The Monash Absolute Investment Company Ltd

ASX Code: MA1

Performance Update Teleconference

7 February 2017

Monash
ABSOLUTE INVESTMENT COMPANY

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Teleconference Overview

- **Agenda**
  - 2016 in review
  - Key position update
  - Recent changes
  - Outlook

- **Key teleconference information**
  - **Date:** 7 February 2017
  - **Time**: 2PM (NSW, Vic, Tas), 1.30PM (SA/NT), 1:00PM (Qld),11AM WA
  - **Phone:** 1800 266 337
  - **Guest Code:** 6515060#
  - **Host:** Rory MacIntyre, Winston Capital Partners

Simon Shields, Co-Portfolio Manager, Monash Investors Biography

Simon Shields

B.Com (Hons), LLB, MBA, CFA

Simon is one of Australia's leading fund managers with over 27 years of industry experience and most recently, having been Head of Australian Equities at both UBS Global Asset Management (Australia) Limited (UBS) and Colonial First State Limited (CFS). Simon has been a member of and/or led mulit-award winning equity teams across a range of investment styles.

He holds a Bachelor of Commerce with Honours, Bachelor of Law, Masters of Business Administration and is a Chartered Financial Analyst.

Simon commenced his career as an analyst with Westpac Investment Management Limited (now part of BT Investment Management Limited), before moving into a portfolio management role. In 1995, he moved to Rothschild Australia Asset Management Limited as a Portfolio Manager, responsible for value-style Australian equities. In March 1998, he joined CFS as a Senior Portfolio Manager, responsible for growth style Australian and New Zealand equities, before becoming the Head of Australian Equities in January 2004. In July 2007, he moved to UBS as Managing Director and Head of Australian Equities and in 2011 also took responsibility for the ING Investment Management Limited Australian equity team.

In 2011, the UBS Australian Share Fund, which was managed by Simon, received the 2012 Money Magazine award for the "Best of the Best".

Simon is a director and co-founder of Monash Investors. His role includes research, analysis, dealing and investment management of the Monash Absolute Investment Fund.

Setting the scene : Recap on Monash Investors

- Absolute return targets (measured over 7 year period)
- Long and Short
- Bottom up (not top down)
- Searching for compelling opportunities
- Benchmark unware, stock size agnostic, Pre-IPO
- Looking for 4 key attributes (**G.I.V.E**)
  - Growth
  - Insight
  - Value
  - Event
- Managed Fund (APIR Code MON0001AU) and LIC (ASX Code MA1, MA1O)
- Suggested use as a satellite investment – ‘a supporting role’

Absolute return focus does not mean positive monthly returns, in all months – MAIF is a long biased fund

To 31 January 2017
(after fees) – Monash Absolute Investment Fund (MAIF)

Monash ABSOLUTE INVESTMENT FUND

Inception Date 2 July 2012

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2012/13	1.46%	-1.15%	-0.20%	1.81%	1.09%	2.91%	3.90%	4.39%	2.00%	1.13%	-1.10%	1.05%	18.53%
2013/14	5.57%	1.40%	7.08%	2.96%	-0.58%	-0.47%	0.86%	2.62%	4.72%	-1.27%	-0.54%	-1.01%	23.05%
2014/15	3.06%	2.32%	-4.31%	-0.22%	-1.61%	0.55%	1.55%	2.33%	1.08%	0.08%	-0.55%	-1.86%	2.21%
2015/16	6.57%	0.22%	-0.46%	3.88%	2.36%	6.00%	-4.97%	-2.88%	2.43%	1.87%	2.39%	-3.84%	13.62%
2016/17	1.93%	-1.11%	0.73%	0.75%	-5.15%	0.39%	-4.01%						-6.51%

Since Inception (after fees) 10.55% pa

Source: MAIF : Monthly Performance Report & Unit Prices www.monashinvestors.com

In relation to MAIF, The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150) ("Perpetual") is the responsible entity of, and issuer of units in Fund, and Monash Investors is the investment manager of the Fund. All opinions and estimates constitute judgements of Monash Investors and are subject to change without notice. This information is provided for general information purposes only, and is not to be construed as solicitation of an offer to buy or sell any financial product. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decisions. This information does not take into account your investment objectives, particular needs or financial situation. Whilst every effort is taken to ensure this information is accurate, its accuracy, reliability or completeness is not guaranteed. A product disclosure statement (PDS) issued by Perpetual dated 9th January 2017 is available for the Fund. You should obtain and consider the PDS before deciding whether to acquire, or continue to hold, an interest in the Fund. Initial applications for units in the Fund can only be made pursuant to the application form attached to the PDS

