Monash Investors

Post Reporting Season Webinar

14 March 2023

Agenda

1. The Presenters
2. The Fund
3. Fund Performance
4. Reporting season
5. Stock Commentary
6. Portfolio Activity and Positioning
7. Q & A

Portfolio Managers

Sebastian Correia
CA, B.Comm

Former Lead Consultant EY Valuations and Transactions Advisory

11 years as an investment professional

Simon Shields CFA, B.Comm (Hons), LLB, MBA
Co-Founder

Former Head of Australian Equities at UBS and CFS

35 years experience as an analyst or portfolio manager across a variety of styles

Shane Fitzgerald
B.Comm (Hons)
Co-Founder

Former Head of JPMorgan Insurance and Diversified Financial Research

29 years experience across "buy side" and "sell side"

The Fund

- An active Australian equity fund with a flexible mandate
- Aiming to achieve[1]
  - **double digit after fee returns pa over the long term**
  - **while preserving capital over the medium term**
  - **target 6%pa distribution yield, 1.5% paid quarterly**
- Good absolute and relative track record
- Two ways to invest with us
  - **Monash Absolute Investment Fund APIR: MON0001AU**
  - **Monash Absolute Active Trust (Hedge Fund) ASX: MAAT**

[1] There is no guarantee the Fund will meet its investment objectives. Distribution policy commenced 1 July 2021. In relation to the target distributions, this is a target return only. There is no guarantee the Fund will meet its investment objectives. The Fund reserves the discretion to amend its distribution policy.

The Funds are appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for these Funds 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 available at www.monashinvestors.com for further information.

Monash Absolute Investment Fund - MAIF

Returns (After Fees) to 28 February 2023

	Monash Fund	Average Cash Held	ASX200	Small Ords
3 Months	-4.5%	21%	0.3%	-1.2%
1 Year	-4.1%	23%	7.2%	-8.0%
3 Years pa	11.9%	20%	7.9%	4.2%
4 Years pa	12.2%	18%	8.1%	3.6%
5 Years pa	9.0%	19%	7.9%	3.6%
7 Years pa	7.3%	20%	10.1%	7.7%
MAIF Inception pa From 2 July 2012	9.8%	21%	10.0%	5.9%

Past performance is not a reliable indicator of future performance.

Sources
MAIF : Monthly Performance Report & Unit Prices www.monashinvestors.com
ASX Indices: S&P Dow Jones Total Return Indices

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Monash Absolute Active Trust (Hedge Fund) – ASX: MAAT

Returns (After Fees) to 28 February 2023

Monash ABSOLUTE ACTIVE TRUST

	MAAT	Average Cash Held	ASX200	Small Ords
1 Month	-4.7%	19%	-2.5%	-3.7%
3 Months	-4.5%	24%	0.3%	-1.2%
1 Year	-4.4%	28%	7.2%	-8.0%
Inception p.a. From 28 May 2021	-2.6%	28%	4.8%	-5.2%

MAAT: ASX Announcements www.asx.com.au

- Distributions payable as at COB last business day each quarter
- Unit price is quoted ex-dividend on the first business day each quarter
- DRP available
  - Update your election and other unit holder details via the Apex Fund Services unit registry portal
  - Or go to our website, click “ASX:MAAT”, and click “Update Your Details Form”
- Tax, distribution and holding statements available via our website
  - Provided by Apex Fund Services Unit Registry
  - Go to our website and click “Investors Login”

