DMX | Monash

Monash Investors Small Companies Fund

APIR MON0001AU

March 2025 – Investor Update

Established in 2012, Monash Investors merged with fellow ASX smaller companies specialist, DMX Asset Management in 2024. We're focused on pursuing mispriced opportunities across the ASX smaller companies spectrum. Companies with clear catalysts or pathways to value realisation, and carrying material upside potential.

Unit Price 31st March	$1.5278
Number of Stocks	46
% Cash Held - month end	3%

	Monash Fund	Small Ords
1 Month Return	-5.3%	-3.6%
3 Month Return	-6.2%	-2.0%
1yr Return	-4.4%	-1.3%
3yr Return pa	1.5%	-0.8%
5yr Return pa	13.6%	10.2%
10 yr Return pa	6.7%	6.3%
Since Inception (2 July 2012)	8.8%	5.8%

Returns are net of fees, and assume reinvestment of distributions.

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. Click here for TMD.

Dear Investor,

The Monash Investors Small Companies Fund declined 5.3% in March, as equities generally continued their decline (with the Small Ordinaries down 3.6%).

As we write, the market has continued its rout with the Small Ordinaries down further into April, and the Monash Fund is down similarly. In addition to reviewing the month's key contributors (and detractors), we set out how we're thinking about managing through this seemingly sudden and dramatic tariff-induced shift in market sentiment.

Commentary

The principal detractor this month was the write-off of our holding in Opthea, costing the Fund nearly 2.7% for the month, or just on half our total monthly loss. Having displayed so much promise, we – along with many others in the investment and pharmaceutical industries – were surprised and disappointed in the failure of its critical trial. The results are hard to reconcile with earlier indications, and ultimately – in our view – render its hoped-for treatments for wet Age-related Macular Degeneration worthless. As we've noted in the past, we've invested in Opthea knowing it would be a binary situation. If it worked, the payoff would have been a multiple of our investment. If it failed, we stood to lose our entire investment. Again, earlier trial results and our broader analysis of this opportunity led us to believe the odds of success justified the risk of failure. Whether we were wrong in setting the odds on any one situation like this is unknowable from such a small sample size. But how and whether we engage with these types of opportunities certainly is a topic worthy of further discussion.

In taking a step back and considering this position, it's important to keep in mind the context. While we lost 2.7% this month, most of that was prior-period unrealised gain, with our cost base here of 35c/share reflecting a total investment of less than 1% of the Fund. To the extent we may invest in binary situations like this, we're always very careful from a sizing perspective. From our initial position size, we stood to lose less than 1% - a quite manageable level of 'value at risk'. Conversely, if all went to plan, the upside was 5-10 times our money, for a 5%-10% NAV boost. The question then is what are the odds of each of those scenarios?, and as noted above, we may have our view on that, but we believe one's effectiveness in making such judgement calls needs to be considered over time and not from any one investment.

It's also important to note that we have had meaningful success with other such binary set-ups. Telix being the obvious example within the Fund. We invested in **Telix** at its pre-IPO stage when it too faced a binary outcome dynamic. Telix succeeded through to commercialisation, growing to become a top holding for the Fund, and having generated significant value for our investors over the years.

With this context laid out, and having reflected on the experience with Opthea, the two learnings we've taken here are as follows: 1/ better control position sizing when it's working out. While we invested less than 1% in Opthea, we missed a trick by not trimming at least some of our position into its significant price strength after our purchase. In fairness (to ourselves), we'd determined to cap the holding around a 3% weight which it reached, but we'd not planned to trim any unless it moved further north. We feel we'd be a little more balanced with this if facing the same set-up in the future, perhaps buying around 1% and trimming to keep exposure at 2%, at least until through the riskiest part of the ownership journey. 2/ waiting until an interesting concept has matured and proven out. To the Telix example, above. While we had the good fortune of owning this one from day dot, the bigger money has been made in the period *since* the company's treatments have proven successful.

Ultimately, our job is to constantly consider the risks and upside potential for all investments across the portfolio as we seek to prudently manage your hard-won capital. We'll continue to assess these opportunities and take appropriately-sized positions from time to time, managing risk both at the individual stock level, as well as from an overall broader portfolio perspective. All while seeking to generate meaningful returns to investors over time.

