

Thursday, 28 January 2021

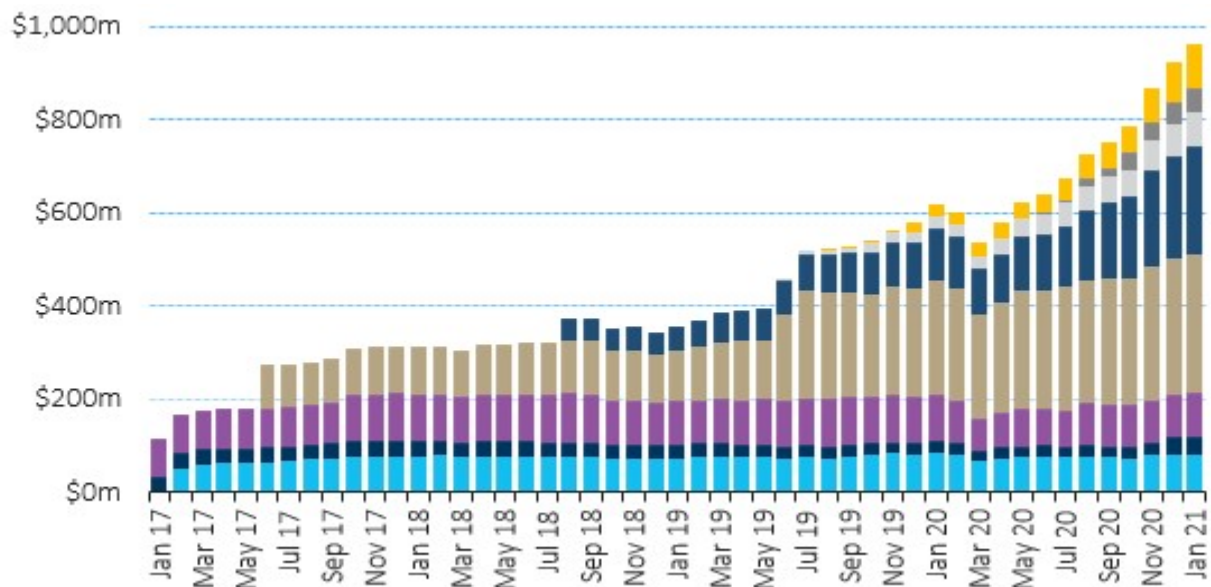
## Quarterly activity report – for the quarter ended 31 December 2020

### FUM Update

Contango Asset Management Limited (“**Contango**” or the “**Company**”) is pleased to advise that the Company’s Funds Under Management (“**FUM**”) continued to grow strongly in the second quarter of the 2021 financial year. As at 31 December 2020, the Company’s FUM totalled approximately \$921 million, representing an increase of \$170 million or 23% above the total of \$751 million in FUM as at 30 September 2020.

The increase in FUM during the December 2020 quarter resulted from a combination of strong net inflows of over \$111 million, together with the superior investment returns from the suite of funds managed by WCM Investment Management (“**WCM**”).

The chart below shows the strong growth in retail FUM since January 2017:



	Global Equities	Income
<b>Funds</b>	<ul style="list-style-type: none"> <li>WCM International Small Cap Growth Fund (Managed Fund)</li> <li>WCM Quality Global Growth Fund (Managed Fund) - Class B (Hedged)</li> <li>WCM Quality Global Growth Fund (Managed Fund) - Class A (Unhedged)</li> <li>WCM Quality Global Growth Fund (Quoted Managed Fund) (ASX:WCMQ)</li> </ul>	<ul style="list-style-type: none"> <li>Switzer Higher Yield Fund (Managed Fund) (CHI-X:SHYF)</li> <li>Switzer Dividend Growth Fund (Quoted Managed Fund) (ASX:SWTZ)</li> </ul>
<b>Listed Investment Companies</b>	<ul style="list-style-type: none"> <li>WCM Global Growth Limited (ASX:WQG)</li> <li>Contango Income Generator Limited (ASX:CIE) (to be renamed WCM Global Long Short Limited)</li> </ul>	

The Board is pleased to advise that Contango has recorded further growth in FUM since 31 December 2020, with the Company's FUM totalling approximately \$961 million as at 27 January 2021. This includes further FUM inflows and increases from investment performance.

## WCM Strategies Outperform Over the December 2020 Quarter

The WCM large cap and small cap strategies have both continued to outperform their respective benchmarks for the December 2020 quarter.

