Monash
ABSOLUTE INVESTMENT FUND

Monthly Performance Report

February 2017

Monthly Update

The Fund was down 2.04% (after fees) for the month of February, during which the Small Ords rose 1.31% and the S&P/ASX300 rose 2.18%.

February is the profit reporting month for periods ending December. Out of the top 12 companies held by the Fund, 7 beat analyst earnings expectations, 4 were in line and 1 was below. However, this did not translate into performance, with only 6 of the companies rising on the day of their results, and 6 falling.

The headwind against smaller growth companies that started in October 2016 continued, and so despite a "good" results season, the Fund went backwards. There is a detailed breakdown of the performance of those 12 companies below.

Outside of the largest positions there were mixed results. A highlight was our short position in Sky Network Television, which added to performance by falling 20.4% over the month as a result of an adverse ruling by the NZ Commerce Commission. Offsetting this was a 23.9% fall in medical device company AirXpanders, despite the lack of an apparent catalyst.

Turning to the top 12 in more detail below, Monash Investors has provided a brief commentary against each stock. In summary, it can be seen that while 4 of the stocks reported earnings that were in line with analysts' expectations, the market marked all of these down, seizing on any negative compositional aspects while downplaying the positives. Even Challenger, which had a good result with a bullish commentary by management, and which led to broker upgrades, actually fell on the day of its result.

Return Summary Since Inception[1]

Since Inception (p.a.)	9.86%
1 Month	-2.04%
3 Months	-5.61%
6 Months	-9.15%
FYTD	-8.42%
1 Year	-5.91%
3 Years	2.68%
Cumulative	55.10%

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

Portfolio Analytics Since Inception

Sharpe Ratio	0.79
Sortino Ratio	1.53
Standard Deviation (p.a.)	9.38%
Positive Months	63%
Maximum Drawdown	-13.17%
Avg Gross Exposure	88%
Avg Net Exposure	77%
Avg Beta	0.58
Avg VAR	1.20%

Monthly Portfolio Metrics

Outlook Stocks (Long)	20 Position: 71%
Outlook Stocks (Short)	1 Positions: -2%
Event, Pair and Group (Long)	3 Positions: 9%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	22%
Gross Exposure	82%
Net Exposure	78%
Beta	0.72

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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Overall, while half of these 12 stocks rose on the day of their results, half fell. Taking an arithmetic average of the price moves, the good outweighed the bad and the stocks went up by 1.4% on the day of their result, on average.
However, this was not enough to offset the market's bias against smaller growth companies, and on average these stocks actually went backwards by 1.7% over the month of February.

Commentary from the Investment Manager, Monash Investors on the top 12 holdings

Critically we saw nothing in the results from our top holdings that changes our investment thesis on these stocks or our view that they are materially undervalued by the market.

EML Payments: Transaction Cards
Beat expectations, rose 5.1% on day of result, fell 6.4% for the month

- Reported $10m EBITDA vs $8m expected.
- Outlined a strong pipeline of new business and new business opportunities.
- Management indicated that recent new business signings are expected to increase the loads in the business by more than 50% in FY18.
- Of particular note management guided to $700m in loads from the new Australian salary packaging vertical following the signing of 4 new clients. This vertical was only created 2 months ago and management guidance has doubled since then.

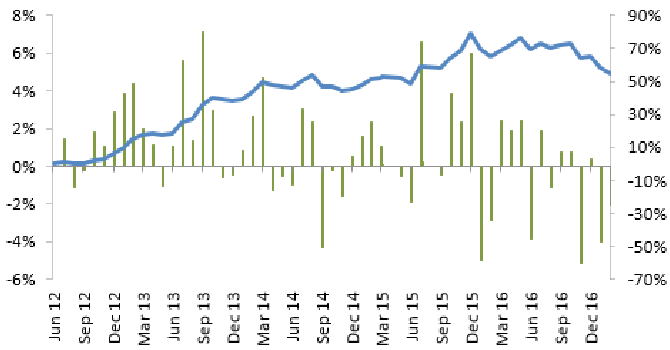
G8 Education: Childcare
Beat expectations, rose 3.7% on day of result, rose 7.8% for the month

- Strong operating improvement in second half, saw business back on track.
- Management targets lifted to 40c EPS FY19 up from FY16 EPS 25c. The FY19 target is 25% above current consensus expectations.
- Share placement at an 8% premium to a strategic investor. The capital raising will be used to fund a pipeline of childcare center acquisitions over the next 2 years, refocusing the market attention on the non-organic growth opportunities available to the business. These acquisitions will add $50m to EBIT as a point of reference EBIT for FY16 was $161m.

