

The Monash Absolute Investment Company Ltd

ASX Code: MA1

February 2018



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Presentation Outline

- 1) Company Overview
- 2) Investment Philosophy and Process
- 3) Portfolio Performance
- 4) Top positions and structure
- 5) Investor Updates
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 - 3) Investment Strategy and Philosophy
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MA1 Company Overview – at at 31 January 2018

MA1 is an Australian equity listed investment company that employs an absolute return strategy (both long and short) to create wealth

	31 January 2018
Portfolio Size	\$51.8m
Share Price	\$0.85
Shares on Issue	50.7m
NTA Pre Tax	\$1.0196

Return Estimate to 31 January 2018

	NTA Pre Tax
1 Month	0.79%
3 Months	5.55%
6 Months	16.38%
FYTD	16.62%
Since Inception p.a.	3.22%

Key Features:

1. Absolute return (long and short)
2. Relatively concentrated
3. Benchmark unaware
4. Pre-IPO stocks
5. Stock size agnostic
6. Style agnostic
7. Key focus on capital preservation
8. Lower volatility expected
9. Unique investment philosophy
10. Manager track record

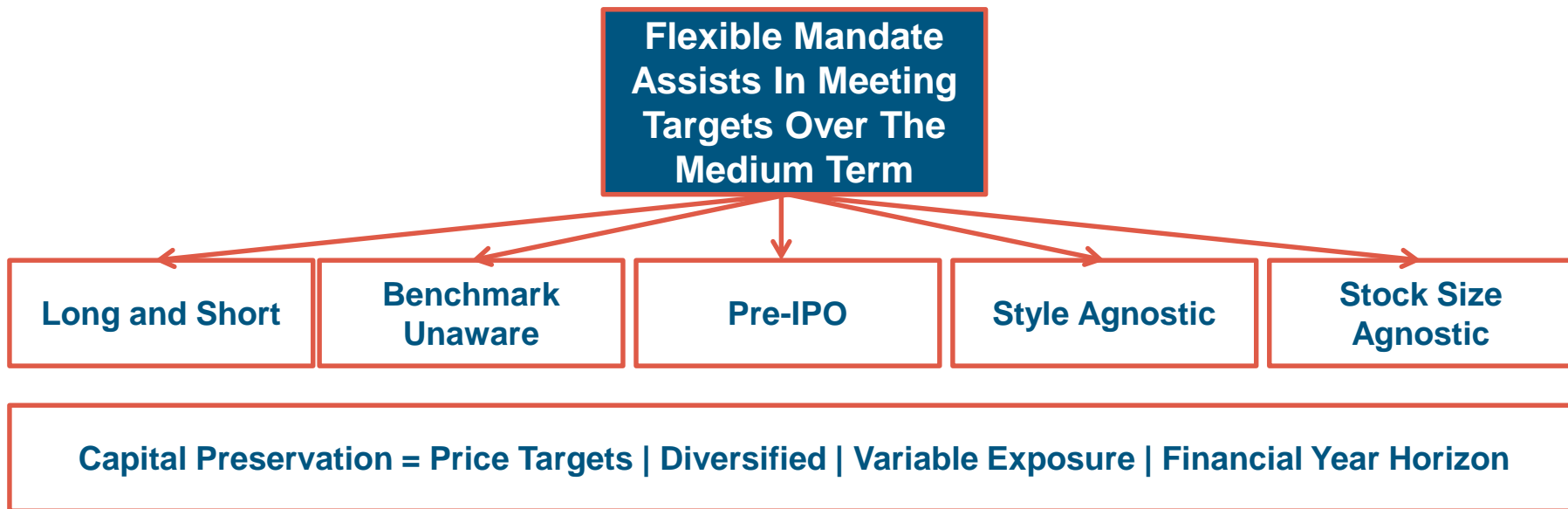


Monash Investors Key Attributes

- ① Absolute return Australian equity portfolio
- ② Aiming for
 - ① double digit returns (over a full investment cycle), and
 - ② no loss of capital over medium term
- ③ Looking for growth stocks that are undervalued / misunderstood
- ④ Long/Short (Long Biased)
- ⑤ Variable Beta



