Monash
ABSOLUTE INVESTMENT FUND

Monthly Performance Report
July 2017

Monthly Update

The portfolio increased by 0.29% (after fees) for the month of July, during which the S&P/ASX200 fell 0.01% and the Small Ords rose 0.34%. The portfolio had a small increase in value despite weakness in a couple of our Outlook stocks[i], but this was offset by modest rises across most of the portfolio.

There was little news in July, as the market waits for the August "reporting season". We are optimistic going into August given the lack of major downgrades pre August (the "confession season") from stocks we hold.

The positive trend that started in May, where our stocks seem to be recovering from the severe sector rotation of the previous six months, seems to be continuing.

In this month's update, we are focusing on two of the portfolio's Outlook shorts. These are stocks that we have borrowed in order to sell, so as to profit from a fall in their share price, which is a key feature of our strategy. We set price targets based on our fundamental research and then look to buy them back at a lower prices than what we sold them for.

i *Outlook stocks are securities, in the Investment Manager's view, whose current valuation does not reflect the future earnings potential of the business.*

Return Summary Since Inception[1]

Since Inception (p.a.)	**9.00%**
1 Month	0.29%
3 Months	1.45%
6 Months	-2.14%
FYTD	0.29%
1 Year	-10.24%
3 Years	1.02%
Cumulative	54.95%

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

Portfolio Analytics Since Inception

Sharpe Ratio	0.72
Sortino Ratio	1.39
Standard Deviation (p.a.)	9.17%
Positive Months	62%
Maximum Drawdown	-15.21%
Avg Gross Exposure	88.4%
Avg Net Exposure	76.5%
Avg Beta	0.59
Avg VAR	1.20%

Monthly Portfolio Metrics

Outlook Stocks (Long)	20 Position: 69%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	5 Positions: 16%
Event, Pair and Group (Short)	2 Positions: -3%
Cash	23%
Gross Exposure	92%
Net Exposure	77%
Beta	0.52

![Monash Absolute Investment Fund]

Monthly Performance Report

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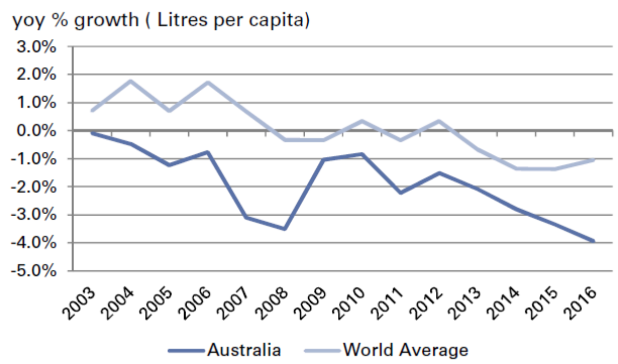
Outlook Short – Coca Cola Amatil (ASX:CCL) share price fell 12% in July.

We shorted the stock in April 2017, following a downgrade, because analysts were not adequately forecasting the move away from sugary drinks by Australians, and were still pricing the company like a reliable growth stock, which it is no longer. The two charts below tell the story. Per capita soft drink consumption has been falling in Australia for years, and now prices are falling too.

In the past, this weakness was offset by CCL's bottled water brand Mount Franklin, which is now facing strong price competition from other suppliers and the home brands of supermarkets. Similarly, growth from Indonesia & PNG (23% of EBIT) has failed to offset the decline in their major Australian division.

The bad news keeps coming for CCL. On 7 July 2017 it was announced that Woolworths would not stock their new No Sugar drink, and that Domino's would not be renewing their supply arrangement with CCL at all – they are switching to Pepsi . On 25 July 2017 it was confirmed by a Woolworths spokesman that they are also pulling all but two of Mount Franklin's water products. Since we shorted CCL on 21 April 2017 at $9.68, the stock has fallen to $8.24 (31 July 2017) a decline of 15%.

Carbonated soft drinks consumption



Source: Company data, Goldman Sachs Global Investment Research.