Absolute return focus does not mean positive monthly returns, in all months – MA1 is a long biased portfolio

To 31 January 2017
(after fees) – **Monash Absolute Investment Company Limited (MA1)**

Monash ABSOLUTE INVESTMENT COMPANY

Inception Date 12 April 2016

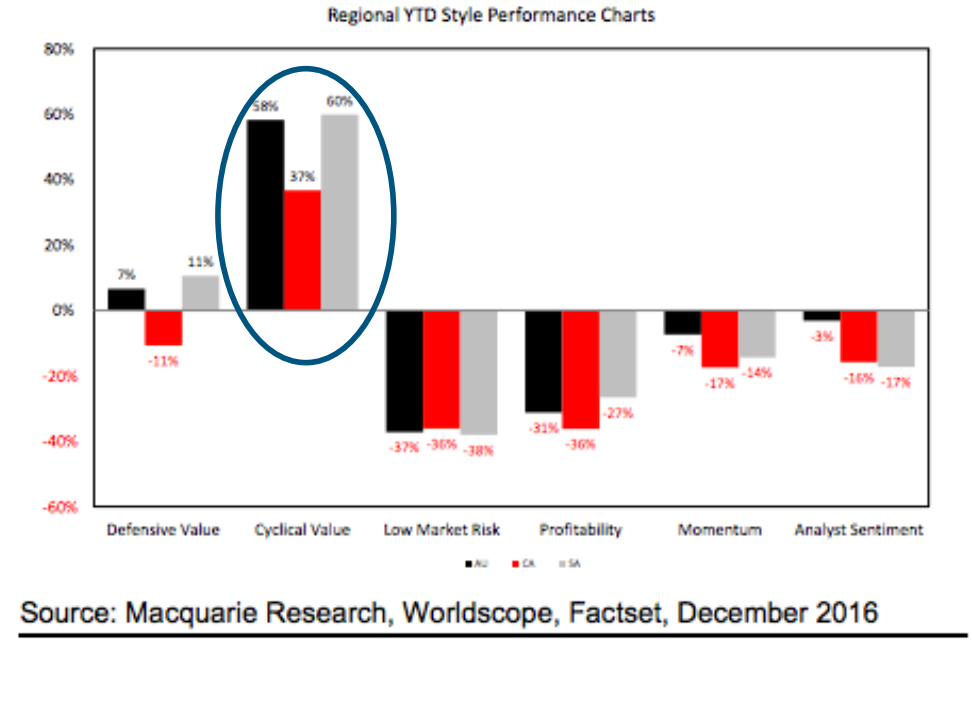
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2015/16										0.98%	2.33%	-3.48%	-0.26%
2016/17	2.13%	-1.10%	0.73%	0.74%	-4.92%	0.21%	-4.05%						-6.29%

Since Inception (after fees) -6.29%

Source: MA1 Announcements www.asx.com.au

2016 did not favour Monash's stocks or investment style

- Donald Trump ' reflation' narrative sees a big switch from Growth to Value/Cyclical - Favouring Resources and Value



Source: Macquarie Research, Worldscope, Factset, December 2016

Jan 29 2017 at 11:00 PM | Updated Jan 29 2017 at 11:00 PM

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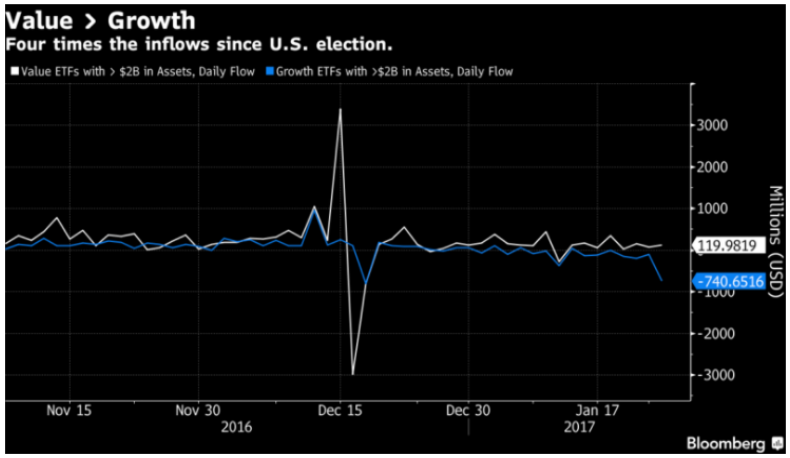
Value investing renaissance just getting started: Rob Osborn

