

CONTANGO INCOME GENERATOR LIMITED (CIE)

MONTHLY NTA STATEMENT

31 OCTOBER 2017

Contango Income Generator Limited (CIE) is a listed investment company with the objective to deliver a sustainable income stream and modest capital growth to its shareholders over time. To deliver on its objective, the company focuses its investments on high yielding ASX listed securities that are outside of the largest 30 securities in the S&P ASX300 Index. This is because many investors are already exposed to these large cap stocks either directly or via existing managed fund or ETF investments.

If investors supplement their existing large cap portfolio with a diversified portfolio of high quality stocks outside of the top 30, they may be able to reduce the overall risk and volatility of their equity portfolio whilst maintaining or even increasing its dividend yield. This would be a more efficient portfolio allocation.

Contango Income Generator Limited has a dividend policy to pay a minimum 6.5% p.a. on its Net Tangible Asset Value. The company has also revised its dividend policy to pay quarterly dividends.

KEY DETAILS

Report Date:	31 October 2017
ASX Code (Shares / Options):	CIE / CIEO
Listed on ASX:	14 August 2015
Fund Manager:	Contango Funds Management Limited
Benchmark:	ASX All Ordinaries Accumulation Index
Number of stocks:	30 – 40
Target / Maximum cash position:	5% / 50%
Portfolio size:	\$98.74 million
Shares on issue:	96.86 million
No. of stocks held:	43
Share price:	\$0.950

ASSET COMPOSITION

ASSET COMPOSITION	30 SEPTEMBER 2017		31 OCTOBER 2017	
	\$m	%	\$m	%
Investment Type				
ASX listed shares	72.57	78.7	83.19	85.9
Futures contracts	-	-	-	-
Liquidity	21.10	22.9	15.65	16.2
Tax asset (liability)	(1.49)	-1.6	(2.04)	-2.1
Net Assets After Tax	\$92.18	100.0	\$96.80	100.0
Ordinary Shares on Issue	93.354m		96.863m	
Options on Issue	21.683m		21.614m	

NET TANGIBLE ASSETS

NET TANGIBLE ASSETS	30 SEPTEMBER 2017	31 OCTOBER 2017
NTA of investments before tax	\$1.003	\$1.020
NTA of investments before tax on unrealised gains	\$0.998	\$1.015
NTA after tax	\$0.987	\$0.999
Month-end closing share price (CIE.ASX)	\$0.975	\$0.950
Month-end closing option price (CIEO.ASX)	\$0.007	\$0.002

MONTHLY PORTFOLIO UPDATE

For October, the CIE portfolio posted a return of 2.2%, underperforming the broader market return of 4.1%, as measured by the ASX All Ords Accumulation Index. Over three months and 12 months CIE has moderately underperformed the benchmark index, but over the longer period CIE is above the index. CIE returned 4.3% for the last 3 months relative to the index returns of 4.9% and over the year CIE returned 14.3% against 15.5% for the index. Since inception in August 2015, CIE is up a solid 10.7% against the market increase of 9.6%.

The portfolio is managed conservatively with a cash holding of about 15% over the last year. This has contributed to the portfolio's risk profile being below market levels and for the portfolio's return to lag the market return over the year. The portfolio can be expected to lag the broader market in strong share markets driven by momentum and less by company fundamentals as there is less focus on risk. In this context, the returns of the portfolio are pleasing.

The best performing stock (+10% or better) for October was **IPH Ltd** (+28.9%). **Fairfax** was sold for a profit over the month. There was a long tail of positive contributors across several industry sectors for the portfolio.

In contrast, only one stock returned below -10% for the month being **Xenith IP Group** (-30.9%). An unusual outcome for the portfolio was to have the two patent lawyer businesses being the best and worst performers for the month. Xenith has recently made a large acquisition of another patent lawyer business. We remain confident that once Xenith integrates the acquisition there will be a recovery. We continue to monitor the balance sheet and cashflow - which look reasonable - closely. The combined weight of both businesses in the portfolio is manageable.

Over the month the fund invested proceeds from the capital raised from the option exercise. The fund continues to target a 15% cash weight. We switched some exposure in the lease/novated space from Smart Group to McMillan Shakespeare. Smart Group has been a tremendous performer for us. We also took profits in ASX and Hotel Property Investments and exited Fairfax Media. The fund participated in the placement to fund IOOF Holdings acquisition of the ANZ's wealth business. We also took profits immediately afterwards to adjust IOOF's portfolio weight to a comfortable level.

The company also successfully completed its franking capture strategy over the month.

PERFORMANCE*

PERFORMANCE	CONTANGO INCOME GENERATOR	ASX ALL ORDS ACCUM INDEX	ADDED VALUE
1 Month	2.2%	4.1%	-1.9%
3 Months	4.3%	4.9%	-0.6%
6 Months	3.7%	2.7%	1.0%
12 Months	14.3%	15.5%	-1.2%
Inception (Aug 2015)	10.7%	9.6%	1.1%

Source: Bloomberg, as of 31 October 2017

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT (%)
BOQ	Bank of Queensland Ltd	5.8
ASX	ASX Ltd	5.0
TAH	Tabcorp Holdings Ltd	4.7
BEN	Bendigo & Adelaide Bank Ltd	3.7
ABC	Adelaide Brighton Ltd	2.9
CHC	Charter Hall Group	2.8
SKI	Spark Infrastructure Group	2.6
CTX	Caltex Australia Ltd	2.6
DLX	Dulux Group Ltd	2.6
CAR	Carsales.com Ltd	2.6

Source: Bloomberg, as of 31 October 2017

SECTOR ALLOCATIONS

SECTOR	WEIGHT (%)
Financials Ex-Reits	25.6
Consumer Discretionary	17.0
Reits	9.1
Industrials	8.6
Materials	6.9
Utilities	4.3
Information Technology	4.2
Consumer Staples	3.5
Energy	2.6
Health Care	2.5
Telecommunication Services	0.0
[Cash]	15.7
[Futures]	0.0

Source: Bloomberg, as of 31 October 2017

CONTANGO INCOME GENERATOR LIMITED

ACN 160 959 991

Level 27, 35 Collins Street MELBOURNE VIC 3000

T: +61 3 9222 2333

W: contangoincomegenerator.com.auE: info@contangoincomegenerator.com.au**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.

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