

Monash Absolute Investment Company Limited

ASX ANNOUNCEMENT

5 March 2018

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 today Monday 5th March 2018.

During the teleconference we will cover the following topics:

1. A review of top Outlook stocks in the portfolio (both long and short)
2. A summary of key actions within the portfolio over the last six months; and
3. A summary of performance.

Details of the teleconference are as follows:

1. **Date:** Monday 5th March 2018
2. **Phone:** 1800 804 595
3. **Time:**
 1. 10.30AM Perth
 2. 12.30PM Brisbane
 3. 1.00PM Adelaide
 4. 1.30PM Sydney, Melbourne, Canberra, Hobart

Simon Shields from Monash Investors will be presenting and there will be a Q&A session following the presentation which will be open to investors and advisers.

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
5 March 2018



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Post February 2018 Reporting Season Teleconference

- **Agenda**

- A review of performance – (Fund and LIC)
- A summary of reporting season for major holdings
- Review of MA1 share price and NTA discount
- Stock case studies
- Questions

- **Key teleconference information**

- **Date:** 5 March 2018
- **Time:**
 1. 10.30AM Perth
 2. 12.30PM Brisbane
 3. 1.00PM Adelaide
 4. 1.30PM Sydney, Melbourne, Canberra, Hobart
- **Phone:** 1800 804 595
- **Host:** Rory MacIntyre, Winston Capital Partners
- **Speaker:** Simon Shields, Monash Investors



Simon Shields, Co-Portfolio Manager, Monash Investors



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.



Recap on Monash Investors

- Absolute return targets (measured over 7 year period)
- Long and Short
- Searching for compelling opportunities
- Benchmark unaware, stock size agnostic, Pre-IPO
- Looking for 4 key attributes (**Growth, Insight, Value, Event**)
- Managed Fund (APIR Code MON0001AU) and LIC (ASX Code MA1)
- Suggested use as a satellite investment – ‘a supporting role’



Over the long term Monash Investors has delivered on its dual investment objectives, with a lower net exposure



Feature	Since Inception ¹ to 28 February 2018
Double digit returns over full investment cycle	10.48% p.a. (after fees)
Limit capital losses over medium term	1 negative FY
Volatility	9.8% p.a.
Variable beta	0.58
Benchmark unaware	Primarily no banks or major resources
Pre IPO weight < 5%	13.8% return p.a.
Conservative approach	76.6% net exposure

Source: Monash Investors

¹Monash Absolute Investment Fund Inception date 2 July, 2012



Key messages

- 2018 FYTD has seen a strong rebound in performance
- February 2018 reporting season was mixed v prior periods
- Very risk aware given recent spike in volatility due to inflation / rising interest rate concerns
- Holding 30% in cash (highest level in FY18)
- Continue to buy back shares in MA1 given discount
- Should be in a position to consider and if appropriate, declare a dividend following financial year end



The portfolios have rebounded strongly in 2018 FYTD

10.48% p.a. since inception to 28 February 2018
(after fees)



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%	-2.40%					13.75%

Inception Date 2 July 2012

Source: MAIF : Monthly Performance Report & Unit Prices 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 9th 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



MA1's pre tax NTA has also risen strongly in 2018 FYTD, after a disappointing 2017FY

1.79% p.a. since inception to 28 February 2018
(after fees)



Estimate Pre tax NTA \$0.9957

(Unaudited)

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	0.21%	1.14%	3.46%	5.32%	3.94%	1.19%	0.79%	-2.32%					13.89%

Inception Date 12 April 2016

Source: MA1 Announcements www.asx.com.au



Long term returns have not been achieved by index hugging – suggested use as a ‘satellite investment’



