Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1) **Monday, 6th March 2017**

February 2017 End of Month Update

In the interests of keeping the market fully informed of performance on a timely basis, we release a preliminary estimate of the Pre-Tax Net Tangible Asset Backing per share. It is only a guide, the official NTA will be released later in the month. We estimate that as at 28th February 2017 the NTA Pre-Tax was $0.8799.

Company Strategy

The Monash Absolute Investment Company offers investors access to an investment strategy that seeks to:

- achieve a targeted positive return over a full investment cycle; and
- avoid a negative return each financial year

The Company is benchmark unaware, style and stock size agnostic, both long and short, and only invests in compelling opportunities. In keeping with the Company's absolute return objectives, if the investment manager cannot find stocks that meet the very high return hurdle requirements, the Company will preserve that capital in cash at bank.

Commentary

The Company was down 2.22% for the month of February, during which the Small Ords rose 1.31% and the S&P/ASX300 rose 2.18%.

February is the profit reporting month for periods ending December. Out of the top 12 companies held by the Company, 7 beat analyst earnings expectations, 4 were in line and 1 was below. However, this did not translate into performance, with only 6 of the companies rising on the day of their results, and 6 falling.

The headwind against smaller growth companies that started in October 2016 continued, and so despite a "good" results season, the portfolio went backwards. There is a detailed breakdown of the performance of those 12 companies below.

Commentary continued next page.

Company at a Glance 28 February 2017

ASX Code - Shares	MA1
ASX Code - $1 Options Sep17	MA1O
Portfolio Size	$46.3m
Share Price	$0.770
Option Price	$0.002
Shares on Issue	52.5m

Portfolio Structure 28 February 2017

Outlook Stocks (Long)	20 Positions	71%
Outlook Stocks (Short)	1 Positions	-2%
Event, Pair and Group (Long)	3 Positions	10%
Event, Pair and Group (Short)	0 Positions	0%
Cash		21%
TOTAL		**100%**
Gross Exposure		84%
Net Exposure		80%

NTA (unaudited) 31 January 2016

NTA Pre Tax	$0.8999
NTA Post Tax	$0.9321

Estimated NTA (unaudited) 28 February 2017

Estimated NTA Pre Tax	$0.8799

Return Estimate to 28 February 2017

	1 month	Since Inception 12 April 2016
NTA Pre Tax	-2.22%	-8.63%

For more information about the Company 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

Outside of the largest positions there were mixed results. A highlight was the Company's short position in Sky Network Television, which added to performance by falling 20.4% over the month as a result of an adverse ruling by the NZ Commerce Commission. Offsetting this was a 23.9% fall in medical device company AirXpanders, despite the lack of an apparent catalyst.

Turning to the top 12 in more detail below, Monash Investors has provided a brief commentary against each stock. In summary, it can be seen that while 4 of the stocks reported earnings that were in line with analysts' expectations, the market marked all of these down, seizing on any negative compositional aspects while downplaying the positives. Even Challenger, which had a good result with a bullish commentary by management, and which led to broker upgrades, actually fell on the day of its result.

Overall, while half of these 12 stocks rose on the day of their results, half fell. Taking an arithmetic average of the price moves, the good outweighed the bad and the stocks went up by 1.4% on the day of their result, on average. However, this was not enough to offset the market's bias against smaller growth companies, and on average these stocks actually went backwards by 1.7% over the month of February.

Commentary from the Investment Manager, Monash Investors on the top 12 holdings
Critically we saw nothing in the results from our top holdings that changes our investment thesis on these stocks or our view that they are materially undervalued by the market.

EML Payments: Transaction Cards
Beat Expectations, rose 5.1% on day of result, fell 6.4% for the month

- Reported $10m EBITDA vs $8m expected
- Outlined a strong pipeline of new business and new business opportunities.
- Management indicated that recent new business signings are expected to increase the Loads in the business by more than 50% in FY18.
- Of particular note management guided to $700m in loads from the new Australian salary packaging services vertical following the signing of 4 new clients. This vertical was only created 2 months ago and management guidance has doubled since then.

