

Managing Director – David Stevens

- Contango MicroCap Limited



Contango MicroCap Limited

- Portfolio
 - Economic outlook sound
 - Valuations are reasonable
- CTN now owns and controls our manager – no performance fee to external manager
- Manager's growth opportunities:
 - Institutional
 - Large cap, small cap and micro cap
 - Transition to retirement – low volatility equity income funds
 - Retail / High Net Wealth - SMSF / LIC
 - Income capabilities
 - Global fund
- China initiatives
 - Institutional relationships



Institutional - Australian Equities Allocations

- Larger mandates
- Fee compression
- International and Alternatives
- Industry fund owned manager
- In house capability



Institutional - Contango

Core Equities - Bellwether / Contango Synergies

Small / MicroCap - High Alpha remains attractive and fee resilient

Transition to retirement - Ex-30 Income Fund gaining traction



Listed Closed End Capacity - Contango

- 10 Year market leading performance
- Internalised vehicle capable of generating shareholder cross ownership
- Shareholder base grown to 5,427
- Strong capabilities in sectors in demand
 - (Micro's, Income, International)
- Emerging brand recognition



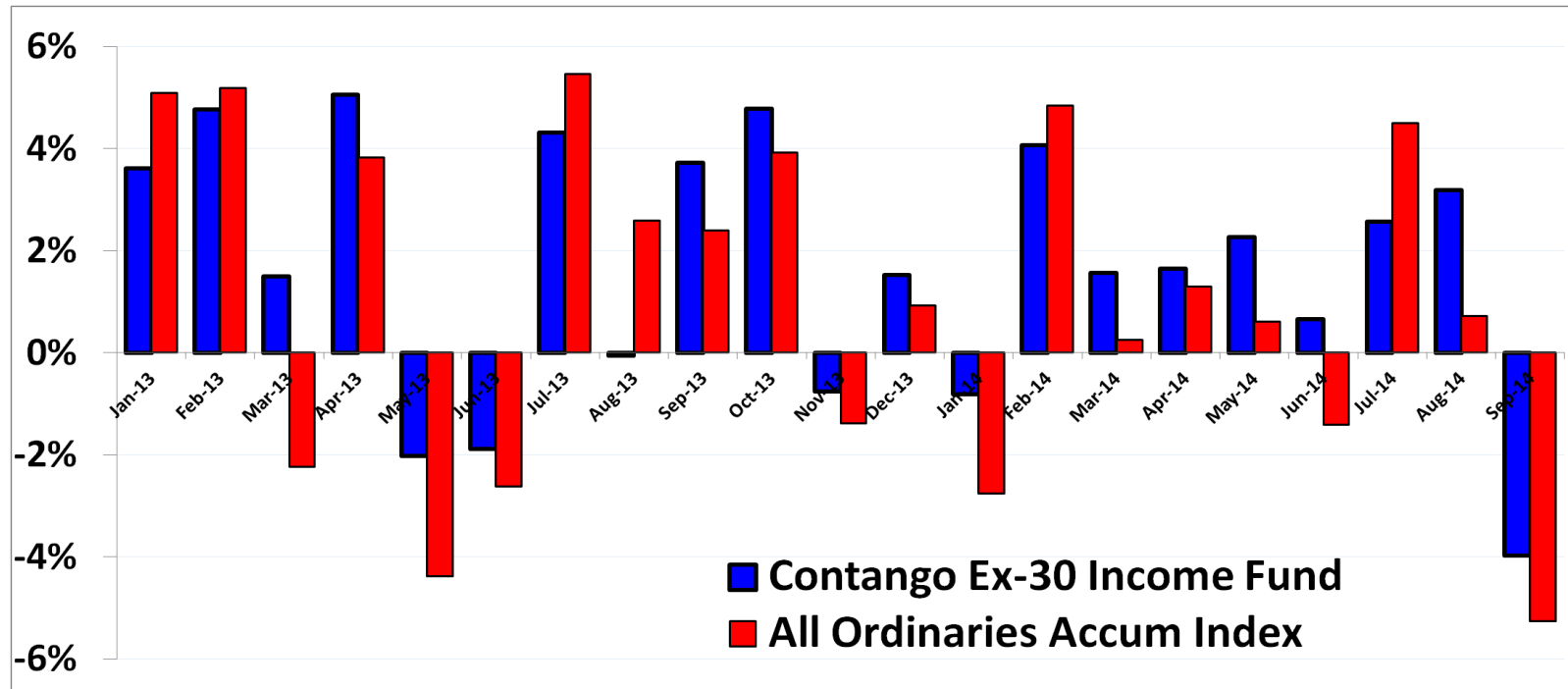
Contango - Income Capability

Why now is a good time

- Aging demographic needs income
- Ex 30 excludes 4 Banks, Telstra, Woolworths, Coles
- Ex 30 – 37% of index – a source of equity income generally not being accessed by Institutions
- Low volatility share investments with strong yields
- Low correlation to the business cycle
- Up to 50% cash
- Outperformed in 7 out of 7 down months