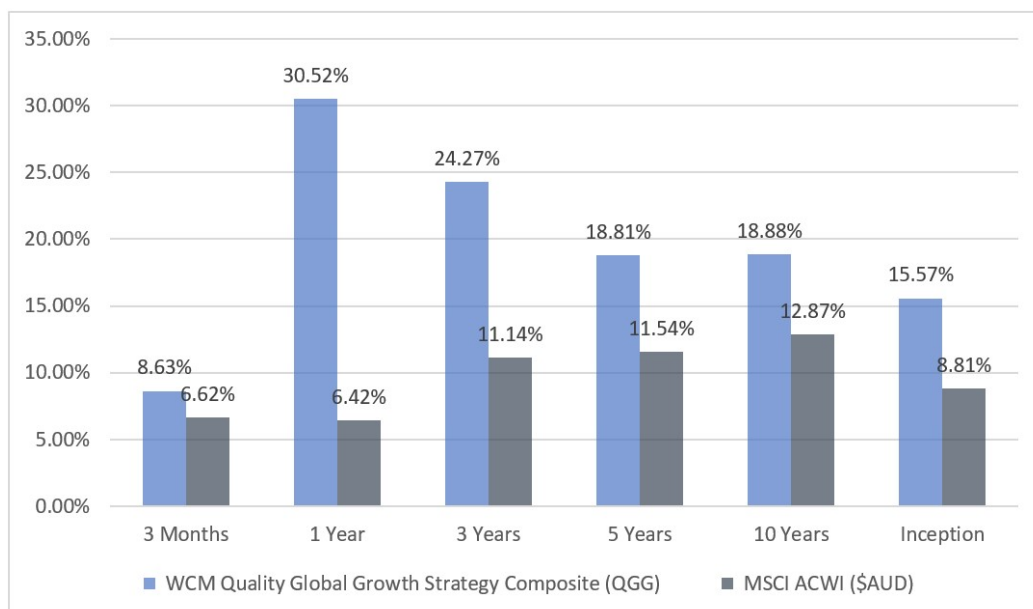
The WCM large cap strategy, WCM Quality Global Growth Strategy, delivered a return of 8.6% over the quarter outperforming its benchmark by 2.0%. The WCM International Small Cap Growth Strategy delivered a return of 12.9% outperforming its benchmark by 2.8%. WCM is a top quartile global and international equities specialist with total FUM of over \$93 billion<sup>1</sup>.

Based in Laguna Beach, California, WCM's investment process is based on the belief that corporate culture is the biggest influence on a company's ability to grow its competitive advantage or 'moat'. This investment process has resulted in WCM's Quality Global Growth Strategy outperforming the MSCI World Index by 6.8% per annum over a decade.

Contango has an exclusive retail distribution arrangement to distribute WCM's strategies in Australia.

## **Large Cap Track Record**

Annualised returns of the WCM Quality Global Growth Strategy<sup>2</sup> versus its benchmark are shown below:

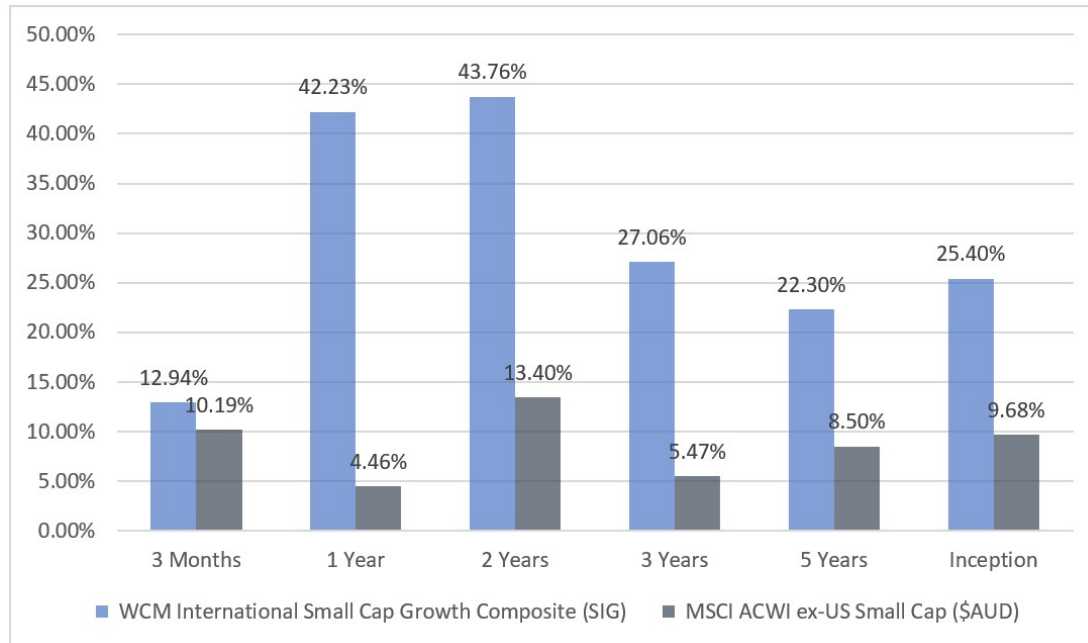


<sup>1</sup> As at 30 September 2020 in AUD.

