

Wednesday, 8 April 2020

The Manager
ASX Market Announcements
Australian Securities Exchange Limited

By electronic lodgement

Dear Sir/Madam

Market Update

Reduction to Cost Base

In response to the COVID-19 pandemic, the Board and senior management of Contango Asset Management Limited ("Contango" or the "Company") have reviewed the Company's current financial position and operations in order to reduce its cost base to counter expected lower revenues over the short to medium term.

As a result of this review, Contango has moved quickly to achieve an immediate reduction in its cost base by reducing total employment costs which are the Company's largest expense. The Board is at this time committed to retaining Contango's team of dedicated and highly skilled professionals. However, this has necessitated significant salary reductions.

Effective from 1 April 2020, the Company has reduced total employment costs on an annualised basis by approximately \$450,000. In addition to agreed salary reductions taken by its employees, the Board has agreed to a 10% reduction in directors' fees and the CEO and Managing Director's base salary (inclusive of superannuation) will be reduced by approximately 16%.

Management's focus on cost control demonstrated over the past 12 to 18 months will continue, and a number of other ongoing operating cost reductions have been identified. These further cost initiatives are being implemented immediately and the Company expects to have a materially lower cost base for FY 2021.

The current environment provides Contango with the opportunity to re-set certain variable operating costs with the benefit of reducing the Company's cost base over the medium and longer term.

The Company remains well capitalised with net cash and receivables of \$7.4 million as at 31 March 2020. The Board believes that this strong financial position, combined with the cost measures outlined above, will enable Contango to take advantage of expected future market opportunities and to achieve its long-term growth objectives.

FUM Update

On 20 February 2020, the Company reported group funds under management of \$650 million. Since then, global equity markets have fallen significantly due to the COVID-19 pandemic.

As at 7 April 2020, Contango had funds under management of \$524 million which equates to a fall of approximately 19%. This compares with falls on global markets of between 25 to 30% over the same period. A key driver of this outperformance has been the superior investment returns of the Company's suite of funds managed by WCM Investment Management compared with its benchmark and peer group.

The Board sincerely thanks its valued employees for their loyalty and dedication during this volatile market period.

Yours faithfully,

Marty Switzer

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