G8 Education: Childcare
Beat expectations, rose 3.7% on day of result, rose 7.8% for the month

- Strong operating improvement in second half, saw business back on track.
- Management targets lifted to 40c EPS FY19 up from FY16 EPS 25c. The FY19 target is 25% above current consensus expectations.
- Share placement at an 8% premium to a strategic investor to fund a pipeline of childcare centre acquisitions over the next 2 years, refocusing the market attention on the non-organic growth opportunities available to the business. These acquisitions will add $50m to EBIT as a point of reference EBIT for FY16 was $161m.

Speedcast: Marine Telco
In line, fell 6.3% on day of result, fell 0.3% for month

- Earnings in line with guidance
- Weaker revenue than analysts expected offset by stronger EBIT margin
- Management commentary strongly indicated widening margins and improving market conditions in the oil & gas market

Challenger (CGF): Retirement Incomes
Beat expectations, fell 2.2% on day of result, rose 3.8% for the month

- Yet again another solid result from CGF demonstrating the strong organic growth in its business, while maintaining all operating metrics within historical norms.
- Announced distribution relationship with BT Financial Group.

Greencross: Pet Retail / Vet
Beat expectations, rose 6.8% on day of result, rose 5.8% for the month

- Delivers a solid 4.3% LFL sales growth, against a generally tough retail environment.
- Further confirmation of the benefits of its integrated pet store / vet business model.
- Reaffirmed store rollout strategy and long runway of opportunities.

Lovisa: Jewellery Retailer
Beat expectations, rose 5.3% on day of result, rose 3.1% for the month

- Impressive LFL sales growth of 12.6% and lift in gross margins to 77.8%
- 7% increase in store foot print and plans in place to grow it martially, i.e. UK expansion.
- Flagged that 2H LFL sales would soften on 1H, which comes as no surprise given the strength of 1H.

Silver Chef: Rent, Try, Buy for SMEs
In line, fell 9.4% on day of result, fell 20.0% for the month

- Revenues and earnings in line with management guidance
- Market reacted to an increase in the bad debt charge and the large uplift in earnings required in 2H to reach full year guidance.
- The increase in the bad debt charge while large, was within historical levels for the hospitality business and but reflects a cleaning out of the GoGetta business.
- Management provided a detailed earnings bridge showing how it would achieve full year guidance. This level of detail is almost unheard of and underscored management confidence in its guidance.

Netcomm: Telco Hardware
In line, fell 3.7% on day of result, rose 3.5% for the month

- EBITDA in line with management guidance
- Indicated pipeline of opportunity strengthening

Catapult: Sport Technology

Beat expectations, rose 9.1% on day of result, fell 8.0% for the month

- EBITDA ahead of analyst forecasts, first EBITDA positive result for the business.
- Strong growth across its wearable product range and flagged the expectation of signing numerous league wide deals over the coming months (northern hemisphere off season)
- Strong business momentum with new product rollout ahead in the prosumer market.

NextDC: Data Centres

Beat Expectations, rose 12.3% on day of result, rose 20.5% for the month

- Strong result across every business metric
- Reminded the market of a) the material growth opportunities ahead for the business and b) the huge operating level in its business.

Yowie: Confectionery

In line, fell 1.0% on day of result, fell 11.4% for the month

- Underlying result in line with market expectations
- Corporate governance issues being resolved

Paragon Care: Aged Care/ Hospital Equipment Supplier

Below expectations, fell 11.6% on day of result, fell 8.1% for the month

- Strong growth but guidance was 10% below analyst forecasts
- Following a number of acquisitions and the seasonality in the business it was challenging to forecast near term earnings.
- Critically Paragon Care achieved strong growth in revenue and improving margins