

Monthly Performance Report

July 2019

Monthly Update

For the month of July, the portfolio was up by 4.83% (after fees) compared to the S&P/ASX200 up 2.94% and the Small Ords which was up 4.50%.

For the calendar year to date, the portfolio was up 30.89% (after fees) compared to the S&P/ASX200 up 23.25% and the Small Ords, which was up only 22.08%.

July is typically a pretty quiet month for the Australian share market, being both school holidays and the “black-out” month before companies deliver their full year results in August.

There are really only three exceptions to this quietness: quarterly sales results for retailers, quarterly cashflow results for companies yet to be profitable, and earnings surprises (almost always bad) that directors can’t sit on.

The only significant announcement for the portfolio like that this month was from Kogan.com (ASX: KGN).

Monthly Portfolio Metrics

Outlook Stocks (Long)	19 Positions: 79%
Outlook Stocks (Short)	2 Position: -5%
Event, Pair and Group (Long)	1 Position: 11%
Event, Pair and Group (Short)	1 Position: -2%
Cash	18%
Gross Exposure	97%
Net Exposure	82%
Beta	0.57

Return Summary Since Inception¹(after all fees)

Since Inception (p.a.)	10.29%
1 Month	4.83%
3 Months	7.81%
6 Months	21.20%
FYTD	4.83%
1 Year	12.55%
3 Years	5.01%
5 Years	5.87%
Cumulative	99.91%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.78
Sortino Ratio	1.43
Standard Deviation (p.a.)	10.29%
Positive Months	62%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	89.50%
Avg. Net Exposure	77.60%
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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Kogan's (ASX: KGN) quarterly update³ disclosed a surprisingly strong growth in customers and private label brands, and while the stock rallied initially it subsequently fell back somewhat, as it's EBITDA⁴ was about 3% below expectations.

We had been expecting a much better number than that, and based on a lower trajectory of profit growth we now saw the stock as being fairly valued, rather than a bargain.

We therefore decided to exit from the stock, which had been purchased at an average of \$4.15 per share between January and March. Since our initial purchases they had already upgraded EBITDA In April, and we were well ahead on the investment.

We sold out at an average price of \$5.14 per share, for a 24% return.

Over the last several months, the portfolio has been extremely active as we have been taking profits in a number of stocks following strong price appreciation and because we have been finding additional stocks to purchase and to short.

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³ <https://www.asx.com.au/asxpdf/20190723/pdf/446szy60h43gn5.pdf>

⁴ EBITA is earnings before interest, tax, depreciation and amortization and is a measure of a company's operating performance.