Performance and reduced volatility



	3m	6m	1 Year	1.5 Yr (% pa)	3 Yrs (% pa)	5 Yrs (% pa)
Contango Income Generator Fund	0.9	3.8	12.5	14.0	22.7	13.3
Contango Ex 30 Income Fund	1.7	12.5	17.5	18.2	-	-
ASX All Ords Accum	-0.3	0.2	5.9	8.7	14.0	6.7
ASX300 Industrials Accum	-0.1	1.2	7.9	10.8		

Gross Returns before fees, charges and tax. Past performance is no guide to future performance. At 30.09.14

Contango Global Value Fund of Funds

Morningstar Australia Institutional Sector Survey
30 September 2014

Global Equity Quartile Rankings*

	1 Year %	3 Years (% p.a)	5 Years (% p.a)
Contango Global Value	20.6	31.8	19.1
Top Quartile	21.7	24.0	12.6
Median	19.3	22.5	11.5
Bottom Quartile	17.7	20.6	10.6

* MSCI World Ex Australia AUD

Portfolio Manager – Bill Laister

- Economic Overview
- Review of MicroCap Portfolio



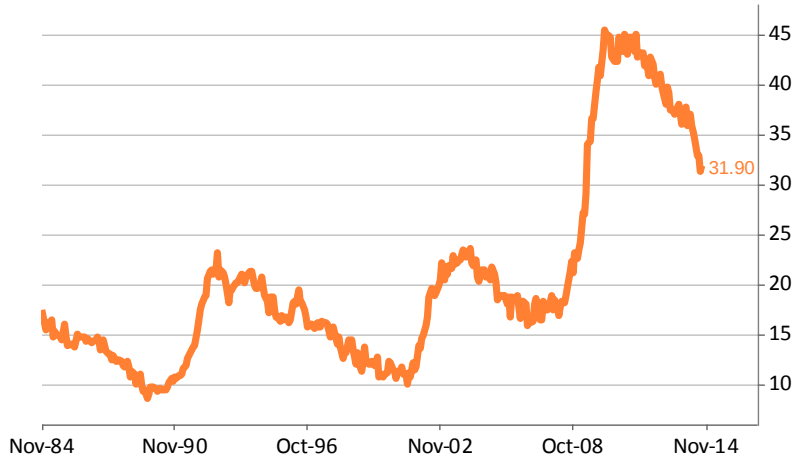
Global economic growth to continue grinding higher into next year

- Driven mostly by the recovery in the US economy
 - Financial conditions still very accommodative despite end of QE
 - Payroll growth to support spending,
 - Profitability to support investment
- Global growth ex-US is lacklustre
 - Growth in Europe and Japan weak
 - Growth in China strong, but should continue to moderate with rebalancing of economy
- Domestically, headline growth solid but components mixed
 - Real GDP growth strong on booming export volumes
 - But domestic demand weak and nominal economy under pressure from falling commodity prices
 - Lower AUD and record low interest rates to support
- Global interest rates will remain low despite end of QE
 - Falling oil prices increasing global risk of deflation
 - US labour market has spare capacity, expect only gradual Fed rate rises
 - ECB and BoJ policy to remain highly accommodative

