

Monthly Performance Report

March 2017

Monthly Update

The Fund rose 1.25% (after fees) for the month of March, during which the Small Ords rose 2.66% and the S&P/ASX300 rose 3.28%.

Over the month of March, price falls in small cap growth stocks abated. In light of this, the Fund began to add selectively to its existing holdings towards the end of the month.

The Fund also participated in a capital raising exercise for one of its Product Launch Stocks, LiveHire (ASX: LVH) which rose 12% over the month of March, despite a large placement. LiveHire is seeing very strong growth in its volumes and revenues. LiveHire connects job applicants to corporates, with the employers paying LiveHire to manage the database. Compared to existing approaches, it is less costly, the employee data is more up to date, and it appears to get better results. Job applicants like it because they can access multiple employers by uploading one Curriculum Vitae ("CV"), rather than having to enter it into multiple systems. Job applicants are also able to have an ongoing relationship with other applicants as well as the corporates via "Talent Communities".

This month, Monash Investors provides details on Yowie, which is one of the Fund's Outlook Driven stock holdings.

Yowie (ASX: YOW)

Yowie makes and distributes Yowies – a chocolate covered capsule that contains a collectable miniature of an animal. It is similar to a Kinder Surprise, which sells around 2 billion units per year, but none in the USA, because unlike Yowies, Kinder Surprise does not comply with local regulations.

Monthly Portfolio Metrics

Outlook Stocks (Long)	20 Positions: 71%
Outlook Stocks (Short)	1 Positions: -2%
Event, Pair and Group (Long)	3 Positions: 10%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	21%
Gross Exposure	83%
Net Exposure	79%
Beta	0.75

Return Summary Since Inception¹

Since Inception (p.a.)	9.97%
1 Month	1.25%
3 Months	-4.80%
6 Months	-8.67%
FYTD	-7.28%
1 Year	-7.00%
3 Years	1.53%
Cumulative	57.04%

¹Inception date of Fund is 2 July 2012.

Portfolio Analytics Since Inception

Sharpe Ratio	0.81
Sortino Ratio	1.57
Standard Deviation (p.a.)	9.30%
Positive Months	63%
Maximum Drawdown	-13.17%
Avg Gross Exposure	83.4%
Avg Net Exposure	79.0%
Avg Beta	0.58
Avg VAR	1.20%

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

Monthly Performance Report

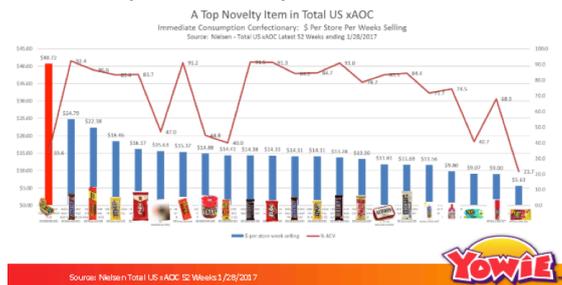
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As with other small cap growth companies, Yowie's share price has fallen over the past year despite a strong outlook. In Yowie's case, the share price fall has been exacerbated by issues around corporate governance, which have affected its execution. These are being resolved and a professional management team is now in place.

Insight

Behaviour of Consumers: Yowie is penetrating a product category that is vacant in the USA but highly successful in the rest of the developed world. The Nielsen chart below shows that where Yowie is available for sale in the USA, it is the top selling immediate consumption confectionary. This chart is strong evidence that there is a pent up demand for this product category in the USA.

YOWIE...The Top Immediate Consumption Item in TTL US xAOC



Behaviour of Retailers: Yowie delivers a gross margin to retailers of about \$1 per unit, as compared to the average confectionary item in the USA of 20c. As such, retailers find this product a compelling addition to their shelves, which is also, evidenced by the willingness of retailers to trial it.

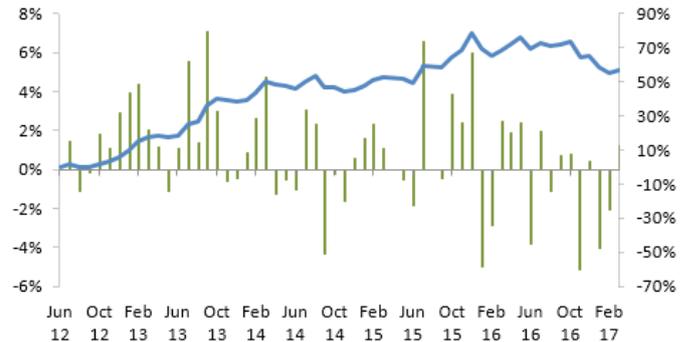
Growth

Yowie has barely begun to penetrate the US market. It is currently sold in around only 6% of convenience stores, and while a number of Tier 1 retailers have begun to sell it, it is in its early days. For example, Walmart only sells Yowie around its cash registers, but not yet in its aisles.

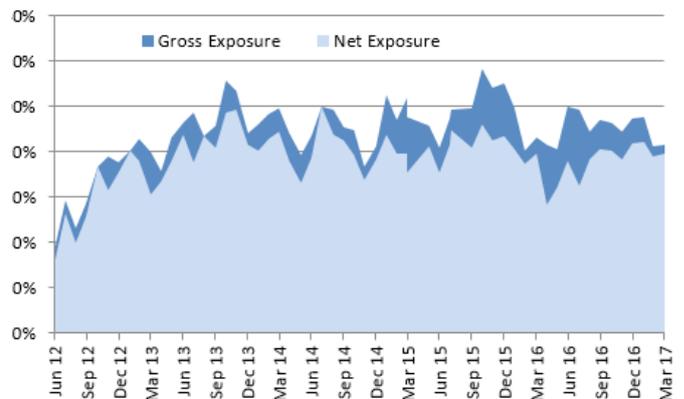
Yowie is currently selling at a run rate of around 20 million units p.a. in the USA (population 320m). We see the USA as a market for Yowie that is many times bigger than current sales, in line with the popularity of the product category elsewhere in the developed world, even allowing for the eventual entry of Kinder Surprise. Yowie's guidance this year is for 85-90% sales growth.

Yowie has a number of ways to stimulate growth in addition to obtaining wider distribution. They are to license children's books and animations, and develop product extensions. With

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



scale will come cost effective advertising. Yowie's will sell in other countries over time, starting with Australia.

Value

To determine the price that we think Yowie should trade at today, we need to form a realistic view about what the business will look like into the future. Because of the uncertainties involved in predicting the future of the business, we keep our assumptions relatively conservative.

For example, we assume that it takes 10 years for the US market to reach maturity, and that despite having no significant competitors there yet, Yowie's market share will only be 30%. As for the rest of the world, we assume Yowie achieves a share of only 5%.

Monthly Performance Report

March 2017

After allowing for additional capital raises to fund its growth, which will dilute its value, we use a discounted cash flow calculation to determine its stock value and then take another 20% off the value for uncertainty. Despite all this, the resulting price target is a multiple of its current share price.

Important Information

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