

CONTANGO INCOME GENERATOR LIMITED (ASX:CIE)

INVESTMENT UPDATE AND NTA STATEMENT

31 August 2018

PERFORMANCE SUMMARY

Contango Income Generator's (CIE) investment portfolio posted a strong 2.9% return for the month ending 31 August. The NTA before tax of the portfolio finished at \$1.01 per share up from \$0.98 at the end of July whilst the rolling 12-month return was 7.8%. The fund has achieved a total return since inception of 9.7%pa.

INVESTMENT OBJECTIVE

As an income-focused, ex-top 30 listed investment company, CIE's stated objective is to distribute 6.5% of NTA per annum (paid quarterly), with dividends to be franked where possible.

CIE's investment manager focuses on selecting those companies that provide a consistent and growing source of dividends. CIE is characterised by a strong and diverse portfolio of companies outside of the ASX top-30 that exhibit sustainable cashflows and strong business models.

CIE has performed well over the last 12-months whilst continuing to remain true to its income strategy. After moving to quarterly dividends in September 2017, CIE has paid three dividends of 1.6cps, each 50% franked. This represents an annualised yield of 6.6% based on the 30 June 2018 NTA of \$0.968 and an annualised grossed up yield of 8.1%, factoring in franking credits.

CHANGES IN THE PORTFOLIO

CIE's cash position at the end of the month was 4.6% compared to a target cash weight of 5%.

Over the month the manager took profits in some of the strong performers. These included IPH Ltd, Iress and Super Retail. CIE also added to its existing holdings in six companies after they posted good results and also to capture their upcoming dividends. These companies included GWA Ltd and Mystate Ltd.

PERFORMANCE COMMENTARY

The Australian equity market performed well over the month, closing 1.7% higher which was broadly in line with global markets. Performance was assisted by stable bond markets, a reasonable domestic results season and a continuation of strong US earnings.

The performance composition of the local markets saw most sectors outperform though the heavyweight sectors, being Financials, Materials and Energy, all underperformed.

Overall, CIE's holdings performed strongly during August. Ten of the stocks held were over 10% higher for the month. These included IPH Ltd, Magellan and IRESS Ltd. Most of the positives came from better than expected results. Dividends were also higher with the weighted average of dividends declared, for those CIE stocks that reported earnings, being 7% higher. A great result, given these companies make up 82% of the total CIE portfolio.

There were three holdings that fell more than 10% for the month. These companies included NZME, Automotive Holdings and Eclipse Group. They are modest size holdings within the portfolio and the manager continues to monitor their progress closely. Balance sheets and cashflows are considered reasonable for all three. During the month Eclipse was bid for, a welcome return to corporate activity within the portfolio.

PORTFOLIO PERFORMANCE <i>(before fees and expenses)</i>	CONTANGO INCOME GENERATOR	ASX ALL ORDS ACCUM INDEX
1 Month	2.86%	1.71%
3 Months	5.78%	5.99%
6 Months	4.46%	7.28%
12 Months	7.84%	15.96%
Inception ¹ <i>(annualised)</i>	9.69%	10.73%

Source: Contango Asset Management Limited, as of 31 August 2018

1. Inception 13 August 2015

NET TANGIBLE ASSETS (PER SHARE)	31 Aug 2018	31 July 2018
NTA before tax	\$1.010	\$0.983
NTA after tax and before tax on unrealised gains	\$1.016	\$0.987
NTA after tax	\$0.988	\$0.967
Month-end closing share price (ASX:CIE)	\$0.945	\$0.915

Source: Contango Asset Management Limited, as of 31 August 2018

KEY DETAILS

Report Date:	31 August 2018
ASX Code:	CIE
Listed on ASX:	14 August 2015
Fund Manager:	Contango Funds Management
Benchmark:	ASX All Ordinaries Accumulation Index
Number of stocks:	35 – 50
Dividend Policy	6.50% of NTA
Estimated Franking	50%
Target / Maximum cash position:	5% / 50%
Portfolio size:	\$104.97 million
Shares on issue:	103.811 million
No. of stocks held:	47
Share price:	\$0.945

Source: Contango Asset Management Limited, as of 31 August 2018

PORTFOLIO OUTLOOK

At a share price of \$0.945, CIE currently yields 6.8% (before franking). Interest rates remain low and economic activity, although slowing slightly, remains positive. Indications of inflation remain benign giving confidence that the investment outlook remains favourable.



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SENIOR PORTFOLIO MANAGER
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TOP TEN HOLDINGS		
CODE	COMPANY NAME	WEIGHT %
BOQ	Bank of Queensland Ltd	5.2
BEN	Bendigo & Adelaide Bank Ltd	4.7
TAH	Tabcorp Holdings Ltd	4.4
SGP	Stockland Group	3.1
CTX	Caltex Australia Limited	2.7
BAP	Bapcor Limited	2.7
SKI	Spark Infrastructure Group	2.6
DLX	Dulux Group Limited	2.5
ASX	ASX Limited	2.5
MMS	McMillan Shakespeare Limited	2.5

Source: Contango Asset Management Limited, as of 31 August 2018

PORTFOLIO CHARACTERISTICS		
AUGUST 2018	CONTANGO INCOME GENERATOR	ASX ALL ORDS INDEX
Median market cap (\$m)	2608	684
Price to earnings ratio	16.6	19.0
Earnings growth (%)	4.8	17.9
Dividend yield (gross)	6.8	5.5
Dividend yield (net)	5.0	3.9
Return on equity (%)	20.0	16.2
Beta	0.86	1.0

Source: Contango Asset Management Limited, Bloomberg LLP

GICS SECTOR ALLOCATION	PORTFOLIO WEIGHT %
Consumer Discretionary	20.9
Consumer Staples	3.2
Energy	5.5
Financials	27.0
Health Care	2.7
Industrials	10.2
Information Technology	3.9
Materials	6.1
REITS	11.2
Telecommunication Services	0.0
Utilities	4.8
Cash	4.6

Source: Contango Asset Management Limited, as of 31 August 2018

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