CONTANGO INCOME GENERATOR LIMITED (ASX:CIE)
INVESTMENT UPDATE AND NTA STATEMENT

31 May 2018

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PERFORMANCE UPDATE

May was mixed for global equity markets. The strongest markets were the S&P500 (+2.4%) and FTSE100 (+2.8%). The rest of the world was modestly higher, except for Europe and Japan which were 1-2% lower.

Global markets continue to remain nervous over US-China trade tensions, while political instability in Italy emerged late in the month. The bond market initially continued its selloff with yields pushing higher, the benchmark US 10-year treasury yield reaching 3.1% mid-month, its highest level since July 2011, before rallying strongly on the re-emergence of trade and political uncertainty.

The domestic market was mixed. Within the benchmark ASX All Ordinaries Accumulation Index, Health Care (+5.1%) and Materials (+2.2%) did best due to their exposure to overseas influences. There was a bounce in Consumer Discretionary (+6.0%) after a period of poor performance whilst REITs (+3.7%) and Utilities (+1.0) did better as bonds rallied. Telco's stood out as the poor performer again in May (-8.6%).

Domestically focused stocks have been negatively impacted by changes (and threats of changes) to Government policy. Most significant of these is the Royal Commission into Financial Services, which is impacting banking, wealth management and insurance. While other policies are affecting telecommunications, gas, electricity, fund administration, gaming and infrastructure management.

Performance of the portfolio for the month was in line with the broader market at 1.3%. Portfolio returns over the 3-months (portfolio -1.3% versus index +1.2%) and 1-year (4.9% versus 10.8%) periods have lagged whilst returns since inception remain strong at 8.4%.

Significant stock gains over the month included IPH Ltd (+23.0%), Super Retail Group (+17.8%), Bapcor (+13.6%) and Southern Cross Media (+12.1%). IPH and Super Retail Group recovered some previous underperformance, while Bapcor continued its good performance. The biggest detractor for the month was Automotive Holdings (-17.8%), declining after downgrading earnings driven by a weaker than expected recovery in sales.

The cash weighting in the fund is 11.0%. The fund has begun deploying more cash into the market with a target weight of 5.0% over time.

PORTFOLIO PERFORMANCE

PERFORMANCE (after fees)	CONTANGO INCOME GENERATOR	ASX ALL ORDS ACCUM INDEX	ADDED VALUE %
1 Month	1.34%	1.40%	-0.06%
3 Months	-1.25%	1.22%	-2.47%
6 Months	-3.48%	3.12%	-6.60%
12 Months	4.86%	10.79%	-5.93%
Inception (Aug 2015)	8.41%	9.46%	-1.05%

NET TANGIBLE ASSETS (NTA)

NET TANGIBLE ASSETS (PER SHARE)	31 MAY 2018	30 APR 2018
NTA before tax	**$0.974**	**$0.963**
NTA after tax and before tax on unrealised gains	$0.981	$0.971
NTA after tax	**$0.966**	**$0.957**

KEY DETAILS

Report Date:	31 May 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:	$101.193 million
Shares on issue:	103.719 million
No. of stocks held:	44
Share price:	$0.955

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PORTFOLIO OUTLOOK

With the confluence of political uncertainty and question marks over global growth and inflation, we expect continued volatility in markets this year. Although the equities appear to be in late cycle, the absolute low level of inflation and continued reasonable growth provide an attractive backdrop for equities. A slowdown in regulatory influence locally will be likely taken very positively.

Cash will be allocated into stocks where we see solid, attractive and sustainable yields backed by good balance sheets and stable businesses. We continue to target a gross yield above the market yield.

SHAWN BURNS
SENIOR PORTFOLIO MANAGER
CONTANGO ASSET MANAGEMENT

PORFOLIO CHARACTERISTICS

MAY 2018	CONTANGO INCOME GENERATOR	ASX ALL ORDS INDEX
Median market cap ($m)	2327	1714
Price to earnings ratio	16.3	17.3
Earnings growth (%)	6.9	22.1
Dividend yield (net)	5.2	4.5
Dividend yield (gross)	6.9	6.1
Return on equity (%)	17.8	17.4
Beta	0.8	1.0

TOP 10 HOLDINGS

CODE	STOCK	WEIGHT %
BOQ	Bank of Queensland Ltd	4.6
BEN	Bendigo & Adelaide Bank Ltd	4.3
TAH	Tabcorp Holdings Ltd	4.1
ASX	ASX Ltd	3.3
SXL	Southern Cross Media Group Ltd	2.7
CHC	Charter Hall Group	2.6
CTX	Caltex Australia Ltd	2.5
BAP	Bapcor Ltd	2.5
AGL	AGL Energy Ltd	2.4
HPI	Hotel Property Investments	2.4

SECTOR BREAKDOWN

SECTOR	WEIGHT %
Consumer Discretionary	21.6
Consumer Staples	3.8
Energy	4.0
Financials	25.5
Health Care	1.8
Industrials	8.3
Information Technology	4.1
Materials	6.2
REITS	9.4
Telecommunication Services	0.0
Utilities	4.6
Cash	10.7

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