

# CONTANGO INCOME GENERATOR LIMITED (ASX:CIE)

## INVESTMENT UPDATE AND NTA STATEMENT

30 April 2018

### PERFORMANCE UPDATE

Global equity markets modestly rebounded after a weak March. Australia was amongst the best performing markets being up 3.9% (ASX 200), but this was led by materials and energy. The S&P500 was 0.3% higher.

The issues that concerned the markets a month ago eased to some extent. A trade war between the US and China looks less likely, while political tensions in Korea also took a turn for the better.

Global bond yields also rose over the month, with the US 10-year Treasury briefly rising above 3%. Equity markets handled this sell off in the bond market quite well. Higher US bond yields usually helps economically sensitive sectors as opposed to financials, REITS and Utilities.

The hearings at the Financial Services Royal Commission continued to reverberate across the Australian equity markets. The banks were given some respite and non-bank financial were the focus, as financial advice was examined. The banks again lagged the market being broadly flat, while the financial advice firms fell away.

The ultimate conclusions from the Royal Commission are difficult to gauge at this stage. Actual breaches do not look to be wide spread. However, the level of avoiding reporting and lack of respect shown to the regulatory authorities by the financial institutions has been a surprise. Of importance will be any mandated structural changes to business models and the size of ongoing compliance and regulatory costs going forward.

There was again quite diverse stock performance over the month. The stocks which delivered above 10% for the month were IRESS Ltd and Southern Cross Media which regained recent poor performance. Ingham Group was 10% higher as a competitor in the chicken market closed down. Chicken prices look to be going higher as well.

The poor performers were mainly the non-bank financials, which had industry behaviour put under the microscope at the Royal Commission this week. Perpetual, IOOF Ltd and AMP all fell by more than 10%. Navitas Ltd was lower over the month as foreign student intakes were lower than expected.

The portfolio lagged the market being up 0.6% against the 3.6% improvement in the index. Again, Energy was 11% higher, while Materials were 8% higher. The fund holds no pure exposure to these sectors. Financials ex REITs were the laggard sectors, up 0.2% over the month.

The cash weighting in the fund is around 13%. The portfolio should outperform when the broader market is falling heavily.

### PORTFOLIO PERFORMANCE

PERFORMANCE (after fees)	CONTANGO INCOME GENERATOR	ASX ALL ORDS ACCUM INDEX	ADDED VALUE %
1 Month	0.60%	3.49%	-2.89%
3 Months	-4.59%	0.00%	-4.60%
6 Months	-1.57%	3.63%	-5.20%
12 Months	2.04%	6.44%	-4.40%
Inception (Aug 2015)	8.15%	9.21%	-1.06%

Source: Bloomberg, as 30 April 2018.

### NET TANGIBLE ASSETS (NTA)

NET TANGIBLE ASSETS (PER SHARE)	30 APR 2018 (EX-DISTRIBUTION)	29 MAR 2018
<b>NTA before tax</b>	<b>\$0.963</b>	<b>\$0.976</b>
NTA after tax and before tax on unrealised gains	\$0.971	\$0.983
<b>NTA after tax</b>	<b>\$0.957</b>	<b>\$0.971</b>
Month-end closing share price (CIE.ASX)	\$0.965	\$0.965
Month-end closing option price (CIEO.ASX)	n/a	n/a

Source: Bloomberg, as of 30 April 2018.  
CIE went ex-dividend 1.6 cents on 10 April.

### KEY DETAILS

Report Date:	30 April 2018
ASX Code:	CIE
Listed on ASX:	14 August 2015
Fund Manager:	Contango Funds Management Ltd
Benchmark:	ASX All Ordinaries Accumulation Index
Number of stocks:	35 - 50
Target / Maximum cash position:	5% / 50%
Portfolio size:	\$100.234 million
Shares on issue:	103.520 million
No. of stocks held:	43
Share price:	\$0.965

Source: Bloomberg, at of 30 April 2018

## PORTFOLIO OUTLOOK

Currently, yield stocks are caught between the expectation of higher bond yields and the Royal Commission causing some uncertainty for the financial sectors, which are high yield sectors. We see the bond market as moving higher in a measured and steady way. The Royal Commission will be monitored to assess any significant outcomes on sectors or stocks as per the above comment.

We continue to target gross yields 1% above the market with a portfolio of stocks that achieve this through sustainable businesses, cashflow and strong balance sheets.

From a macro perspective, the fund will perform best in a low growth and benign inflation environment when bond markets are rallying or stable. We will pursue the strategy through the current period in a disciplined manner.



**SHAWN BURNS**  
SENIOR PORTFOLIO MANAGER  
CONTANGO ASSET MANAGEMENT

## PORTFOLIO CHARACTERISTICS

APRIL 2018	CONTANGO INCOME GENERATOR	ASX ALL ORDS
Median market cap (\$m)	2,390	1,648
Price to earnings ratio	16.24	17.44
Earnings growth (%)	6.89	25.30
Dividend yield (net)	5.28	4.41
Dividend yield (gross)	7.01	6.01
Return on equity (%)	16.65	16.93
Beta	0.8	1.0

Source: Bloomberg, as of 30 April 2018

## TOP 10 HOLDINGS

CODE	STOCK	WEIGHT %
ASX	ASX Ltd	4.7
BOQ	Bank of Queensland Ltd	4.6
BEN	Bendigo & Adelaide Bank Ltd	4.3
TAH	Tabcorp Holdings Ltd	4.2
CTX	Caltex Australia Ltd	2.5
CHC	Charter Hall Group	2.5
SXL	Southern Cross Media Group Ltd	2.4
ABC	Adelaide Brighton Ltd	2.3
SKI	Spark Infrastructure Group	2.3
HPI	Hotel Property Investments	2.3

Source: Bloomberg, as of 30 April 2018

## SECTOR BREAKDOWN

SECTOR	WEIGHT %
Consumer Discretionary	21.2
Consumer Staples	3.9
Energy	2.5
Financials	26.8
Health Care	1.8
Industrials	8.4
Information Technology	4.0
Materials	6.3
REITS	9.0
Telecommunication Services	0.0
Utilities	4.5
Cash	11.6

Source: Bloomberg, Contango Asset Management, as of 30 April 2018

## CONTANGO INCOME GENERATOR LIMITED

ACN 160 959 991  
Level 6, 10 Spring Street, Sydney NSW 2000  
T: +61 2 9048 7888  
W: [contangoglobalgrowth.com.au](http://contangoglobalgrowth.com.au)  
E: [invest@contango.com.au](mailto:invest@contango.com.au)

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