

Wednesday, 29 April 2020

Quarterly activity report – for the quarter ended 31 March 2020

Business activity update

Contango Asset Management Limited (“Contango” or the “Company”) is pleased to announce a 7% increase in cash receipts from customers for the quarter ended 31 March 2020 compared with the December 2019 quarter due to the growth in funds under management (“FUM”) across its retail funds. Over the same period, cash outflows for operating expenses declined by 12%, primarily due to the timing of payments and the effectiveness of ongoing cost containment measures.

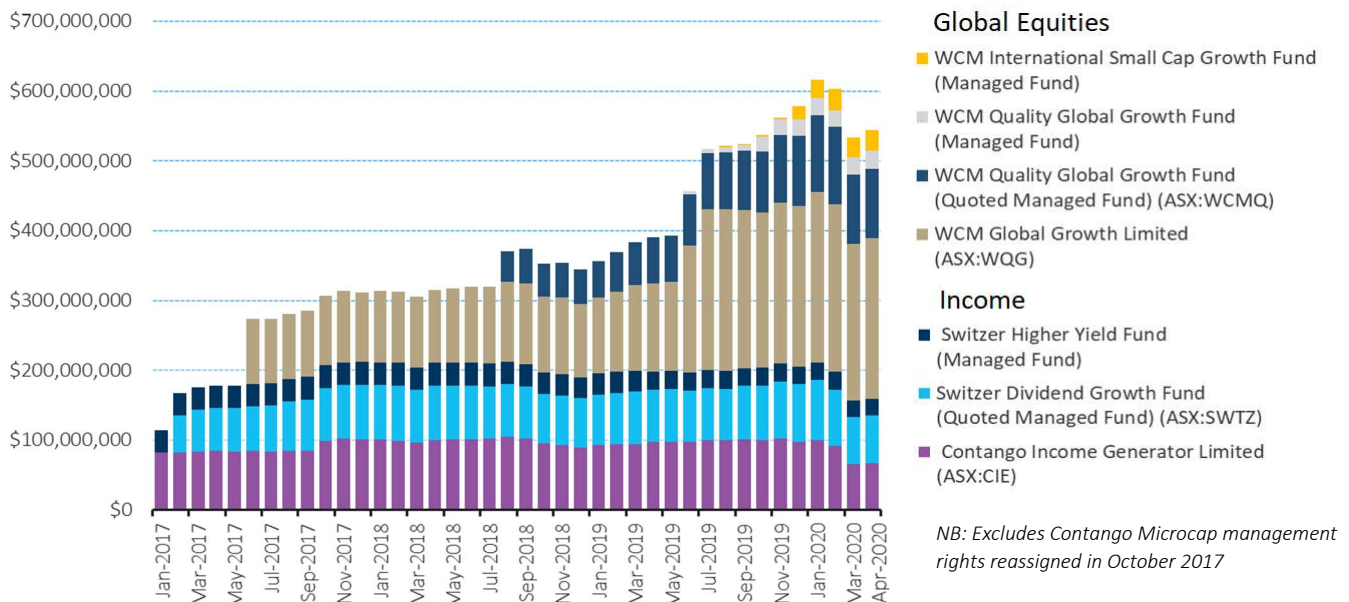
As at 31 March 2020, the Company has cash and receivables of \$7.4 million. This includes a \$5.0 million receivable relating to the assignment of an investment mandate to NAOS Asset Management Limited that is payable in annual instalments in June each year over the next three years.

FUM Update

Contango reported Group FUM of \$650 million as at 20 February 2020 with the release of its half year results. Since then, global equity markets have fallen significantly due to the COVID-19 pandemic.

At 7 April 2020 Contango had FUM of \$524 million which equated 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 was the superior investment returns of the Company’s suite of funds managed by WCM Investment Management (“WCM”) compared with its benchmark and peer group.

The chart below shows the strong growth in retail FUM from January 2017 up until 7 April 2020:

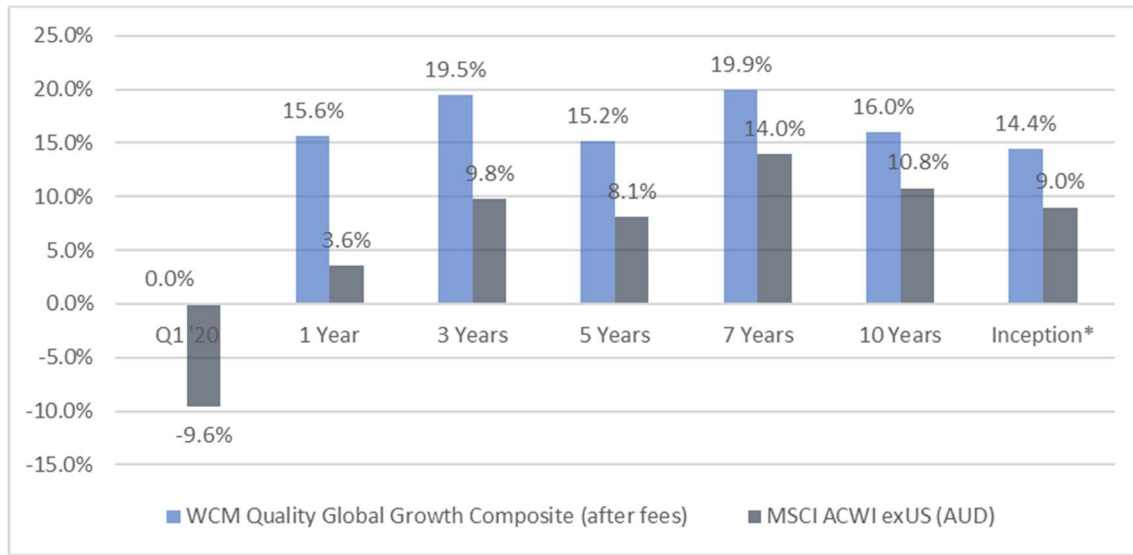


WCM strategies significantly outperform over the quarter

Over the March 2020 quarter the WCM large cap and small cap strategies significantly outperformed their respective benchmarks.

