Monthly Performance Report

October 2017

Monthly Update

The portfolio increased 5.07% (after fees) for the month of October, during which the S&P/ASX200 rose 4.01% and the Small Ords rose 6.02%. The portfolio has now risen by 10.52% in the first four months of this financial year.

October is generally a quiet month, as news flow pauses between the results announcements of August and the AGMs of November. However, a number of our stocks benefitted from disclosures to the market in October from their quarterly cash flow statements, and below we provide an overview on some of the more notable contributors to returns this month. This allowed us to keep up with the market in a strong month, even though we had a cash weighting of 25%.

Return Summary Since Inception[1]

Since Inception (p.a.)	10.55%
1 Month	5.07%
3 Months	10.20%
6 Months	11.80%
FYTD	10.52%
1 Year	-1.43%
3 Years	5.16%
5 Years	10.88%
Cumulative	70.76%

Monthly Portfolio Metrics

Outlook Stocks (Long)	19 Positions: 70%
Outlook Stocks (Short)	3 Positions: -7%
Event, Pair and Group (Long)	4 Positions: 12%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	26%
Gross Exposure	89%
Net Exposure	74%
Beta	0.49

Portfolio Analytics Since Inception

Sharpe Ratio	0.89
Sortino Ratio	1.75
Standard Deviation (p.a.)	9.22%
Positive Months	64%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	88.6%
Avg. Net Exposure	76.7%
Avg. Beta	0.63
Avg. VAR	1.20%

[1] Inception date is 2 July 2012

Notable Contributors for October

Catapult (ASX: CAT) rose 46%. Catapult is the world leader in wearable technology for elite and professional sport.

It had been sold off by the market in the September quarter on the back of the Company's reluctance to provide FY18 guidance until later in the year, and concern that business development expenditure was pushing out the timing of strong profit growth.

However, its first quarter cash flow statement showed a better than expected result, leading to upgrades in EBITDA[2] by one analyst of 25%. This helped the stock price rise through October, and it made back most of what it lost in the preceding three months.

eServGlobal (ASX: ESV) rose 36%. eServGlobal has a 35% share in a business with MasterCard called HomeSend.

HomeSend is a global payment network that enables businesses and individuals to send and receive funds internationally through one connection.

The Joint Venture (JV) with MasterCard drew our attention to ESV. HomeSend seems to be gaining traction in the global payments market. It has recently signed up a number of banks, which will add incremental revenue to HomeSend's existing peer-to peer, remittance based revenues and is also accelerating the JV's path to profitability.

We participated in a share placement it undertook in October to strengthen its balance sheet in order to take advantage of this strongly growing opportunity.

Emeco (ASX: EHL) rose 26%. Emeco leases "yellow" trucks, diggers and dozers to mining companies and their contractors.

The mining vehicle leasing industry is highly cyclical, and has both operational and financial leverage. Following the resources cycle bust, mining contractors handed back their vehicles and there was a glut. Lease rates collapsed and fleets had low rates of utilization. The price of second hand vehicles collapsed too, leading to large write-downs.

In the next couple of years, we expect that Emeco's fleet utilization and lease rates should return to levels that are more normal. With its balance sheet on the path to recovery, and facing a less competitive environment, we expect to see its profitability surge. It is a great exposure to a recovery in mining services because unlike mining contactors it carries minimal project execution risk.

Emeco provided an operational update in October, demonstrating that its recovery is on track.

[2] EBITDA is earnings before interest, taxes, depreciation and amortization and is a measure of operating earnings.

Monash
ABSOLUTE INVESTMENT FUND

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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