issue:	168.088 million
Share Price:	\$0.945

ASSET COMPOSITION

ASSET COMPOSITION	31 JULY 2017		31 AUGUST 2017	
	\$m	%	\$m	%
Investment Type				
Resources	39.1	24.0	42.9	26.2
Industrials	133.7	81.9	136.8	83.8
Equity index futures	10.0	6.1	0.0	-
Liquidity	17.0	10.4	20.1	12.3
Borrowings (Convertible notes)	(26.2)	-16.2	(26.2)	-16.0
Tax liability	(10.4)	-6.3	(10.3)	-6.3
Net Assets After Tax	\$163.2	100.0	\$163.3	100.0
Ordinary Shares on Issue	168.088M		168.088M	
Convertible Notes on Issue	265,000		265,000	

NET TANGIBLE ASSETS

NET TANGIBLE ASSETS	31 JULY 2017	31 AUGUST 2017
NTA of investments before tax	\$1.033	\$1.033
NTA of investments before tax on unrealised gains	\$1.014	\$1.018
NTA after tax	\$0.971	\$0.971
Month-end closing share price (CTN.ASX)	\$0.940	\$0.945
Month-end closing convertible note price (CTNG.ASX)	\$100.50	\$100.56

Contango MicroCap Limited

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MONTHLY PORTFOLIO UPDATE

For the month of August, the Contango Microcap Fund returned +0.44% vs the Small Ordinaries Index return of 2.71% resulting in underperformance of 2.27%. The Small Ordinaries Index also outperformed the S&P/ASX100 which returned 0.5%. The main detractor from performance (140bps) was from a number of large cap small stocks which the fund was not able to invest in i.e. A2Milk/Mineral Resources/Whitehaven Coal/Blackmores and Worley Parsons. The fund also had a small number of stocks which disappointed, e.g. Silver Chef and Catapult.

The month was dominated by the FY17 reporting period which can be summarised by the word "benign". This was a similar outcome to the November AGM season where top line growth was hard to find. The positive surprise really came from the resources sector where payout ratios were increased by both the large and small cap producers. This came after a long period of debt repayment and reduced capital expenditure. The recent strength in commodity prices has resulted in solid cash flow generation, stronger balance sheets and raised dividend levels. We have also evidenced a widespread increase in capital expenditure in FY18.

Industrials saw mixed results. In general, high PE stocks that either disappointed or came in line with forecasts came under pressure while the mining services sectors reporting strong results based off a stronger FY17 capex spend by a number of resource companies. The number of Industrial companies seeing downward EPS revisions outweighed upward revisions, with the index-weighted consensus EPS revision at -2.0%.

142 companies in the ASX Small Industrials Index reported in August 2017. Post reporting, 17 companies have seen upwards consensus EPS revisions and 56 downwards revisions.

The strongest performing sectors were Consumer Staples (+6.8%), Materials (+6.3%), Energy (+5.7%), and REITS (+5.4%) while the weakest performing sectors were, Healthcare (-6.2%), Consumer Discretionary (-3.0%), and Information Technology (-0.6%).

Key positive contributors for the month included: **Blackham** (+44.8%), **Panoramic** (+31.4%), **UCW** (+26.1%), **Index** (+23.3%), **Total Face Group** (+21.4%), **Gascoyne** (+20.0%) and **Range International** (-19.7%).

Key negative contributors for the month included: **Nearmap** (-19.6%), **Indoor Skydiving** (-16.4%), **Catapult** (-15.9%), **Gr Engineering** (-15.8%) and **Silver Chef** (-14.5%).

NOTES

* Past performance is not a predictor of future returns.

DISCLAIMER:

Contango Microcap Ltd (CTN) has prepared this update for information purposes only related to the underlying investment portfolio. The NTA information in this document is unaudited and approximate. This document does not contain investment recommendations nor provide investment advice. Investors in LICs should understand the distinction between Investment Portfolio Performance, NTA Performance and Share Price return. Neither CTN nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within CTN or any associated product. Contango Funds Management Limited ABN 52 085 487 421 AFSL No. 237119 is the investment manager of CTN. We strongly encourage you to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision. CTN may not be suitable for your investment needs. This is not an offer to invest in any financial product.

PERFORMANCE*

PERFORMANCE	CTN PORTFOLIO	ASX SMALL ORDS	ADDED VALUE
1 Months	0.4%	0.8%	-0.4%
3 Months	4.1%	1.3%	2.8%
5 Year	8.2%	10.5%	-2.3%
Since Inception (Mar 2004) pa	14.0%	8.5%	5.5%

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT (%)
EML	EML PAYMENTS LTD	3.4
ENN	ELANOR INVESTOR GROUP	2.8
ASL	AUSDRILL LTD	2.7
VLW	VILLA WORLD LTD	2.4
ASB	AUSTAL LTD	2.4
HLO	HELLOWORLD TRAVEL LTD	2.1
RVR	RED RIVER RESOURCES LTD	2.1
RXP	RXP SERVICES LTD	2.0
HPI	HOTEL PROPERTY INVTS	2.0
MTO	MOTORCYCLE HOLDINGS LTD	1.9

Source: Bloomberg

SECTOR ALLOCATIONS

SECTOR	WEIGHT %
Materials	21.7
Financials Ex-REITs	12.3
Consumer Discretionary	11.7
Information Technology	11.3
Industrials	9.8
Health Care	8.6
REITs	5.8
Energy	3.8
Telecommunication Services	2.4
Utilities	1.9
Consumer Staples	0.0
[Cash]	10.9
[Futures]	0.0

Source: Bloomberg

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