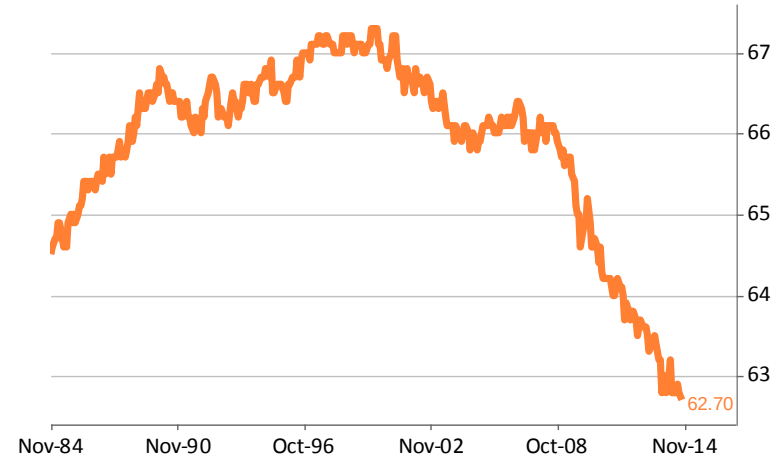


Slack in US labour market will help keep global interest rates low

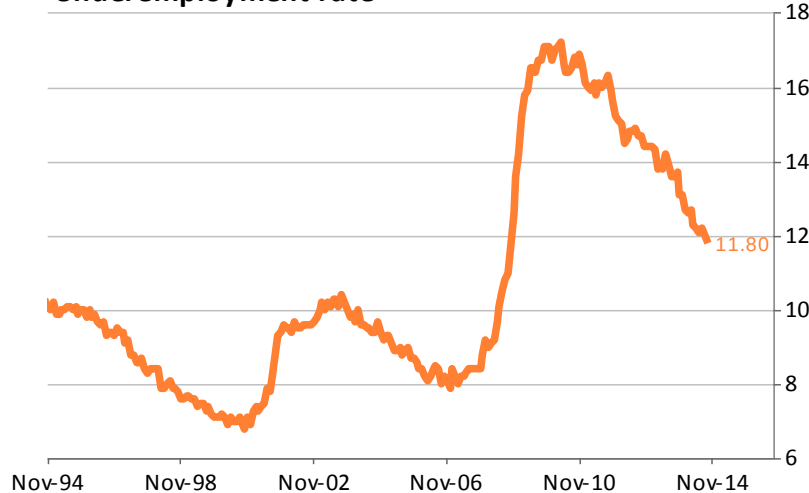
Share of long term unemployed (>27 weeks)