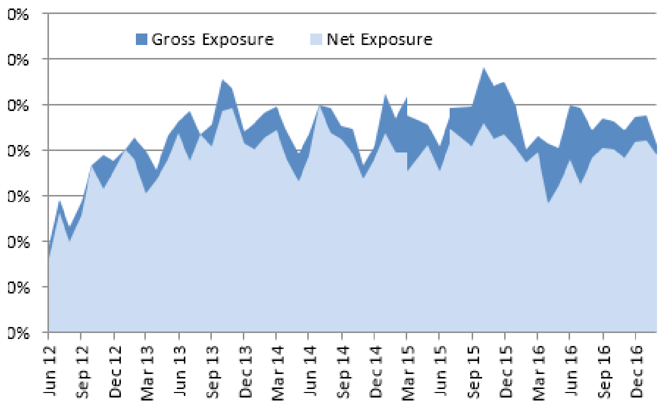
Speedcast: Marine Telco
In line, fell 6.3% on day of result, fell 0.3% for month

- Earnings in line with guidance.
- Weaker revenue than analysts expected offset by stronger EBIT margin.
- Management commentary strongly indicated widening margins and improving market conditions in the oil & gas market.

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



Challenger (CGF): Retirement Incomes
Beat expectations, fell 2.2% on day of result, rose 3.8% for the month

- Yet again another solid result from CGF demonstrating the strong organic growth in its business, while maintaining all operating metrics within historical norms.
- Announced distribution relationship with BT Financial Group.

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Greencross: Pet Retail / Vet
Beat expectations, rose 6.8% on day of result, rose 5.8% for the month

- Delivers a solid 4.3% LFL sales growth, against a generally tough retail environment.
- Further confirmation of the benefits of its integrated pet store / vet business model.
- Re-affirmed store rollout strategy and long runway of opportunities.

Lovisa: Jewelry Retailer
Beat expectations, rose 5.3% on day of result, rose 3.1% for the month

- Impressive LFL sales growth of 12.6% and lift in gross margins to 77.8%
- 7% increase in store foot print and plans in place to grow it martially, i.e. UK expansion.
- Flagged that 2H LFL sales would soften on 1H, which comes as no surprise given the strength of 1H.

Silver Chef: Rent, Try, Buy for SMEs
In line, fell 9.4% on day of result, fell 20.0% for the month

- Revenues and earnings in line with management guidance
- Market reacted to an increase in the bad debt charge and the large uplift in earnings required in 2H to reach full year guidance.
- The increase in the bad debt charge while large, was within historical levels for the hospitality business and but reflects a cleaning out of the GoGetta business.
- Management provided a detailed earnings bridge showing how it would achieve full year guidance. This level of detail is almost unheard of and underscored management confidence in its guidance.

Netcomm: Telco Hardware
In line, fell 3.7% on day of result, rose 3.5% for the month

- EBITDA in line with management guidance
- Indicated pipeline of opportunity strengthening

Catapult: Sport Technology
Beat expectations, rose 9.1% on day of result, fell 8.0% for the month

- EBITDA ahead of analyst forecasts, first EBITDA positive result for the business.
- Strong growth across its wearable product range and flagged the expectation of signing numerous league wide deals over the coming months (northern hemisphere off season)
- Strong business momentum with new product rollout ahead in the prosumer market.

NextDC: Data Centres
Beat expectations, rose 12.3% on day of result, rose 20.5% for the month

- Strong result across every business metric
- Reminded the market of a) the material growth opportunities ahead for the business and b) the huge operating level in its business.

Yowie: Confectionery
In line, fell 1.0% on day of result, fell 11.4% for the month

- Underlying result in line with market expectations
- Corporate governance issues being resolved

Paragon Care: Aged Care/ Hospital Equipment Supplier
Below expectations, fell 11.6% on day of result, fell 8.1% for the month

- Strong growth but guidance was 10% below analyst forecasts
- Following a number of acquisitions and the seasonality in the business it was challenging to forecast near term earnings.
- Critically Paragon Care achieved strong growth in revenue and improving margins