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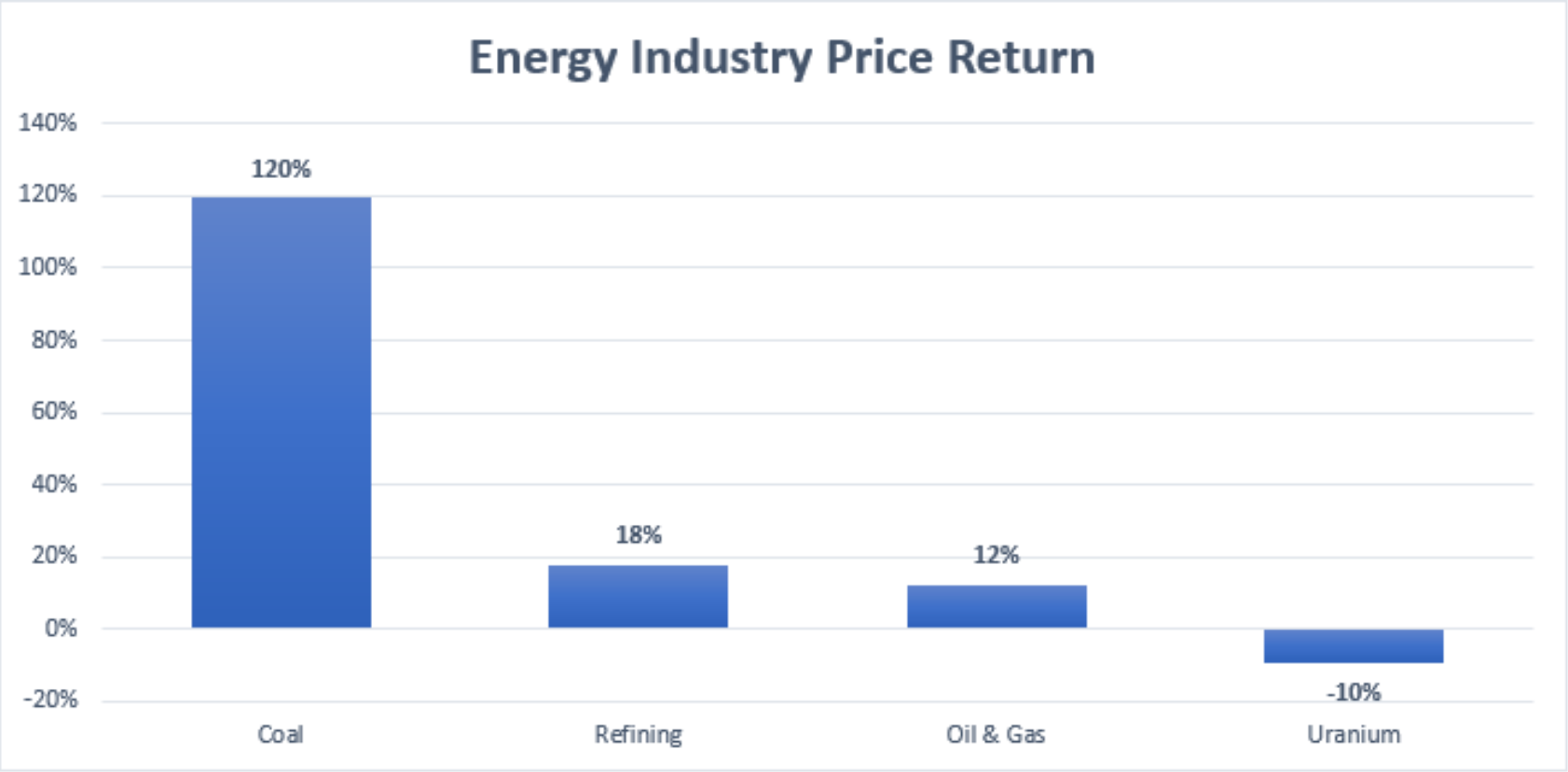
