

Monash Absolute Investment Company Limited

5 May 2020

Monash Absolute Investment Company Limited (ASX Code: MA1)

Zoom Webinar – Update from Monash Investors on 5 May 2020

We look forward to you joining us today in our webinar hosted by Monash Investors. The details are provided below. A copy of the presentation is attached.

During the webinar, Simon Shields from Monash Investors will discuss the following:

- Latest investment performance
- Recent portfolio activity
- Major stock positions
- Outlook
- Update on proposal to convert the LIC into an ETMF
- Update on MA1 listed options (ASX: MA1OA)
- An opportunity for Q&A

Date: Tuesday 5th May 2020

Time: 12.00pm (NSW, ACT, VIC, TAS, QLD)
11.30am (SA, NT)
10.00am (WA)

Meeting ID: 822-7432-3342

PLEASE REGISTER FOR THE WEBINAR [HERE](#)

A copy of the presentation is attached.

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This announcement has been authorised for release by the Board of Monash Absolute Investment Company Limited.

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](#)

Invest With Confidence

Monash Investors

The Monash Absolute Investment Fund (MAIF)
The Monash Absolute Investment Company Ltd (MA1)

May 2020



Agenda

Part 1 - About Us

1. Introduction to Presenters and Monash Investors
2. Performance Overview

Part 2 – The Market

3. Market View and COVID-19
4. Recent Portfolio Activity
5. Top Stock Positions

Part 3 – LIC Restructure

6. Restructure of MA1
7. MA1 Options

Part 4 - Q & A



Presenters



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

- One of Australia's leading fund managers
 - Former Head of Equities at UBS Asset Management and Colonial First State
- Member of / led multi-award winning equity teams across different investment styles
 - Monash Investors 8 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
 - 26 years an equity analyst, including
 - 14 years sell side experience
 - Former Head of JPMorgan Insurance and Diversified Financial Research
 - Former member of the multi award winning JPMorgan Research Team
- Broad experience
 - “Sell side” 14 years JPMorgan
 - “Buy side” 4 years UBS
 - 8 years Monash Investors



About Monash Investors

- ① Founded in 2012 by industry veterans
- ② Absolute return focus: active - benchmark unaware - stock size agnostic
- ③ Portfolio managers own the firm and have large holdings in the strategy
- ④ Strong absolute and relative after fee track record since inception
- ⑤ Looking for compelling opportunities that have >60% upside (longs) or 30% downside (shorts)
- ⑥ Lower beta than the market since inception
- ⑦ Will hold cash in the absence of compelling opportunities
- ⑧ One of the highest performers over multiple time periods in the peer group
- ⑨ Designed to complement direct holdings and low cost index funds e.g. “satellite”



Our objectives are centred on doing the right thing by investors – “invest with confidence”

- Provide investors with a strategy that has a proven track record and that is unique
- Do so in a way that is easy for investors to buy and sell units
- Two ways to invest
 - Retail unlisted managed fund (available direct or via platforms)
 - Listed Investment Company (ASX: MA1)
 - To be converted to a listed exchange traded managed fund (available through brokers, online and platforms) – subject to approval
- Provide regular income that can be relied upon
- Be very active with the portfolio



Absolute return outcomes have been delivered since inception through the unlisted managed fund



8.28%
Return p.a.
After Fees

21%
Average
Cash Weight

0.60
Average
Portfolio Beta

MAIF Inception date 2 July 2012



After fee performance against the absolute return peer group has been strong over the short, medium and long term – 30 April 2020

Name	1m	3m	6m	1y	3y	5y	7y
Monash Absolute Investment Fund	20.6	-14.48	-10.89	0.55	6.88	4.07	6.67
Regal Australian Long Short Equity	11.15	-33.54	-27.33	-21.31	2.46	2.21	6.71
Bennelong Kardinia Absolute Return	0.64	-4.48	-0.12	1.25	-0.01	1.02	3.02
Ellerston Australian Market Neutral	8.51	-13	-9.06	5.92	-1.34	1.36	-
Paragon Australian Long Short Fund	17.64	-17.99	-15.93	0.27	0.18	0.98	6.71
WaveStone Capital Absolute Return	6.78	-17.64	-13.5	-7.88	1.48	3.15	5.48
Harvest Lane Asset Management Abs Ret	6.37	-17.51	-17.57	-16.5	-0.6	2.68	-
Solaris Australian Equity Long Short Fd	12.87	-23.68	-19.35	-14.1	4.23	-	-
K2 Australian Absolute Return	10.83	-25.91	-19.18	-19.12	-5.41	-2.59	0.96
Perpetual W Share Plus L/S	11.06	-15.35	-12.83	-8.72	1.12	2.86	6.28
Acadian Wholesale Aus Equity Long Short	9.96	-22.16	-18.52	-10.03	1.99	3.01	5.73
Tribeca Alpha Plus Class A	11.9	-17.17	-10.92	-2.78	2.25	4.98	9.64