Flexible Mandate With Capital Preservation Focus



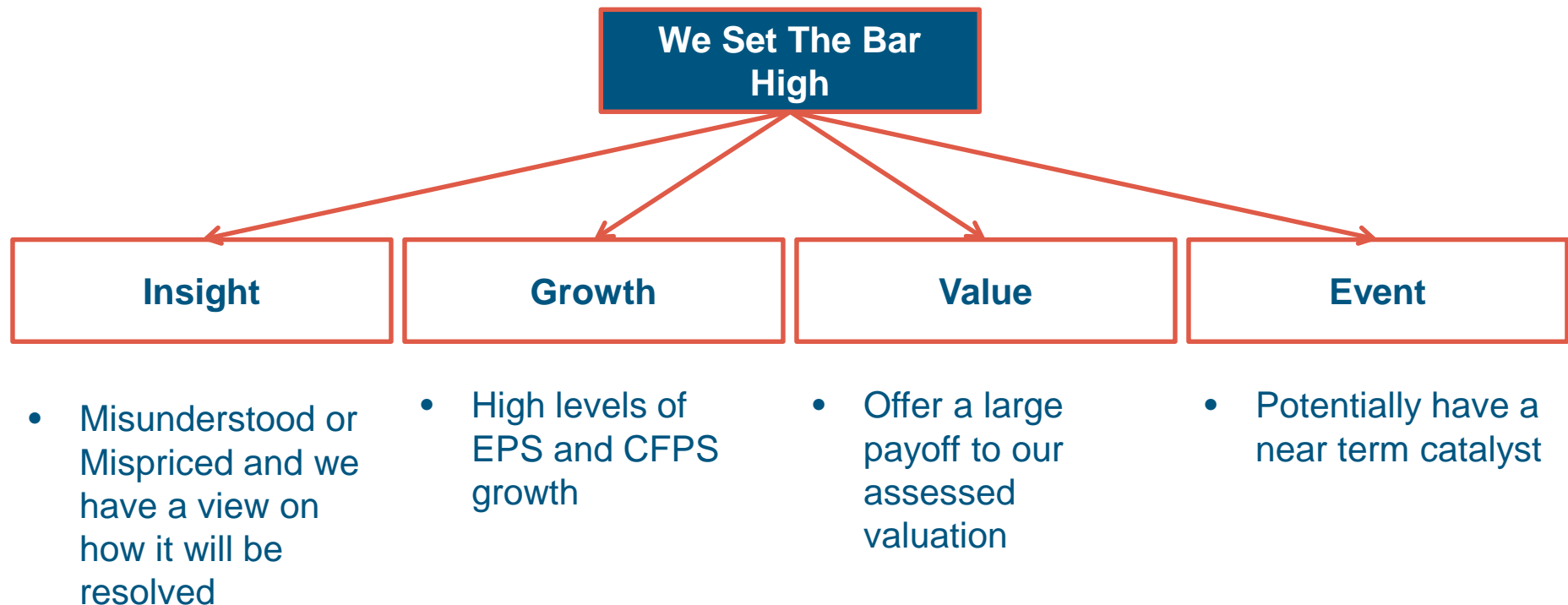
We Aim To *'Reliably Grow Investor Wealth'*

We start with a simple idea

Wealth can be reliably grown over time by investing in stocks (long and short) that meet our very high return hurdle requirements, while adopting various strategies to preserve capital



Focused On Asymmetric Payoffs That Have A Combination Of These Four Attributes



Unique Investment Philosophy Shaped By 50+ Years Of Investing Experience

- ① Most stocks are fairly priced most of the time but significant mispricing does occur
- ② Sometimes these stocks can be identified in advance because of recurring situations or patterns of behaviour - we focus on these opportunities



Examples Of Recurring Situations And Behaviours That Often Lead To Mispricing By The Market

- ① Underestimation of significant change
- ② Analyst reputation management
- ③ Drive by boards to exploit high ROE opportunities in their core business
- ④ Limitations of company guidance
- ⑤ Overlooked signals
- ⑥ Business disruption
- ⑦ Misjudging risk
- ⑧ Corporate motives by brokers
- ⑨ Lack of analyst coverage
- ⑩ Pre-IPO discount



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

To 31 January 2018

(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%	-4.07%	-2.20%	1.15%	-2.74%	-0.95%	1.95%	-8.97%
2017/18	0.21%	1.14%	3.46%	5.32%	3.94%	1.19%	0.79%						16.62%

Source: MA1 Announcements www.asx.com.au



The Managed Fund (MAIF) applies the same strategy but has a longer track record

To 31 January 2018
(after fees)



Inception Date 2 July 2012

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2012/13	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%
2013/14	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%
2014/15	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%
2015/16	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%
2016/17	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%
2017/18	0.29%	1.31%	3.53%	5.07%	3.27%	1.27%	0.82%						16.54%

Since Inception (after fees) 11.11% p.a.