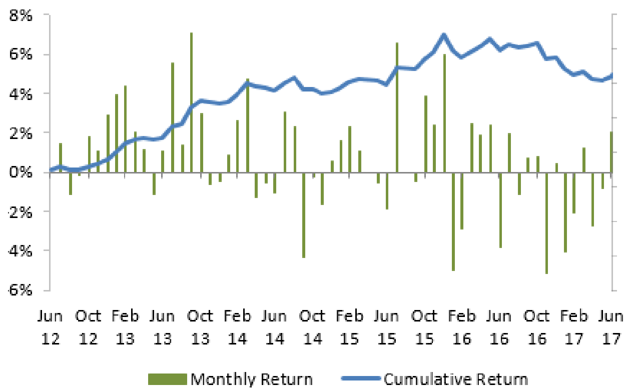
Non-Alcoholic Beverages CPI: %chg vs pcp

Source: Company data, Goldman Sachs Global Investment Research.

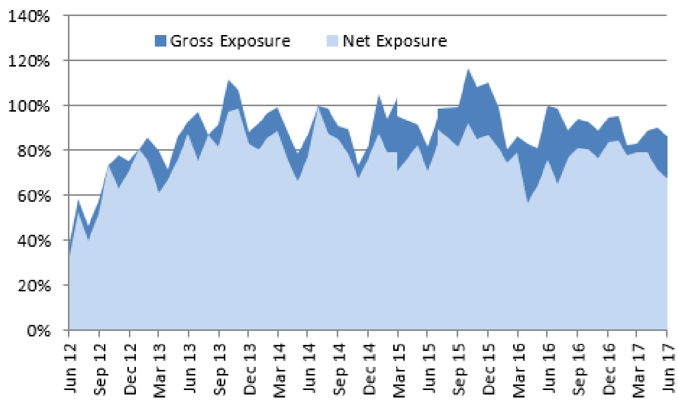
Key Fund Information

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

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



![Monash Absolute Investment Fund]

Monthly Performance Report

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Outlook Short – Sky Network Television (ASX: SKT) share price fell 5% in July.

Sky is New Zealand's incumbent Pay TV provider and also owns Prime, a Free to Air (FTA) TV channel. We started shorting Sky in February 2015, following two halves of disappointing Pay TV subscriber numbers. The fall in subscribers really attracted our attention (see the first chart, below) because Sky has a monopoly on rugby in NZ, so it was widely believed by analysts that it was protected from competition and had strong pricing power. NZ analysts have been slow to accept that the impact of competition from Netflix and other streaming services. Like CCL, it has historically been priced as a growth utility.

This competition is not just fragmenting the market and resulting in a loss of subscribers and advertisers (see the second chart) but also putting downward pressure on the prices Sky can charge, so its total revenue is actually going backwards (it fell 6% last year). At the same time, costs are going up due to increased competition for content. As a result, its profit margin has fallen from 18% in 2015 to about 12% for 2017.

We expect that it is only going to get worse, given the viewing habits of Generation Y (those born after 2000) and with Amazon entering the market. Last week Amazon paid a reported 25% more than Sky UK (no longer related to Sky NZ) to win the exclusive global rights for the ATP tennis as an example of the price competition for content.

Since the Fund first shorted Sky on 29 September 2015 at $4.32, the stock has fallen to $3.11 (31 July 2017) a decline of 28%.

For all business development enquiries, please contact Winston Capital partners (Acting on behalf of Monash Investors):

SA, WA, NT:
Andrew Fairweather
+61 401 716 043 andrew@winstoncapital.com.au

VIC, TAS:
Stephen Robertson
+61 418 387 427 stephen@winstoncapital.com.au

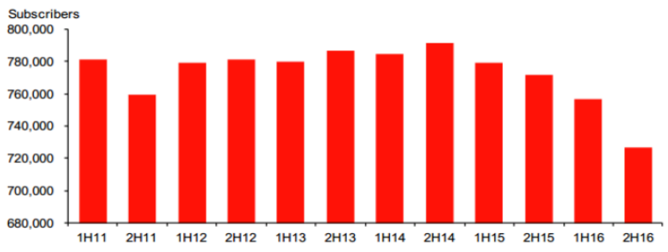
NSW, ACT, QLD:
Rory MacIntyre
+61 434 669 524 rory@winstoncapital.com.au

For all investor enquiries, please contact

Link Fund Solutions Pty Ltd (Acting on behalf of the Fund)
+61 2 9547 4311 LFS_registry@linkgroup.com
Monash Absolute Investment Fund Unitholder Services,
GPO Box 5482, Sydney NSW 2001

For all other enquiries

E. contactus@monashinvestors.com



Source: Company data, Macquarie Research, May 2016