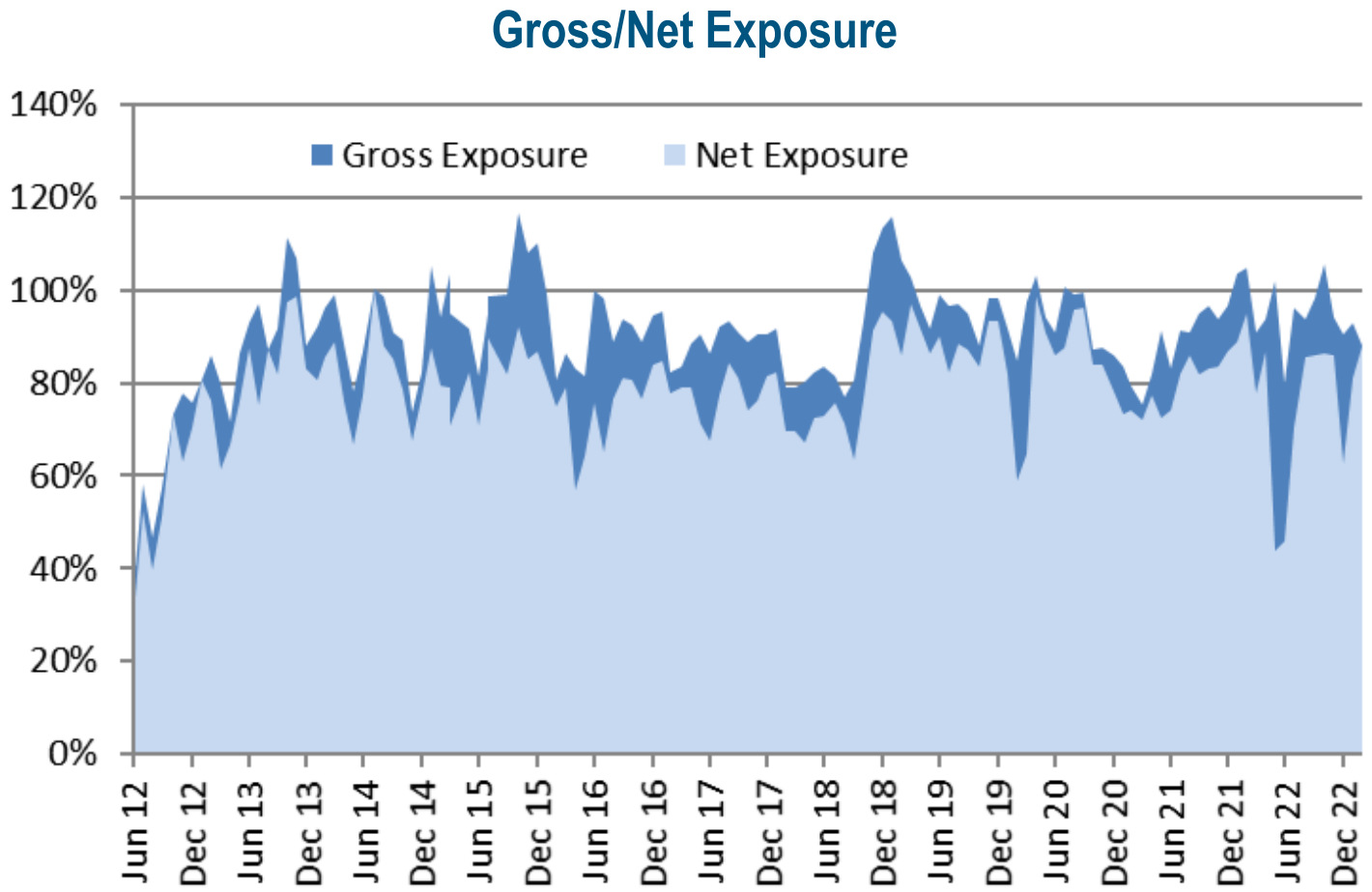
12 month returns - skewed to Energy & Utilities