Outside of Opthea, we suffered an 18% decline to **Lovisa**, costing us 0.8%, as that company continues to de-rate. As outlined last month, we remain enthused about the long-term potential with this business, and are increasingly interested as its shares fall further. With a range of attractively-priced good businesses in front of us, we're not yet looking to Lovisa as a top-up opportunity. But it's certainly going in the right direction in this respect, and we believe we'll likely have an attractive set-up to add to our holding through this volatile market. Finally of note, we continued to suffer for our uranium and lithium holdings with each of **Paladin**, **Peninsula**, and **Pilbara** plowing new lows, costing us 1.3% between the trio.

Offsetting some of the damage were our small basket of gold stocks which rose for their safe-haven nature, contributing 0.6%. This excludes **Bellevue Gold** however which has mine-specific operational issues and is presently suspended ahead of what will be a negative market update. Moving into April, our gold basket is providing a source of liquidity as we seek to rotate into more attractive opportunities. **Metro Mining** rose 10%, contributing 0.4%, as investors increasingly focus on the significant cash generation expected from this business in the quarters ahead. Finally, **Smartpay** rose 50% to contribute 0.7% on the back of takeover offers from fellow ASX-listed payments company, Tyro, as well as from a US-based operator.

Navigating Current Uncertainty

Markets have been weak over the past couple months with uncertainty gradually increasing, and last week's US tariff announcement accelerating the market's decline. Global equity markets have been extremely volatile with the Trump Administration's announced sweeping tariff plans. Investors are rightly worried about what a change in the global trade regime may mean for individual companies, as well as economic activity in general.

How we're approaching this environment is fairly simple and straightforward, and aligned with our long-term orientation. First, we don't have a view on whether the next big market move is going to be up or down. Second, we take a long-term view with assessing our companies and their prospects. We'll let others speculate about whether uncertainty is already over or under-discounted in prices. Instead, we'll focus on the fundamentals of our businesses, what their risks are, how they will be impacted in various economic and tariffed environments, and critically – how attractively they're priced relative to the cash we expect them to generate over time. We wish to own a diverse portfolio of good smaller ASX companies, targeting 40-50 names with plenty of idiosyncrasies among them. Again, the key factor behind them though is they should be attractively valued – pricing in the expectation of strong returns over time.

Market declines of 10% or more are routine and in our view shouldn't drive wholesale change to asset allocation. Rational, value-oriented investors will be inclined to increase exposure as the market falls, recognising that at progressively lower levels we're getting more value for our investment dollar. The corollary to a fall in share

prices – *all things equal* – is higher future expected returns. The rub though is that a changing world order in trading terms means things aren't all equal. And that's where our job as analysts and investors gets interesting, as we continually assess and reassess the prospects for individual companies across a portfolio and opportunity set.

Summary

Undoubtedly, it's been a tough patch in the market, and for the Fund. Opthea has disappointed, but for the most part we believe our process around investing in such situations remains robust. Some favoured holdings such as Lovisa (outlined in detail last month) have de-rated, but we remain enthused about their long-term prospects. Having trimmed Lovisa at much higher levels, this stock – along with others – will have a top-up price, and we seek to enhance our long-term holding return through actively re-positioning in response to price movements through time. In short, these declines are welcomed and provide opportunity to add. Elsewhere, we've suffered for the de-rating to uranium's prospects by investors. Paladin is a good example of a company that's suffered from a couple (manageable) company-specific issues, together with a decline in the price of uranium. Having fallen 70%+ from its 2024 highs, and with our own views remaining constructive toward the likely price trajectory of uranium over the medium term considering the anticipated supply deficit, we remain invested and see considerable upside potential from here.

The big money in equities over time, in our view, comes from *owning* and *holding* good businesses. No one rings a bell at the bottom. Our approach simply is to remain wholly focused on identifying a diverse set of good, growing, attractively-priced companies, actively rotate capital where appropriate into the most compelling of these, and generally maintain a fully-invested posture through the ups and downs of the market.

Thank you for your trust and support. We welcome your direct enquiry any time.

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