

Monthly Performance Report

March 2016

Fund Strategy

The Monash Absolute Investment Fund (Fund) offers investors an Australian equity fund that aims to deliver high absolute returns of 12-15% p.a. (after fees), over a full investment cycle and preserve investor capital each financial year.

The Fund is benchmark unaware, style and stock size agnostic, both long and short and only invests in compelling opportunities. In keeping with the Fund's absolute return objectives, if the team cannot find stocks that meet the very high return hurdle requirements, the Fund will preserve that capital in cash at bank.

Monthly Update

For the financial year to date, the Fund's performance is up 13.3% after fees while the ASX200 is down 3.3%

The Fund rose by 2.4% after fees in March, which was the best month for the Australian equities market in over 12 months – the ASX200 rose 4.7%. The market was driven by dramatic rises and falls, largely in the price of banks and resources shares, which were more related to macro-economic factors than stock specific earnings.

By contrast, the Fund rose steadily, but not dramatically over most of the month. As businesses, the Fund's stocks generally reported very good half year results in February, which gave them some momentum into March, and given their valuations we expect these trends will continue.

Monthly Portfolio Metrics

Outlook Stocks (Long)	16 Position: 67%
Outlook Stocks (Short)	1 Positions: -4%
Event, Pair and Group (Long)	6 Positions: 16%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	21%
Gross Exposure	86%
Net Exposure	79%
Beta	0.45

Return Summary Since Inception¹

Since Inception (p.a.)	14.99%
1 Month	2.43%
3 Months	-5.47%
6 Months	6.54%
FYTD	13.28%
1 Year	10.65%
2 Years	6.09%
3 Years	12.92%
Cumulative	68.86%

¹Inception date of Fund is 2 July 2012.

Portfolio Analytics Since Inception

Sharpe Ratio	1.35
Sortino Ratio	3.09
Standard Deviation (p.a.)	9.04%
Positive Months	64%
Maximum Drawdown	-7.71%
Avg Gross Exposure	86%
Avg Net Exposure	79%
Avg Beta	0.59
Avg VAR	1.16%

Key Fund Information

FUM	\$28m
Minimum Investment	\$20,000
Management Fee	1.53% p.a.
Performance Fee	20.5% above the RBA Cash Rate with High Water Mark
Pricing Frequency	Daily
Distributions	Annually
APIR Code	MON0001AU
Morningstar Category	Alternatives Strategies

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Stock Focus

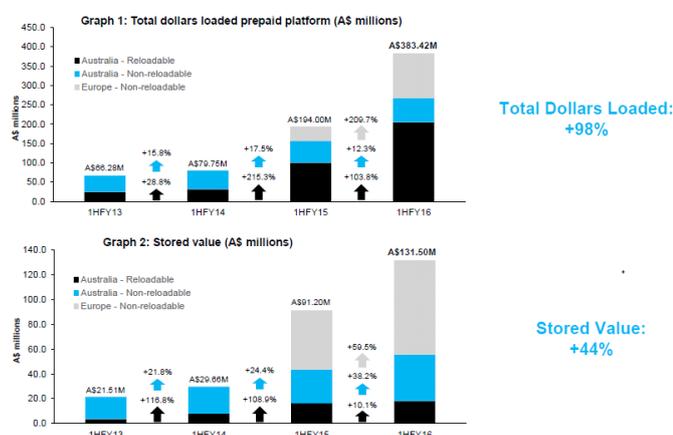
Emerchants (ASX Code: EML)
Market Cap \$300m
Sector: Transaction Processing

Emerchants is an issuer and processor of debit cards, ranging from reloadable cards through to traditional, single-store gift cards. It allows businesses to custom brand cards, for use by their customers or employees, and to limit that card use to certain stores or category of purchases. Such cards help reduce misuse and administration costs for corporates, charities, government disbursements and reward schemes.

EML earns income from four sources: 1) Establishment fees which are charged on a per-card basis; 2) transaction fees which includes the funding of cards, BPAY, ATM, product purchase and bank interchange – this is the dominant revenue source; 3) interest income on unspent funds; and 4) termination fees for non-reloadable cards.

EML has made significant progress over recent times expanding its customer base in Australia and Europe.