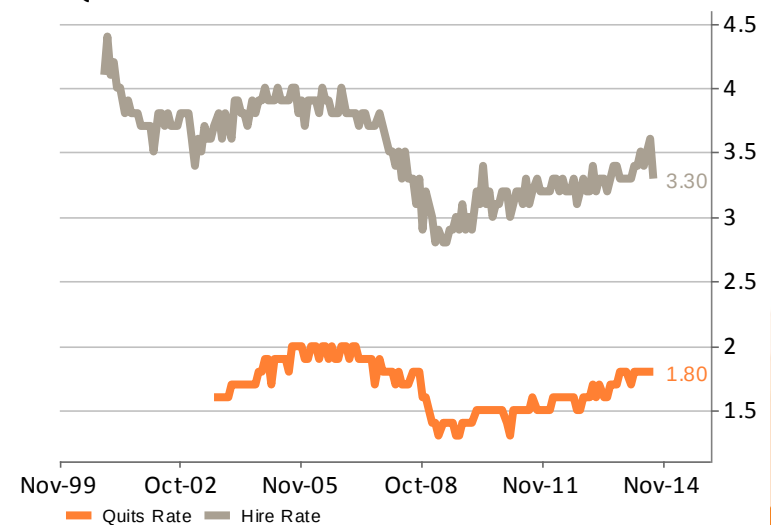
Participation rate



Underemployment rate



Quit and Hire rates

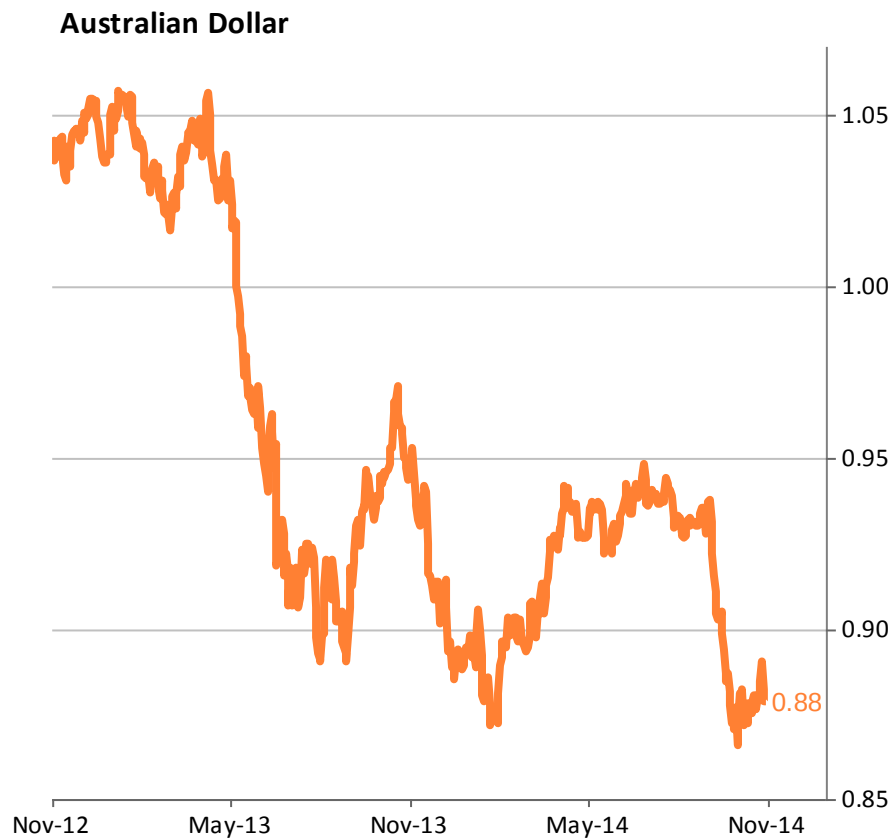
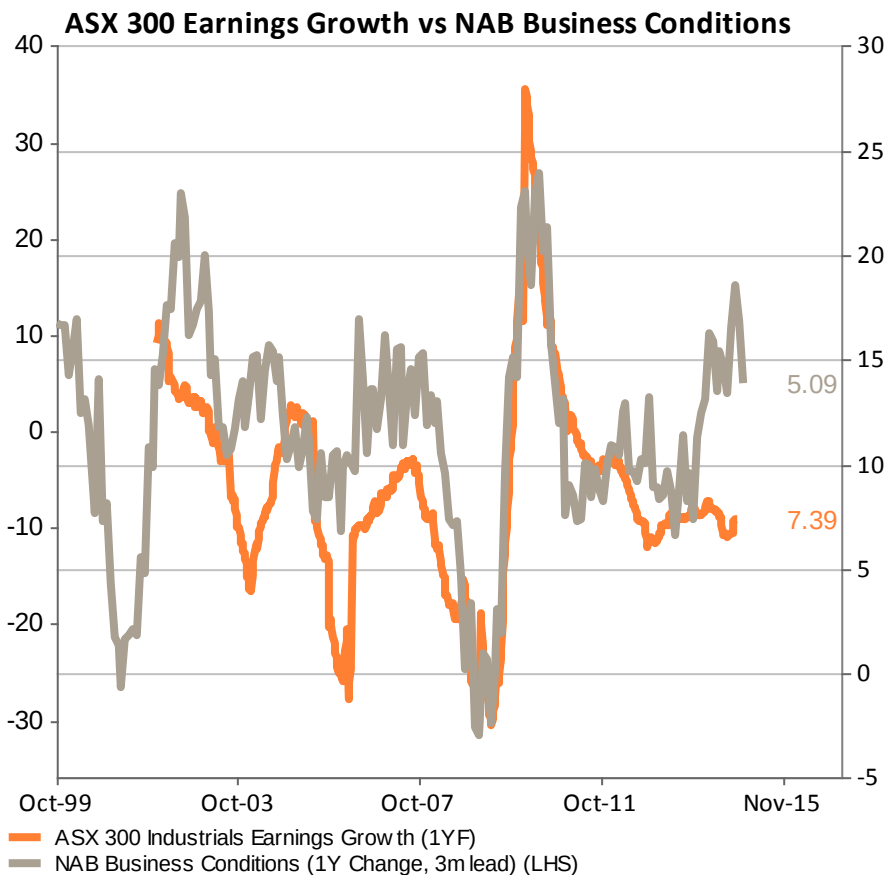


Despite recent volatility, the low interest rate environment will continue to support equity markets and risk assets

- Global equity markets will continue grinding higher
 - Low interest rates, recovering US economy
 - Equity market expected returns still attractive versus bonds and cash
- But we expect some increased volatility
 - Corrections are a normal part of markets, prevents price bubbles
 - However, we do not expect a significant correction with interest rates at such low levels
- Domestic equity market to follow global markets higher
 - Earnings set to improve in Australia on lower AUD
- Microcaps remain an attractive asset class
 - Low interest rates will support risk assets
 - Sector offers superior earnings growth and higher return opportunities through alpha generation
 - Undiscovered 'gems', disruptive business models, industries of the future



Domestic earnings growth will be supported by lower AUD



Performance (at 30/09/14)

	1Yr %	2 Yrs % pa	3 Yrs % pa	4 Yrs % pa	5 Yrs % pa	10 Yrs % pa	Inception % pa (25/03/04)
CTN Investment Portfolio	6.9%	11.3%	9.4%	5.5%	7.2%	15.1%	16.7%
Emerging Co's Accum. Index	-1.8%	-10.0%	-6.7%	-7.6%	-4.4%	2.9%	3.1%
ASX Small Ords Accum. Index	-0.1%	0.7%	1.7%	-1.9%	-0.3%	3.6%	4.6%