	Monash Absolute Investment Fund ¹ (Managed Fund)	Vanguard Australian Shares Index ETF ² (ASX Code : VAS)	Vanguard MSCI Australian Small Companies Index ETF ² (ASX Code : VSO)
5 year after fee returns p.a.	<ul style="list-style-type: none"> 10.33% p.a. Average Cash Weight 20.3% 	<ul style="list-style-type: none"> 8.85% p.a. 	<ul style="list-style-type: none"> 7.22% p.a.
# Positions 31 January 2018	<ul style="list-style-type: none"> 27 	<ul style="list-style-type: none"> 298 	<ul style="list-style-type: none"> 158
Top 5 31 January 2018	<ol style="list-style-type: none"> 1. Lovisa 2. Emeco 3. EML Payments 4. Next DC 5. Challenger 	<ol style="list-style-type: none"> 1. CBA 2. WBC 3. BHP 4. ANZ 5. NAB 	<ol style="list-style-type: none"> 1. Star 2. Iluka 3. Link 4. Downer 5. Orora
Sector allocation 31 January 2018	<ol style="list-style-type: none"> 1. 17.9% Div Financials 2. 17.8% Cash 3. 17.5% Tech Services 4. 8.7% Cons Services 5. 8.7% Health Tech 	<ol style="list-style-type: none"> 1. 34.8% Financials 2. 17.9% Materials 3. 8% Real Estate 4. 7.5% Consumer Staples 5. 7.3% Industrials 	<ol style="list-style-type: none"> 1. 23.9% Materials 2. 16.1% Con. Disc. 3. 13.4% Industrials 4. 8.8% IT 5. 8.7% Real Estate

As at the end of January 2018. **Source** Monash Investors¹, Vanguard January 2018 Factsheets²



MAIF Portfolio August 2017 v February 2018

- fewer positions, increased cash

Type	# of Positions August 2017	# of Positions February 2018	Portfolio Weight August 2017	Portfolio Weight February 2018
Outlook Stocks – Long	21	18	74%	60%
Outlook Stocks - Short	2	2	-5%	-5%
Event, Pair and Group Trades - Long	5	3	15%	15%
Event, Pair and Group Trades - Short	0	0	0%	0%
Cash	NA	NA	16%	30%
Total	28	23	100%	100%
Gross Exposure			93%	79%
Net Exposure			84%	70%
Beta			0.57	0.47



MA1 Portfolio August 2017 v February 2018

- fewer positions, increased cash

Type	# of Positions August 2017	# of Positions February 2018	Portfolio Weight August 2017	Portfolio Weight February 2018
Outlook Stocks – Long	21	18	73%	61%
Outlook Stocks - Short	2	2	-5%	-5%
Event, Pair and Group Trades - Long	5	3	16%	15%
Event, Pair and Group Trades - Short	0	0	0%	0%
Cash	NA	NA	16%	29%
Total	28	23	100%	100%
Gross Exposure			94%	81%
Net Exposure			85%	71%
Beta			0.56	0.47



Reporting Season and changes to our largest positions

Top Holdings 31 August 2017	Top Holdings 28 February 2018	Business Description Top Holdings 28 Feb 2018	Result Top Holdings 28 Feb 2018	Reaction in February Top Holdings 28 Feb 2018
EML Payments	Emeco	Mining Services	In line	+3.5%
G8 Education	Lovisa	Jewelry Retailer	Beat	+15.4%
Challenger	AfterPay Touch	Consumer Payments	In line	-1.8%
SpeedCast	Experience Co	Adventure / Tourist Experiences	In line	-4.6%
NextDC	NetComm Wireless	Telecommunication Hardware	Beat	+17.2%
Lovisa	G8 Education	Childcare	Miss	-16.7%
Emeco	Alexium	Specialty Chemicals	In line	+5.3%
Netcomm	Electro Optic Systems	Laser Based Tracking Systems	In line	-0.3%
Paragon Care	Challenger	Retirement Incomes	In line	-7.6%
Silver Chef	Kogan.com	Online Retailer	Beat	26.4%
Coca Cola (short)	Coca Cola (short)	Beverages	In line	3.8%
Sky Network TV (short)	Sky Network TV (short)	Pay & Free to Air TV	Miss (positive for a short)	-10.4%

Of the current Top 12: 4 positive, 7 in line, 1 negative



Key recent actions

- A number of new outlook holdings have been added to the portfolio
 - These are all stocks with more than 60% upside to our price target
- A significant number of the outlook holdings have had their weightings reduced or been exited in the last 6 months
 - Due to rising share prices, which reduces the remaining upside payoff, or
 - Due investment thesis violation, in which case we exited the stocks.
 - Overall, the number of positions in the portfolio has reduced
- The level of cash holding in the portfolio increased
 - In addition to the selling referred to above
 - As a risk control measure for the whole portfolio
 - In response to increased potential for a market correction



