

Monash Absolute Investment Fund

(APIR MON001AU)



6% p.a Target Distribution



Double Digit returns since inception



Long/Short Australian Equities



Proven Track Record¹

May 2022 Fund Update

During May, the Fund fell -5.19% (after fees). This compares to a decrease of -2.60% for the S&P/ASX200 and a fall of -7.01% for the Small Ords.

The conditions that gave rise to the high growth, low interest rate, low inflation economy that we have enjoyed for the most part of the last 30 years are turning.

Energy is no longer cheap and international supply chains are less reliable, the non-discretionary costs of electricity, petrol, food and rents/mortgages are all rising. Falling house prices will reverse the “wealth effect”. Put this all together and discretionary spending by households will contract substantially from their COVID induced high.

We run a long biased portfolio looking for stocks with a strong upside payoff, we have typically been about 80% net invested (85% long less 5% short). However, in the face of these changing conditions we have been adjusting the portfolio holdings since December. Cautiously at first, but more significantly with supporting evidence as time has progressed.

We now have a net exposure of about 40% (70% long less 30% short). The composition of the stock holdings has changed substantially too. About 20% of the portfolio is now resources (up from 5%) and most of the shorts we hold are in consumer discretionary stocks.

The portfolio is positioned to weather the challenge in equities, and is ready to take the opportunities that will be presented. This will involve both identifying stocks to buy at bargain prices, as well as closing out short positions which have done enough. This is similar to the situation we found ourselves in during the Covid crash, which resulted in exceptional returns¹.

¹ Inception date 2 July 2012. Past performance is not indicative of future performance.

Return Summary¹ (after all fees)

1 Month	3 Months
-5.20%	-6.50%
3 Years (p.a.)	1 Year
+11.80%	-5.70%



Our Investment team: Sebastian Correia, Simon Shields and Shane Fitzgerald



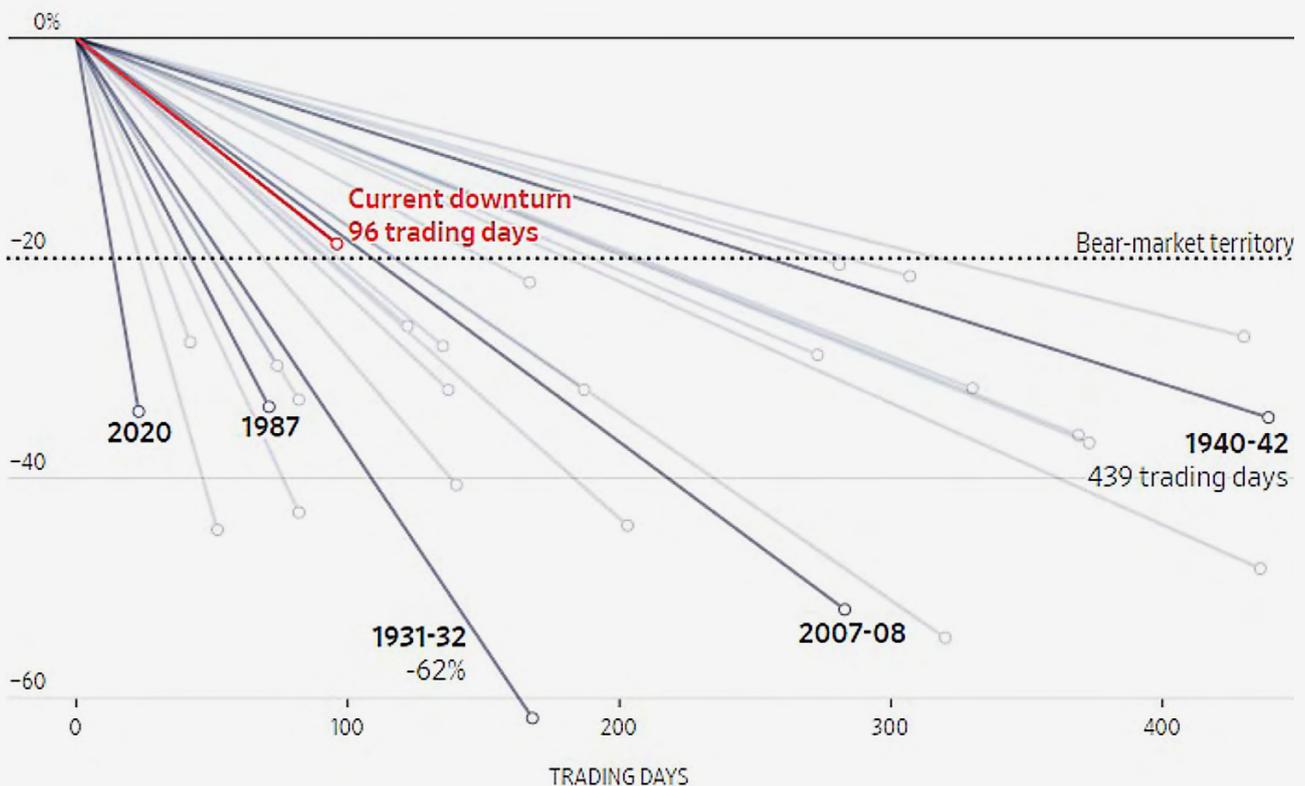
Monash Absolute Investment Fund

(APIR MON001AU)

