

Tuesday, 20 August 2019

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

By e-lodgement

Dear Manager,

Final Dividend for FY2019

The Board of Contango Income Generator Limited (the “Company”) (ASX: CIE) has resolved to declare a final dividend for the quarter ended 30 June 2019 of **1.00 cent per share (“Final Dividend”)**. The Final Dividend will be 50% franked.

KEY DATES	
Ex-dividend Date	Monday, 9 September 2019
Record Date	Tuesday, 10 September 2019
Dividend Reinvestment Plan last Election Date	Wednesday, 11 September 2019
Payment Date	Tuesday, 24 September 2019 (5:00pm AEST)

The Company will have declared dividends totalling 5.16 cents per share with franking at 70% for the financial year ended 30 June 2019. Based on the post-tax net tangible assets (“NTA”) per share at 30 June 2018 of \$0.957, this equates to an annual net dividend yield of 5.39% and a gross yield 7.01% when taking into account franking.

Dividend Policy

The Company listed in 2015 with the objective of providing shareholders with a sustainable income stream of dividends with some capital growth over time.

The Company’s dividend policy has been to pay annual dividends of not less than 6.5% of the Company’s NTA per share. This was supported by an investment portfolio that provides investors with diversification away from the top 20 securities of the S&P/ASX 300 Index by market capitalisation.

Changes in the market environment in recent years, have rendered it difficult for the Company to sustain its current dividend policy.

Most notably, these factors include:

- a significant decline in interest rates to historically low levels (refer Chart 1);
- more subdued rates of economic and of earnings growth rates;
- lower stock market dividend yields;
- lower levels of capital growth in the mid-cap sector; and
- the ongoing outperformance of “growth” stocks relative to “value” investments (refer Chart 2).

Contango Income Generator Limited

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Chart 1: Australian Government One, Three and Ten-Year Benchmark Bond Yields and the RBA Overnight Target Cash Rate



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Source: Bloomberg

Chart 2: S&P/ASX 200 Value versus Growth Total Return



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Source: Bloomberg

Being a relatively new listed investment company, the Company does not have the benefit of substantial retained earnings to maintain dividend levels during market downturns when the Company’s ability to generate distributable profits is challenged.

Following a review, the Board, in conjunction with the manager, has revised the dividend policy as follows:

- 1) to pay quarterly dividends that provide investors with an attractive and sustainable income stream that is franked to the maximum possible extent; and
- 2) to the extent that the Company is not able to pay a dividend, it undertakes to return an appropriate amount of capital to shareholders via an on-market buyback.

In recognition of the factors that are influencing the market at present, the Board has also provided the manager with more flexibility to invest in growth stocks and companies outside the mid-cap sector so as to enhance the Company’s ability to achieve its dividend objectives.

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The Board believes that the revision to the Company's dividend policy, supported by the more flexible investment framework, will enable the Company to continue to meet its long-term path of consistent, quarterly dividend payments. The revised dividend policy will also enable the Board to increase the level of franking on dividends in the future.

Dividend payments will continue to be subject to the availability of distributable profits and corporate, legal and regulatory considerations.

As at 31 July 2019, adjusted for the payment of CIE's final dividend of 1.0 cent per share, the Company's retained earnings balance will be \$1.02m (0.97 cents per share).

The Company's dividend reinvestment plan, which offers an attractive 3% discount, will continue to be available to shareholders.

For further information please contact either:

Marty Switzer, CEO, Contango Asset Management on 0407 297 702; or

Alistair Dunne, Head of Distribution, Contango Asset Management on 1300 001 750.

Yours faithfully,



Mark Kerr
Non-executive Chair, Contango Income Generator Limited.

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