Monash
ABSOLUTE INVESTMENT FUND

Monthly Performance Report

August 2017

Monthly Update

The portfolio increased by 1.31% (after fees) for the month of August, during which the S&P/ASX200 rose 0.71% and the Small Ords rose 2.71%. This is the fourth month in a row that the portfolio has beaten the ASX200.

Almost all the companies held in the portfolio announced results in August. Of the 20 Outlook [i] Stocks (Long) that reported, 45% beat expectations, 45% were in line, and 10% missed. This was better than the market, with stockbroker Morgans calculating out of 156 companies they tracked 21% beat, 55% were in line, and 24% missed.

Our two Outlook Stocks (Short), Coca-Cola Amatil (down 2% for the month) and Sky Network Television (down 17%) continued their pattern of poor results, which positively contributed to performance.

Return Summary Since Inception[1]

Since Inception (p.a.)	9.12%
1 Month	1.31%
3 Months	3.65%
6 Months	1.21%
FYTD	1.60%
1 Year	-8.05%
3 Years	0.68%
Cumulative	56.98%

[1]Inception date of Fund is 2 July 2012.

Monthly Portfolio Metrics

Outlook Stocks (Long)	21 Position: 74%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	5 Positions: 15%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	16%
Gross Exposure	93%
Net Exposure	84%
Beta	0.57

Portfolio Analytics Since Inception

Sharpe Ratio	0.72
Sortino Ratio	1.43
Standard Deviation (p.a.)	9.10%
Positive Months	63%
Maximum Drawdown	-15.21%
Avg Gross Exposure	93.3%
Avg Net Exposure	84.1%
Avg Beta	0.59
Avg VAR	1.20%

i *Outlook stocks are securities, in the Investment Manager's view, whose current valuation does not reflect the future earnings potential of the business.*

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Highs

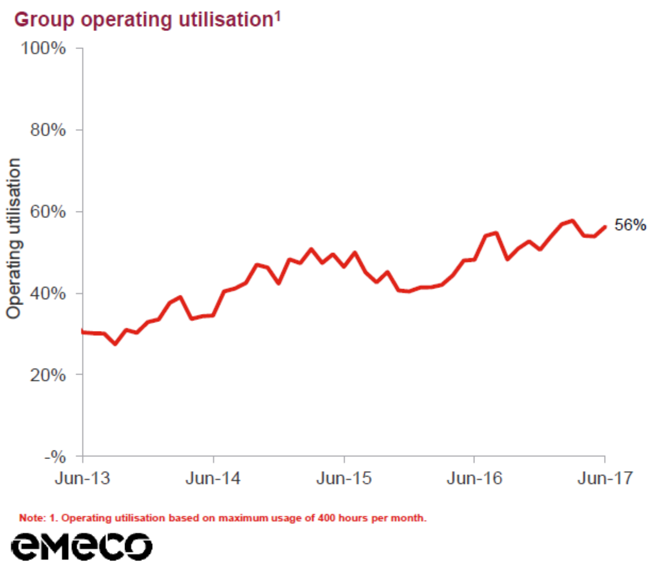
Emeco Holdings Limited (ASX: EHL) rose 29% in August. EHL is a recent addition to the portfolio and was the best contributor to return this month.

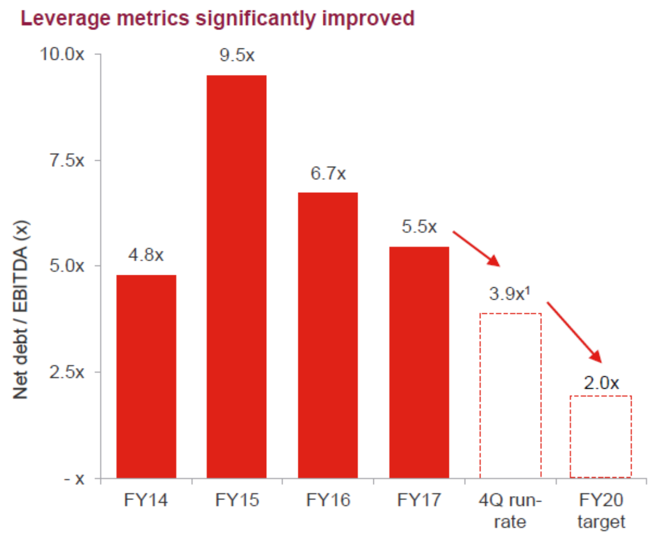
Emeco leases heavy earthmoving equipment to mining companies and their contractors. It is the largest company of its type in Australia. With mining activity, beginning to pick up again, the demand for "yellow" trucks, diggers and dozers is picking up.

The mining vehicle leasing industry is highly cyclical, and has both operational and financial leverage. Following the resources cycle bust, mining contractors handed back their vehicles and there was a glut. Lease rates collapsed and fleets had low rates of utilization. The price of second hand vehicles collapsed too, leading to large write-downs.