After achieving very high returns over the last few years, the portfolio has suffered so far this calendar year while we adjusted our holdings to the changing opportunities presented. We currently hold a significant cash balance to be deployed as opportunities begin to present during this sell off.

The chart below puts the current market sell off in perspective. Unlike the Covid Crash labelled as 2020, which was very sharp and short, the current bear market is much more typical. Given we are just at the beginning of what is likely to be an extended rise to normalise interest rates in the face of quite extreme inflation pressures, as well as an unwinding of quantitative easing, it is highly likely we will see the current downturn shown in red extend itself further.

S&P 500 bear markets and the current downturn, declines and duration



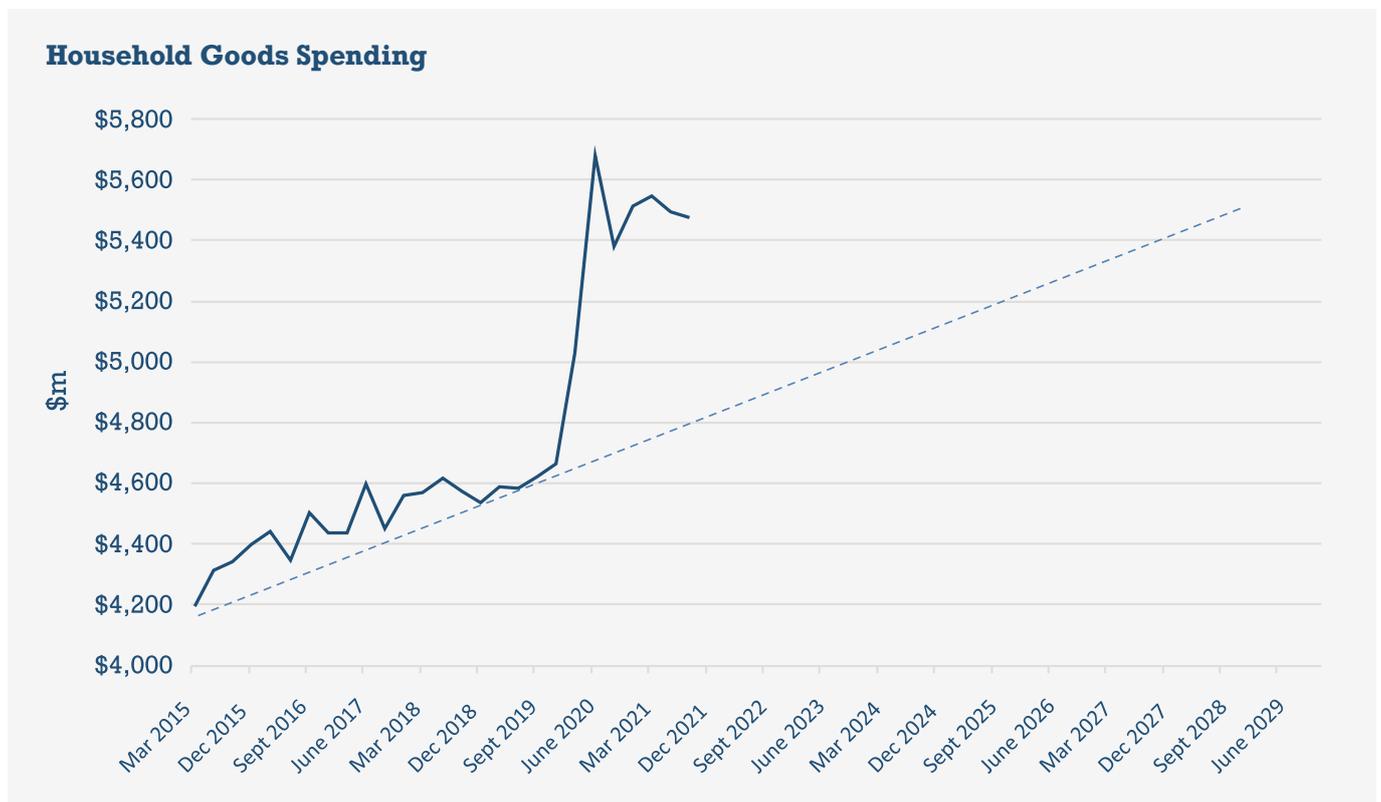
Note: Current downturn represents change from S&P 500 record high on Jan 3, 2022
 Source: Dow Jones Market Data
 Nate Rattner/The Wall Street Journal

Monash Absolute Investment Fund

(APIR MON001AU)

As we noted earlier, consumer discretionary spending is of particular concern for us. The next chart shows how spending on household goods in Australia was brought forward because of the Covid lockdowns, and is a chart we have created based on the latest data from the Australian Bureau of Statistics. If this spending had been growing at the rate it was before Covid, it would have taken till about 2028 to reach the current level.

