

Monthly Performance Report

June 2017

Monthly Update

The portfolio increased 2.02% (after fees) for the month of June, during which the Small Ords rose 1.62% and the S&P/ASX200 fell -0.05%.

A key feature this month was the strong performance of several of the Fund's stocks on the back of relatively minor news flow events. We see this as being indicative of the valuation upside in the portfolio in that such minor news flow events can result in such dramatic share price gains.

We had meetings with the management of a large number of the Fund's key positions during the month, including a week long research trip to the USA (see our blog for more details). As highlighted in previous updates, as businesses, the stocks the Fund are invested in continue to perform strongly.

During June, the Fund closed out a Long Outlook[1] position, and modestly increased the weighting in a number of other positions. This saw the Fund's weighting in Long Outlook stocks decline from 68% to 65%.

During the month, two Long Outlook stocks posted strong price gains on the back of relatively minor news flow events.

Impedimed (ASX:IPD) share price increased 25% on the back of obtaining a CE Mark for its SOZOTM product. The CE Mark[2] means that it has regulatory approval to make SOZOTM commercially available throughout Europe and Australia. Late in the month, IPD separately announced that the first commercial sales of SOZOTM have been made.

Monthly Portfolio Metrics

Outlook Stocks (Long)	19 Position: 65%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	4 Positions: 12%
Event, Pair and Group (Short)	2 Positions: -5%
Cash	32%
Gross Exposure	86%
Net Exposure	68%
Beta	0.52

Return Summary Since Inception¹

Since Inception (p.a.)	9.09%
1 Month	2.02%
3 Months	-1.62%
6 Months	-6.34%
FYTD	-8.78%
1 Year	-8.78%
3 Years	1.94%
Cumulative	54.50%

¹Inception date of Fund is 2 July 2012.

Portfolio Analytics Since Inception

Sharpe Ratio	0.72
Sortino Ratio	1.40
Standard Deviation (p.a.)	9.25%
Positive Months	62%
Maximum Drawdown	-15.21%
Avg Gross Exposure	88.4%
Avg Net Exposure	76.5%
Avg Beta	0.59
Avg VAR	1.18%

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 CE Mark specifies that SOZOTM is a bioimpedance spectroscopy (BIS) platform for fluid status monitoring, hydration monitoring and body composition testing in human patients. The intended uses of the product (all covered by the CE Mark) are clinical assessment of lymphedema using L-Dex, monitoring patients with heart failure, taking diuretic medication, having fluid management problems or end-stage renal disease, recovering from coronary artery disease-related events, hydration monitoring and body composition monitoring.

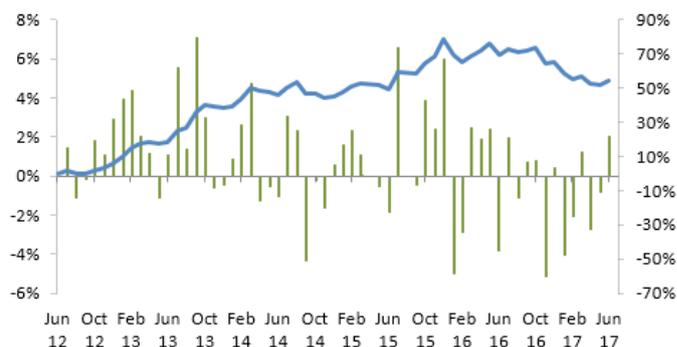
IPD currently has three regulatory approved products that are used for all of the above. What SOZOTM does is bring all three of these products together, and make use of touch plate sensors versus gel backed electrodes. The measurement mechanism is the real innovation of the product. It allows significant efficiency benefits as the test can be done very quickly (all you have to do is remove your shoes and socks, stand on the device and place your hands on the sensor plates), does not require trained medical personnel to conduct the test, and can be done in any environmental setting (for example, at home or at a doctor's surgery).

This event was entirely consistent with our Investment Thesis. Given that SOZOTM is an amalgamation of IPD's existing products we saw the regulatory approval risk as extremely low, and of course once it was approved IPD would start to commercialise it. The fact that this announcement set the share price sharply higher demonstrates the material valuation upside in the stock. Critically, over the next 6-9mths IPD will be releasing far more critical pieces of news, namely the interim results of its lymphedema study and a number of Heart Failure studies.

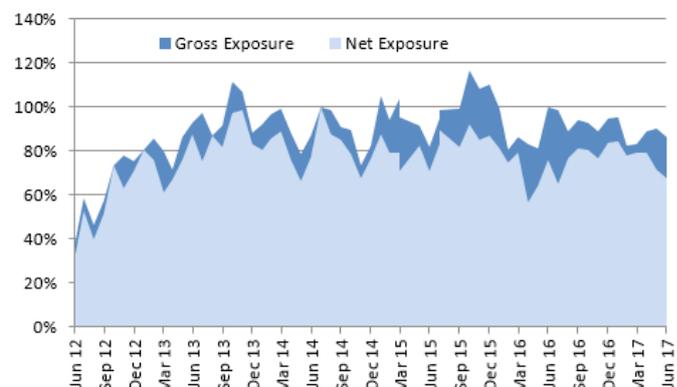
Catapult (ASX:CAT) share price increased 45% during the month. While CAT made no meaningful announcements during the month, a broker did initiate research coverage of the stock. This is one of the reoccurring situations which we have discussed in the past. Increased research coverage often results in a new group of investors learning about the story, and judging from the share price movement they liked what they heard.

Separately, on the USA research trip earlier in the month, there were two meetings with senior managers of CAT's US operations. This gave an even deeper understanding of the business and renewed confidence in the outlook, particularly concerning the revenue potential in the elite athlete market.

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



During the month we exited one of our Outlook positions, **Greencross** (ASX:GXL). We continue to believe that GXL has a solid outlook on the back of the continued rollout of new Petbarn stores / co-location of Vet Clinics, and margin expansion from private label. However, the share price was less than 35% from our price target, and with increasing anecdotal evidence of a weakening consumer environment and market concerns over the entry of Amazon into the Australian market we elected to exit the position.

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[1] Long Outlook position is one that Monash Investors identifies as having strong business outlook with large valuation upside and moderate to low downside risk

[2] CE marking is a mandatory conformity marking for certain products sold within the European Economic Area (EEA) since 1985

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