Source: MAIF : Monthly Performance Report & Unit Prices www.monashinvestors.com

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

- FY17 headwinds
 - Trump 'Reflation' trade reduced the scarcity of growth
 - 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 hurt FY17 returns
- Since May 2017 we have now returned 8 positive months in a row



MA1 - Portfolio structure – 31 January 2018

Stock	Number of Positions	(%)
Outlook Stocks (Long Stocks)	21	75%
Outlook Stocks (Short)	2	-5%
Event, Pair and Group (Long)	4	14%
Event, Pair and Group (Short)	0	0%
Cash		16%
Total		100%
Gross Exposure		94%
Net Exposure		84%



MA1 - Portfolio structure – 5 February 2018

Stock	Number of Positions	(%)
Outlook Stocks (Long Stocks)	18	59%
Outlook Stocks (Short)	2	-5%
Event, Pair and Group (Long)	3	16%
Event, Pair and Group (Short)	0	0%
Cash		30%
Total		100%
Gross Exposure		80%
Net Exposure		70%



Top Outlook Stocks (long) – 5 February 2018

Company	Business
Lovisa	Fast Fashion Jewellery Retailer
Emeco Holdings Limited	Mining Equipment Lessor
Experience Co	Adventure Tourism & Leisure
G8	Childcare
EML Payments	Transaction Cards
Catapult	Sport Technology
Netcomm	Telecommunications Hardware



Top Short Stocks – 31 January 2018

Company	Business
Coca-Cola Amatil	Beverages
Sky Network	Pay TV



Emeco (Long): Industry Recovery and Increasing Analyst Coverage



Insight

- “Yellow” vehicle leasing industry
 - Recovering from disruption
 - Now consolidated / reduced competition
- Highly attractive to analysts and PMs
 - Diversified exposure to mining services
 - Capex holiday / rapidly improving balance sheet
 - Large market cap (\$750m) but until recently spurned
 - Analyst coverage, professional investors, will grow

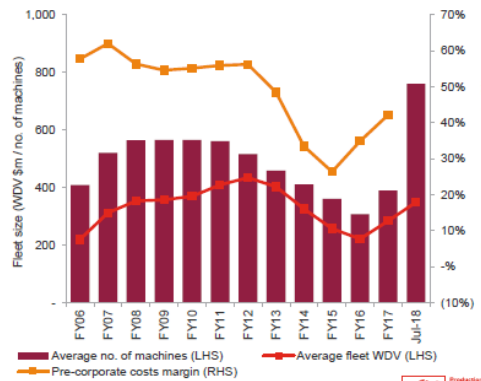
Growth

- Demand growing strongly
- High profit leverage to revenue growth
 - Utilisation improving
 - Prices improving
 - Terms improving
- NPAT to grow from Nil to \$100m in 3 years

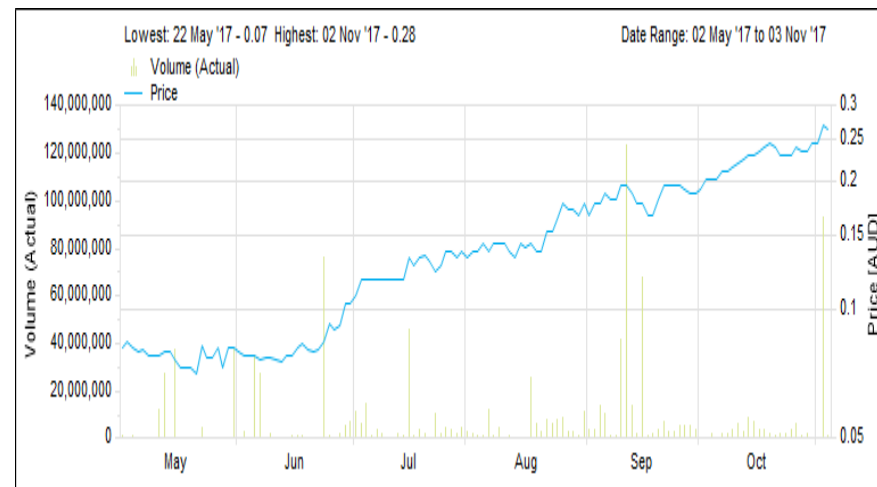
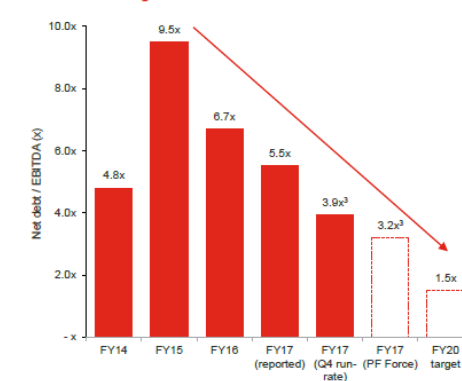
Value