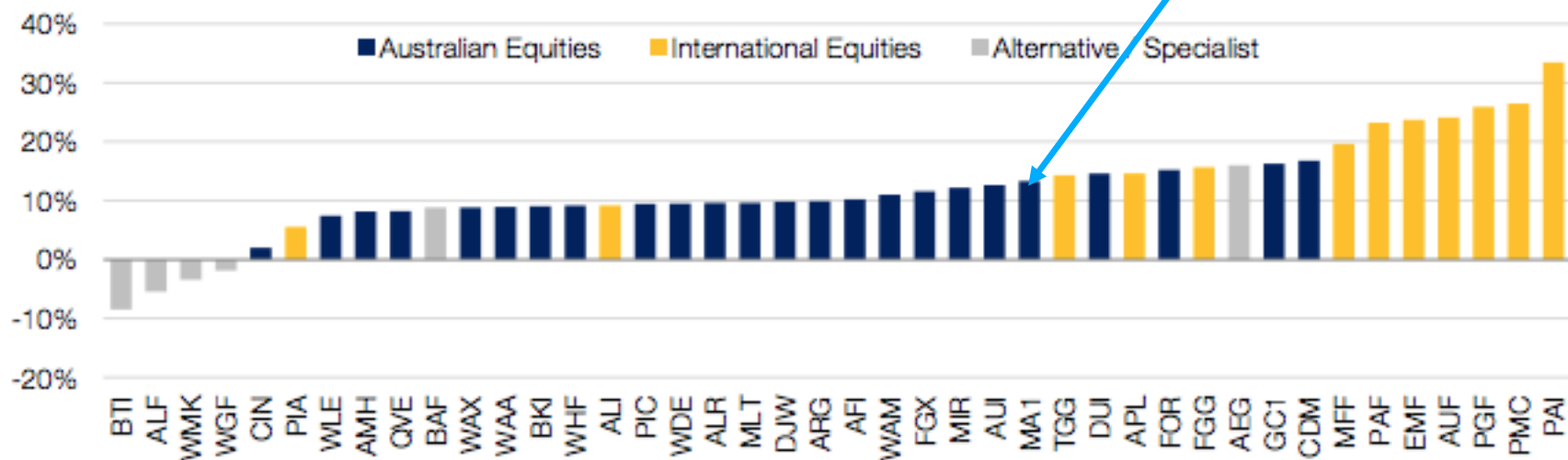
- Disappointed with discount to NTA
- Buy back in place
- Options have now lapsed removing future dilution impact
- Portfolio is doing well with MA1 being one of the highest performing Australian equity focused LICs in the market over the past 12 months
- This performance has not been achieved with high gearing but through stock selection and by holding moderate levels of cash
 - Continue to focus on finding compelling stocks and in generating our return hurdles
 - Very risk aware in an environment of rising volatility
 - Cash levels higher than usual



MA1 was one of the highest performing Australian equity LICs in the Macquarie Wealth universe over the past 12 months

12-month NTA growth assuming cash dividends

The chart below shows movements in pre-tax NTA year on year, including cash dividend payments with no reinvestment.

