

# Monthly Performance Report

## March 2021

### Monthly Update

In March, the portfolio rose 1.62% (after fees). This compares to the S&P/ASX200 that was up 2.44%, and the Small Ords, which was up 0.79%. For the financial year to date, the portfolio is up 41.41% (after fees). This compares to the S&P/ASX200 that was up 18.02%, and the Small Ords, which was up 22.79%.

The market rotation continued with many high growth stocks and COVID “winners” falling double-digit percentages. Over the last few months the cash weight has been building as positions have been trimmed in the “winners” stocks and completely exiting stocks that have met target prices, such as Afterpay (ASX: APT) or have sold out following a change of view, such as Kogan (ASX: KGN). In general, this selling was well timed, and reduced the portfolio’s exposure to underperforming stocks.

### Monthly Portfolio Metrics

<b>Outlook Stocks (Long)</b>	11 Positions: 59%
<b>Outlook Stocks (Short)</b>	2 Positions: -2%
<b>Event, Pair and Group (Long)</b>	3 Positions: 14%
<b>Event, Pair and Group (Short)</b>	0 Positions: 0%
<b>Cash</b>	28%
<b>Gross Exposure</b>	75%
<b>Net Exposure</b>	72%

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

<b>Since Inception (p.a.)</b>	12.76%
<b>1 Month</b>	1.62%
<b>3 Months</b>	4.27%
<b>6 Months</b>	24.04%
<b>FYTD</b>	41.41%
<b>1 Year</b>	84.95%
<b>3 Years</b>	18.20%
<b>5 Years</b>	11.11%
<b>Cumulative</b>	185.90%

### Portfolio Analytics Since Inception<sup>2</sup>

<b>Sharpe Ratio</b>	0.67
<b>Sortino Ratio</b>	1.19
<b>Standard Deviation (p.a.)</b>	16.15%
<b>Positive Months</b>	63%
<b>Maximum Drawdown</b>	-29.10%
<b>Avg. Gross Exposure</b>	90.20%
<b>Avg. Net Exposure</b>	78.90%
<b>Avg. Beta</b>	0.63
<b>Avg. VAR</b>	1.23%

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

<sup>2</sup>Glossary of terms can be found on the Fund’s website at [www.monashinvestors.com/glossary/](http://www.monashinvestors.com/glossary/)

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It has now been a full 12 months since the low point of COVID's impact on global equity markets. It was a period where our flexible mandate was of great benefit to the Company's performance, as we were able to sell and short stocks without regard to the fact that the cash weight was rising, and then cover and buy at low prices. At Monash Investors our investment philosophy and approach is quite different from other managers, and even from our long/short peers. This applies to our shorts as well as our longs. In both cases, we tend to have fewer positions, but our payoff requirements are higher. There are always fewer shorts in the portfolio than longs, as absolute shorts tend to be much harder to find. In order to avoid concentration risk for shorts, short weights are less than half the size of the longs. As a result, total short holdings have only averaged 5-6% of the portfolio since inception, typically spread between 2-3 stocks at a time but the number of stocks will increase if there are more opportunities.

This has occasionally raised the question of why we bother doing it. Well the answer is it generally adds some value, and it can at times make an oversized contribution to the portfolio. The 12 months to 31 Jan 2021 (for which we have a contribution analysis below) demonstrates such a period.

Stock	Contribution	Price Move	Weight	Top Up Trades	Months Held
Flight Centre	3.5%	-67%	-2.5%	4	2.3
Corporate Travel	1.6%	-42%	-2.5%	2	5.3
Freedom Foods	1.4%	-74%	-1.8%	0	7.2
Qantas	1.1%	-40%	-2.5%	3	1.3
IDP education	0.8%	-25%	-1.5%	0	1.0
Skycity Entertainment	0.7%	-46%	-1.0%	1	1.3
Star Entertainment	0.6%	-43%	-1.0%	1	1.3
Eagers Automotive	0.5%	-13%	-2.5%	1	1.5
G8 Education	0.4%	-43%	-1.5%	1	2.0
Treasury Wines	0.4%	-16%	-2.5%	2	5.8
Crown Resorts	0.4%	-30%	-1.0%	1	1.2
Estia Health	0.2%	-31%	-1.0%	1	1.1
Regis Healthcare	-0.1%	1%	-1.0%	0	1.5
Kathmandu	-0.1%	5%	-2.5%	0	2.0
<b>AVERAGE per stock</b>		<b>-33%</b>	<b>-1.8%</b>	1.2	2.5
<b>TOTAL CONTRIBUTION</b>	<b>11.6%</b>				

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The table shows that over the 12 months, the shorts contributed 11.6% to the return for the year, which was about 1/3 of total return for that particular time period. In the year to 31 January, there was an average weight in shorts of only 1.8% per stock, and on average they fell by 33% while we held them. The average holding period was a brief 2.5 months per stock. The overall size of the short positions swung around between 2% and 16%, and averaged 5% for the year.

The key to making money in these positions was our strong view on stock price, driven by bottom up analysis that quickly incorporated new information. Our forecasts are supported by the playing out of recurring business situations or recurring patterns of behaviour. It is also important to know when to cover the shorts and lock in investment gains, here our focus on valuation provides the insight. As always selling/covering discipline is a key driver of the investment returns we are able to generate.

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

SA, NT and WA Advisers	Andrew Fairweather	P: +61 401 716 043 <a href="mailto:andrew@winstoncapital.com.au">andrew@winstoncapital.com.au</a>
VIC, NSW and ACT Advisers	Stephen Robertson	P: +61 418 387 427 <a href="mailto:stephen@winstoncapital.com.au">stephen@winstoncapital.com.au</a>
VIC, QLD & NSW Advisers	Cameron Harris	P: +61 400 248 435 <a href="mailto:cameron@winstoncapital.com.au">cameron@winstoncapital.com.au</a>
SA, VIC and NSW Advisers	James Archer	P: +61 432 273 335 <a href="mailto:james@winstoncapital.com.au">james@winstoncapital.com.au</a>

**For all investors enquiries, please contact**

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

+612 9547 4311

[LFS\\_registry@linkgroup.com](mailto:LFS_registry@linkgroup.com)

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