- Purchased August 2017
 - Average entry price around 14c per share
 - Initial portfolio weight of 4%
 - Target price >35c per share (P/E Y3 11x)
- As at November 2017
 - Price around 27c per share
 - Portfolio weight grew to 7.7%
 - Reduced weight to 5.5%

Historical Australian fleet and pre-corporate costs margin



Pro-forma leverage



Source: FactSet



Emerchants (Long): Product Roll Out and Increasing Analyst Coverage



Insight

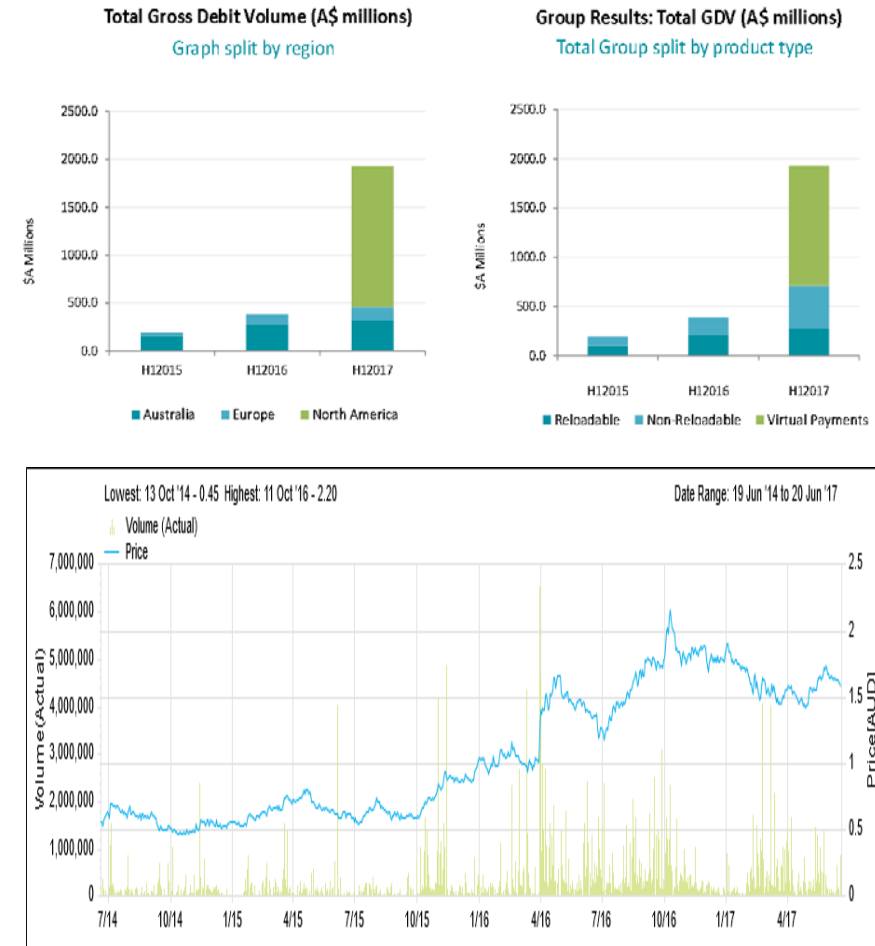
- Exciting new product – meeting the needs of corporates and customers
- Limited analyst coverage

Growth

- Significant product rollout opportunity
- New industry verticals
- Geographic expansion underway in Europe and USA

Value

- Business has significant operating leverage
- Material upside to our price target



Source: FactSet



Sky TV (short): Underestimation of Significant Change, Limits of Guidance, Analyst Reputation Management



Insight

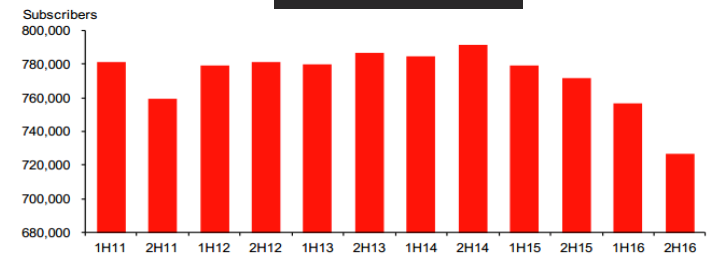
- Fragmentation effect of Netflix & other streamers
- Competition understood, but impact underestimated
- Limitations of company guidance
- Analyst reputation management