Large cap track record

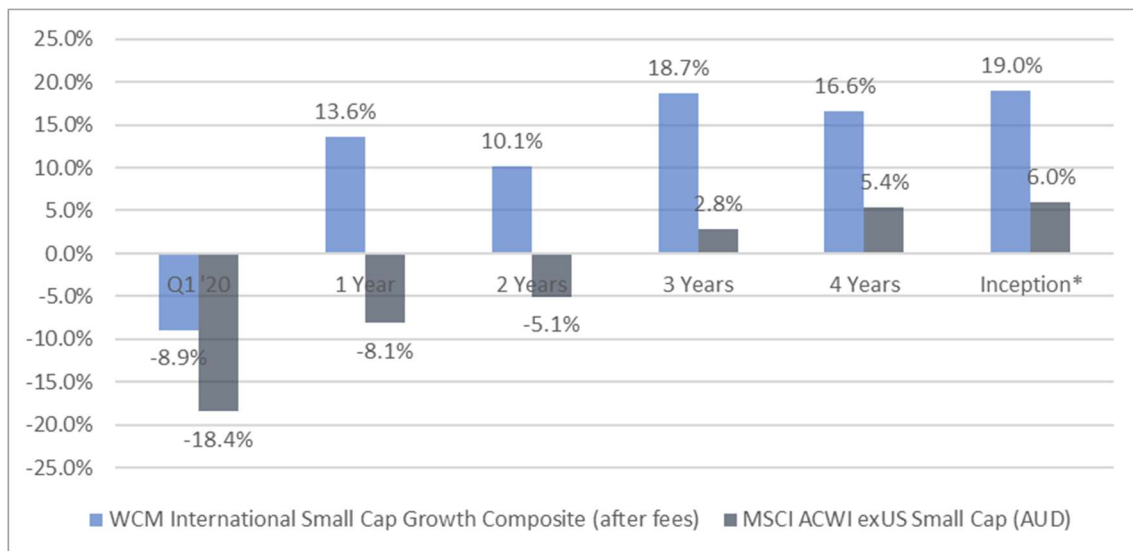
Annualised returns of WCM Quality Global Growth Strategy versus its benchmark:



*Composite inception date is 31 March 2008. Source: WCM Investment Management. WCM Investment Management claims compliance with the Global Investment Performance Standard (GIPS).

Small cap track record

Annualised returns of the WCM International Small Cap Growth Strategy versus its benchmark:



*Composite inception date is 31 December 2014. Source: WCM Investment Management. WCM Investment Management claims compliance with the Global Investment Performance Standard (GIPS).

Platform availability expanding and continued growth in WCM product suite

The WCM Quality Global Growth (Managed Fund) received approval for inclusion on the Macquarie Wrap platform in February 2020 and the Colonial First State platform in March 2020, complementing the Netwealth and HUB24 platforms.

During the quarter, the WCM International Small Cap Growth Fund (Managed Fund) was seeded by leading wealth managers and approved for use on the Macquarie Wrap and Managed Accounts wealth platforms.

Growth in retail investor base

As at 31 March 2020, Contango had over 11,600 unitholders and shareholders across its product suite.

COVID-19 - Reduction to Cost Base

In response to the COVID-19 pandemic, the Board and senior management of Contango 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.

Effective from 1 April 2020, the Company reduced total employment costs on an annualised basis by approximately \$450,000. This includes a 10% reduction in directors' fees and a reduction in the base salary (inclusive of superannuation) of the CEO and Managing Director of 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 and the Company expects to have a lower cost base for FY 2021.

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 (SFG) and paid \$37,000 for this service during the period. In addition, the Company made payments of \$166,000 for Director fees and the Managing Directors' salary.

Note – the appendix 4C attached replaces the version that was lodged with the ASX on 17 April 2020.

Yours faithfully,

Marty Switzer

CEO and Managing Director
Contango Asset Management
M: 0407 297 702

Appendix 4C

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

Name of entity

Contango Asset Management Limited and Controlled Entities

ABN

56 080 277 998

Quarter ended ("current quarter")

31/03/2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customer	1,207	3,467
	(a) GST received on FY19 WCM Global Growth Limited performance fee	-	103
1.2	Payments for		
	(a) operating costs	(247)	(636)
	(b) advertising and marketing	(62)	(172)
	(c) staff costs	(781)	(2,424)
	(d) administration and corporate costs	(389)	(1,453)
	(e) restructuring costs (one off expense relating to employee share plan cancellation)	-	(86)
	(f) corporate activity	(8)	(84)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	(60)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Underwriting fees (one off fee relating to WCM Global Growth Limited options underwriting)	-	(1,212)
1.9	GST on payment received from NAOS in June 2019	-	(166)
1.10	GST on FY19 WCM Global Growth Limited performance fee	(103)	(103)
1.11	Net cash from / (used in) operating activities	(383)	(2,826)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
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	-	750
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	Net cash from / (used in) financing activities	-	750

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,749	4,442
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(383)	(2,826)
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)	-	750
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,366	2,366

5.	Reconciliation of cash and cash equivalents 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	2,366	2,749
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,366	2,749

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.

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.11)	(383)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,366
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,366
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	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: 29 April 2020



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.