Valuations remain positive

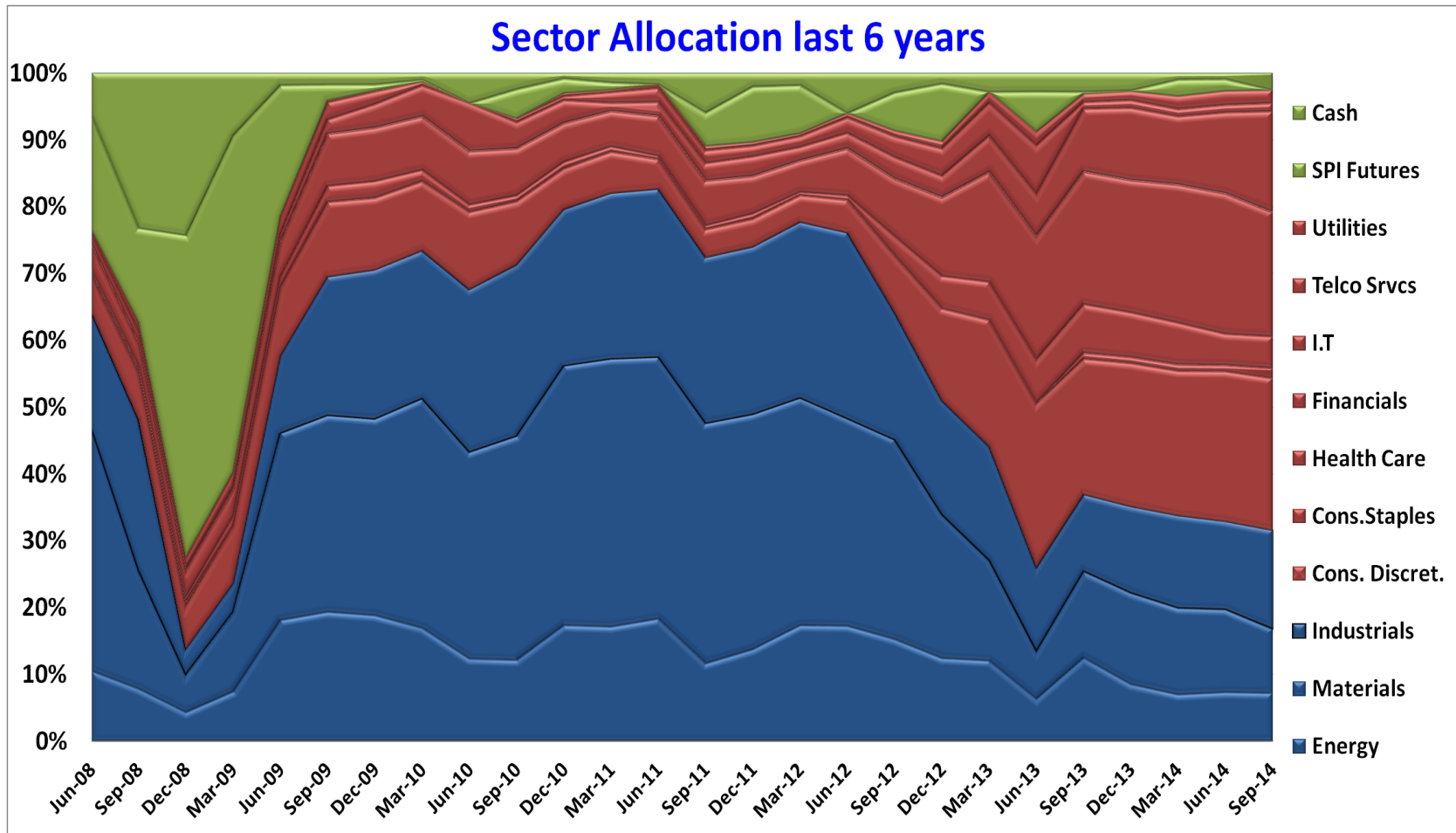
1 Year Forward at 30/09/14	MicroCap Portfolio	Small Ords	ASX 100
PE	11.9	13.7	14.1
Yield	3.6	3.8	5.0
EPSg	52.6	24.7	8.4
ROE	13.5	14.5	16.0
ND/E	6.8	13.9	51.8

Placements & IPOs – September Quarter

MicroCap Fund	
Placements - September Qtr 2014	
AEK	Anatolia Energy Limited
MLD	MACA Limited
EPD	Empired Limited

MicroCap Fund	
IPO's - September Qtr 2014	
ENN	Elanor Investors Group
ASH	Ashley Services Group Limited
OTC	OTOC Limited