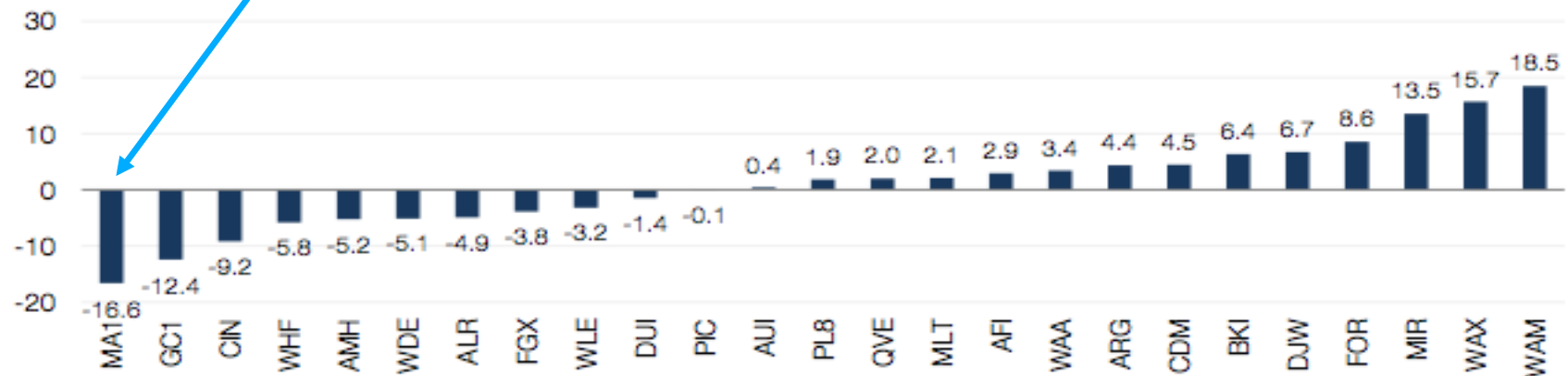


Source: MWM Research, IRESS, February 2018



But even with this better performance, MA1 continues to trade a large discount to NTA, which we aim to improve

Premium / discount to pre-tax NTA (%)



Source: MWM Research, IRESS, February 2018



Buying at a discount “was a winning strategy in 2017”

MA1 has purchased 1.7m shares (3.3%) through the on market buy back, which has added \$0.007 per share in value so far (to January 31, 2018)

Premium/ Discount 31 Dec 16	<-10%	-10% to -5%	-5% to 0%	0% to 5%	5% to 10%	>10%
Share Price CY17	19.87%	10.87%	7.7%	8.65%	12.7%	-3.74%

Source: Macquarie Wealth Management January 2018



Afterpay (Outlook Long): Market underestimating step changes in earnings



Insight

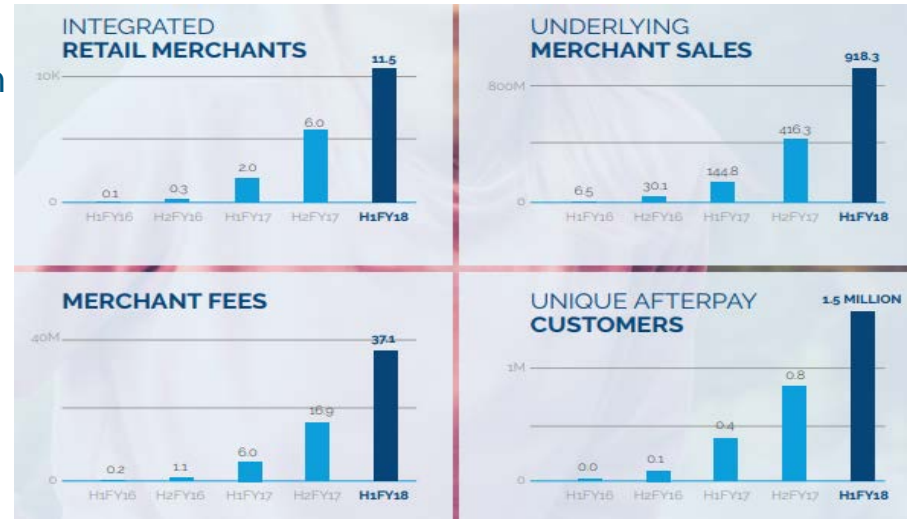
- Exciting buy now pay later product that is a win win for the merchant and consumer
- Rapid adoption particularly with Millennial Market
- Attractive expose to the online shopping trend

