

# Monash Absolute Investment Company Limited

## ASX ANNOUNCEMENT

5 September 2017

### Teleconference – Post Reporting Season & Performance Update Presentation

In accordance with the requirements of Listing Rule 3.1 we submit the attached material being presented via teleconference on Wednesday 6<sup>th</sup> September 2017.

Mr Simon Shields is making the presentation and all shareholders and the public are invited to attend. There will be a Q&A session after the presentation.

During the teleconference the following topics will be covered:

1. A review of top Outlook stocks in the portfolio (long and short)
2. A summary of key actions within the portfolio over the last six months; and
3. A discussion on some of the smaller “Product Launch” stocks.

Details of the teleconference are as follows:

1. **Date:** 6<sup>th</sup> September 2017
2. **Time:** 11.30am EST, 11.00am ACST, 9.30am WST
3. **Phone:** 1800 200 232
4. **Guestcode:** 6515060#

For those that cannot make the call, a recording will be made available on the Company’s website as well.

For more information please contact:

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**The Monash Absolute Investment Company Ltd**

**ASX Code: MA1**

**Post Reporting Season Performance Update**

6 September 2017



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# Post August Reporting Season Teleconference

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- **Agenda**

- A review of top Outlook stocks in the portfolios (both long and short),
- A summary of key actions within the portfolios over the last quarter, and
- A discussion on some of the smaller 'Product Launch' stocks

- **Key teleconference information**

- **Date:** 6 September 2017
- **Time:** 11.30AM (NSW, Qld, Vic, Tas), 11:00AM (SA/NT), 9.30AM WA
- **Phone:** 1800 200 232
- **Guest Code:** 6515060#
- **Host:** Rory MacIntyre, Winston Capital Partners



# Simon Shields, Co-Portfolio Manager, Monash Investors Biography

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## Simon Shields

B.Com (Hons), LLB, MBA, CFA

Simon is one of Australia's leading fund managers with over 27 years of industry experience and most recently, having been Head of Australian Equities at both UBS Global Asset Management (Australia) Limited (UBS) and Colonial First State Limited (CFS). Simon has been a member of and/or led multi-award winning equity teams across a range of investment styles.

He holds a Bachelor of Commerce with Honours, Bachelor of Law, Masters of Business Administration and is a Chartered Financial Analyst.

Simon commenced his career as an analyst with Westpac Investment Management Limited (now part of BT Investment Management Limited), before moving into a portfolio management role. In 1995, he moved to Rothschild Australia Asset Management Limited as a Portfolio Manager, responsible for value-style Australian equities. In March 1998, he joined CFS as a Senior Portfolio Manager, responsible for growth style Australian and New Zealand equities, before becoming the Head of Australian Equities in January 2004. In July 2007, he moved to UBS as Managing Director and Head of Australian Equities and in 2011 also took responsibility for the ING Investment Management Limited Australian equity team.

In 2011, the UBS Australian Share Fund, which was managed by Simon, received the 2012 Money Magazine award for the "Best of the Best".

Simon is a director and co-founder of Monash Investors. His role includes research, analysis, dealing and investment management of the Monash Absolute Investment Fund.



# Setting the scene : Recap on Monash Investors

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- Absolute return targets (measured over 7 year period)
- Long and Short
- Bottom up (not top down)
- Searching for compelling opportunities
- Benchmark unaware, stock size agnostic, Pre-IPO
- Looking for 4 key attributes (**G.I.V.E**)
  - Growth
  - Insight
  - Value
  - Event
- Managed Fund (APIR Code MON0001AU) and LIC (ASX Code MA1, MA1O)
- Suggested use as a satellite investment – ‘a supporting role’



# 2017 FY did not favour Monash's stocks or investment style

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- On our last call in February, we discussed why Monash had performed below target,
  - Trump 'Reflation' trade and impact on growth stocks generally
  - Flows into Value based ETFs away from Growth ETFs
  - Flows from small cap stocks to large stocks (this trend is continuing with record flows into passive funds, which results in more buying of the largest weighted stocks in each index)
- Together, the above factors have hurt short term returns
- Since May 2017, a recovery has occurred in the share prices of many of the Outlook stocks and have now beaten the ASX200 four months in a row





# Absolute return focus does not mean positive returns in all months – MAIF is a long biased fund

**To 31 August 2017**  
(after fees)



**Inception Date 2 July 2012**

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
<b>2012/13</b>	1.46%	-1.15%	-0.20%	1.81%	1.09%	2.91%	3.90%	4.39%	2.00%	1.13%	-1.10%	1.05%	18.53%
<b>2013/14</b>	5.57%	1.40%	7.08%	2.96%	-0.58%	-0.47%	0.86%	2.62%	4.72%	-1.27%	-0.54%	-1.01%	23.05%
<b>2014/15</b>	3.06%	2.32%	-4.31%	-0.22%	-1.61%	0.55%	1.55%	2.33%	1.08%	0.08%	-0.55%	-1.86%	2.21%
<b>2015/16</b>	6.57%	0.22%	-0.46%	3.88%	2.36%	6.00%	-4.97%	-2.88%	2.43%	1.87%	2.39%	-3.84%	13.62%
<b>2016/17</b>	1.93%	-1.11%	0.73%	0.75%	-5.15%	0.39%	-4.01%	-2.04%	1.25%	-2.74%	-0.84%	2.02%	-8.78%
<b>2017/18</b>	0.29%	1.31%											1.60%

