



# Monash Absolute Investment Fund

## September 2015 – Month End Note<sup>1</sup>

### Monash Absolute Investment Fund Unit Price Performance After Fees

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2012/13	1.46%	-1.15%	-0.20%	1.81%	1.09%	2.91%	3.90%	4.39%	2.00%	1.13%	-1.10%	1.05%	18.53%
2013/14	5.57%	1.40%	7.08%	2.96%	-0.58%	-0.47%	0.86%	2.62%	4.72%	-1.27%	-0.54%	-1.01%	23.05%
2014/15	3.06%	2.32%	-4.31%	-0.22%	-1.61%	0.55%	1.55%	2.33%	1.08%	0.08%	-0.55%	-1.86%	2.21%
2015/16	6.57%	0.22%	-0.46%										6.32%

Returns to 30 September 2015	Return Characteristics Since Inception <sup>1</sup>	Portfolio Metrics as at 30 September 2015
3 Months	6.32%	Outlook Driven Stocks 15 62%
Financial YTD	6.32%	Event, Pair & Group Trades 13 19%
Calendar YTD	9.09%	Net Exposure 82%
1 Year	7.69%	Gross Exposure 99%
2 Years	8.00% p.a.	
3 Years	16.59% p.a.	
Since Inception	15.22% p.a.	FUM \$A 26
Standard Deviation	8.20% p.a.	Beta 0.56
		VAR 1.5%

The Fund fell 0.46% in September, while the Australian market fell about 3%. We are pleased to report that the Fund is up more than 6% this financial year even though the Australian market is down more than 6%.

Our search for compelling investment opportunities leads us to companies that tend to march to the beat of their own drum, as evidenced by our low Beta. This has allowed us to weather the stormy markets of the last few months despite being relatively fully invested.

### The Highs

**Netcomm Wireless (NTC)** rose 47.5%. NTC provides innovative broadband telecommunication products. In August it delivered a strong result due to demand for its modems and splitters from Pay TV, broadband and telco providers in Australia and New Zealand. It also benefitted from strong and accelerating demand from the NBN for its wireless broadband routers.

The strong upward price move in September was not driven by August's result, but rather the expectation that NTC will win a very large contract from AT&T to supply wireless broadband routers, and the growing realisation by the market that (i) there will be other similar opportunities with other large telcos and (ii) these sort of contracts provide a steady stream of demand instead of being one-off projects.

We have taken the opportunity to sell some of our holding into this strength.

<sup>1</sup> Reference to the Australian Market is based on the S&P ASX200 Accumulation Index. Inception date of Fund is 30 June 2012.

Short **Myer** (MYR) which fell 22.3% this month. We are short Myer because it has relatively high operating and financial leverage, and it is facing increasing competition from global vertically integrated apparel retailers, like Zara and Top Shop, who are rolling out stores in Australia. Furthermore, it has lost market share to David Jones, recently bought by Woolworth's of South Africa. David Jones is now looking to grow its private label apparel sales from 3.5% to 20% while spending capex to "transform the customer experience".

We last discussed MYR in the June Month End Note where we wrote "The recent departure of the CEO and CFO is a signal that there are major problems and the strategic review that is underway is likely to lead to write downs, a capital raising and a rebasing of expectations." – Well, this all played out in September leading to significant earnings dilution for the shareholders and a fall in the share price.

## The Lows

There were more lows than highs this month, which is why the Fund had a small negative return. However, none of our companies delivered any particularly bad news. With no news, they just tended to fall due to the market headwind. This is in contrast to August which was a reporting month, where many of our companies reported good news and were able to rise significantly in price, despite a much weaker share market.

**Impedimed** (IPD) fell 14.9%. Impedimed suffered from a lack of material news flow. It will be making the full commercial launch of its L-Dex system late this year.

IPD's system can detect lymphoedema in cancer survivors at its subclinical stage when the condition can be very easily managed and often reversed. The value of this unique system has been demonstrated by the fact that L-Dex has been granted its own "CPT Category 1 Code" which means it has full cost reimbursement in the USA. The only two other Australian companies granted their own CPT1 Code are Resmed and Cochlear.

**Lovisa** (LOV) fell 12.8% this month despite no company specific news.

Lovisa designs low priced jewelry which it retails in its own stores. It is vertically integrated "fast fashion" with only 8-10 weeks from design to manufacture to being in-store and a Gross Profit Margin of over 70%. It has over 140 stores in Australia and almost another 100 overseas (NZ, Singapore, Malaysia, Arabian Gulf and South Africa). It is achieving mid to high single digit organic growth and in addition is continuing to roll out stores overseas. We expect that they will enter a major Northern Hemisphere market within 12 months, such as the UK, USA or Europe. Overseas store rollout will drive growth for many years.

For wholesale clients use only. Not for retail clients use or distribution.

This document is issued by Monash Investors Pty Limited ABN 67 153 180 333 AFSL 417 201 (Monash Investors) in relation to the Monash Absolute Investment Fund (Fund). The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (Perpetual) is the Responsible Entity of, and issuer of units in the Fund, and Monash Investors is the investment manager of the Fund.

The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund. Monash Investors accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the disclosure document for the Fund.

Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance.

Neither Monash Investors or Perpetual guarantee repayment of capital or any particular rate of return from the Fund. Neither Monash Investors or Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of Monash Investors as at the date of this document are subject to change without notice