

Monthly Performance Report

February 2019

Monthly Update

For the month of February, the portfolio was up by 3.49% (after fees) compared to the S&P/ASX200 up 5.98% and the Small Ords which was up +6.78%. It's been a strong start to the calendar year with the portfolio up 11.77% (after fees) compared to up 10.08% and up 12.72% for the two indices respectively.

With the couple of months we just had, we have almost made up for the very weak December quarter. As a result for the financial year to date the Fund is now down -0.67% (after fees) compared to up 2.56% and down -1.65% for the two indices respectively.

February is the month where most stocks report their half-year results. It can lead to some dramatic moves in stock prices, and so it did this time

Monthly Portfolio Metrics

Outlook Stocks (Long)	22 Positions: 83%
Outlook Stocks (Short)	1 Positions: -3%
Event, Pair and Group (Long)	3 Positions: 14%
Event, Pair and Group (Short)	1 Positions: -8%
Cash	14%
Gross Exposure	106%
Net Exposure	86%
Beta	0.57

Return Summary Since Inception¹(after all fees)

Since Inception (p.a.)	8.35 %
1 Month	3.49%
3 Months	2.76%
6 Months	-3.72%
FYTD	-0.67%
1 Year	-2.87%
3 Years	1.17%
5 Years	3.56%
Cumulative	70.71%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.60
Sortino Ratio	1.08
Standard Deviation (p.a.)	10.25%
Positive Months	60%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	89.00%
Avg. Net Exposure	76.90%
Avg. Beta	0.57
Avg. VAR	1.20%

¹ Inception date is 2 July 2012. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

²Glossary of terms can be found on the Fund's website at www.monashinvestors.com/glossary/

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Of all the stocks in the portfolio, Lovisa (ASX: LVH) had the best jump in share price on its result day, up 20%, and it rose 39% for the month. The best return for the month came from Leigh Creek (ASX: LCK) which delivered +75% stock price return for the month due to its successful pre-commercialisation demonstration.

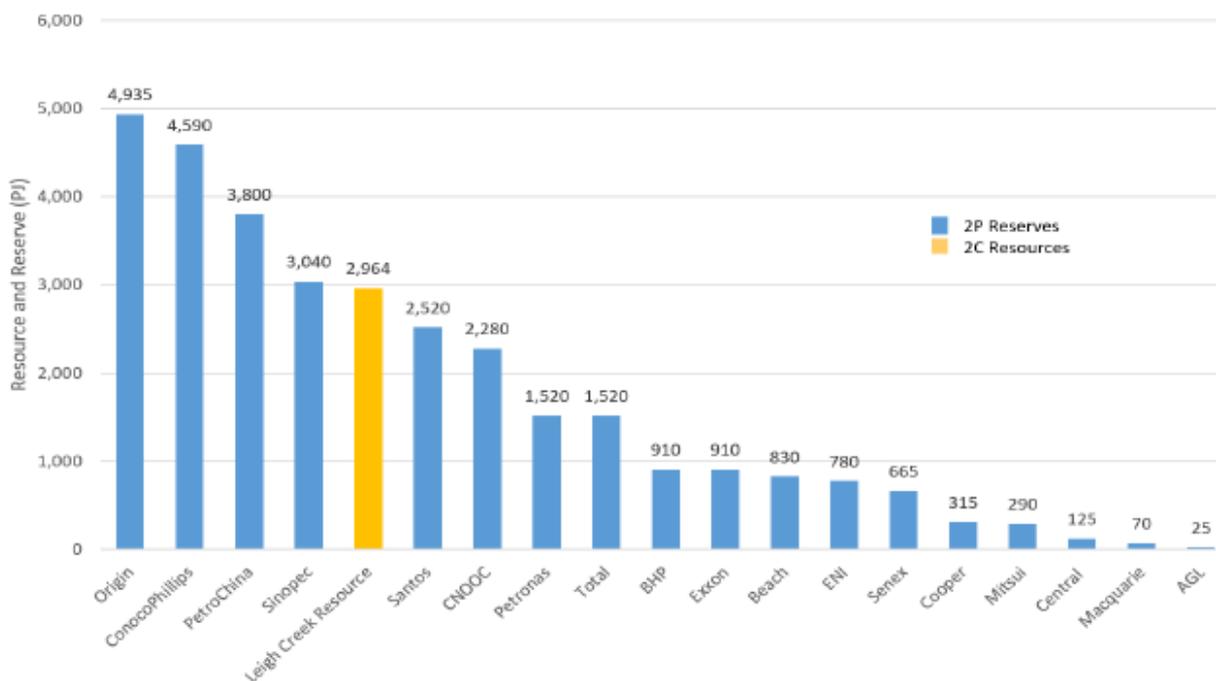
Leigh Creek (ASX: LCK)