It was a near death experience for Emeco and its competitors, who went into losses. Emeco's stock price collapsed. Four years later, there has been debt for equity swaps, industry consolidation and the glut of vehicles is no more.

In the next couple of years, we expect that Emeco's fleet utilization and lease rates should return to levels that are more normal. With its balance sheet on the path to recovery, and facing a less competitive environment, Emeco will see its profitability increase from the current depressed levels. It is a great exposure to a recovery in mining services because unlike mining contactors it carries minimal project execution risk.



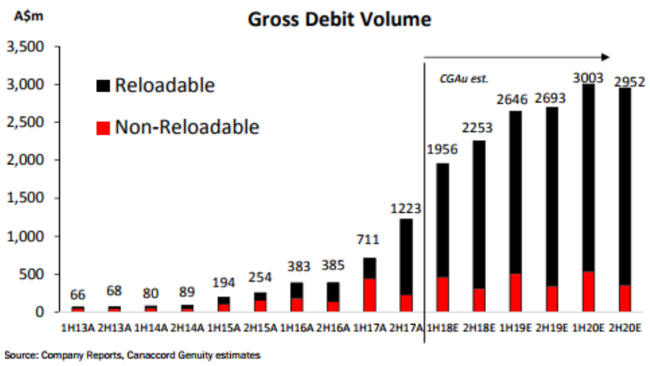


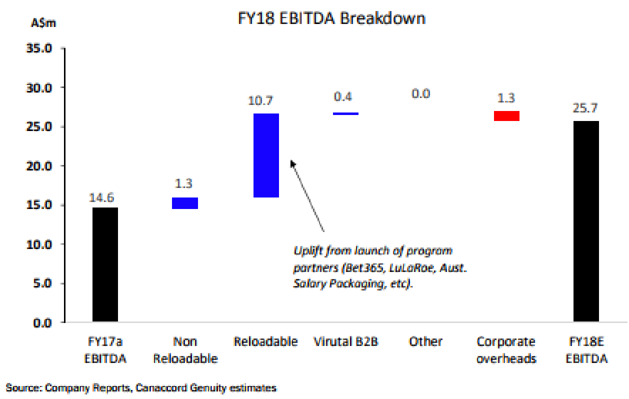
Highs (cont.)

EML Payments Limited (ASX: EML) rose 14% in August.

EML continues to penetrate quickly the US market with its transaction cards and payment solutions. Following its results announcement, analysts upgraded revenue and earnings numbers for FY18 and FY19. The nature of its business is such that it can provide visibility to likely revenues over time, given an existing level of gross debit volumes. This reduces analyst uncertainty in forecasting earnings growth in future years.

Analysts expect to see EML's EBITDA[ii] almost double in FY18 and further momentum into FY19 as major contracts scale up.



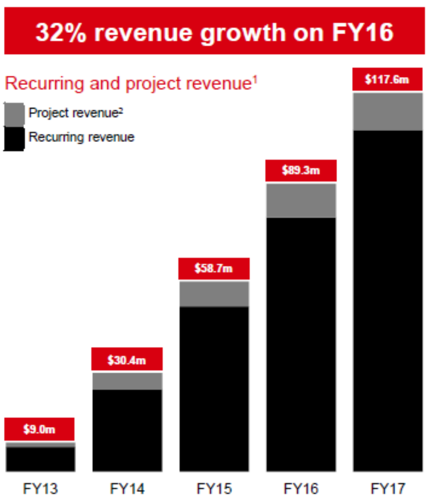


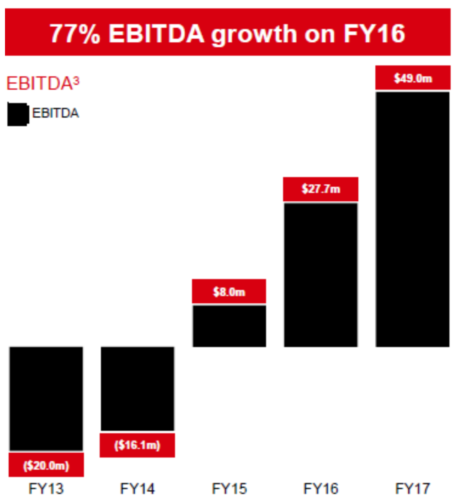
NEXTDC Limited (ASX: NXT) rose 11% in August.

NXT owns Australia's largest network of neutral colocation data centres.

NXT reported a strong result, at the top-end of guidance with 38% revenue growth falling through to 77% EBITDA growth. Operating Cash Flow increased 69%, and lower Capex saw NXT end the period with cash and liquids of A$368m.

