

Monthly Performance Report

November 2015

Fund Strategy

The Monash Absolute Investment Fund (Fund) offers investors an Australian equity fund that aims to deliver absolute returns of 12-15% p.a. (after fees), over a full investment cycle and preserve investor capital each financial year.

The Fund is benchmark unaware, style and stock size agnostic, both long and short and only invests in compelling opportunities. In keeping with the Fund's absolute return objectives, if Monash Investors cannot find stocks that meet the very high return hurdle requirements, the Fund will preserve that capital in cash at bank.

Monthly Update

The Fund rose 2.4% in November 2015, despite a declining share market. We have seen a fairly consistent upward trend in performance this calendar year, with the Fund up 16.0% and the market, despite a lot of volatility, essentially flat.

Once again the fund's performance was driven by stock specific announcements, and this has continued to see the Beta of the portfolio fall; it is now down to 0.47.

Monthly Portfolio Metrics

Outlook Stocks (Long)	16 Position: 67%
Outlook Stocks (Short)	4 Positions: (-12%)
Event, Pair and Group Trades	7 Positions: (29%)
Gross Exposure	108%
Net Exposure	85%

Return Summary Since Inception¹

1 Month	2.36%
3 Months	5.84%
6 Months	10.94%
FYTD	13.05%
CYTD	15.99%
1 Year	16.63%
2 Years	10.08%
3 Years	17.83%
Since Inception (p.a.)	16.50%
Cumulative	68.50%

¹Inception date of Fund is 30 June 2012.

Portfolio Analytics Since Inception

Sharpe Ratio	1.67
Sortino Ratio	4.59
Standard Deviation (p.a.)	8.14%
Positive Months	66%
Maximum Drawdown	-6.05%
Avg Gross Exposure	87%
Avg Net Exposure	77%
Avg Beta	0.60
Avg VAR	1.1%

Key Fund Information

FUM	\$28m
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

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Stock Focus

- Netcomm (ASX Code: NTC)
- Market Cap \$400m
- Sector – Technology

How Netcomm meets Monash Investors Investment Criteria
 At Monash Investors, we are constantly scouring the market looking for misunderstood and mispriced stocks that offer substantial upside; that is, stocks that we consider to have at least 60% upside or 30% downside to our price target. From our direct experience of investing over a combined 50+ years, we have identified recurring situations which allow us to uncover such stocks. For example, the equity market often has an inability to price significant change, driven by diverse causes such as industry cycles, product roll outs or even customer behaviour.

One such example of a mispriced opportunity that is currently in our portfolio is Netcomm (ASX: NTC). Netcomm has established itself as the go to provider of fixed wireless routers for telco networks, having won the only two large scale tenders globally. In addition, its strategy of customising M2M solutions opens a plethora of opportunities as the internet of things grows. We first bought Netcomm at a price of 20c in February 2013, with an average entry price of 35c. The stock closed on 30 November 2015 at \$3.05 and a market cap of about \$400m.

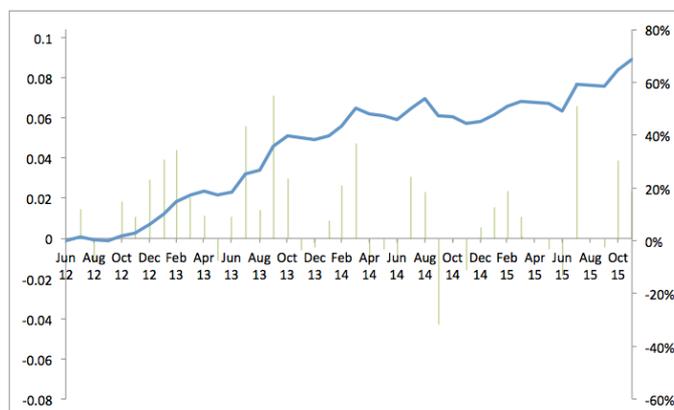
Netcomm has been listed for over 30 years. Over the course of that time, it has changed its focus from manufacturing standardised consumer wireline modems to developing customised commercial grade wireless routers. The change in focus has proved transformational for its outlook.

Netcomm specialises in niche areas. It's most successful example is providing telcos with equipment that connects high speed broadband to users over the last 10% of a network, where they cannot be economically reached with copper or fibre.

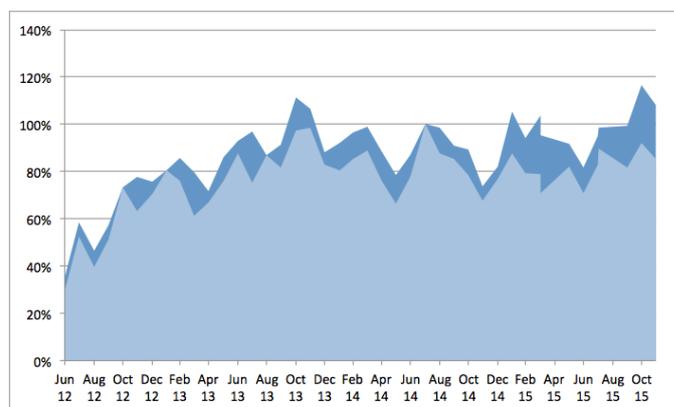
Its big break came when it provided the NBN with a fixed wireless rural broadband solution. This was a world first. It has recently been awarded the contract for the AT&T roll out which is only the second such contract in the world.

Importantly (and prudently), we have controlled the weight of Netcomm in the portfolio over time, so that it does not dominate our returns if it runs into problems as companies invariably do from time to time.

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



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So how did NTC meet our investment criteria?

INSIGHTS:

Product Roll Out – As is often the case with such a significant change, the market was underestimating the likely volume growth and profit margin increases that would be achieved.

Customer Behaviour – As broadband networks get built out, Netcomm provides a solution that end users and their governments are requiring the Telcos to provide.

Lack of Analyst Coverage – because of Netcomm's chequered history and relatively small size, it had no broker coverage at the time it changed its focus from standardised consumer products to customised commercial grade products. It still only has analysts from small broking firms following it closely.

GROWTH:

This phase of the Netcomm business has really only just begun. FY16 revenue is around \$100m. The AT&T deal likely provides additional revenue of \$200m pa from FY18.

Across the developed markets of North America and Europe, there are many more telco clients who will be needing products like Netcomm's for their networks.

Netcomm has first mover advantage as the only supplier with reference sites. Given the caution typically shown by telcos, it will likely remain the market leader as a result.

VALUE:

The wireless broadband supply agreements that it has with telcos are effectively evergreen. They typically take 5 years to implement and by then the technology requires upgrading, so the process is repeated. Sustainable earning growths attracts a high valuation multiple

Brokers analysts are now generally valuing Netcomm at around \$4 (30% upside) on the announced contracts alone.

On the other hand, we include a reasonable assumption for further contract wins and continue to see well over 60% upside to Netcomm's share price.

EVENT:

There is no specific near term event expected. Nevertheless, we expect to see a number of progress signposts over time, in terms of contracts tendered/won, and a capital raise will likely be required to support growth.

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