Vanguard Growth ETF Assets Tumble as Value Rotation Accelerates

Investors flee VUG growth ETF by most since 2008

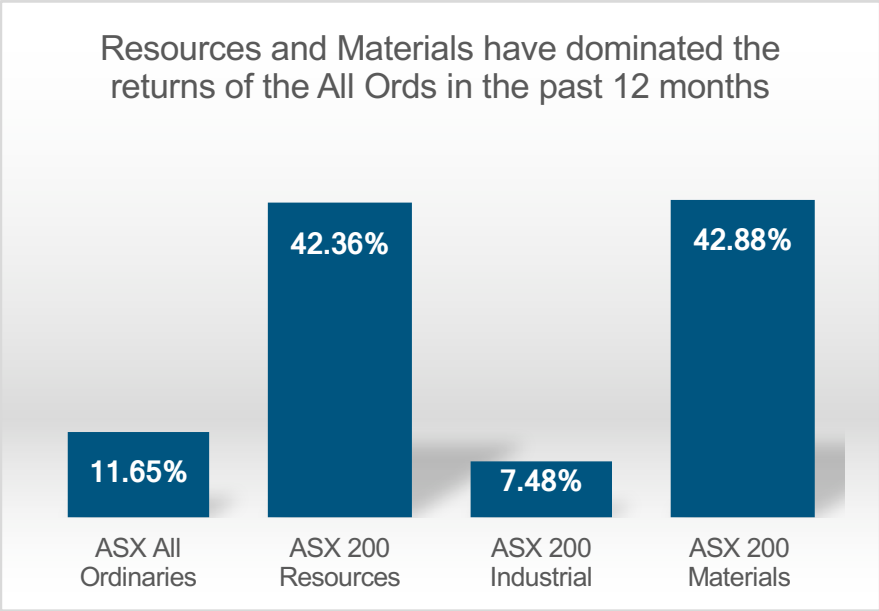
by **Luke Kawa**
26 January 2017, 01:37 GMT+8

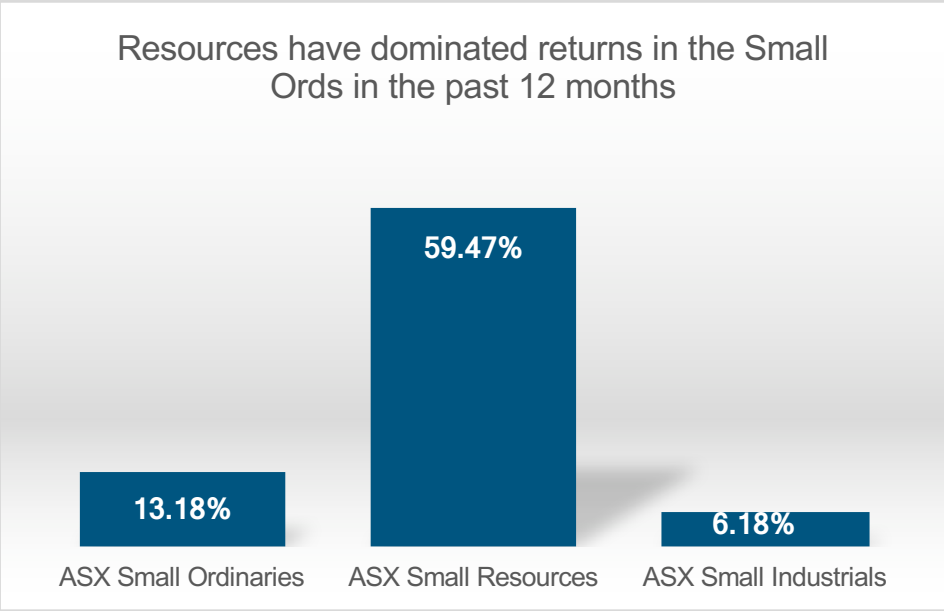


Source https://www.bloomberg.com/news/articles/2017-01-25/vanguard-growth-etf-assets-tumble-as-value-rotation-accelerates

It is clear from the constituent data, that the last 12 months was all about resources and materials