However, it was the news of near term hyper-scale colocation contracts, the announcement of additional capacity, and a reduction in fit-out costs that excited the market. The new builds are broadly on track – not only will fit-out costs be 10-15% cheaper, but the new Data Centres will be Australia's first Tier IV, 5.0 star energy efficient, UTI Gold certified data centres – creating a serious competitive advantage. The operating environment remains very strong, with the biggest tender pipeline the company has ever seen.





ii *Outlook Stocks (both Long and Short Positions) are securities in the Investment Manager's view, whose current valuation does not reflect the future earnings potential of the business.*

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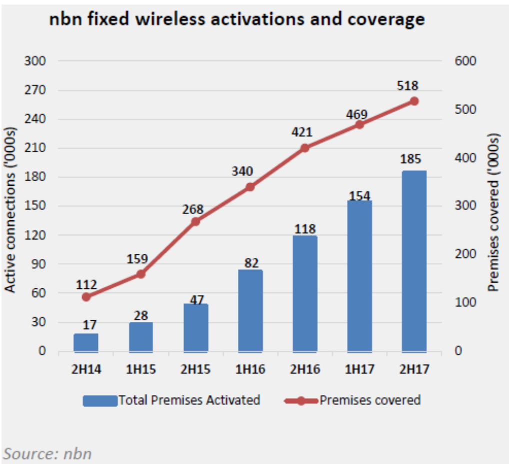
Lows

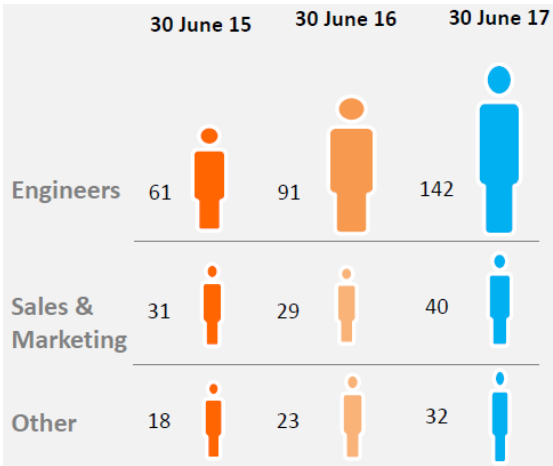
Netcomm Wireless Limited (ASX: NTC) fell 17% in August.

Netcomm's Fixed Wireless device is being rolled out by the NBN. NBN customers who use it have the highest satisfaction rating of all NBN users, and a similar device being provided by Netcomm is now being rolled out by AT&T in the USA. In order to improve customer experience, the NBN is also expanding its use of Netcomm's fibre to the curb (FTTC) device in preference to its original fibre to the node (FTTN) strategy and confirmed last week an increase from 700,000 to 1,000,000 in the number of premises that will be covered by it. With these major contracts underway, Netcomm is expected to have a substantial lift in revenues and earnings in FY18 and beyond.

While NTC reported beyond the upper end of analyst expectations, there were two reasons why the stock price fell. First, lack of specific guidance for FY18 beyond stating "strong growth in Revenue and EBITDA, with growth accelerating in 2H18." Second, the admission that two contracts that were expected to be won in FY17 were no longer being pursued.

Netcomm has built up a large engineering team in order to win new bespoke contracts, and it needs to develop a diversified portfolio of these type of clients over time to justify the expense. We will be monitoring their progress closely as it is a key element of our investment thesis.





Silver Chef Limited (ASX: SIV) fell 15% in August.

SIV provides rental and financing of commercial equipment to small and medium businesses.

Despite SIV being very upbeat about its performance, it was the portfolio's biggest "miss" of the results season. NPAT was \$22.5m vs guidance \$23m – \$25m and they guided the following year to +10% growth, rather than +15% growth, due to the staff cost involved in running down the "Go Getta" commercial vehicle book (as opposed to the main Silver Chef brand, which is focussed on the hospitality sector).

We expect that analysts have underestimated the future growth from Canada. Further, in the past, the company has needed to raise capital every 18 months to support the growth in its balance sheet, which has justifiably depressed its PE rating. However, they are about to securitise and sell some assets in order to recycle capital. This will likely push out the need for any further capital raising for at least 3 years. The stock is cheap, being back to it's lowest valuation multiple in 5 years.

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Key Fund Information

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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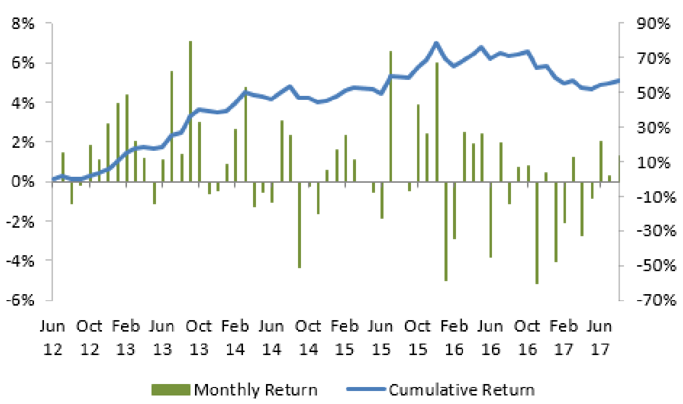
Cumulative Return Since Inception



Gross/Net Exposure Since Inception