12 month returns – Coal Stood Out



12 month returns – Small Cap Abysmal

Returns not generated through leverage



Source: Monash Investors

Good track record Shorting Stocks

Shorts target >30% downside payoff

- We target absolute returns, not relative value
- Number of shorts fluctuates with opportunities identified
  - Typically hold 2 to 4 short positions at any time
  - Position weight up to -2.5%
  - Average holding period 2 to 3 months

Portfolio Shorts

Periods to 31 December 2022

	1 Year	3 Years	5 Years
Absolute Contribution of Shorts	5.0%	5.9% pa	2.7% pa
Portfolio Return After fees	-15.6%	9.0% pa	8.7% pa
Average Weight of shorts in Portfolio	-10.5%	-6.6%	-6.2%

Shorts have made a good contribution to portfolio returns

In both rising and falling markets

Shorts are usually a relatively small part of the portfolio

Source: Apex Fund Services. Contribution of shorts is before fees.
Past performance is not a reliable indicator of future performance

February 2023 Reporting Season

It was a difficult month for the equity market - the Large Caps declined 2.5% and the Small Caps declined by 3.7%

- Rising concerns over a hard landing / recession
- RBA indicating that more rate rises are likely
- A common theme in reporting season was weak Like-for-Like growth and commentary over inflationary pressures impacting margins

Change in 2yr Consensus Estimates for February	Upgrade >2%	Neutral	Downgrade <-2%
Monash Portfolio	40%	40%	20%
S&P ASX 300	27%	37%	36%

For the month MAIF was down 4.50% and MAAT fell 4.68%, a disappointing outcome given the solid earnings performance of our portfolio

Monash Top 10 Share Price Movement

The table shows the share price performance of our Top 10 for February, split between the periods prior to and after their results

- Clear wins from QBE, John Lyng, Telix and Woodside
- Disappointing reactions from IDP Education and Jumbo
- As a Group our Top 10 did well, our underperformance was driven by 2 positions Temple & Webster and Fineos

Top 10 positions February 2023	Prior to Result	After the Result	For the Month of February
QBE	-2.5%	12.5%	9.8%
IDP Education	-2.6%	-5.6%	-8.0%
Telix Pharmaceutical	-7.6%	6.6%	-1.6%
Lovisa	-8.5%	0.2%	-8.3%
Altium	4.3%	-3.0%	1.1%
Technology One	Did not report – Sept year end		2.9%
John Lyng Group	-4.4%	12.2%	7.3%
Jumbo Interactive	-6.4%	-6.9%	-12.8%
Healthia	-1.8%	-0.4%	-2.1%
Woodside Energy	-4.6%	3.8%	-1.0%

Monash Top 10 Consensus Earnings Changes

Another gauge of underlying performance during Reporting Season is looking at the change in 2yr Forward Consensus EBITDA over the Month.

Ultimately share prices are driven by earnings and we are very encouraged by the upgrades to consensus expectations for our Top 10 positions

The businesses in our portfolio are generally undergoing dramatic growth in earnings

Top 10 positions February 2023	Change in Consensus 2yr Forward EBITDA over February	3 Year Forecast EPS Growth
QBE	4.8%	28% pa
IDP Education	-0.6%	34% pa
Telix Pharmaceutical	-22%*	N/A*
Lovisa	3.7%	29% pa
Altium	4.7%	24% pa
Technology One	did not report	14% pa
John Lyng Group	5.5%	18% pa
Jumbo Interactive	0.9%	15% pa
Healthia	7.9%	21% pa
Woodside Energy	3.0%	-21% pa*

*Telix: a lot of noise given transition from losses into profitability, Woodside based on analyst consensus oil price forecast

Stock Commentary

QBE (ASX:QBE)

- Result confirmed our thesis that margin expansion is occurring in the business and this will drive the share price for a stock trading at a material discount
- Result exceeded market expectations and importantly was conservatively stated
- Management provided greater clarity into their goal to de-risk the business and provide more reliable earnings

IDP Education (ASX: IEL)

- Market was disappointed by the result, however we believe that the underlying tends support our investment thesis
- The Student Placement business is flying and the pipeline is very strong – China reopening likely to be a major benefit
- The only disappointing aspect of the result was lower volumes in English Language Testing – We see this a temporary, as visa processing issues (particularly in Canada) will be resolved and the business was cycling a huge pcp

Stock Commentary

Telix (ASX: TLX)

- Not much new in the result as company is still providing quarterly's
- Its first commercial product in Prostate Imaging is tracking ahead of our long held expectations. Evidence is mounting that we will need to upgrade our valuation and stock trades at a discount to this valuation already
- Second commercial product in Renal Imaging is looking very exciting and is not in our valuation yet
- A vast array of valuation inflection points coming over next 6-18mths

Lovisa (ASX: LOV)

- The store rollout is really hitting its stride. In the 6 months to Dec they added 86 stores more that the entire previous 12mths. In the 7 weeks post year end a further 31 have been added
- LOV is now operating in 30 countries (up from 13 a few years ago) and is adding more on a regular basis. The opportunity set for the business to expand continues to grow and the whitespace is huge

