

Monthly Performance Report

October 2019

Monthly Update

For the month of October, the portfolio was down 1.12% (after fees) compared to the S&P/ASX200 down -0.35% and the Small Ords which was down -0.50%.

Financial year 2020 has been going well. For the four months since 30 June, the portfolio is up 9.73% (after fees) compared to the S&P/ASX 200 up 2.00% and the Small Ords, which was up 2.59%

The Good

Despite the gloom around Australian consumer spending, the portfolio benefitted from its holdings of retailers.

Kogan.com (ASX: KGN) rose 12%. In October, it disclosed that compared to last year, its September quarter sales revenue was up 16% and its gross profit was up 28%ⁱ. This led to upgraded broker earnings forecasts for the full year.

Monthly Portfolio Metrics

Outlook Stocks (Long)	19 Positions: 73%
Outlook Stocks (Short)	1 Positions: -2%
Event, Pair and Group (Long)	3 Positions: 12%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	17%
Gross Exposure	88%
Net Exposure	83%
Beta	0.58

Return Summary Since Inception¹(after all fees)

Since Inception (p.a.)	10.60%
1 Month	-1.12%
3 Months	4.67%
6 Months	12.84%
FYTD	9.73%
1 Year	25.49%
3 Years	6.50%
5 Years	7.34%
Cumulative	109.25%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.82
Sortino Ratio	1.53
Standard Deviation (p.a.)	10.26%
Positive Months	63%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	89.60%
Avg. Net Exposure	77.90%
Avg. Beta	0.57
Avg. VAR	1.18%

¹ Inception date is 2 July 2012. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

²Glossary of terms can be found on the Fund's website at www.monashinvestors.com/glossary/

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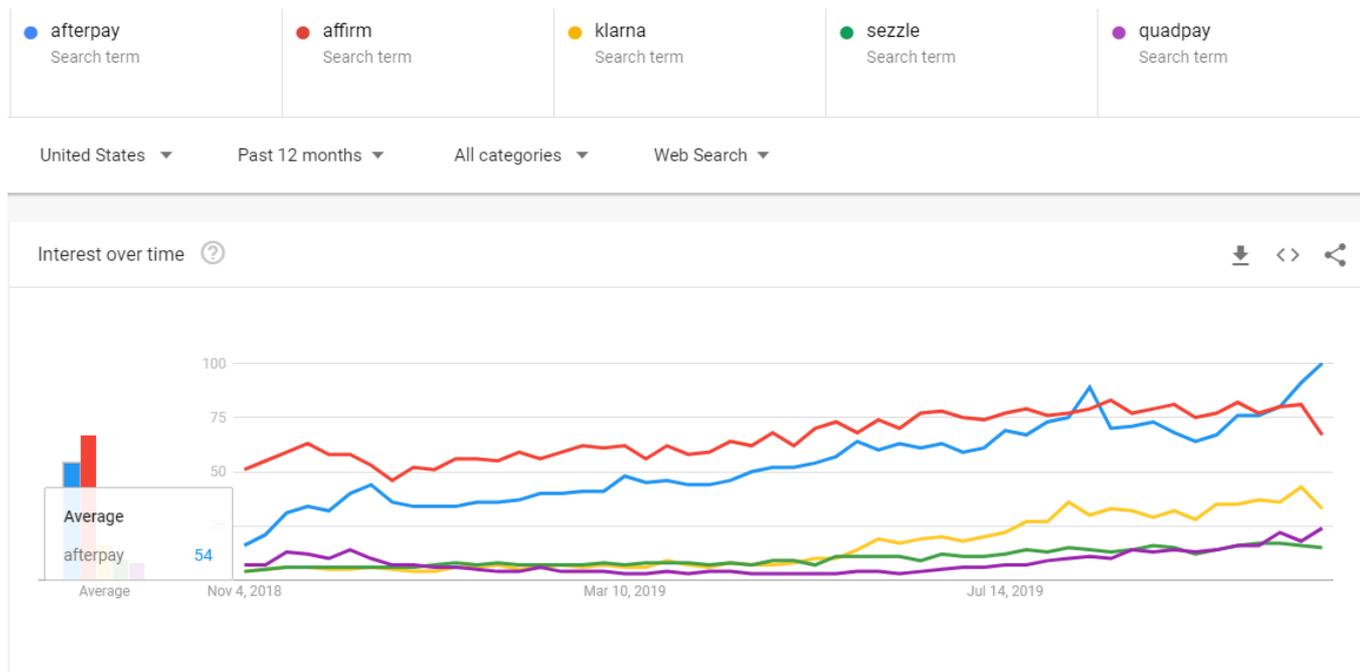
Lovisa (ASX: LOV) rose 5%. At its AGM it disclosed that the speed and success of its international store roll out was a bit ahead of market expectationsⁱⁱ. There have been 31 net new stores opened so far in FY20 with more than 80 expected over the full year.

The Bad

On balance, the portfolio had more stocks falling than rising this month, though none of the stocks in the portfolio suffered earnings downgrades.

AfterPay (ASX: APT) fell -20%. The closest we came to a specific piece of bad news in the portfolio was regarding the RBA announcing its 2020 review of payments regulation, including surcharging practises in Australia. Having done very well out of Afterpay, we once again cut the portfolio’s exposure to it. We cut the weight by a third in October.

However, it will be AfterPay’s success in the USA and UK that will ultimately drive the value of the stock, as these markets are so much bigger than Australia. The latest Google Trends chart shows over the last 12 months searches for the term “afterpay” in the USA continue to grow faster than those of its competitors. At this stage the business appears to be replicating the success it has achieved so far Australia.



Source: Google Trends

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Short CIMIC (ASX: CIM) rose +5%. The portfolio was short CIMIC but the position was closed out during October. CIM reported results for the first 9 months of FY19 re-iterating full year guidanceⁱⁱⁱ. Its operating cashflow conversion which had been deteriorating has now stabilised. We had shorted the company due to its deterioration in cashflow up to this point, having taken the opportunity to do so when the share price was higher.

As a result, the portfolio enjoyed a positive contribution from shorting the position, with a return of +15%.

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ⁱ <https://www.asx.com.au/asxpdf/20191023/pdf/449rv38cs9f905.pdf>

ⁱⁱ <https://www.asx.com.au/asxpdf/20191029/pdf/449zswrt0l0lc9.pdf>

ⁱⁱⁱ <https://www.asx.com.au/asxpdf/20191023/pdf/449ss6mm5fwc6l.pdf>