

## CONTANGO MICROCAP LIMITED (CTN)

### MONTHLY NTA STATEMENT

30 SEPTEMBER 2017

Contango Microcap Limited (CTN) is Australia's longest running micro-cap listed investment company. The company was founded in 2004 and has delivered significant performance since its inception. The aim of the company is to achieve 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 Funds Management Limited, a wholly owned subsidiary of Contango Asset Management Limited. Contango Asset Management uses a unique top-down and bottom-up investment approach that has delivered strong returns since inception.

#### KEY DETAILS

Report Date:	30 September 2017
ASX Code (Shares / Convertible Notes):	CTN / CTNG
Listed on ASX:	25 March 2004
Investment Manager:	Contango Funds Management Ltd
Benchmark:	Small Ordinaries Index
No. of stocks held:	87
Max cash position:	50%
Stock universe:	Market cap \$30m-350m
Portfolio size:	\$201.1 million
Shares on issue:	167.823 million
Share Price:	\$0.965

#### ASSET COMPOSITION

ASSET COMPOSITION	31 AUGUST 2017		30 SEPTEMBER 2017	
	\$m	%	\$m	%
<b>Investment Type</b>				
Resources	42.88	26.2	43.32	26.5
Industrials	136.85	83.8	133.56	81.7
Equity index futures	0.0	-	0.0	-
Liquidity	20.07	12.3	22.64	13.9
Borrowings (Convertible notes)	(26.19)	-16.0	(26.20)	-16.0
Tax liability	(10.33)	-6.3	(9.97)	-6.1
<b>Net Assets After Tax</b>	<b>\$163.28</b>	<b>100.0</b>	<b>\$163.35</b>	<b>100.0</b>
Ordinary Shares on Issue	168.088M		167.823M	
Convertible Notes on Issue	265,000		265,000	

#### NET TANGIBLE ASSETS

NET TANGIBLE ASSETS	31 AUGUST 2017	30 SEPTEMBER 2017
<b>NTA of investments before tax</b>	<b>\$1.033</b>	<b>\$1.033</b>
NTA of investments before tax on unrealised gains	\$1.018	\$1.023
<b>NTA after tax</b>	<b>\$0.971</b>	<b>\$0.973</b>
Month-end closing share price (CTN.ASX)	\$0.945	\$0.965
Month-end closing convertible note price (CTNG.ASX)	\$100.56	\$102.50

## MONTHLY PORTFOLIO UPDATE

For the month of September, the Contango Microcap Fund returned +0.3% versus the Small Ordinaries Index return of +1.3%. Small Resources performed strongly up 2.4% versus the Small Industrials up 1.0%. The Small Ordinaries Index also outperformed the ASX 20 Leaders (+0.1%) over the month but underperformed over the last 12 months to be up 3.0% versus +9.1% for the ASX 20 Leaders.

Within the industrials, A2Milk continued to perform strongly (+16.2%) over the month. The stock is held within other funds but is too large for the Microcap portfolio to own. We had disappointing performances from Blackham<sup>^</sup> (-27.0%), Catapult<sup>^</sup> (-23.2%), Mod Resources<sup>^</sup> (-15.0%) and Cogstate<sup>^</sup> (-13.0%).

The strong resources performance was driven by a number of companies that have exposure to the new and exciting area of electric vehicles. These companies included Pilbara - lithium (+79.0%), Galaxy<sup>^</sup> - lithium (+37.0%) and Lynas – rare earths (+26.0%). Some of the more traditional commodities like gold (-10.0%) lagged, leading to poor performances from Resolute (-13.2%), Regis (-11.5%) and Dacian (-10.3%).

The strongest performing sectors were Telecommunications (+4.1%), Consumer Staples (+3.6%), Healthcare (+2.2%), Energy (+1.9%) and Materials (+1.8%), while the weakest performing sectors were Utilities (-0.4%), Consumer Discretionary (-0.2%) and Information Technology (+0.4%).

Key positive contributors for the month included: **Decmil<sup>^</sup>** (+44.5%), **Galaxy<sup>^</sup>** (+36.9%), **New Century Zinc<sup>^</sup>** (+29.2%), **HUB 24<sup>^</sup>** (+19.9%) and **Zenith<sup>^</sup>** (+19.2%).

Key negative contributors for the month included: **Blackham<sup>^</sup>** (-27.0%), **Catapult<sup>^</sup>** (-23.5%), **Mainstream<sup>^</sup>** (-19.3%) and **Talga Resources<sup>^</sup>** (-18.1%).

## PERFORMANCE\*

PERFORMANCE	CTN	ASX SMALL ORDS ACCUM INDEX	ADDED VALUE
1 Month	0.3%	1.3%	-1.0%
3 Months	2.8%	4.4%	-1.7%
5 Years	7.2%	5.1%	2.2%
Since Inception (Mar 2004) pa	14.0%	5.4%	8.6%

Source: Bloomberg, as of 30 September 2017

## TOP 10 HOLDINGS

CODE	STOCK	WEIGHT (%)
EML	EML Payments Ltd	3.7
ASL	Ausdrill Ltd	2.9
ENN	Elanor Investor Group	2.7
RVR	Red River Resources Ltd	2.4
HUB	HUB24 Ltd	2.3
HLO	Helloworld Travel Ltd	2.2
ASB	Austal Ltd	2.2
FID	Fiducian Group Ltd	2.1
HPI	Hotel Property Investments	2.0
ISU	iSelect Ltd	2.0

Source: Bloomberg, as of 30 September 2017

## SECTOR ALLOCATIONS

SECTOR	WEIGHT (%)
Materials	21.2
Consumer Discretionary	13.3
Financials Ex-Reits	13.2
Information Technology	12.0
Industrials	8.7
Health Care	8.2
Reits	4.2
Energy	3.6
Telecommunication Services	2.5
Utilities	1.2
Consumer Staples	0.0
[Cash]	11.9
[Futures]	0.0

Source: Bloomberg, as of 30 September 2017

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\*Gross performance does not reflect the impact from fees, taxes and charges. Past performance is not a predictor of future returns.

^Denotes stocks held in portfolio.

**DISCLAIMER:** This update has been prepared for information purposes only related to the underlying investment portfolio. It does not contain investment recommendations nor provide investment advice. CTN only provide NTA values via the monthly NTA statement that is released through the ASX. There may be errors in this document and the data provided within, you are to refer to audited statements and data officially released via the ASX. Investors in LICs should understand the distinction between Investment Portfolio Performance, NTA Performance and Share Price return. Contango Funds Management Limited (**CFML**) ABN 52 085 487 421 AFSL No. 237119 is the investment manager of CTN. Neither CTN, CFML nor their respective related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within CTN or any associated product or Fund. You are strongly encouraged to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision. CTN and any CFML investment fund identified in this document may not be suitable for your investment needs. This is not an offer to invest in any security or financial product.