



6% p.a Target
Distribution



Buy and Sell on the
ASX or direct



Long/Short
Australian Equities



Proven Track
Record

October 2021 Fund Update

During October, the Fund rose 2.67% (after fees). This compares to a decrease of -0.10% for the S&P/ASX200 and an increase of 0.92% for the Small Ords.

Since inception on 28 May the Fund has returned 9.64% (after fees) compared to 3.65% for the S&P/ASX200 and 7.51% for the Small Ords.

October was a relatively flat month for the market and it was a quiet month for stock specific news flow. Nonetheless the Fund's stocks managed a few surprises which the portfolio tended to be on the right side of.

The biggest news was the lifting of COVID-19 lockdown restrictions in Sydney and on travel in Australia more generally. This meant at a sector level the Australian "re-opening trade" drove investor appetite into some retail and travel stocks, but it was by no means uniform.

Return Summary Since Inception¹(after all fees)

Since Inception (p.a.)	9.64%
1 Month	2.67%
3 Months	6.41%
6 Months	
FYTD	4.53%
1 Year	
Cumulative	9.64%

Monthly Portfolio Metrics

Outlook Stocks (Long)	18 Positions: 84%
Outlook Stocks (Short)	1 Positions: -2%
Event, Pair and Group (Long)	3 Positions: 7%
Event, Pair and Group (Short)	2 Positions: -5%
Cash	16%
Gross Exposure	98%
Net Exposure	84%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.69
Sortino Ratio	1.23
Standard Deviation (p.a.)	16%
Positive Months	63%
Maximum Drawdown	-29%
Avg. Gross Exposure	90%
Avg. Net Exposure	79%
Avg. Beta	0.65
Avg. VAR	1.2%

¹ Inception date is 28 May 2021. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

²Due to lack of MAAT history, data from Monash Absolute Investment Fund (MAIF) (inception date 2 July 2012) has been used. Glossary of terms can be found on the Fund's website at www.monashinvestors.com/glossary/



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We continue to identify stocks that meet our high payoff requirements, with a new long and a new short added to the portfolio this month. A number of the stocks were trimmed that had increased their weight through share price appreciation. A couple of short positions had also been closed out that had been profitable, against the trend of a rising market.

Major Contributors

The best contributor was Lovisa Holdings Ltd (ASX: LOV). You may recall from last month's update that Lovisa's share price increased by 32% over the September quarter. Well this month it did another 14%. Lovisa is a vertically integrated jewellery retailer with a strong store roll out program. It is a beneficiary of economies re-opening after COVID lockdowns, and we are certainly seeing that in its like-for-like sales numbers.

During October LOV announced that Shane Fallscheer, its CEO of 12 years, would be leaving the company³. Rather than this being a drag on the share price, the price of LOV actually rose on the news. This was not because the market was pleased to see the back of Shane, but rather because it was so pleased with his replacement, Victor Herrero. Victor comes from Inditex Group, one of the world's largest fashion retailers with 8 store formats such as Zara, Pull & Bear and Massimo Dutti.

The Inditex group, with over 6,000 stores in 80 markets and sales over US\$25 billion pioneered fast fashion retailing growing numerous brands, including Zara, around the world. During Victor's time at Inditex, he held numerous roles including Head of Asia Pacific and Managing Director Greater China and led the company's expansion through this region rolling out 800 stores across multiple countries including China and India.

It was not previously anticipated that Lovisa would be rolling out their stores in China or India, but with Victor at the helm the entry of Lovisa's successful format into these large markets becomes a likelihood, and the share price rose.

Coincidentally, the next best contributor for the month also announced a new CEO⁴. People Infrastructure (ASX: PPE) PPE is a workforce management business. It sits on a modest valuation multiple but has good underlying organic growth (ex COVID) and has also been achieving growth by acquisition. We expect a strong recovery in PPE as the Australian economy emerges from lockdowns.

PPE replaced its CEO (Declan Sherman, who had returned to managing the business in an interim capacity) with another executive who seems to be a good fit. The stock price rose 15% over the month.

Major Detractors

The biggest detractor by far was EML Payments (ASX: EML) which fell 24% over the month. It provided an update to its ongoing correspondence with the Central Bank of Ireland (CBI) relating to its Prepaid Financial Services (PFS) business⁵. CBI has asked for "certain limits to be applied to programs" that could "materially impact the European operations", with EML's proposed growth targets "higher than what the CBI would want to see".

³ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02434609-3A578028?access_token=83ff96335c2d45a094df02a206a39ff4

⁴ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02434027-2A1330217?access_token=83ff96335c2d45a094df02a206a39ff4

⁵ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02432753-2A1329570?access_token=83ff96335c2d45a094df02a206a39ff4



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At face value this would seem to be negative news. However EML noted “the nature of those potential directions is more limited than those originally foreshadowed by the CBI in May 2021”. Furthermore, we expect that the proportion of EML’s PFS business that this will apply to will fall sharply over time. While EML has to be careful in how it responds publically to the regulator, we do not think that this outcome will have much effect on EML’s future earnings apart from increasing compliance costs somewhat.

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For more information about MAAT and the strategy, please refer to the Monash Investors website at www.monashinvestors.com. You can also [follow us on Livewire here](#) or [subscribe to our updates here](#)

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Independent Investment Research (IIR) has awarded a Recommended rating for the Monash Absolute Active Trust (Hedge Fund) (ASX: MAAT). To access the IRR report, please refer to our website at www.monashinvestors.com