Sources

MAIF : Monthly Performance Report & Unit Prices www.monashinvestors.com MA1: Announcements www.asx.com.au
 ASX Indices: S&P Dow Jones Indices Peers: Winston Capital - Comparable Absolute Return Funds



Monash Absolute Investment Fund (Managed Fund) returns have delivered, whilst holding reasonable levels of cash

After fee returns, periods to 30 April 2020



	Monash Fund	Average Cash Held	Peer Rank	ASX200	Small Ords
FYTD	-2.24%	16.23%	3 / 12	-13.78%	-13.00%
3 Months	-14.49%	23.65%	2 / 12	-20.32%	-19.00%
1 Year	0.54%	15.84%	3 / 12	-9.06%	-13.31%
2 Years pa	6.09%	18.13%	1 / 12	0.20%	-3.61%
3 Years pa	6.87%	19.11%	1 / 12	1.92%	3.25%
5 Years pa	4.07%	20.26%	2 / 11	3.46%	4.95%
7 Years pa	6.67%	19.57%	4 / 9	5.38%	4.58%
MAIF Inception pa <small>From 2 July 2012</small>	8.28%	21.42%		8.50%	4.80%

Sources

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Monash Absolute Investment Company (ASX : MA1) returns have rebounded after the initial drawdown post IPO

After fee returns, periods to 30 April 2020



	Monash Company NTA	MA1 Share Price	ASX200	Small Ords
FYTD	-0.31%	12.10%	-13.78%	-13.00%
3 Months	-11.97%	-12.25%	-20.32%	-19.00%
1 Year	2.30%	13.50%	-9.06%	-13.31%
2 Years pa	6.85%	6.54%	0.20%	-3.61%
3 Years pa	7.21%	4.31%	1.92%	3.25%
MA1 Inception pa From 12 April 2016	2.56%	-1.90%	7.02%	5.94%

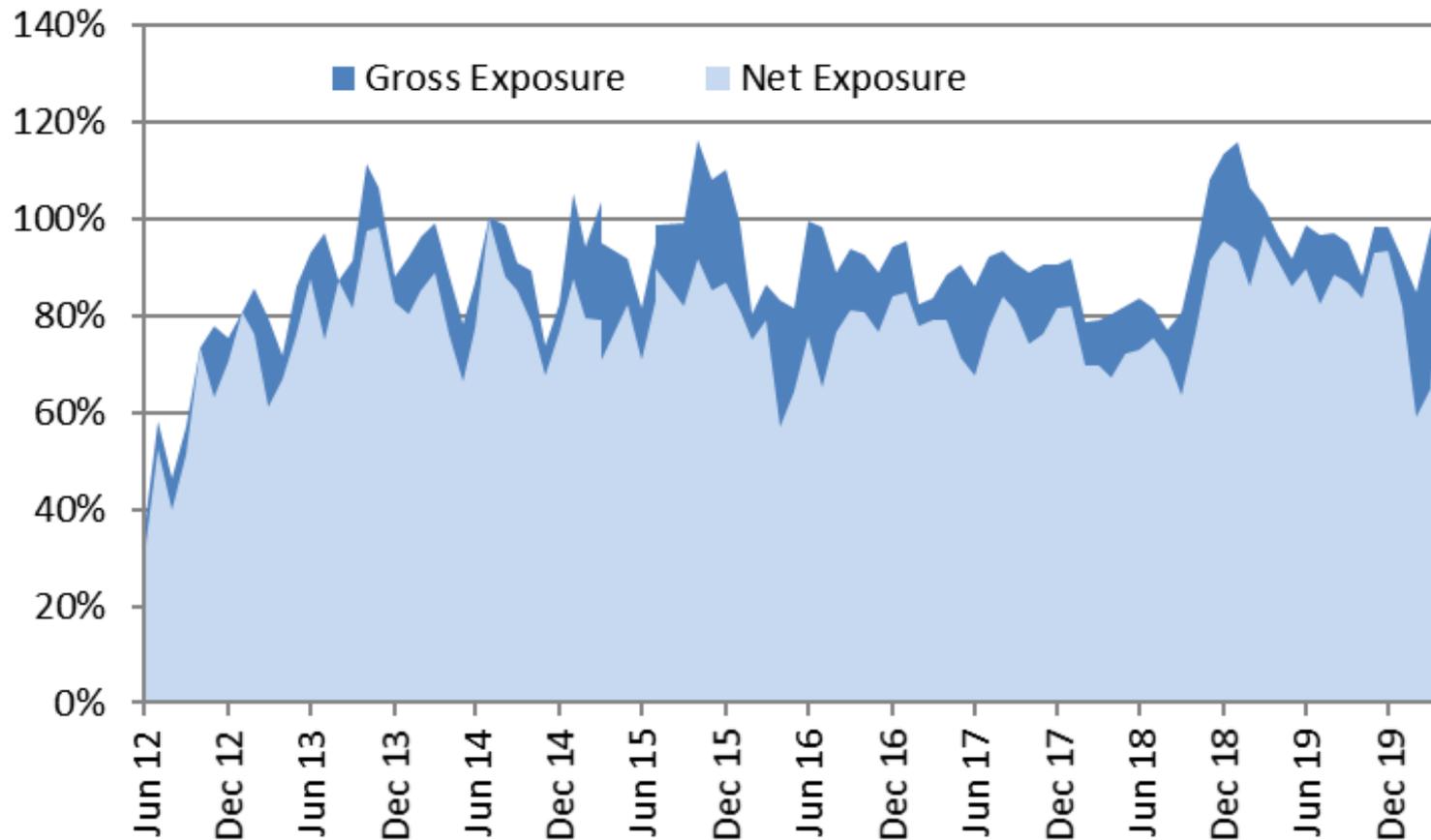
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Returns not generated through leverage

