

20 October 2017

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

By e-Lodgement

Dear Manager,

**Contango Asset Management Limited: Assignment of Contango MicroCap Limited mandate**

Contango Asset Management Limited (**CGA** or the **Company**) has, via its subsidiary Contango Funds Management Limited (**CFML**), entered into an agreement to assign its investment management mandate of Contango MicroCap Limited (ASX:**CTN**) to NAOS Asset Management Limited ACN 107 624 126 (**NAOS**). NAOS is a specialist fund manager that currently manages two listed investment companies (**LICs**), NAOS Emerging Opportunities Company (ASX:**NCC**) and NAOS Absolute Opportunities Company (ASX:**NAC**).

**About the transaction**

Pursuant to the transaction documents, the rights to the investment mandate for CTN under the current investment management agreement between CFML and CTN have been assigned to NAOS for an aggregate maximum consideration of up to \$12.5 million payable by NAOS to CFML.

Of the total consideration of \$12.5 million, \$2 million is payable to CFML upon execution and a further \$3 million is payable subject to the occurrence of certain conditions. The remaining \$7.5 million is payable to CFML over a 5 year period commencing 30 June 2018, subject to the same conditions noted earlier. If these conditions are not met, then the total consideration will be up to approximately \$6.7 million in aggregate (based on the current valuation of the CTN portfolio) and payable over a 4 year period ending June 2021. CGA will inform the market as to whether or not these conditions are satisfied at the relevant time.

As a result of the transaction, CGA will record a gain of between approximately \$2.9 million to \$9.3 million in its Profit and Loss for the financial year to 30 June 2018 (depending on whether the conditions noted above are satisfied).

**Background to the transaction**

CTN is the longest running listed investment microcap company on the ASX. CFML has been the manager of CTN since its inception in 2004. During that time, CTN has outperformed the ASX Small Ordinaries Accumulation Index by 5.4% pa, returning 14.0% pa to CTN shareholders.

Notwithstanding the exceptional shareholder returns over this extended period, the recent performance of the portfolio has highlighted the advantages of a specialist fund manager dedicated to this sector of the market. Given CGA's renewed focus on large and midcap companies, the Company is of the view that an alternative specialist manager would be better placed to manage the portfolio. Further, CGA had a limited opportunity to grow its broader microcap strategy as it had been approaching capacity for this strategy. Going forward, CGA will be able to manage and service its existing wholesale microcap strategies more effectively.

**Contango Asset Management Limited**

ABN: 56 080 277 998

ASX: CGA

Phone: +61 3 9222 2333 Level 27, 35 Collins Street Melbourne VIC Australia 3000

contango@contango.com.au www.contango.com.au

The Company is confident that CTN shareholders will benefit from the appointment of NAOS to manage the portfolio, a top tier manager with a great performance record, that is well positioned to provide high conviction exposure to the microcap market. CGA will work with CTN and NAOS to ensure a smooth transition.

CGA would like to thank the shareholders of CTN for the opportunity to manage the portfolio for 13 years. Management and the investment team have had the pleasure of meeting many shareholders at the quarterly Contango roadshows and CTN shareholder meetings.

### Transition

The transition marks a significant milestone in the continued evolution of CGA. CGA acquired all of the Contango Funds Management business, including the CTN mandate, for \$13 million as part of last year's management buyout.

The assignment of this part of the CFML business provides CGA with significant capital to put in place the necessary sales and distribution team to pursue its strategic objective of growing its core offering, including via:

- its investment in Switzer Asset Management (**SAM**), which has grown funds under management and advice (**FUMA**) in only six months from approximately \$30 million in March 2017 to over \$105 million as at 30 September 2017 due to the launch of the Switzer Dividend Growth Fund (ASX:**SWTZ**); and
- the two other LICs that the Company manages, being:
  - Contango Income Generator Limited (ASX:**CIE**), which has increased FUMA from \$82 million as at 30 June 2017 by approximately \$12m as a result of the CIE Option Loyalty Incentive Offer; and
  - Contango Global Growth Limited (ASX:**CQG**), which raised FUMA of \$100 million through its IPO in June 2017.

The Company looks forward to announcing additional products in the near term, including the planned launch of an additional two ETFs through SAM in 2018.

As a result of this material transaction, the Company is also revising its cost structure to ensure an efficient operating platform.

Yours faithfully,



George Boubouras  
**Managing Director**

For further information in relation to this announcement, please contact:

George Boubouras  
Managing Director  
Contango Asset Management Limited  
p: + 61 3 9222 2324  
m: + 61 414 614 225  
e: [gboubouras@contango.com.au](mailto:gboubouras@contango.com.au)