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The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Melbourne VIC 3000

By e-Lodgement

INVESTMENT MANAGER'S MONTHLY PORTFOLIO UPDATE AS AT 30 SEPTEMBER 2017

Contango Income Generator Limited (the **Company** or **CIE**) (ASX: CIE) wishes to provide shareholders with an update in respect of the Portfolio. Shareholders are referred to the Investment Manager's Monthly Portfolio Update as at 30 September 2017 from Shawn Burns, Senior Portfolio Manager at Contango Asset Management Limited, that is provided with this announcement.

Yours faithfully

Andrew MacDonald
Chairman

CONTANGO INCOME GENERATOR LIMITED (ASX:CIE)

MONTHLY PORTFOLIO UPDATE

MARKETS UPDATE

Over the month the recent pattern of synchronised global economic growth continued, which remains generally supportive for equity markets. The US economy continues to remain robust even as it was battered by hurricanes, political tensions with North Korea and continued policy uncertainty from the Trump administration. The general strength has been driven by employment growth, investment and an improved housing market as the years of post GFC monetary stimulus have achieved the desired outcomes. While the market will continue to focus more heavily on the withdrawal of monetary stimulus and future interest rate rises, it is expected that these policy measures will occur in a controlled and deliberate manner.

Elsewhere the European economies also continue to show improved economic growth. While there have also been discussions with respect to a slow and measured withdrawal of monetary stimulus, ECB President Mario Draghi said that a very substantial degree of monetary accommodation is still needed for the upward inflation path to materialise.

In Asia, regional tensions with North Korea continued. Japan's Prime Minister called for a lower house election to be called 12 months before required on October 22nd. Chinese economic strength from investment and credit growth has continued, although S&P Global ratings downgraded the country's credit rating by one notch from A+ to AA- citing a prolonged period of credit growth has added to China's economic and financial risks. Markets are also beginning to focus on the 19th Communist Party Congress Meeting.

Domestically, the RBA kept interest rates on hold at 1.5% and reaffirmed a neutral bias. The bank reiterated its concerns about A\$ strength and acknowledged that wage growth remains low. Housing price growth is also beginning to ease in Sydney, in particular, suggesting that recent macro prudential controls are beginning to bite. The NAB business survey was mixed and while consumer confidence rose, discretionary retail spending is starting to struggle.

The local stock market remains range bound finishing 0.58% lower in September and unable to breakout of a circa 100-point range since May. That said, the market has shown resilience as commodities like iron ore have fallen and geopolitical concerns remain. Healthcare was the best performing sector in September, finishing +1.3% higher. Financials and Energy followed closely, finishing +0.9% and +0.8% higher respectively. Telcos were the worst performing sector, falling -4.7%, as Utilities declined -4.0%.

KEY DETAILS

Report Date:	30 September 2017
ASX Code (Shares / Options):	CIE / CIEO
Listed on ASX:	14 August 2015
Fund Manager:	Contango Funds Management Ltd
Benchmark:	ASX All Ordinaries Accumulation Index
Number of stocks:	30 – 40
Target / Maximum cash position:	5% / 50%
Portfolio size:	\$84.98 million
Shares on issue:	93.35 million
No. of stocks held:	43
NTA (Pre-tax):	\$1.003 (ex-div)
NTA (Post-tax):	\$0.987 (ex-div)
Share price:	\$0.975

PORTFOLIO CHARACTERISTICS

SEPTEMBER 2017	CONTANGO INCOME GENERATOR	ASX ALL ORDS
Median market cap (\$m)	2,173.0	624.3
Price to earnings ratio	16.5	16.8
Earnings growth (%)	5.4	5.1
Dividend yield (net)	5.3	4.5
Dividend yield (gross)	7.0	5.9
Return on equity (%)	17.0	16.7
Beta to ASX300	0.8	1.0

Source: Bloomberg, as of 30 September 2017

PORTFOLIO UPDATE

The performance of the CIE portfolio was 0.01% over the month, marginally underperforming the ASX All Ords Accumulation Index return of 0.05%. Over the quarter, CIE returned 1.5% against the index return of 1.0%, and over the year CIE returned 8.4% against 8.5% for the index. Since inception CIE has risen 10.1% against the market increase of 8.0%.

The performance has been delivered with a cash holding typically ranging between 15-20% and a beta well below the market. In contrast, the ASX 300 Industrial Accumulation Index returned 7.4% over the year. In this context, the returns of the portfolio continue to be pleasing.

The current and target cash weight is approximately 15%.

Stock performance was quite narrow over the month. The best performing stocks (+10% or better) for September were **MACA Ltd** (+15.5%) and **Eclix Group** (+11.9%). We continue to pursue stocks that possess sound balance sheets, cash flows and yield. This strategy has delivered sound portfolio performance over the last year.

We note that there were no stocks that underperformed by more than 10% for the month.

Over the month, significant changes (0.5% or above) included adding to our position in **Scottish Pacific (SCO)** following its recent full year results. In particular, we have gained some comfort surrounding the company's growth trajectory and management. We have also added to our position in **Inghams Group (ING)** as part of the portfolio's exposure to strong trends in chicken consumption. Additionally, some profit taking was undertaken in **IOOF Holdings (IFL)**, **Nine Entertainment Holdings (NEC)** and **Carsales.com (CAR)** following recent strong performances. The proceeds were largely used to add to our aforementioned positions.

