

Monash Investors Small Companies Fund

(APIR MON001AU)



High Conviction
Fund



Australian Small
Companies



Proven Track
Record¹

February 2024 Fund Update

The market continued to rise in February with the Fund up 5.3% after fees compared to the S&P/ASX Small Ords up 1.7% for the month.

For almost all listed companies, February is a half yearly reporting season. Our portfolio is built around stocks that we think the market has underestimated in some way, and during reporting seasons we get to find out whether we are on the right track.

Last month we boldly stated that “we have conviction in the upside pay-offs expected from our holdings, and a particularly strong conviction that the portfolio will do well as a whole, going into reporting season” – and so it was.

It was pleasing to see in February that of the top 10 stocks in the portfolio, 4 beat analyst expectations for their results or outlook and only one missed. Additionally, 2 others had pre-released in January with positive surprises.

Apart from the earnings numbers themselves, we determine indicators (“sign posts”) specific to each stock that allow us to determine whether our longer-term expectations for these businesses are playing out. We only maintain our holdings as long as the sign posts are being met, and as long as we continue to see significant upside for the stock price to meet our valuations.

As we have a relatively concentrated portfolio, the same names pop up regularly in our monthly commentary if things are working out for us and we continue to hold them.

Lovisa (ASX: LOV) continues to do very well. Its share price was up 10% on the day it reported and about 40% for the month. Lovisa is a vertically integrated retailer of lower priced jewelry, that is strongly growing its store footprint globally, particularly in North America, and it has recently entered China. The market was additionally excited by the improvement in like for like sales in the first 7 weeks after 31 December.

Return Summary¹ (after all fees)

1 Month	3 Months
+5.3%	+10.5%
1 Year	3 Years
+8.9%	+1.5% _{pa}



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.

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

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Coincidentally Temple & Webster (ASX: TPW) also rose 10% on the day it reported and about 40% for the month. Temple & Webster is Australia's largest on-line furniture retailer and is demonstrably growing its market share by consistently delivering sales growth well above competitors such as Nick Scali and Harvey Norman (ASX: NCK & HVN) each half. It also surprised to the upside on its margins from AI-related cost savings and delivery efficiencies.

Last month we observed that Telix (ASX: TLX) continued its seemingly inexorable progress and share price rerating, and so it was again this month, with the price rising 8%. Telix is strongly growing its radiopharmaceutical sales and has a pipeline of new imaging products and late-stage therapeutics in development. As such there are many more valuation triggers to come. We regularly shave the portfolio weight in Telix as it rises in order to control its effect on the portfolio when its share price encounters volatility. We can easily justify the current pricing of TLX based on its two existing commercial products (the kidney imaging product will commercialise this calendar year). So far, the market is placing zero value on its highly prospective pipeline.

Pleasingly a newer holding, Austin Engineering (ASX: ANG) upgraded its guidance in January ahead of its first half result in February. It then upgraded its full year guidance in February. Austin makes replacement truck trays and buckets for mining companies. It's now delivering scale economies as it grows its volumes and revenues which is also resulting in significantly expanding margins.

Credit Corp (ASX: CCP) is another newer holding. Credit Corp makes its money mostly by buying portfolios of doubtful debts from businesses with large consumer bases such as banks. It makes a profit by recovering a greater amount of the debts than the price it pays for them. The share price can fall dramatically when economies turn down and its harder to recover the debts. At these times, not only does its revenue from debt recovery fall, but the value of the debt portfolio is written down, weakening the balance sheet, and perhaps necessitating a capital raise.

On the other hand, when the price to buy a debt portfolio is low, a well-managed collection business will increase

Return Summary Since Inception (after fees)²

	MAIF	Small Ords
CYTD	5.52%	2.63%
FYTD	6.51%	9.22%
1 month	5.26%	1.72%
3 Month	10.52%	10.05%
6 Month	3.24%	6.88%
1 Year	8.89%	7.84%
2 Years pa	2.21%	-0.37%
3 Years pa	1.54%	1.39%
4 Years pa	11.10%	5.13%
5 Years pa	11.53%	4.42%
7 Years pa	9.59%	6.48%
Since Inception pa	9.70%	6.07%

the size of their purchases to take advantage of the better collection environment that will play out as the economy improves. We purchased the stock in late 2023, as confidence that consumer stress in the USA was levelling off and the share price began to recover following a sustained fall. We saw our thesis continue to play out in February with the stock up 11% for the month.

Looking at the portfolio as a whole

Monash Investors aims to identify businesses which are likely to undergo step-changes in their business prospects which will lead to material share price movements. We draw upon our experience in order to exploit recurring business situations and patterns of behaviour, to identify and invest in a portfolio of compelling opportunities.

The Fund's major exposures continue to be to Healthcare, Consumer Discretionary, IT, Energy (via Uranium), and Mining Services.

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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](#)

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