Monash Investors does not typically invest in commodity related stocks : very hard to forecast prices

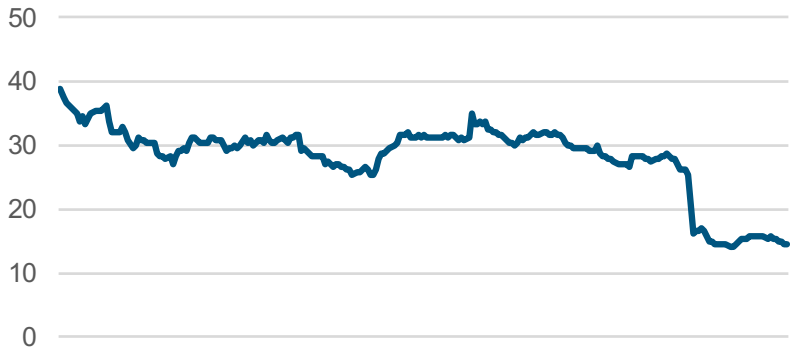




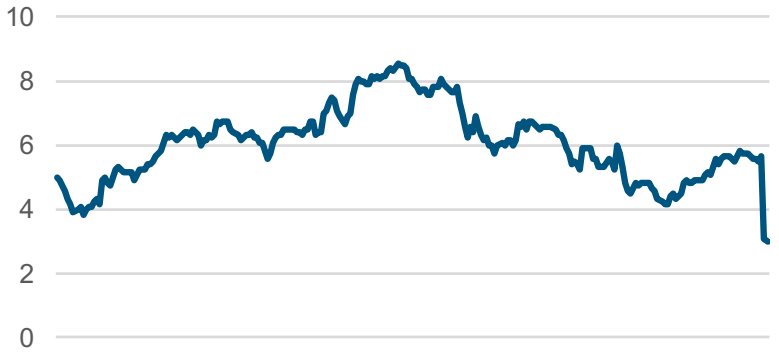
Source: Monash Investors & FactSet – 1 Year Index Data to the end of December 2016

Widely held/well known stocks have been punished by the market on profit downgrades