Growth

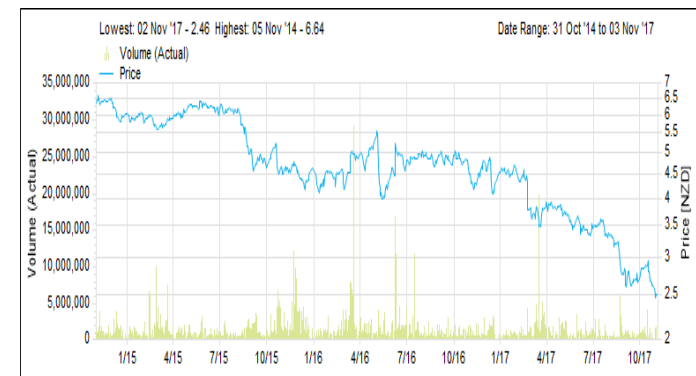
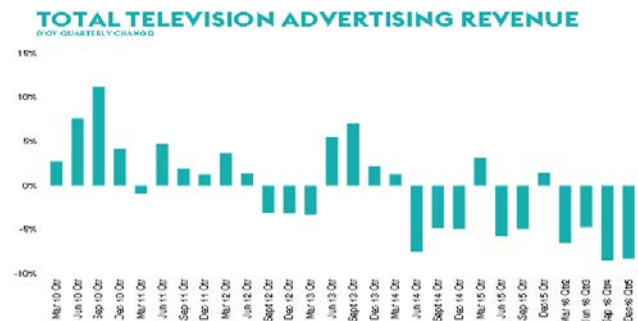
- Subscriptions and Revenue to negatively surprise
- Fixed Cost leverage to declining sales to cause a greater fall in EPS

Value

- Historically priced as a growth utility
- Value trap
 - Unrelenting demographic headwind over next 40 years
 - Reminiscent of headwind that faced the newspaper industry
 - Stock price has halved since we shorted it



Source: Company data, Macquarie Research, May 2016



Sources: Sky TV, FactSet



Click on any of the following links to get more regular updates about what is happening at Monash Investors

- 1) [Subscribe to our newsletter and blogs here](#)
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Appendix



About the Investment Manager



- ① Founded in 2012 by Simon Shields and Shane Fitzgerald
- ② Over 50 years of combined experience at institutional grade managers including UBS, CFS & JPMorgan
- ③ Manager is owned by the portfolio managers and high quality minority shareholders
- ④ Portfolio Managers have large portion of own wealth invested in the strategy
- ⑤ Offer a LIC (ASX Code: MA1) and a managed fund (APIR Code: MON001AU)

The Australian
HEDGE FUND
awards2014 | *Winner*
BEST EMERGING FUND
Monash Absolute Investment Fund



Portfolio Manager biographies



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

- One of Australia's leading fund managers
 - Head of Equities at UBS Global Asset Management and Colonial First State
- UBS Australian Share Fund, managed by Simon won the “Best of the Best” 2012 – Money Magazine
- Member of / led multi-award winning equity teams across different investment styles
 - Monash 5 years – Style Agnostic
 - UBS 5 years – DCF Style
 - Colonial First State 9 years – Growth Style
 - Rothschild/Westpac 9 years – Value Style



Shane Fitzgerald B.Comm (Hons)

Highly rated equity analyst

- 23 years an equity analyst, including
- 14 years sell side experience
- Head of JPMorgan Insurance and Diversified Financial Research
- Member of the multi award winning JPMorgan Research Team

Broad experience

- | | | |
|---------------|----------|----------|
| • “Sell side” | 14 years | JPMorgan |
| • “Buy side” | 4 years | UBS |
| | 5 years | Monash |





Paul Clitheroe AM - Chairman (Independent)

- Co-Founder of ipac securities in 1983
- Previous host of “Money” and now Chairman of Money Magazine
- Chair of Financial Literacy at Macquarie University
- Chairman of youth drink driving body RADD
- Chairman of ASX Listed InvestSMART Group Ltd (INV)
- Non-Executive Director of Wealth Defender (WDE)



Suvan de Sosya – Non-executive Director (Independent)

- 30+ years of wealth management experience
- Co-founder of ipac
- Previous Managing Director of private client business of AXA UK subsidiary
- Has sat on numerous audit and compliance committees, and responsible officer for ipac's superannuation funds



Simon Shields – Executive Director (Not Independent)

- One of Australia's leading fund managers
 - Head of Equities at UBS Global Asset Management and Colonial First State
- UBS Australian Share Fund, managed by Simon won the “Best of the Best” 2012 – Money Magazine
- Member of / led multi-award winning equity teams across different investment styles
 - Monash 5 years – Style Agnostic
 - UBS 5 years – DCF Style
 - Colonial First State 9 years – Growth Style
 - Rothschild/Westpac 9 years – Value Style



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