Stock Commentary

Jumbo Interactive (ASX: JIN)

- Stock was weak ahead of the result and post the result. We saw nothing that changes our view
- The core Lotteries business showed strong operating metrics but was let down by a poor run of jackpots (random chance).
- The Managed Services division is gaining real traction

Healthia (ASX: HLA)

- Solid result from HLA providing ample evidence that its guidance is conservative
- Margin improvement across the business, solid Like for Like revenue growth driven by a range of factors
- Acquisition running ahead of expectations once again demonstrating the strength of the acquisition pipeline

Stock Commentary

Altium (ASX: ALU)

- Subscription growth was only 3.5% but was impacted by the exit from Russia ~1k and weak China due to Covid. Management commented that the sales cycle has now halved from previous levels
- Looking through the noise the Octopart business is really gaining traction
- Management indicated that it is still targeting its long stated aspirational goals of 100,000 seats and >$500m in revenue. Was noteworthy that management now believe they will hit >$500m revenue based on 75,000 to 90,000 seats

Johns Lyng (ASX: JLG)

- Great result with business as usual growing an impressive 38%
- The Catastrophe business hit it out of the park. Management highlighted that Catastrophe work has a long tail to it and doesn't just impact the current period
- Upgraded guidance was inline with consensus at the time, but critically doesn't included any further Catastrophes which are bound to happen
- Business is very well position to grow and is managed very well

What went wrong

While our Top 10 delivered well and positions the portfolio in a strong position for the future we were let down by a few of our positions

Temple & Webster (ASX: TPW)

- TPW fell 39% for the month with most of this on the day of the result. The actual result was inline, the problem was the month of Jan was down 7% and management back away from putting a time line on when they would return to double digit growth
- We have closely looked at the result and believe that growth will return. It is very well managed business and the penetration of its market is still immature
- While we still hold TPW it is at a much reduced weight

Fineos (ASX: FCL)

- FCL fell 31% for the month – it was a very dispointing result with EBITDA breakeven pushed out and what we considered to be disappoint growth and customer behaviour
- We have exited this position

Recent Activity

By the end of February we had closed out all our Shorts

- Either because their reached our price target or the rationale evolved
- Since then we have established two new short positions

Established a position in Technology One

- We have done some detailed work on the market opportunity for its Cloud based business offering and concluded that the market is underestimating this opportunity
- Quality business with outstanding management

Established a position in Copper via Sandfire

- Demand for copper is expanding both from the electrification theme and due to base economic growth in the developing world.
- This comes at a time when the copper inventories are very low and investment in new mines has be very modest for several years
- SFR provides solid exposure to copper and Motheo progressing nicely

Portfolio snapshot as at 28 February 2023

Type	# of Positions	Weight MAIF	Weight MAAT
Outlook Stocks – Long	14	65%	66%
Outlook Stocks - Short	0	0%	0%
Event, Pair and Group Trades - Long	3	24%	19[1]%
Event, Pair and Group Trades - Short	0	0%	0%
Cash	N/A	12%	15%
Total	17	100%	100%
Gross Exposure		88%	85%
Net Exposure		88%	85%

[1] Within the product launch group position MAIF has a 5% weight in unlisted stocks that MAAT is denied under ASX AQUA listing rules
Glossary of terms can be found on at our website at www.monashinvestors.com/glossary/

Key Messages from the Reporting Period

Solid consensus EBITDA upgrades across our Top 10 positions

Our companies are growing their profits much quicker than the ASX average

Our Top positions are overwhelmingly reliant on their own business opportunities rather than the macro-economic cycle

The head wind of rising interest rates has now largely played out, which has been a significant headwind for our portfolio

As always we are looking for business where we can see a step change in the prospects for that business

- Exploiting reoccurring situation and behaviours
- Forming a deep understanding of what the market has gotten wrong and how this will be resolved
- Sticking to our selling discipline

[1] EBITDA is Earnings before Interest, Taxes, Depreciation and Amortisation

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