

Monthly Performance Report

July 2020

Monthly Update

For the month of July the portfolio was up 3.48% (after fees). This compares to the S&P/ASX200, which was up 0.50%, and the Small Ords, up 1.39%.

The portfolio continues to do well relative to the markets for the calendar year to date. While the portfolio is down -0.01% (after fees), the S&P/ASX200 is down -9.97% and the Small Ords is down -7.94%.

The markets have continued to hold up quite well, despite the ongoing business impacts of COVID. However, within that there are definitely stocks that are COVID “winners” and others that are COVID “losers”.

It is easy to pick this theme with hindsight. The challenge of course is to do identify it in advance of it occurring (or at least early enough after it starts) in an environment of uncertainty as to how COVID will play out, and one where stock prices have already reacted substantially.

Monthly Portfolio Metrics

Outlook Stocks (Long)	20 Positions: 83%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	3 Positions: 12%
Event, Pair and Group (Short)	1 Positions: -2%
Cash	12%
Gross Exposure	101%
Net Exposure	88%

Return Summary Since Inception¹(after all fees)

Since Inception (p.a.)	9.57%
1 Month	3.48%
3 Months	12.13%
6 Months	-4.04%
FYTD	3.48%
1 Year	4.65%
3 Years	10.52%
5 Years	5.66%
Cumulative	109.20%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.48
Sortino Ratio	0.80
Standard Deviation (p.a.)	15.65%
Positive Months	63%
Maximum Drawdown	-29.10%
Avg. Gross Exposure	90.20%
Avg. Net Exposure	78.50%
Avg. Beta	0.59
Avg. VAR	1.20%

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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Following the escalation of restrictions in Victoria, there will be a further dampening effect on business and a continuing impact on consumer behaviour. Not just in Victoria but also across the country, and the light at the end of the tunnel for COVID losers is being pushed back. For some, that will be only a short-term impediment, but for others there will be lasting impacts, due to the need for additional debt and/or equity.

One area where we think there will be a permanent change is in the marginal propensity of businesses to conduct overseas travel. Given the widespread recent acceptance and “normalisation” of video conferencing, the bar will be higher for employees to justify travel. As a result we think that earnings expectations for Corporate Travel (ASX: CTD) are too high, and we are short the stock.

On the other hand, COVID winners like Kogan (ASX: KGN) that are already benefiting from changing consumer behaviour towards purchasing goods online, are seeing the trend accelerating, and we have re-initiated a long position in Kogan.

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