Performance Metrics – 1HFY16 vs 1HFY15

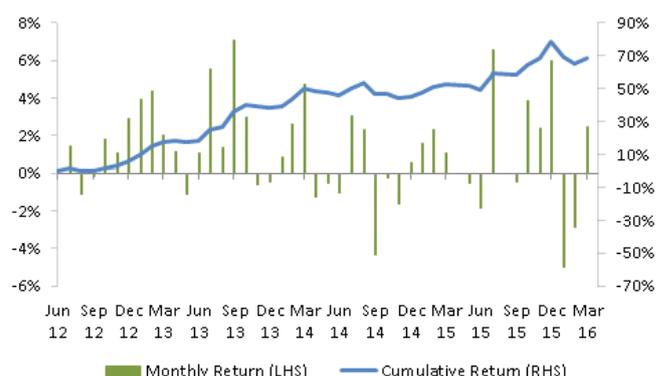


In Australia they now provide the major corporate bookmakers, such as Sportsbet and Ladbrokes, with cash back cards, so punters can withdraw their winnings immediately from ATM's. This levels the playing field with the TAB's, whose clients have been able to withdraw winnings instantly from pubs and TAB retail outlets.

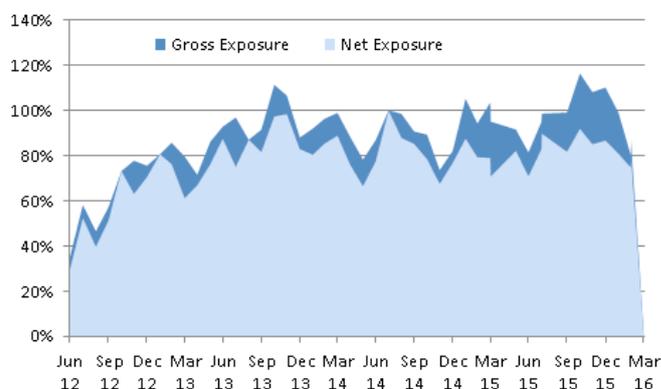
Corporate bookmaking is highly competitive, resulting in Emerchants' industry penetration being very rapid. The first sports betting agreement was only signed in 2014. They now have all 5 of the top corporate bookmakers in Australia.

Following the acquisition of the UK based Store Financial, the largest shopping mall gift card provider in Europe, with a strong growth profile (5 year historical revenue growth 40%pa) EML

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



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is in a position to expand its successful corporate bookmaker reloadable winning card product into the much larger UK market.

Importantly, most of the Australian corporate book makers are owned by UK based firms, which have had to approve the marketing strategy and financial agreements made by their Australian subsidiaries. This has exposed Emerchants to their global management and has already resulted in the signing of a company transforming deal with bet365 in the UK.

We believe bet365 UK itself is larger than the entire Australian online gambling market and that overall the UK market is 5 times bigger than Australia. We expect that Emerchants will rapidly pick up further gambling customers in the UK and Europe.

So how does EML meet our investment criteria

Insight:

Customer Behavior – The winnings card is an important new product feature for corporate bookmakers, and it negates a competitive disadvantage versus bricks and mortar gambling outlets. It is a feature that these highly competitive businesses are rapidly adopting and promoting.

Limited Analyst Coverage – EML has moved from having no analyst coverage two years ago, to having two sell side analysts from smaller firms covering it to-day. At this stage of the business further analyst coverage should result in more demand for the stock.

Growth:

Sales are expected to rise 70% this year, as gamblers ramp up their use of the winnings cards. Mature penetration of the bookmakers' customer base in Australia will take another couple of years beyond that. With the inclusion of UK clients, we should see sales growth in excess of 50%pa in FY17 and FY18. EPS should grow well ahead of that, due to the operating cost leverage of the business.

Value:

Based on consensus earnings estimates (which we believe the company will easily exceed) the stock is trading on an FY18 PE of 17x. Given the existing growth profile and strong balance sheet of this company (it has no debt) there is significant valuation upside. We have not included the blue sky of any additional geographies outside of Australia and Europe in our valuation.

Event:

We expect that there will be other UK/European clients announced over the remainder of the calendar year. We expect that there will be additional analysts covering the stock this year and that there will be increases to earnings forecasts following the full year result.

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