Household goods are overwhelmingly consumer durables such as furniture, appliances, electronics, computers, technology, hardware and garden supplies. Many listed companies have an exposure to some of these areas as their core business.



Source: ABS and Monash Investors

It's reasonable to assume post Covid that sales of household goods would have fallen back through the trend line before finding its level and stabilising at a similar growth rate. Given the increasing cost of necessities (petrol, electricity, food, rent/mortgage) the contraction in discretionary spending will be quite severe, and fall disproportionately on demand for household goods.

Analysts have not yet in any significant way cut their forecasts for companies that will be effected. It's not so much that the current earnings year (FY22) will disappoint, as consumer behaviour is only reportedly beginning to change now. Rather, the sales will be impacted in following year (FY23) – company guidance this coming August will be weaker than usual and analyst forecasts will be cut. We expect for many retail stocks this will be one of the weakest reporting seasons in years.

Monash Absolute Investment Fund

(APIR MON001AU)

Monthly Portfolio Metrics

Outlook Stocks (Long)	11 Positions: 42%
Outlook Stocks (Short)	2 Position: -5%
Event, Pair and Group (Long)	3 Positions: 30%
Event, Pair and Group (Short)	5 Positions: -24%
Cash	56%
Gross Exposure	102%
Net Exposure	44%

Return Summary Since Inception (after fees)²

CYTD	-17.97%
FYTD	-9.93%
1 Month	-5.19%
3 Month	-6.53%
6 Month	-15.82%
1 Year	-5.69%
2 Years (p.a.)	11.45%
3 Years (p.a.)	11.80%
4 Years (p.a.)	11.27%
5 Years (p.a.)	11.71%
7 Years (p.a.)	8.19%
Since Inception (p.a.)	10.26%

Portfolio Analytics Since Inception²

Sharpe Ratio	0.53
Sortino Ratio	0.95
Standard Deviation (p.a.)	16%
Positive Months	62%
Maximum Drawdown	-29%
Avg. Gross Exposure	91%
Avg. Net Exposure	79%
Avg. Beta	0.67
Avg. VAR	1.3%

² Inception date 2 July 2012. Past performance is not indicative of future performance.

Monash Absolute Investment Fund

(APIR MON001AU)

For all business development enquiries, please contact

Cameron Harris

P: +61 400 248 435

cameron@gsmcapital.com.au

For all investors enquiries, please contact

Mainstream Fund Services Pty Ltd,

P: 1300 133 451

or by email at registry@mainstreamgroup.com

For more information about MAIF 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](#)

This document is prepared by Monash Investors Pty Limited ABN 67 153 180 333, AFSL 417 201 ("Monash Investors") as authorised representatives of Sanlam Private Wealth Pty Ltd ABN 18 136 960 775, AFSL 337 927 ("Sanlam") for the provision of general financial product advice in relation to the Monash Absolute Investment Fund ARSN 606 855 501 ("Fund") and authorised for release by The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 ("Perpetual") as the responsible entity of, and issuer of units in the Fund. Monash Investors is the investment manager of the Fund. A Product Disclosure Statement ("PDS") dated 1 July 2021 together with a Target Market Determination ("TMD"), both issued by Perpetual, is available for the Fund at www.monashinvestors.com. You should obtain and consider the PDS and TMD for the Fund before deciding whether to acquire, or continue to hold, an interest in the Fund. The information provided is general information only and is not intended to provide you with financial advice, it does not consider your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor if necessary. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Comparisons are provided for information purposes only and are not a direct comparison against benchmarks or indices that have the same characteristics as the Fund. Monash Investors, Sanlam and Perpetual do not guarantee repayment of capital or any particular rate of return from the Fund and do not give any representation or warranty as to the reliability, completeness or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of Monash Investors as at the date of this document are subject to change without notice. Perpetual is not responsible for this document.

In relation to the target distribution, this is a target return only. There is no guarantee the Fund will meet its investment objective. The payment of a quarterly distribution is a goal of the Fund only and neither Monash Investors or Perpetual provide any representations or warranty (whether express or implied) in relation to the payment of any quarterly cash income. The Fund reserves the discretion to amend its distribution policy.

The rating issued 09/2021 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned MON001AU June 2021) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>.