

Monthly Performance Report

May 2016

Fund Strategy

The Monash Absolute Investment Fund (Fund) offers investors an Australian equity fund that aims to deliver high 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 the team 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 by 2.4% after fees in May. For the financial year to date, the Fund's performance is up 18.2% after fees while the ASX200 is up 3.1%. It continues to exhibit much less volatility than the market.

During the month we added a few new event driven opportunities to the portfolio and closed a couple of shorts. There were a number of positive announcements related to our stocks, which have generally been good for their share prices. The standout contributors this month were Orecobre (+36.7%) and Yowie (+26.6%). However, there was also a capital raising from Emerchants (-10.8%) to fund its North American acquisition, which weighed on its share price.

Monthly Portfolio Metrics

Outlook Stocks (Long)	16 Position: 57%
Outlook Stocks (Short)	3 Positions: -9%
Event, Pair and Group (Long)	8 Positions: 16%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	36%
Gross Exposure	81%
Net Exposure	64%
Beta	0.45

Return Summary Since Inception¹

Since Inception (p.a.)	15.55%
1 Month	2.39%
3 Months	6.84%
6 Months	4.52%
FYTD	18.15%
1 Year	15.96%
2 Years	9.33%
3 Years	14.51%
Cumulative	76.13%

¹Inception date of Fund is 2 July 2012.

Portfolio Analytics Since Inception

Sharpe Ratio	1.44
Sortino Ratio	3.29
Standard Deviation (p.a.)	8.87%
Positive Months	66%
Maximum Drawdown	-7.71%
Avg Gross Exposure	88%
Avg Net Exposure	76%
Avg Beta	0.58
Avg VAR	1.17%

Key Fund Information

FUM	\$34m
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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Commentary

Orecobre (ASX: ORE) is a producer of Lithium, a metal that is experiencing strong demand growth due to its use in electric car batteries. Orecobre is one of 4 major Lithium producers that account for 91% of the world's production. Resources analysts generally expect the Lithium price to double from its 2015 level of \$6,000/t by 2020. We have now seen much of that rise, and stock prices in the sector have risen dramatically, too.

We first purchased the stock in December 2015 for just under \$2, and it has more than doubled since then (\$4.54 at month end). We have been happy to take profits in the stock and have reduced our weighting from its original level, given that there is now much less upside to our price target.

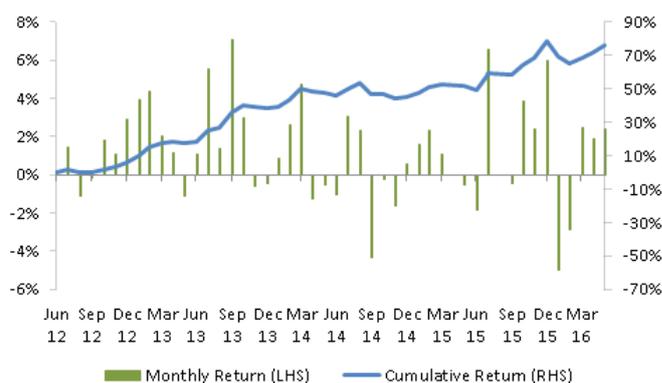
Yowie (ASX:YOW) is a manufacturer of novelty chocolates, that are similar to Kinder Surprise. It is already has US distribution through Walmart and Walgreens, among others. The Neilson survey in North America found it to be the number one selling Novelty Candy (where sold) and this led to the announcement of two large new convenience store distribution contracts in May. The company also announced the purchase of an additional high speed wrapper to meet expected future demand.

The share price responded to these announcements after a period where the market was becoming concerned that execution was lagging. This really is just the beginning for Yowie in the USA, where Kinder Surprise has not ever been sold due to regulatory issues.

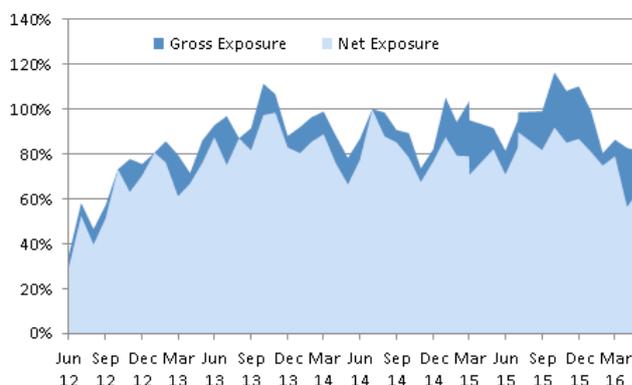
Emerchants (ASX:EML) provides payment solutions and transactions cards. It has operations in Australia and Europe. Retailers use these cards for reward schemes and gift cards, and they are also used for loan disbursements, corporate expenses and salary packaging. Corporate bookmakers have found the cards particularly useful for their clients, who can use them to deposit and withdraw money from betting accounts at ATM machines.

In May, Emerchants announced the purchase of Store Financial US and a placement to fund it. This put a cap on the share price, which had risen sharply over the last 6 months with strong sales growth to corporate bookmakers and expansion into Europe. We expect Emerchants high rates of sales and earnings growth to continue.

Cumulative Return Since Inception



Gross/Net Exposure Since Inception



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For all business development enquiries, please contact

Andrew Fairweather
Winston Capital partners (Acting on behalf of Monash Investors)
P. +61 401 716 043
E. Andrew@winstoncapital.com.au

For all investor enquiries, please contact

White Outsourcing Pty Ltd (Acting on behalf of the Fund)
P. +61 2 8262 2800
E. registry@whiteoutsourcing.com.au
Monash Fund Unit Registry, GPO Box 5482, Sydney NSW 2001

For all other enquiries

E. contactus@monashinvestors.com

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