Monash
ABSOLUTE INVESTMENT FUND

Monthly Performance Report
April 2018

Monthly Update

The portfolio decreased 4.24% (after fees) for the month of April, during which the S&P/ASX200 rose 3.91% and the Small Ords rose 2.75%.

In April there was a lot of news flow for stocks in the portfolio, in contrast to March, which was quiet. And unlike March, where the portfolio beat the market indices, in April the portfolio went the other way

While the number of positive news announcements for stocks in the portfolio was equal in number to the negative announcements, the negative surprises had a greater effect on the stock share prices. Despite the disappointing result this month, the portfolio is up 7.21% after fees this financial year

In this month's update we will review both the good, the bad, and the mixed

Return Summary Since Inception[1] (after all fees)

Since Inception (p.a.)	9.05%
1 Month	-4.24%
3 Months	-8.00%
6 Months	-3.00%
FYTD	7.21%
1 Year	8.45%
3 Years	2.74%
5 Years	6.91%
Cumulative	65.64%

Monthly Portfolio Metrics

Outlook Stocks (Long)	15 Positions: 59%
Outlook Stocks (Short)	2 Positions: -5%
Event, Pair and Group (Long)	3 Positions: 14%
Event, Pair and Group (Short)	1 Positions: -1%
Cash	33%
Gross Exposure	80%
Net Exposure	67%
Beta	0.47

Portfolio Analytics Since Inception

Sharpe Ratio	0.73
Sortino Ratio	1.40
Standard Deviation (p.a.)	9.27%
Positive Months	63%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	88.30%
Avg. Net Exposure	76.50%
Avg. Beta	0.57
Avg. VAR	1.20%

[1] Inception date is 2 July 2012

The Good

Netcomm Wireless (ASX: NTC) +16%: Netcomm surprised the market by signing a product purchase agreement with Bell Canada for the supply Fixed Wireless broadband devices, similar to the Netcomm units that NBN and AT&T are rolling out to urban fringe and rural customers. This is only the third such contract of its type in the world; Netcomm invented the product and is the only successful tenderer so far.

Leigh Creek (ASX: LCK) +100%: While this is a big jump in the share price it is only a small holding for the portfolio, given the event driven nature of our investment and the size of the company. LCK is developing a coal gasification project in South Australia, and received environmental approval mid-April. The next catalyst for the stock price will be successful flaring, after which the resource should be upgraded from contingent to proven. It amounts to around 4% of Australia's gas reserves.

NextDC (ASX: NXT) +5%: During the month NXT undertook a capital raising to fund the purchase of land for the next generation of data centres. What surprised us and the market was the scale of these new centres. NXT total available capacity was 129 megawatts (MW) and this has been increased to 306MW. The original S1 facility was 16MW, the under construction S2 is 40MW, and the newly announced S3 will be 80MW. While it will be some time before this new capacity is required, it clearly demonstrates management's confidence in the outlook for the business.

MicroX (ASX:MX1) +3%: MicroX signed a contract with the UK Ministry of Defence to undertake the first phase of Research and Development into a lightweight x-ray imaging system for detecting explosives hidden in consumer electronic devices. This is part of a program with the Department of Transport to improve aviation safety.

The Bad

Experience Co (ASX: EXP) -18%: EXP downgraded its FY18 EBITDA guidance by 15% due to unseasonably bad weather during the March and April peak periods in North Queensland for key operations. In the past, EXP's business has bounced back promptly from rain interruptions and we see no reason why it will not do so again. The business continues to grow strongly notwithstanding this setback, and the EPS will be up 13% in FY18.

AirXpanders (ASX: AXP) -54% based on our average exit price: In a shock announcement AXP disclosed flat sales in 3Q vs 2Q. Prior to this, all company announcements stated growing adoption as measured by the signing on of new hospitals and the growing usage per month on average by each surgeon. It was such a shock to the AXP Board that they immediately sacked the CEO. We immediately exited the stock, as it was a violation of the investment thesis. The stock fell another 26% after we exited.

G8 Education (ASX: GEM) -14%: At its AGM management noted that continuing tough industry conditions (both supply and demand) had reduced their occupancy rates by 2.5-3% so far this year compared to the February estimate of 1-1.5%. This led to high single digit earnings downgrades by analysts. However, industry conditions will improve significantly following the implementation of the new government childcare subsidy on 1 July and will improve GEM outlook.At the time of writing, the stock has bounced back 7.5%.

The Mixed

Impedimed (ASX: IPD) -25%: The positive news for Impedimed in April was the long awaited interim results of its Lymphedema trial, which showed a 67% improvement in outcomes using its product, versus the traditional approach. There is still a number of years for the trial to continue. However, it is on track to show a large and statistically significant benefit that will lead to its widespread adoption. The negative news for Impedimed was its quarterly report that showed in the absence of this adoption its sales continue to be slow and it is burning cash.There is a great deal of upside in this stock contingent on the roll out to come, so we continue to hold it at a modest weight.

Lovisa (ASX: LOV) -2%: The positive news for Lovisa was that like for like sales growth to the end of Q3 FY 2018 was 7.6%, which is very strong, and has been achieved at a time when they have been reporting strong margins. Due to the addition of new stores that they have been rolling out in the UK, France, Spain and the USA, we estimate that they will do about a 20% increase in sales overall this year. The negative news was the resignation of the CEO who has been in that position for only 1.5 years, and a total of 2.5 years at the company "to pursue other interests". However, founder and MD, Shane Fallscheer (previously CEO), will continue to lead the company and step back into the CEO role (at least for the time being). We have maintained our weight in this stock.

Alexium (ASX: AJX) -41%: The positive news for Alexium was that (i) analytical testing showed pillows treated with Alexicool deliver over 500% greater cooling capacity compared to other commercially available pillows. This means manufacturers can buy far less Alexicool in order to achieve the same effect than other products, making Alexicool much more cost effective than alternatives. In addition (ii) they are making excellent progress in three of their verticals, and success in any of these should result in material sales growth this calendar year. The negative was the disclosure in a letter to shareholders that in the March quarter that they were prompted to develop this new industry accepted test for cooling because, in the absence of this evidence, there had been pricing pressure on their cooling chemicals currently supplied to the bedding industry for mattresses. We continue to hold a modest weight in this stock.

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