Growth

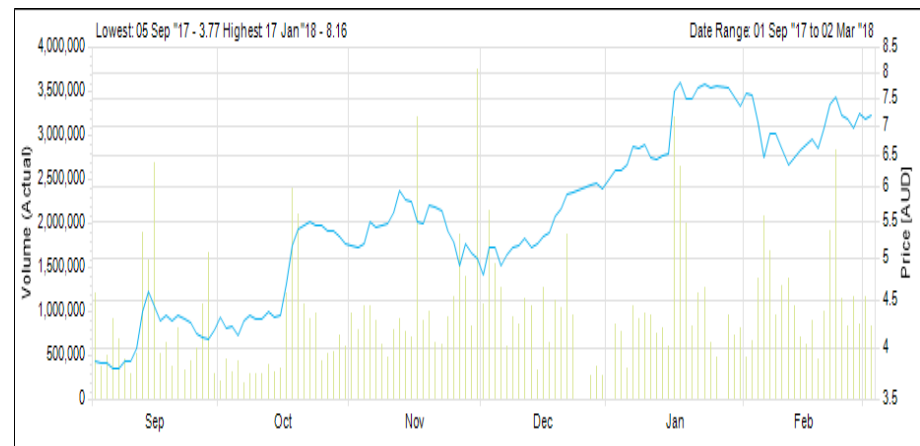
- Experience exponential growth on all metrics:
 - Number of merchants,
 - Number of customers,
 - Merchant sales
 - Merchant fees
- In store roll out
- Geographical expansion
 - Announced expansion in USA with strategic partner Matrix

Value

- Material upside to our target price in just the Australian market
 - If international expansion is successful this adds significant upside potential given the size of the opportunity



Source: Company data



Source: FactSet



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

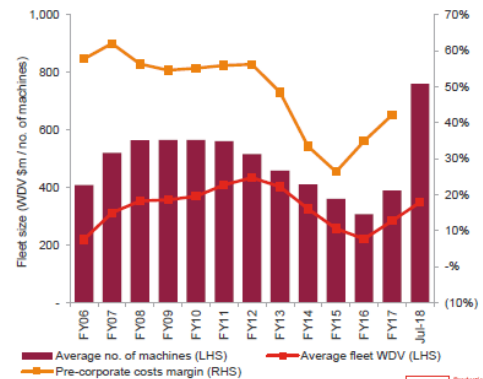
Growth

- 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
 - Current market cap \$850m

Value

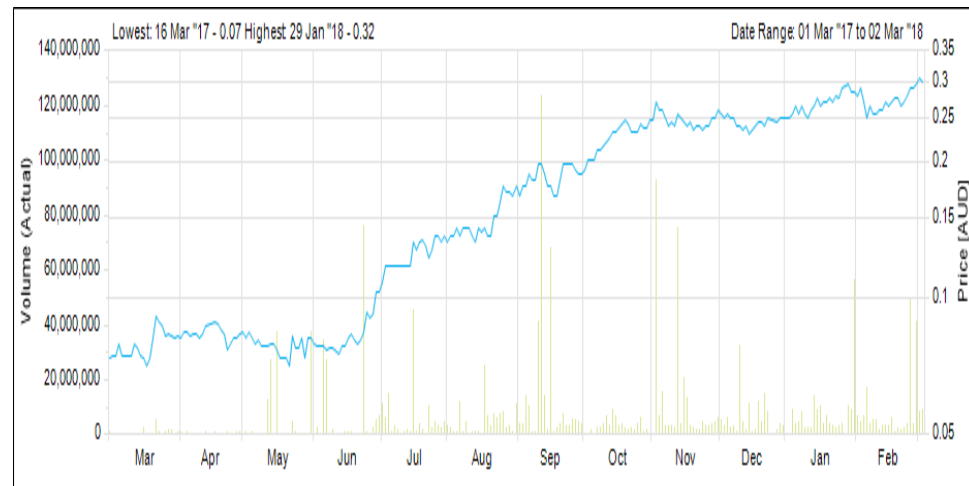
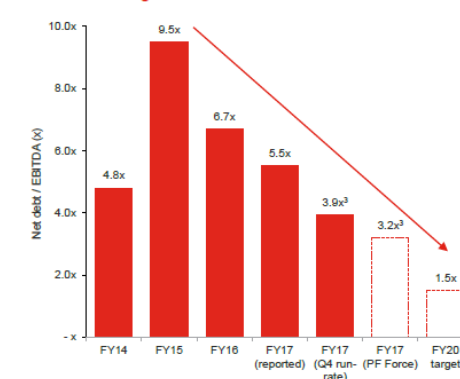
- Purchased August 2017
 - Average entry price around 14c per share
 - Initial portfolio weight of 4%
 - Reduced weight back to 5% at 27c
 - Target price >35c per share