**Since Inception (after fees) 9.12% p.a.**

**Source:** MAIF : Monthly Performance Report & Unit Prices [www.monashinvestors.com](http://www.monashinvestors.com)

In relation to MAIF, The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150) ("Perpetual") is the responsible entity of, and issuer of units in Fund, and Monash Investors is the investment manager of the Fund. All opinions and estimates constitute judgements of Monash Investors and are subject to change without notice. This information is provided for general information purposes only, and is not to be construed as solicitation of an offer to buy or sell any financial product. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decisions. This information does not take into account your investment objectives, particular needs or financial situation. Whilst every effort is taken to ensure this information is accurate, its accuracy, reliability or completeness is not guaranteed. A product disclosure statement (PDS) issued by Perpetual dated 9<sup>th</sup> January 2017 is available for the Fund. You should obtain and consider the PDS before deciding whether to acquire, or continue to hold, an interest in the Fund. Initial applications for units in the Fund can only be made pursuant to the application form attached to the PDS





# Absolute return focus does not mean positive monthly returns, in all months – MA1 is a long biased portfolio

**To 31 August 2017**

**(after fees) – Monash Absolute Investment Company Limited (MA1)**



**Inception Date 12 April 2016**

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2015/16										0.98%	2.33%	-3.48%	-0.26%
2016/17	2.13%	-1.10%	0.73%	0.74%	-4.92%	0.21%	-4.05%	-2.22%	1.16%	-2.76%	-0.92%	1.97%	-9.03%
2017/18	0.14%	1.15%											1.36%

**Since Inception (after fees) -5.82% p.a.**

**Source:** MA1 Announcements [www.asx.com.au](http://www.asx.com.au)



# MAIF Portfolio snapshot as at 31 August 2017

Type	# of Positions January 2017	# of Positions August 2017	(%) January 2017	(%) August 2017
Outlook Stocks – Long	21	21	72	74
Outlook Stocks - Short	2	2	-5	-5
Event, Pair and Group Trades - Long	4	5	18	15
Event, Pair and Group Trades - Short	0	0	-0	-0
Cash	NA	NA	15	16
Total	27	28	100	100
Gross Exposure			95	93
Net Exposure			85	84
Beta			0.83	0.57



# MA1 Portfolio snapshot as at 31 August 2017

Type	# of Positions January 2017	# of Positions August 2017	(%) January 2017	(%) August 2017
Outlook Stocks – Long	21	21	74	73
Outlook Stocks - Short	2	2	-5	-5
Event, Pair and Group Trades - Long	4	5	19	16
Event, Pair and Group Trades - Short	0	0	0	-0
Cash	NA	NA	13	16
Total	27	28	100	100
Gross Exposure			98	94
Net Exposure			87	85
Beta			0.82	0.56



# August Reporting Season produced a good hit rate of beating expectations by our largest Outlook positions

Company	Business	Earnings Result	Reaction on the day of result	Reaction in August 2017
Emerchants	Transaction Cards	In Line	-1.1%	+13.6%
G8	Childcare	Beat	+8.8%	+1.9%
Challenger	Retirement Incomes	Miss	-3.9%	-2.4%
SpeedCast	Marine & Remote Telco	In Line	+1.5%	+5.5%
NextDC	Data Centres	Beat	+7.8%	+11.4%
Lovisa	Jewellery Retailer	Beat	+18.0%	+10.4%
Emeco	Mining Services	In Line	+5.9%	+28.6%
Netcomm	Telco Hardware	Beat	-5.3%	-16.8%
Paragon Care	Aged Care / Hospital Supplier	Beat	+11.1%	+15.6%
Silver Chef	Rent Try Buy for SMEs	Miss	-14.5%	-14.5%
Coca Cola (Short)	Consumer Discretionary	In Line	-2.6%	-2.3%
Sky Network TV (Short)	Media	Miss (positive for a short)	-4.4%	-17.4%

Top 12: 6 positive, 4 in line, 2 negative



# Key recent actions

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- New Additions / Increases

- MNF Group (MNF) was added as an Outlook stock mid July but sold after rising 15% when CEO decided to sell down his holding in late August.
- Emeco Holdings (EHL) added as an Outlook Stock early August and so far has risen 24% since first purchase.
- Increased holdings of Skydive the Beach Group (SKB) – Australia's largest tandem sky diving company, following its result in August.
- Topped up short positions in Coca-Cola Amatil (CCL) and Sky Network Television (SKT) as stocks fell

- Sold / Decreases

- MNF see above.
- Exited Long Event Trades in Ainsworth Game Technology (AGI) and Harvey Norman (HVN)
- Exited Short Event Trade in JB HiFi (JBH) and MYOB (MYO)
- Trimmed weight in Challenger (CGF) due to stock price appreciation