The fund also completed its franking capture strategy. The fund was able to secure meaningful franked income at little marginal cost. The fund will continue to opportunistically enter the market to capture franked income.

PORTFOLIO OUTLOOK

Market gains over recent months have been supported by a relatively elevated equity risk premium and improvement in earnings prospects. However, the global reflation trade appears to have stalled over recent months and the increased tail risks in the domestic economy have given rise to a more cautious outlook. Interest rates are expected to rise but, again, not significantly. The outlook for the broader market is cautiously positive.

The bond market has experienced some volatility over recent months, on the back of geopolitical concerns, expectations of future monetary policy tightening and uncertainties surrounding US fiscal policy. Additionally, we believe that the expectation that the ECB will begin reducing its securities purchasing program may temper any large bond rally. However, bond proxies remain vulnerable to higher interest rates and will be purchased on a selective basis. The fund will continue to

PERFORMANCE*

PERFORMANCE	CONTANGO INCOME GENERATOR	ASX ALL ORDS ACCUM INDEX	ADDED VALUE
1 Month	0.01%	0.05%	-0.04%
3 Months	1.5%	1.0%	0.5%
6 Months	2.1%	-0.5%	2.6%
12 Months	8.4%	8.5%	-0.1%
Inception (Aug 2015)	10.1%	8.0%	2.1%

Source: Bloomberg, as of 30 September 2017

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT (%)
BOQ	Bank of Queensland Ltd	5.9
ASX	ASX Ltd	5.8
TAH	Tabcorp Holdings Ltd	4.5
BEN	Bendigo & Adelaide Bank Ltd	3.8
ABC	Adelaide Brighton Ltd	2.7
HPI	Hotel Property Investments	2.7
SKI	Spark Infrastructure Group	2.6
CHC	Charter Hall Group	2.6
DLX	DuluxGroup Ltd	2.5
CTX	Caltex Australia Ltd	2.5

Source: Bloomberg, as of 30 September 2017

SECTOR ALLOCATIONS

SECTOR	WEIGHT (%)
Financials Ex-Reits	27.4
Consumer Discretionary	17.3
Reits	9.4
Industrials	7.8
Materials	6.6
Utilities	4.2
Information Technology	4.0
Consumer Staples	3.7
Health Care	2.5
Energy	2.5
Telecommunication Services	0.0
[Cash]	14.6
[Futures]	0.0

Source: Bloomberg, as of 30 September 2017

look for opportunities in companies exposed to broader economic activity, but remains wary of increased tail risk in the domestic economy.

WHO MANAGES CIE'S PORTFOLIO?

Contango Asset Management Limited (CGA) is CIE's portfolio manager through its subsidiary Contango Funds Management Limited. Shawn Burns is the Senior Portfolio Manager for the Income Generator strategy. Shawn is supported by a Deputy Portfolio Manager and a large investment team lead by the Chief Investment Officer (CIO) George Boubouras. CGA is a high performing Australian funds management company that offers both core and satellite portfolio solutions that cover the entire market capitalisation range. CGA is listed on the ASX.

HOW DOES CGA MANAGE THE PORTFOLIO?

CGA is a top-down and bottom-up manager. The manager uses a business cycle approach to generate alpha (persistent out-performance) by systematically incorporating economic, industry and stock specific factors into the portfolio construction process. The manager uses a proprietary research process developed over many decades with a proven long-term track record.

CGA's investment strategy has been highly successful at delivering superior outcomes for clients over a long period of time and the company is proud of its long-term performance.

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BENEFITS FROM INVESTING IN MIDCAP INCOME STOCKS WITH CONTANGO INCOME GENERATOR

Consistent income stream. The dividend policy is 6.5% of the Company's net tangible asset value per share per year. CIE has increased the frequency of dividend payments to quarterly, effective in the current 2018 financial year.

Diversification. The Company offers exposure to high yielding equities that are outside of the ASX top-30. This helps to diversify an investor's portfolio away from sectors that are over-represented in the top-30 including the Banks.

Tax effective. The company is tax aware and all dividends paid to Shareholders will be franked to the maximum extent possible.

Large opportunity sets. The company's universe is the ASX300 ex-30 which has 270 more investment opportunities than funds that focus on the top-30.

Access to IPOs and discounted capital raisings. The company has access to these opportunities which are usually out of reach of the individual investor.



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CONTANGO ASSET MANAGEMENT



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NOTES

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

The Company will normally pay annual dividends amounting to a minimum 6.5%pa yield on the Net Tangible Asset value per share prevailing at the beginning of each financial year payable via (four) quarterly dividend payments. CIE may have declared a Dividend prior to your reading this document. Only refer official ASX Announcements. All dates, dividend amounts & any franking which may be attached to possible future dividends are indicative only until formally declared.

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. 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 CIE. Neither CIE, CFML nor their respective related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within CIE or any associated product or Fund. We strongly encourage you to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision. CIE 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.