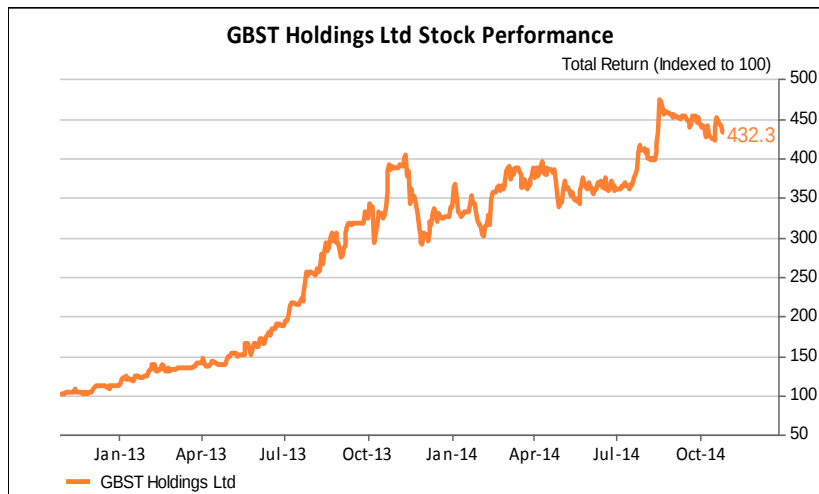
Getting sector calls right



Top 20 Stocks (at 30/09/14)

Code	Stock	Position	Code	Stock	Position
SGH	Slater & Gordon Limited	4.0%	BTT	BT Investment Mgmt	2.3%
AFJ	Affinity Education Grp	3.2%	PRT	Prime Media Group	2.3%
VLW	Villa World	3.0%	AUB	Austbrokers Holdings	2.3%
GBT	GBST Holdings	2.9%	CWP	Cedar Woods Properties	2.2%
IPP	Iproperty Group	2.6%	PMP	PMP	2.1%
AHE	Automotive Hldgs Grp	2.6%	EPW	ERM Power	2.0%
TGS	Tiger Resources	2.6%	SGF	SG Fleet Group	2.0%
VRL	Village Roadshow	2.5%	EGG	Enero Group	1.9%
ASB	Austal	2.4%	IFM	Infomedia Ltd	1.8%
MYX	Mayne Pharma Group	2.4%	OKN	Oakton	1.8%

GBST Holdings (GBT)



ASX CODE: GBT
 COMPANY: GBST Holdings
 INDUSTRY GROUP: SOFTWARE & SERVICES

CURRENT PRICE: \$3.76

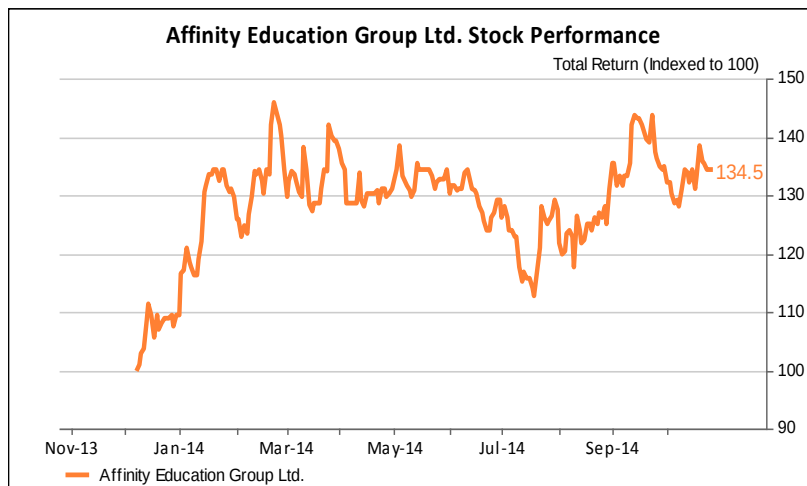
PE PREMIUM 10% TARGET PRICE \$ 4.85

Year End	2014	2015	2016	2017
	Actual	Forecast	Forecast	Forecast
NPAT (\$M)	10.0	15.6	20.4	24.1
EPS (cents)	0.21	0.29	0.36	0.41
EPS GROWTH		35.8%	24.8%	14.0%
PE (x)	17.5	12.9	10.3	9.1
PE Rel to ASX Small Ind	107%	88%	79%	75%

- GBT is a global software provider to the financial services industry, specifically to the wealth management and capital market segments.
- In the Capital Markets division, GBT is well entrenched in the Australian market, providing software to customers to manage post-trading processing. The company has more recently been making good sales overseas and this should be a growth leg for GBT in the future.
- In the Wealth Management division, GBT provides platforms to support all back office functions relating to daily management of investments, superannuation, portfolio administration etc. Aside from the Australian market, the UK market is a growth avenue for GBT as platforms compliant with new regulations are installed (which GBT provides).
- GBT exhibits strong top line and earnings growth, and as with other software providers, the company delivers excellent metrics on return on equity (ROE) and margins, generates good cash, and is nearly debt free. The stock is also cheap for a software company.
- Conclusion:** GBT is an entrenched player in a growing market. The company continues to spend on R&D to develop and improve their products which should continue to result in strong growth into the future. The stock is cheap compared to other listed software companies.
- Target price of \$4.85/s, a 34.2% total expected return.