# Product Launch Stocks

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- Typically less than 10% of the portfolio in total
- Lower weight for risk control purposes, typically less than 1% each
- Small companies that are less mature
- But likely have a very high upside pay-off
- Can be Pre-IPO (typically max 5% of portfolio)
- Can graduate to become Outlook Stocks



# Alexium (Long): Entering Profitability

## Insight

- Taking share: low Cost, low harm chemistry (flame retardant and thermal regulation)
- Incumbent Bromine based chemical providers under regulatory pressure
- Limited analyst coverage

## Growth

- Large contract wins
- Pipeline is advanced and extensive
- Margin expansion due to profitable Alexicool contracts

## Value

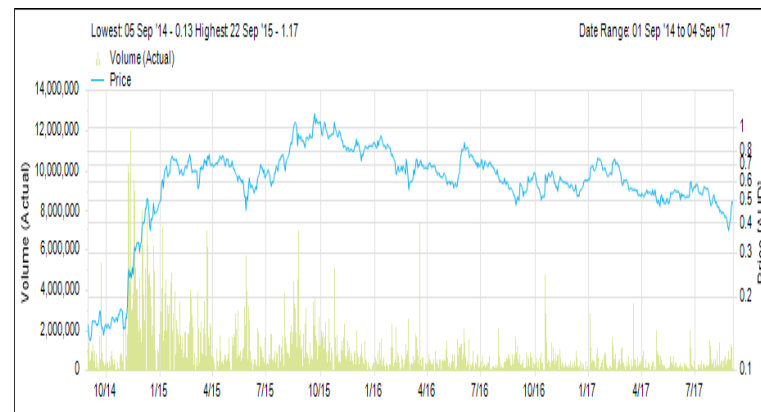
- June was first month of profitability – expected to continue
- Trading on low forward year P/E multiple
- Significant upside to our target price

## Update

- Jan 2017 – Contract to provide Alexium's Alexicool chemical to Pegasus (pillows)



Source: Company data



Source: FactSet





# Nearmap (Long): Geographic expansion, High Incremental Returns, Limited Analyst Coverage



## Insight

- Taking share: Aerial mapping with higher resolution and capture speed
- Subscription revenue model, high operating leverage
- Limited analyst coverage

## Growth

- Australian operations growing at +20% pa, in a developing market for this service
- US operations tracking well in a large developed market ready for disruption
- Further global expansion

## Value

- Share price trading at a discount to our valuation of the Australian operations
- Free option on US expansion

## Update

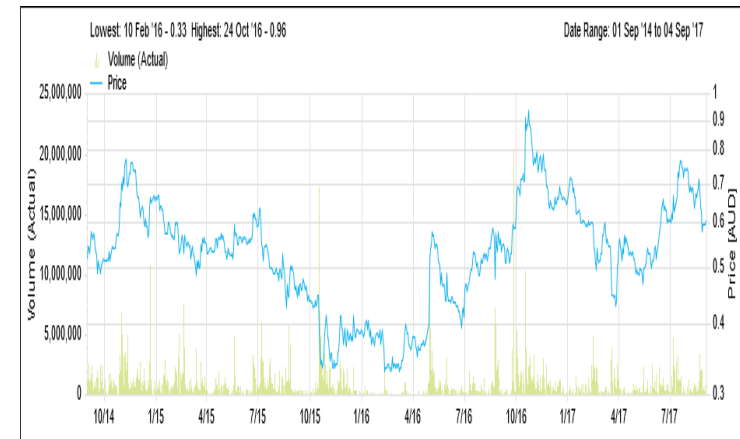
- August 2017 – FY17 result
- July 2017 – Launches ground breaking 3D and oblique imagery

### US operations tracking ahead of Australia

AU to US subscription revenues rebased to first year of capture (\$M)



Source: Nearmap FY17 result presentation



Source: FactSet



# Key messages

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- Underlying businesses of our stocks are generally meeting our high expectations
- Share prices mostly responding to the good news
- Feel that the worst is behind us in terms of the 'reflation' trade
- Outlook for portfolio remains strong – stocks available at attractive prices
- Always looking to make money for the portfolio:
  - Size agnostic, style agnostic, long/short, pre-IPO
  - Not wedded to any stock, we set and keep the bar high, eg MNF
  - Will keep finding new opportunities, e.g. EHL



# Q&A

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- Questions are now welcome from callers
- Press \*1



# Contact Information to learn more about Monash Investors

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- If you would like to learn more about the Monash Investors strategies, please email one of the following: -
  - **NSW/ACT, Qld Financial Advisers**
    - Rory MacIntyre [rory@winstoncapital.com.au](mailto:rory@winstoncapital.com.au)
  - **WA, SA/NT Financial Advisers**
    - Andrew Fairweather [andrew@winstoncapital.com.au](mailto:andrew@winstoncapital.com.au)
  - **NSW/ACT, Vic, Tas Financial Advisers**
    - Stephen Robertson [stephen@winstoncapital.com.au](mailto:stephen@winstoncapital.com.au)