Historical Australian fleet and pre-corporate costs margin



Source: Emeco

Pro-forma leverage



Source: FactSet



Telix – Pre IPO: An important feature of the investment strategy



Insight

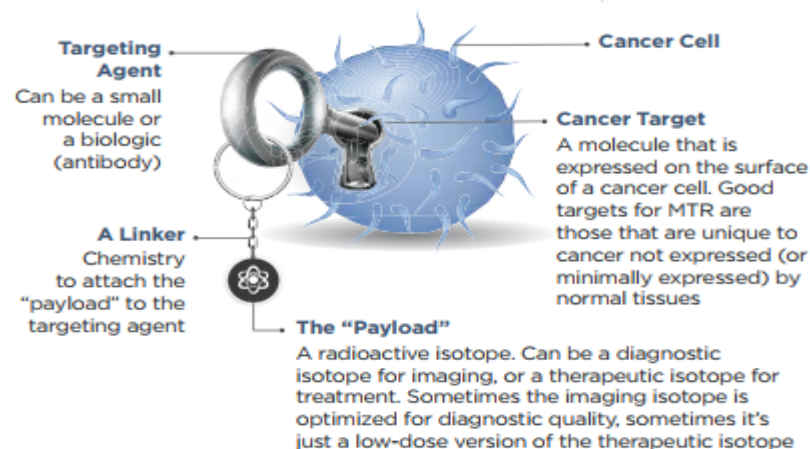
- Telix is to provide imaging and therapy to cancer patients using molecular targeted radiation.

Growth

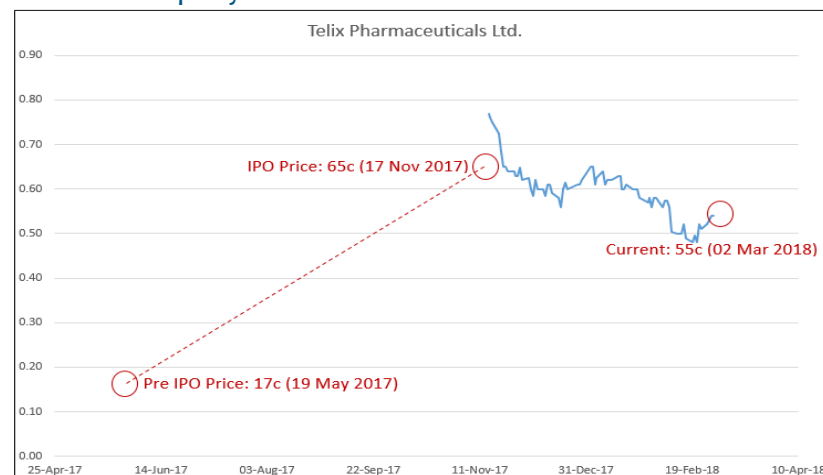
- Its lead program is in late stage phase 3 trials and therefore first revenues should be generated within 18 months.

Value

- Telix has 4 clinical programs at various stages of development, ranging from Phase 3 to Phase 1.
- This provides numerous valuation inflection points as newsflow from these programs emerge.
- There have been a number of corporate transaction in this space over recent months.
- We brought into Telix Pre-IPO at a price of \$0.17, and made 3x on its IPO. The success of any 1 of Telix's 4 clinical programs has the potential to be worth multiples of its current valuation.



Source: Company data



Source: FactSet



Summary

- 2018 FYTD has seen a strong rebound in performance
- February 2018 reporting season was mixed v prior periods
- High level of portfolio activity
- Very risk aware given recent spike in volatility due to inflation / rising interest rate concerns
- Holding 30% in cash (highest level in FY18)
- Continue to buy back shares in MA1 given discount
- Should be in a position to consider and if appropriate, declare a dividend following financial year end



Q&A

- Questions are now welcome from callers



Contact Information to learn more about Monash Investors

- 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
 - **WA, SA/NT Financial Advisers**
 - Andrew Fairweather andrew@winstoncapital.com.au
 - **NSW/ACT, Vic, Tas Financial Advisers**
 - Stephen Robertson stephen@winstoncapital.com.au