Stock Returns	
Capital Return	29.0%
Dividend Yield	5.2%
Total Stock Return	34.2%
Market Return	6.3%
Dividend Yield	3.8%
Total Market Return	10.1%
Excess Stock Return	24.1%

Affinity Education Group (AFJ)

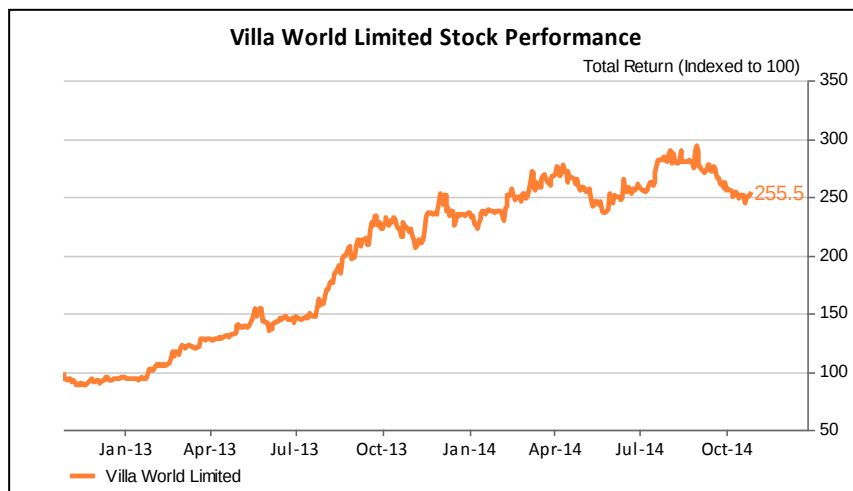


ASX CODE: AFJ				
COMPANY: Affinity Education Group				
INDUSTRY GROUP: CONSUMER SERVICES				
CURRENT PRICE:		\$1.30		
PE PREMIUM		10%	TARGET PRICE \$	
			2.10	
Year End	2014	2015	2016	2017
	Forecast	Forecast	Forecast	Forecast
NPAT (\$M)	14.5	24.3	29.3	35.0
EPS (cents)	0.10	0.14	0.17	0.21
EPS GROWTH		48.3%	20.5%	19.7%
PE (x)	13.3	9.0	7.4	6.2
PE Rel to ASX Small Ind	81%	62%	57%	52%

- AFJ operates child care centres in Australia, having formed in late 2013 when it listed. The group has 128 child care centres across several states.
- The company is exposed to strong underlying demand for its services due to factors such as increased participation of women in the workforce.
- Industry is extremely positive. The child care market is forecast to grow at 5% p.a. in revenue over the next 5 years and enjoys a high level of government support.
- AFJ is growing via acquisitions. A clear strategy exists of acquiring centres cheaply in a highly fragmented market, while ensuring that debt levels are managed.
- Earnings risk is to the upside in forecast years as they convert their pipeline of opportunities.
- We expect AFJ to enjoy similar success as GEM (listed peer and competitor), and gradually re-rate towards GEM's multiple as AFJ demonstrates successful execution.
- **Conclusion:** AFJ operates in a very positive and supportive industry which isn't overly cyclical, while trading at a substantial discount to the market and listed competitor GEM. We expect strong delivery growth in earnings over the coming 12 months which should result in a re-rate of the stock.
- Target price of \$2.10/s, a 67.2% total expected return.

