

# Monthly Performance Report

## February 2018

### Monthly Update

The portfolio decreased 2.40% (after fees) for the month of February, during which the S&P/ASX200 rose 0.36% and the Small Ords rose 0.03%.

February was an eventful month, which started with a fall in the market due to rising inflation and bond yields. AS a risk control measure some positions were trimmed in the portfolio and cash holdings were increased from 15% to 30%.

The month also saw some significant stock price movements following the half-year results announcements and the portfolio adjusted its positioning in response to those disclosures too.

### Monthly Portfolio Metrics

<b>Outlook Stocks (Long)</b>	18 Positions: 60 %
<b>Outlook Stocks (Short)</b>	2 Positions: -5%
<b>Event, Pair and Group (Long)</b>	3 Positions: 15%
<b>Event, Pair and Group (Short)</b>	0 Positions: 0%
<b>Cash</b>	30%
<b>Gross Exposure</b>	79%
<b>Net Exposure</b>	70%
<b>Beta</b>	0.473

### Return Summary Since Inception<sup>1</sup>(after all fees)

<b>Since Inception (p.a.)</b>	10.48%
<b>1 Month</b>	-2.40%
<b>3 Months</b>	-0.34%
<b>6 Months</b>	11.95%
<b>FYTD</b>	13.75%
<b>1 Year</b>	13.31%
<b>3 Years</b>	5.19%
<b>5 Years</b>	8.86%
<b>Cumulative</b>	75.74%

### Portfolio Analytics Since Inception

<b>Sharpe Ratio</b>	0.89
<b>Sortino Ratio</b>	1.76
<b>Standard Deviation (p.a.)</b>	9.11%
<b>Positive Months</b>	65%
<b>Maximum Drawdown</b>	-15.21%
<b>Avg. Gross Exposure</b>	88.50%
<b>Avg. Net Exposure</b>	76.70%
<b>Avg. Beta</b>	0.58
<b>Avg. VAR</b>	1.17%

<sup>1</sup> Inception date is 2 July 2012

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On Monday the 5<sup>th</sup> of March, a conference call was presented by Simon Shields from Monash Investors to provide a post reporting season portfolio update for both investors in the Fund and Monash Absolute Investment Company (ASX: MA1) which has the same investment strategy. The presentation is available on Monash Investors website at <http://www.monashinvestors.com/post-reporting-season-update-march-2018/>.

Below is a summary of the presentation and items discussed during the call.

1. **The 2018 Financial year to date has seen a strong rebound in performance.**
  - a. The Fund returned 13.75% after fees for the 7 months to 28 February 2018.
  - b. February was the first negative month in 9 months.
2. **Longer Term Performance Review.**
  - a. Five year performance for the Fund of 8.86% is an indicator of the longer term performance of the investment strategy.
  - b. Superior after fee returns were achieved compared to index tracking ETFs, and with considerably different portfolios on both a stock and sector level.<sup>2</sup>
  - c. The good performance was also achieved despite a significant cash weighting.
  - d. Five year after fee returns to 31 January 2018
    - i. 10.33% p.a. with an average cash weighting of 20%.
    - ii. 8.85% p.a. VAS (Vanguard Australian Shares Index ETF) based on the ASX 300
    - iii. 7.22% p.a. VSO (Vanguard MSCI Small Companies Index ETF) based on small companies.
3. **Reporting Season Summary.**
  - a. February 2018 reporting season was mixed compared to prior periods, and in the case of a couple of stocks we decided to exit our holdings, as a result of business outcomes at odds with our investment thesis. These stocks were Catapult (ASX: CAT) and Silverchef (ASX: SIV).
  - b. On the other hand, some stocks that we held did better than expected. Highlights were Netcomm Wireless (ASX: NTC) NextDC (ASX: NXT) and Lovisa (ASX: LOV).
4. **Key Recent Portfolio Actions**
  - a. A number of new outlook holdings have been added to the portfolio
    - i. These are all stocks with more than 60% upside to our price target
  - b. A significant number of the outlook holdings have had their weightings reduced or been exited in the last 6 months
    - i. Due to rising share prices, which reduces the remaining upside payoff; or
    - ii. Due to investment thesis violation, in which case we exited the stocks.
    - iii. Overall, the number of positions in the portfolio has reduced
  - c. The level of cash holding in the portfolio increased
    - i. In addition to the selling referred to above
    - ii. As a risk control measure for the whole portfolio
    - iii. In response to increased potential for a market correction

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For all business development enquiries,  
please contact Winston Capital partners  
(Acting on behalf of Monash Investors):

**SA, WA, NT:**

Andrew Fairweather

☎ +61 401 716 043 ✉ [andrew@winstoncapital.com.au](mailto:andrew@winstoncapital.com.au)

**VIC, TAS:**

Stephen Robertson

☎ +61 418 387 427 ✉ [stephen@winstoncapital.com.au](mailto:stephen@winstoncapital.com.au)

**NSW, ACT, QLD:**

Rory MacIntyre

☎ +61 434 669 524 ✉ [rory@winstoncapital.com.au](mailto:rory@winstoncapital.com.au)

For all investor enquiries, please contact

Link Fund Solutions Pty Ltd (Acting on behalf of the Fund)

☎ +61 2 9547 4311 ✉ [LFS\\_registry@linkgroup.com](mailto:LFS_registry@linkgroup.com)

Monash Absolute Investment Fund Unitholder Services,  
GPO Box 5482, Sydney NSW 2001

For all other enquiries

E. [contactus@monashinvestors.com](mailto:contactus@monashinvestors.com)

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