<sup>2</sup> Data as at 31 December 2020 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results. Inception date of the WCM Quality Global Growth Strategy is 31 March 2008.

### Small Cap Track Record

Annualised returns of the WCM International Small Cap Growth Strategy<sup>3</sup> versus its benchmark are shown below:



### Growth in Retail Investor Base

As at 31 December 2020, Contango had over 13,150 unitholders and shareholders across its product suite.

### WCM Global Growth Limited (WQG)

In July 2020, WCM Global Growth Limited announced the commencement of partial franking of dividends, together with the implementation of a Dividend Reinvestment Plan (**DRP**) in relation to its final dividend for the 2020 financial year (**FY2020**). Contango was pleased to offer WQG shareholders a one-time **DRP** participation incentive for the FY2020 final dividend.

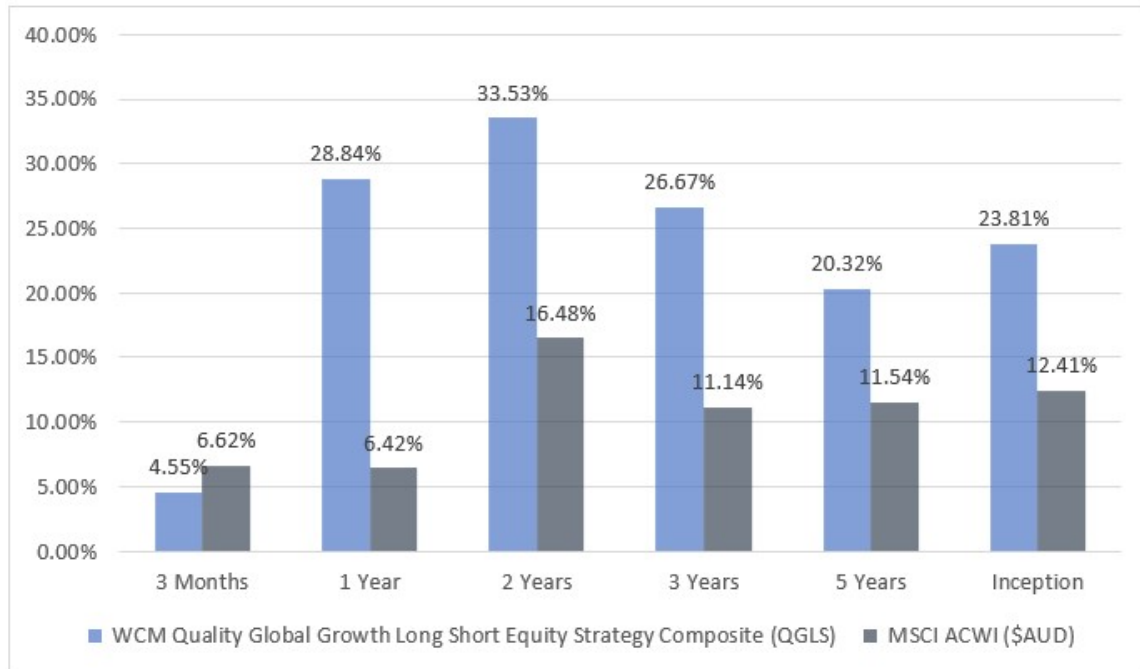
The strong support from WQG's shareholders for this initiative was reflected in the **DRP** participation rate of 31.3% being one of the highest **DRP** participation rates for any listed investment company. The payment of the 3% **DRP** participation incentive was made by Contango in October 2020.

### Contango Income Generator Limited (CIE) (to be renamed WCM Global Long Short Limited)

On 18 September 2020, Contango Income Generator Limited's shareholders approved the resolution to adopt a new strategy for CIE's investment portfolio, moving to a global long short strategy managed by WCM.

<sup>3</sup> Data as at 31 December 2020 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results. Inception date of the WCM International Small Cap Growth Strategy is 31 December 2014.

The WCM Quality Global Growth Long Short Equity Strategy has, since inception on 30 June 2014, generated a return of 23.8% per annum, outperforming its benchmark, the MSCI All Country World Index by an annualised 11.4% per annum.



As announced to the ASX on 15 January 2021, the Board of CIE entered into a binding term sheet with WAM Capital Limited (ASX:WAM) (**WAM**) and its investment manager in relation to a selective buy-back of WAM's 69.6% holding of ordinary shares in CIE following the close of WAM's takeover offer for CIE on 13 November 2020.