Stock Returns	
Capital Return	61.5%
Dividend Yield	5.7%
Total Stock Return	67.2%
Market Return	6.3%
Dividend Yield	3.8%
Total Market Return	10.1%
Excess Stock Return	57.1%

Villa World (VLW)

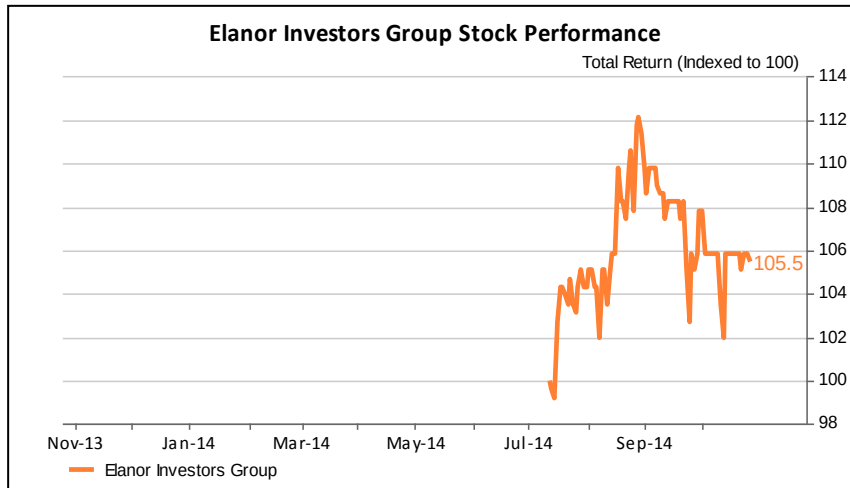


ASX CODE: VLW				
COMPANY: Villa World				
INDUSTRY GROUP: REAL ESTATE				
CURRENT PRICE:		\$1.89		
PE PREMIUM		-25%	TARGET PRICE	\$ 2.61
Year End	2014	2015	2016	2017
	Actual	Forecast	Forecast	Forecast
NPAT (\$M)	19.1	22.6	24.8	27.0
EPS (cents)	0.22	0.24	0.26	0.29
EPS GROWTH		10.7%	9.6%	9.1%
PE (x)	8.7	7.8	7.1	6.6
PE Rel to ASX Small Ind	58%	51%	53%	54%

- VLW is an Australian residential property developer with a focus on affordable housing in the sub-\$500k price range in major metropolitan areas on the east coast.
- VLW specialises in development and construction of 3-4 bedroom detached homes, integrated housing solutions (for example 2-3 story joined townhouses) and the sub-division and sale of land lots.
- VLW sells houses and land in blocks of 10-15 (to individual buyers), and then builds them in parallel (i.e. lay all the slabs together, construct all the frames together, and so on). This saves time and money, and increases product quality.
- Geographically their overweight QLD exposure (>80%) is a positive in the current environment, given the strong momentum in QLD housing following a lagged recovery compared to other States.
- VLW is cheap on 7.8x FY15 earnings, with 10% CAGR growth over three years to FY17, and an 8.7% FY15 dividend yield.
- **Conclusion:** VLW is a well-run residential developer with macro tailwinds, a strong earnings growth profile, and is trading cheaply on 7.8x earnings.
- Target price of \$2.61/s, a 47.4% total expected return.

Stock Returns	
Capital Return	38.3%
Dividend Yield	9.1%
Total Stock Return	47.4%
Market Return	6.3%
Dividend Yield	3.8%
Total Market Return	10.1%
Excess Stock Return	37.3%

Elanor Investors Group (ENN)



ASX CODE: ENN			
COMPANY: Elanor Investors Group			
INDUSTRY GROUP: DIVERSIFIED FINANCIALS			
CURRENT PRICE: \$1.35			
NPV PREMIUM	-10%	TARGET PRICE	\$ 1.68
Year End	2015	2016	2017
	Forecast	Forecast	Forecast
NPAT (\$M)	7.9	8.5	9.1
EPS (cents)	0.13	0.14	0.15
EPS GROWTH		7.9%	6.5%
PE (x)	9.6	8.9	8.4
PE Rel to ASX Small Ind	69%	70%	70%

- ENN is an investment and funds management business focusing on assets and operating businesses that deliver sustainable cash flows with potential for development or restructure.
- Quality management team with an impressive track record established pre-IPO (under the pre-IPO privately owned Moss Capital entity, which was co-founded by Bill Moss and Glenn Willis in early 2009).
- Potential for a substantial increase in funds under management as management focus on their key objective to roll out syndicates and wholesale funds.
- Valuation upside to assets held on balance sheet – given conservative book values, management's ability to enhance operating performance of assets, and likely execution of developments.
- Strong balance sheet, with a 27% gearing level (debt / equity).
- ENN is cheap, trading on a 9.6x FY15 PE and an 8.7% dividend yield.
- **Conclusion:** ENN has quality management with an impressive track record, upside potential at the asset level, upside potential in funds under management, a solid balance sheet, and is cheap.
- Target price of \$1.68/s, a 44.0% total expected return.

Stock Returns	
Capital Return	34.4%
Dividend Yield	9.6%
Total Stock Return	44.0%
Market Return	6.3%
Dividend Yield	3.8%
Total Market Return	10.1%
Excess Stock Return	33.9%

Contact

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