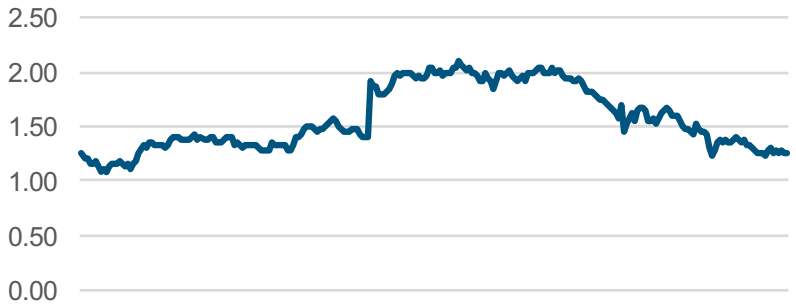
SRX – SIRTEX MEDICAL



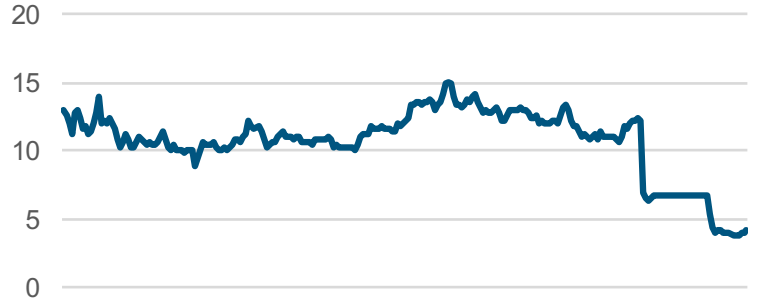
ACX – ACONEX LIMITED



MYX – MAYNE PHARMA GROUP LTD



BAL – BELLAMY'S AUSTRALIA LTD

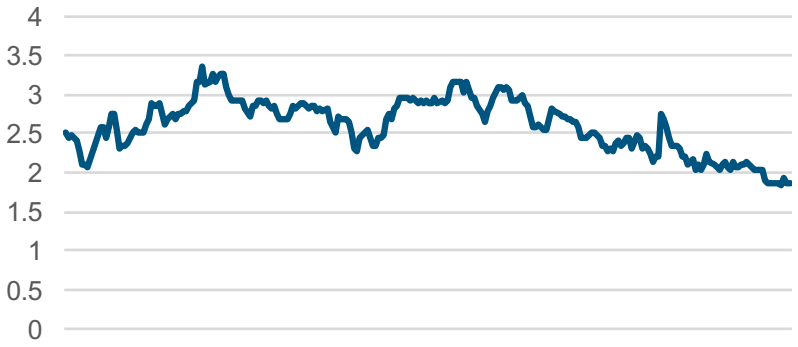


Monash Investors portfolios held none of these names

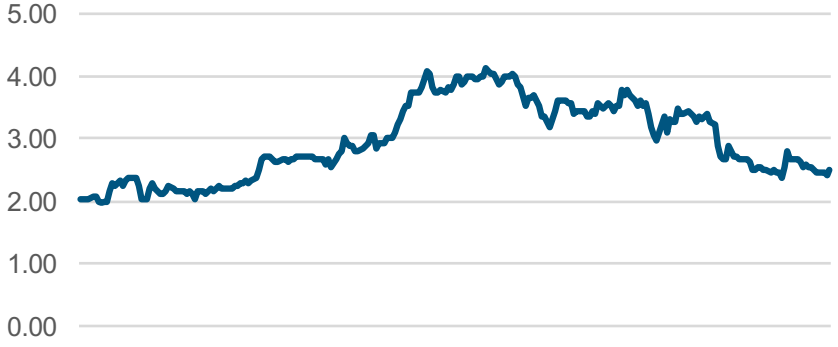
Source: Monash Investors & FactSet– 1 year share price performance to December 2016

Whilst no major downgrades have occurred with key Monash holdings, they have been hurt by the rotation from small/growth to cyclical/value