The selective buy-back is subject to a number of conditions, including shareholder approval at an upcoming Extraordinary General Meeting (**EGM**) of CIE.

The CIE Board has also announced that it will propose a special resolution at the upcoming EGM to change the name of CIE to WCM Global Long Short Limited. This initiative will align WCM with CIE's new investment strategy, increasing its relevance in the marketplace under the WCM brand, and introduce a new strategy to the WCM product suite in the Australian market.

### **Switzer Higher Yield Fund (SHYF)**

On 2 December 2020, Contango announced that it appointed Coolabah Capital Institutional Investments, a leading active credit manager, to manage the Switzer Higher Yield Fund (Managed Fund).

SHYF is a floating-rate bond fund that seeks to provide investors with an attractive cash yield with low capital volatility by investing in a portfolio of high quality and liquid fixed income securities.

The existing \$23 million fund was relaunched as a quoted managed fund with its units quoted on the Chi-X Australia Exchange (**Chi-X**) on 23 December 2020. Investors are now able to purchase and redeem units in SHYF via their broker or directly with Switzer Asset Management Limited, the responsible entity.

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SHYF was the first fixed income product in Australia to launch as a quoted managed fund and just the third product to use this structure.

The re-launch was well supported by retail investors, with SHYF raising over \$14 million in additional capital through a short offer period.

## Cash Position

Contango's cash inflows remained strong during the quarter, assisted by an increase in management fees on the Company's higher FUM base. Receipts from customers totalled \$1.5 million in the December 2020 quarter.

Over the same period, operating costs were well controlled. While cash outflows from operating activities were higher this quarter, the Company's underlying cash generation continued to improve as payments this quarter included: the Company's annual insurance renewal in December 2020 (included in administration and corporate expenses); staff restructuring costs associated with CIE's change in investment strategy (included in staff costs); one-time DRP participation incentive payment to WQG and costs associated with the relaunch of SHFY (included in corporate activity); and payment of GST received in the previous quarter on FY2020 performance fees.

Contango has a receivable relating to the assignment of an investment mandate to NAOS Asset Management Limited. A total amount of \$3.3 million remains payable to the Company in relation to this transaction, in two annual instalments in June 2021 and 2022.

The Company's cash balance was \$3.5 million as at 31 December 2020. Including the receivable noted above, the Company had total cash and receivables of \$8.1 million and debt of \$1.25 million as at 31 December 2020.

Contango's strong financial position provides it with the capacity to continue to execute its growth strategy successfully and achieve further FUM growth.

## Payments to Related Parties of the Entity and Their Associates

The Company has an existing marketing and distribution agreement with Switzer Financial Group Pty Limited and paid \$55,000 for this service during the period. In addition, the Company made payments of \$148,003 for Directors' fees and the Managing Director's salary.

Yours faithfully,



Marty Switzer  
CEO and Managing Director  
Contango Asset Management Limited  
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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Contango Asset Management Limited and Controlled Entities
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**ABN**

56 080 277 998
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**Quarter ended ("current quarter")**

31/12/2020
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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customer	1,495	2,958
	(a) GST received on FY20 performance fees	-	202
1.2	Payments for		
	(a) operating costs	(280)	(679)
	(b) advertising and marketing	(68)	(164)
	(c) staff costs	(709)	(1,394)
	(d) administration and corporate costs	(616)	(1,052)
	(e) corporate activity	(105)	(165)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(60)	(100)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	142	303
1.8	GST on payment received from NAOS in June 2020	-	(166)
1.9	GST paid on FY20 performance fees	(202)	(202)
<b>1.10</b>	<b>Net cash from / (used in) operating activities</b>	<b>(403)</b>	<b>(459)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – GST on item 2.2(f)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	-	-

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,885	3,941
4.2	Net cash from / (used in) operating activities (item 1.10 above)	(403)	(459)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,482</b>	<b>3,482</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,482	3,885
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,482</b>	<b>3,885</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

203

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Includes payment of Directors' fees, MD salary and other related parties.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	1,252	1,252
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	1,252	1,252

**7.5 Unused financing facilities available at quarter end**

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company has an unsecured loan facility of \$750,000 with an unrelated private family trust. The loan is for 3 years expiring on 6 December 2022, with an interest rate of 8% per annum and does not have loan covenant requirements. The Company has an additional unsecured loan facility of \$502,000 with an unrelated private family trust. The loan is for 10 years expiring on 28 August 2028 with an interest rate of 8% per annum and does not have loan covenant requirements.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.10)	(403)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,482
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,482
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	8.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021

  
Authorised by: .....

Marty Switzer (CEO and Managing Director)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.