Monash
ABSOLUTE INVESTMENT FUND

Monthly Performance Report

December 2016

Fund Strategy

The Monash Absolute Investment Fund ARSN 606 855 501 (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.

Return Summary Since Inception[1]

Since Inception (p.a.)	11.80%
1 Month	0.39%
3 Months	-4.07%
6 Months	-2.61%
FYTD	-2.61%
1 Year	-7.65%
3 Years	6.02%
Cumulative	64.96%

[1]Inception date of Fund is 2 July 2012.

Monthly Update

The Fund was up 0.39% (after fees) for the month of December, during which the Small Ords rose by 3.61% and the S&P/ASX300 was up 4.34%. Like many other hedge funds, and with the Fund's current positioning towards growth stocks, the Fund has had a weak couple of months.

Since the US election, large cap stocks have been sought after by the market as short term macro and political concerns have eased and the outlook for growth improves. Most of these large cap stocks have only modest growth outlooks, and paradoxically, their rally has come at the expense of higher growth smaller cap stocks.

The Fund seeks to preserve capital on a financial year basis, and despite extreme pullbacks in many high growth stocks, it is only down 2.61% for the financial year. Monash Investors still expects that there is plenty of opportunity to have strong performance over the remainder of the financial year.

Portfolio Analytics Since Inception

Sharpe Ratio	1.00
Sortino Ratio	2.01
Standard Deviation (p.a.)	9.16%
Positive Months	65%
Maximum Drawdown	-8.01%
Avg Gross Exposure	88%
Avg Net Exposure	77%
Avg Beta	0.58
Avg VAR	1.20%

Monthly Portfolio Metrics

Outlook Stocks (Long)	21 Position: 73%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	4 Positions: 16%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	16%
Gross Exposure	94%
Net Exposure	84%
Beta	0.78

Key Fund Information

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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The headwinds faced by the Fund in delivering performance in December are well illustrated by reviewing the top 2 contributors and the worst 2 detractors to the Fund. The winners had good news or were bouncing back from share price weakness, while the losers were high growth stocks that fell despite making no negative announcements.

December Winners

Lovisa (ASX:LOV)

Lovisa rose 18% in December. It sells low priced, fashion jewellery through retail stores. About 15% of its inventory is refreshed each week, and the payback on each store is generally between 4 to 8 months. Its stores are doing well in Australia and it is expanding overseas. In December it issued a profit upgrade with same store sales running at 10% pa and a gross margin of 77% which is stronger than previously forecast. This led to brokers upgrading their forecasts for this year by around 20%.

Yowie (ASX: YOW)

Yowie rose 18% in December. It manufactures and distributes Yowie chocolates through supermarkets, convenience stores and specialty confectioners in the United States. Analysts' consensus is that sales are expected to grow 100% pa for the next 2 years. It is expected that they will also launch this year in Canada and Australia. The stock price has fallen due to tardy execution of their US roll out and concerns over management. With a consensus PE of 9x for 2018 the stock is very cheap.

December Losers

There were ongoing share price falls in many high growth companies in December, and again two of the Fund's companies with extremely strong growth outlooks participated, despite no obvious news flow.

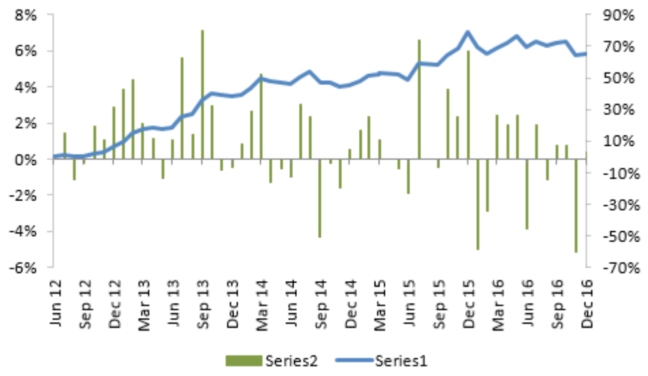
Impedimed (ASX: IPD)

Impedimed fell 16% in December. It is a medical device company that is rolling out a product that monitors various diseases using bioimpedence spectroscopy. It is likely to be a game changing device for the monitoring of patients with Lymphodema and heart disease, and is being enthusiastically backed by the US regulator and hospitals.

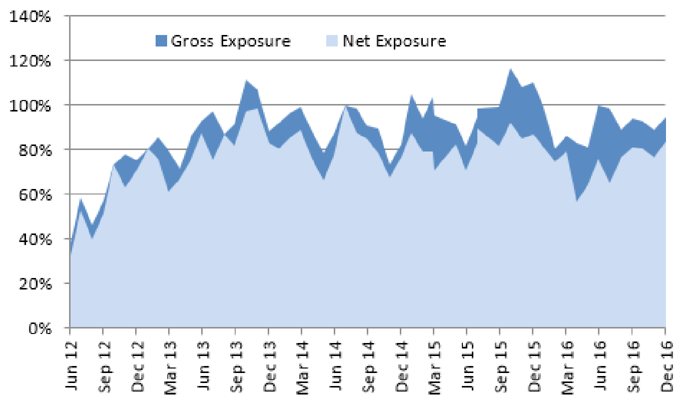
Catapult (ASX: CAT)

Catapult fell 24% in December. Catapult provides wearable technology for professional athletes. It delivered positive news in November at its AGM where it set strong guidance for next financial year, and indicated its imminent launch into the 'pro-summer' market, which should be a very significant driver of future earnings but is not yet in analyst forecasts.

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



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Important Information

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Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Comparisons are provided for information purposes only and are not a direct comparison against benchmarks or indices that have the same characteristics as the Fund.

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