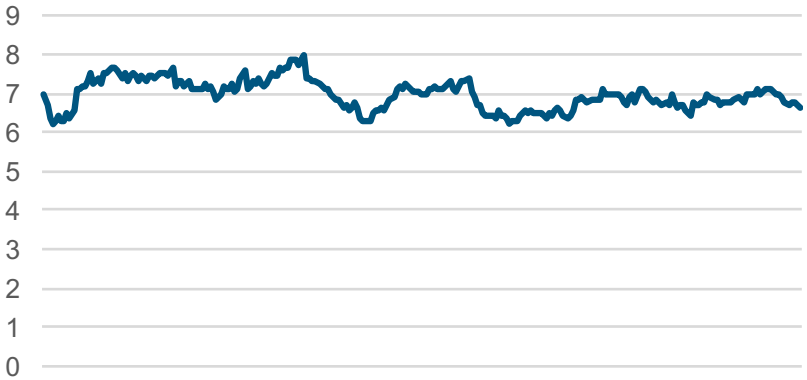
NTC – NETCOMM WIRELESS LTD



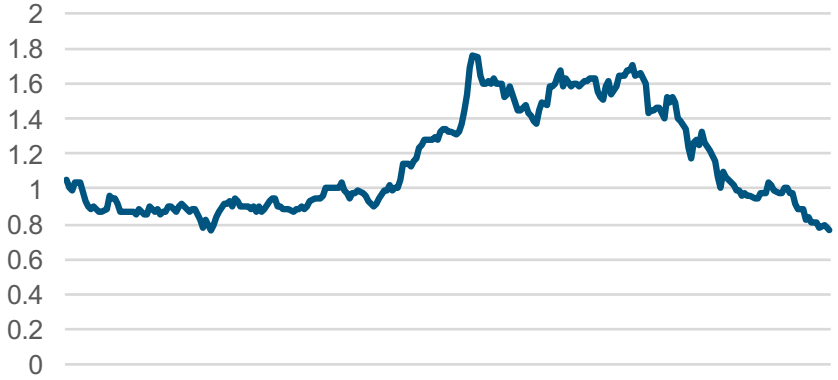
CAT – CATAPULT GROUP INTERNATIONAL



GXL – GREENCROSS LTD



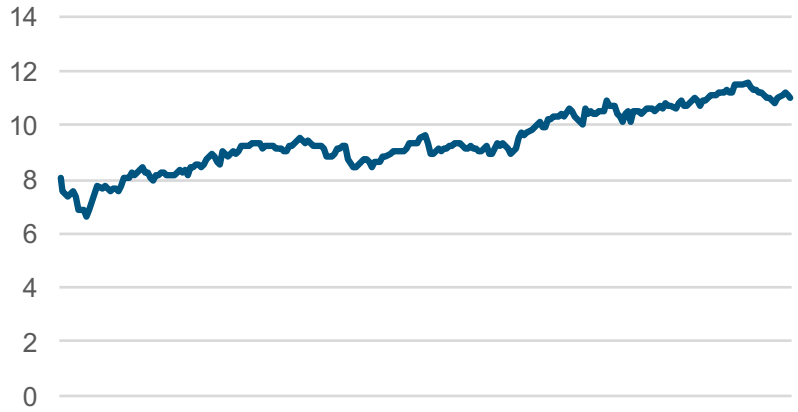
IPD – IMPEDIMED LIMITED



Source: Monash Investors & FactSet– 1 year share price performance to December 2016

And whilst it has been a tougher year, some stock prices have marched higher as the market recognises the value we see

CGF – CHALLENGER LIMITED



- Challenger dominates the Australian annuity market
- It has been increasing its distribution footprint through the year

LOV – LOVISA HOLDINGS LTD

- Lovisa retails fast fashion jewelry
- Australian and Asian sales and margins have been strong
- UK rollout is underway

Source: Monash Investors & FactSet – 1 year share price performance to December 2016

We have been disappointed with some key positons which are under constant review

- Yowie continues to penetrate US market
- Last quarter sales increased 44% v pcp despite manufacturing issues
- Increased distribution to continue in calendar year 2017:
  - Multi packs
  - 2 new countries
  - Children's books

Source: Monash Investors & FactSet – 1 year share price performance to December 2016

Fund Portfolio snapshot as at 31 January 2017

Monash ABSOLUTE INVESTMENT FUND

Type	Number of positions	(%)
Outlook Stocks – Long	21	72%
Outlook Stocks - Short	2	-5%
Event, Pair and Group Trades - Long	4	18%
Event, Pair and Group Trades - Short	0	-0%
Cash	NA	15%
Total	27	100%
Gross Exposure		95%
Net Exposure		85%
Beta		0.83

MA 1 Portfolio snapshot as at 31 January 2017

Monash ABSOLUTE INVESTMENT COMPANY

Type	Number of positions	(%)
Outlook Stocks – Long	21	74
Outlook Stocks - Short	2	-5%
Event, Pair and Group Trades - Long	4	19%
Event, Pair and Group Trades - Short	0	-0%
Cash	NA	13%
Total	27	100%
Gross Exposure		98%
Net Exposure		87%
Beta		0.83

We have added two new positions recently

- Speedcast – late November
  - Aussie Telco servicing marine and remote businesses
  - Growing organically and by acquisition
  - Large acquisition, deeply discounted share issue created a buying opportunity
  - Started buying at $3.10, currently priced around $3.50

- Resources Group – Mid December
  - One year into multi-year resources upcycle
  - Diversified exposure to improving world growth and reflation
  - BHP Billiton, diversified bulks
  - South32, diversified base metals
  - Worley Parsons, diversified oil and gas capex exposure

Key stocks – heading into reporting season

Company	Business
Emerchants	Transaction Cards
G8	Childcare
Speedcast	Marine & Remote Telco
Challenger	Retirement Incomes
Greencross	Pet Retail / Vet
Lovisa	Jewellery Retailer
Silver Chef	Rent Try Buy for SMEs
Netcomm	Telco Hardware
Catapult	Sport Technology
NextDC	Data Centres
Yowie	Confectionery
Paragon Care	Aged Care / Hospital Supplier

Key takeaways

- Glass half full – world growth, more stimulus, no euphoria, high cash levels
- Outlook for portfolio remains strong – stocks now available at better prices
- Each position always reviewed – 'have we missed something?'
- Paying attention to level of shorting in the companies we own
- Remaining disciplined, sold into strength, not catching falling knives
- Value v growth – how long? Impossible to forecast
- Always looking to make money for the portfolio:
  - Size agnostic, style agnostic, long/short, pre-IPO
  - Not wedded to any stock, we set and keep the bar high
  - Will keep finding new opportunities, e.g. SDA, Resources group

Q&A

- Questions are now welcome from callers
- Press *1

Contact Information to learn more about Monash Investors

- If you would like to learn more about the Monash Investors strategies, please email one of the following: -
  - **NSW/ACT, VIC, Qld financial advisers**
    - Rory MacIntyre rory@winstoncapital.com.au
  - **TAS, WA, SA/NT financial advisers**
    - Andrew Fairweather andrew@winstoncapital.com.au