

# Monash Absolute Investment Fund

(APIR MON001AU)



6% p.a Target  
Distribution



Double Digit returns  
since inception



Long/Short  
Australian Equities



Proven Track  
Record<sup>1</sup>

## December 2022 Fund Update

In December, the Fund fell 4.26% (after fees). This compares to a decrease of 3.21% for the S&P/ASX200 and a fall of 3.73% for the Small Ords. The relative performance of the portfolio this month was hampered by a lack of exposure to the gold and REIT sectors, which rose strongly.

There was no bad news announced by any of our larger holdings, but a few of them fell by double digit amounts regardless, in the weak market. On the other hand we did benefit from our shorts in Lithium producers.

2022 was a very tough year for investors, with central banks rapidly increasing interest rates in response to their concerns over inflation. Near the start of the year we wrote that higher growth stocks, small caps and low liquidity stocks tend to underperform with such conditions. This proved to be truer than we hoped, as reflected in the one year total return of the Small Ordinaries being negative 18.4%.

We continued to see bad news regarding the consumer in December, which has led us to pre-emptively trim by a further third our holdings in retailers. It's not that we think our companies are doing poorly, they are outstanding businesses, but the combination of reasonably high valuations and emergent earnings headwinds indicate attractive entry points remain further on the horizon.

Right now the market headwind for the retail sector is very strong. Indeed during the year we managed to make investors' money at times by shorting retail stocks when we could find businesses that also had their own specific problems.

Recently we have also profitably shorted Lithium producers. See below for more details on this.

The selling from trimming our holdings and adding shorts has continued to increase the proportion of net cash held in the portfolio which now stands at 37%, which is towards the top of our usual range. It is also indicative that compelling long investments, at attractive valuations, are currently harder to find than usual.

This reduces our exposure to further falls in the market and leaves us well positioned to take advantage of the inevitable re-emergence of mispriced opportunities.

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

1 Month	3 Months
-4.30%	+3.60%
1 Year	3 Years
-15.6%	+9.00%



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

This fund is appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the [TMD](#) for further information.

<sup>1</sup> Inception date is 2 July 2012. Past performance is not indicative of future performance.

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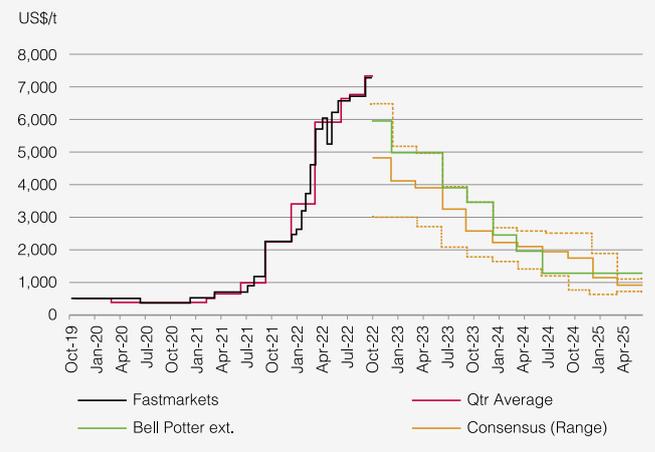
The boom in Lithium prices has given us the opportunity for what we expect will be a relatively briefly held short in Lithium producers.

Over the course of 2022 the spot price of Lithium surged well ahead of any sort of reasonable medium to long term sustainable level, given how quickly projects can get up. This can be seen from the broker forecasts, where they expect dramatic price falls over the next few years.

The rising Lithium price has also been dragging up the share prices of Lithium producers. We have been diligently waiting for the first signs of weakness in the Lithium price. It was our expectation that a falling Lithium price would stall the desire of investors to buy Lithium producer shares, which would result in very significant share price falls.

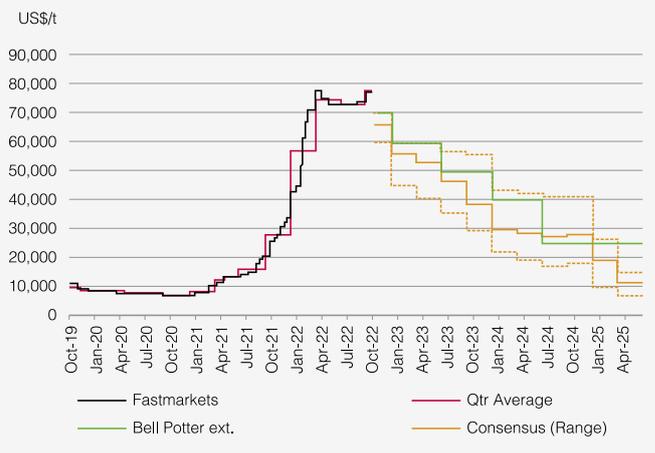
We took a cautious approach, which has paid off. Putting on a small short when recently the price of Lithium at an auction fell, and then building on the short as the price continued to fall in subsequent days and weeks. Our shorting position is still not large, and it was not all put on at the peak in their stock prices, but at the end of December we are up over 10% on average on these short positions. We will look to close these shorts out as the price of Lithium stabilises.

## Spodumene concentrate (SC6) Quarterly



Source: Company data and Bell Potter Securities estimates

## Lithium carbonate (battery grade) Quarterly



Source: Company data and Bell Potter Securities estimates

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## Monthly Portfolio Metrics

Outlook Stocks (Long)	<b>13 Positions: 59%</b>
Outlook Stocks (Short)	<b>1 Positions: -2%</b>
Event, Pair and Group (Long)	<b>2 Positions: 18%</b>
Event, Pair and Group (Short)	<b>4 Positions: -11%</b>
Cash	<b>37%</b>
Gross Exposure	<b>90%</b>
Net Exposure	<b>63%</b>

## Return Summary Since Inception (after fees)<sup>2</sup>

CYTD	<b>-15.60%</b>
FYTD	<b>3.92%</b>
1 Month	<b>-4.26%</b>
3 Month	<b>3.57%</b>
6 Month	<b>3.92%</b>
1 Year	<b>-15.60%</b>
2 Years (p.a.)	<b>-0.56%</b>
3 Years (p.a.)	<b>9.02%</b>
4 Years (p.a.)	<b>15.43%</b>
5 Years (p.a.)	<b>8.71%</b>
7 Years (p.a.)	<b>6.14%</b>
Since Inception (p.a.)	<b>9.96%</b>

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

Sharpe Ratio	<b>0.51</b>
Sortino Ratio	<b>0.91</b>
Standard Deviation (p.a.)	<b>16%</b>
Positive Months	<b>61%</b>
Maximum Drawdown	<b>-29%</b>
Avg. Gross Exposure	<b>91%</b>
Avg. Net Exposure	<b>79%</b>
Avg. Beta	<b>0.68</b>

<sup>2</sup> Inception date 2 July 2012. Past performance is not indicative of future performance.

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## For all business development enquiries, please contact

Cameron Harris  
P: +61 400 248 435  
[cameron@gsmcapital.com.au](mailto:cameron@gsmcapital.com.au)

## For all investors enquiries, please contact

Apex Fund Services Pty Ltd,  
P: 1300 133 451  
or by email at [registry@apexgroup.com](mailto:registry@apexgroup.com)

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

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