Leigh Creek is an energy company that is in the process of upgrading its very large syngas 2C Resource of 2,964PJ in South Australia, which represents 7.8% of Australian East Coast Gas resources, to a 2P Reserve. This upgrade to 2P should occur in the next month or so, now that the company has successfully demonstrated its safety and commerciality through a trial operation.

The company uses Underground Coal Gasification (UCG) to extract gas from coal. The gas can generate electricity, be sold as natural gas via a pipeline, or be used to create urea for fertiliser. Given Australia's well publicised issues with high gas prices, and the need to provide employment and reliable power generation in South Australia, both Labor and Liberal South Australian governments have been highly supportive.

The bar chart below puts the size of this resource in perspective. If even only half of the 2C resource is certified as 2P, it will be one of the top 10 reserves in eastern Australia.

East Coast Gas Reserves vs LCK Resources



Source: CCZ and the Australian Energy Regulator

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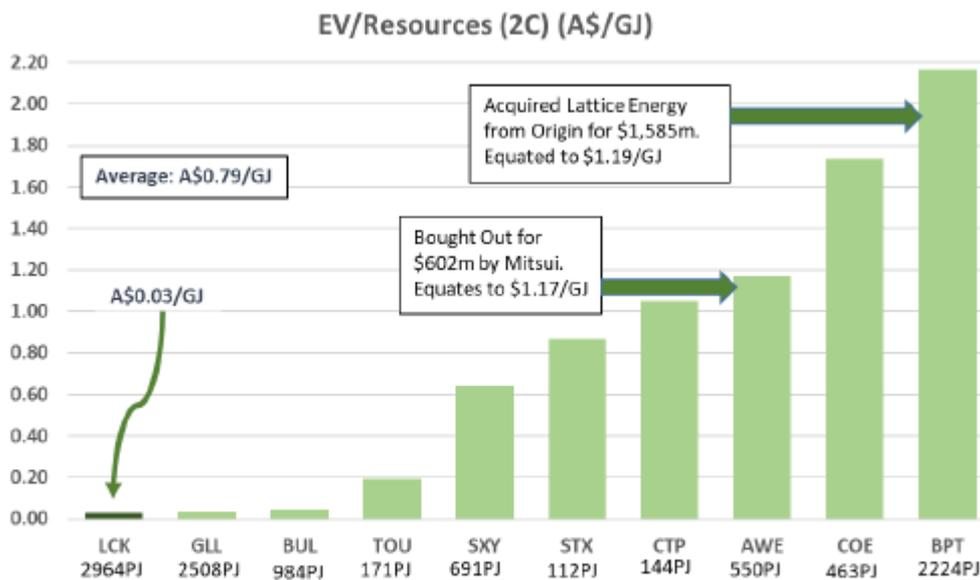
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To date, the market has been sceptical of LCK's ability to successfully prove up and commercialise its reserves because of the misadventures of the now delisted Linc Energy (ASX: LNC) at its Chinchilla UCG operation in Queensland. This scepticism is demonstrated in the next chart, which compares the price/GJ of EV/Resource for ASX listed peers (Attributable 2C Energy Resources).



Source: CCZ, Company announcements

Our average entry price into LCK is about 17c per share which is where it was at the time that chart was created. It closed the month at 21c per share. We expect a jump in the share price from here, when a substantial proportion of its 2C resources get upgraded to 2P, and we are optimistic that they will given the energy content and flow rates reported.

However, we see the value for shareholders only being fully realised when LCK is able to announce a formal partnership of some sort to commercialise the deposit. There is certainly plenty of interest at this early stage. The company reports³ that it recently invited expressions of interest (EOI) from parties for up to 50PJ per annum to be produced from Leigh Creek. As a result the Company has received over a dozen formal responses from several of Australia's largest gas retailers and users. LCK states that it will continue these discussions on an ongoing basis and will advise the market accordingly of any material developments.

³ <https://www.asx.com.au/asxpdf/20190226/pdf/442z0j8s6bk2g7.pdf>

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