Gross/Net Exposure



Investing is challenging

- The market incorporates future expectations very quickly, often leaving little time to react
- The future is always uncertain, and never more so when there is a crisis, making it even harder to act promptly when needed most
- The temptation is always to wait for more information. By then it is usually too late
- We look to recurring business situations and patterns of behaviour to assist our decision making
- We strive to maintain objectivity and anticipate likely outcomes, without succumbing to extremes of optimism, pessimism, fear or greed



COVID-19 has created an opportunity rich environment

The value of a company is the discounted cash flow of its earnings over time

The market is currently suffering a behavioural “double whammy”

- Earnings forecasts have fallen
- Price discounts for uncertainty have increased

But over the coming quarters

- Future earnings forecasts will be more normal
- Uncertainty will have reduced

Uncertainty has fallen significantly over last six weeks

- “We” now have a feel for how bad the worst will be
- New infection rates are falling globally
- Staged unwinding of restrictions are beginning
- Progress on treatments

COVID-19 has hurt some companies permanently and benefitted others



Low interest rates are positive for stocks

Long term downward pressure on interest rates

- Technology Deflation
- Demographics
- Dovish Central Banks

The value of the equity market is underpinned by low interest rates

- These make it look cheap
- Cash yields are negligible
- Bond yields are very low
- Equity earnings yields are higher than these and grow over time

Picking the equity winners matters (as does, avoiding the losers).



Recent activity to highlight active management

January **ASX200 rose 5%**

- Stocks hitting our price targets
 - Cash increased from 8% to 20%

February **ASX200 fell 8%**

- Late Feb - CDC view that global pandemic likely
 - Cash increased to 40%
 - Sold/shorted airlines, travel agents, casinos
 - Sold businesses with logistics chains into China



Recent activity to highlight active management

March

ASX200 fell 21%

- Early March – bad news continued to build, markets didn't react much
 - Increased Cash weight to 50%
 - Shorted education and aged care
- Mid March – ASX200 had fallen 18%, started to see bargains
 - Decreased cash to 34%
 - Purchased cheap growth stocks without exposure to COVID-19
 - At its worst ASX200 was down 29%

April

ASX200 rose 9%

- Market had been too near-term focussed, stock price recovery continued
 - Decreased cash to 2%
 - Rebuilt existing positions and closed shorts
 - Established new positions in cheap growth companies



Top 10 stock positions 30 April 2020

Stock	Business Description	Recent Actions	Upside to January Price
AfterPay Touch	Pay Later Retail Payments	Sold then Rebuilt	24%
EML Payments	Gift Cards and Specialty Transactions	Sold then Rebuilt	87%
Jumbo Interactive	Online Lotteries	New	10%
Electro Optic Systems	Laser Based Tracking Applications	Sold then Rebuilt	124%
Service Stream	Infrastructure Renewal and Maintenance	-	34%
Nanosonics	Medical Device Disinfection Products	New	0%
Kogan	Online Retailer	Exit then Rebuilt	-35%
People Infrastructure	Workforce Management	-	99%
Telix	Nuclear Medicine for Cancer	-	14%
Altium	Subscription Based Printed Circuit Board Design Software	New	17%
Healthia	Physiotherapy and Podiatry Clinics	-	64%

Upside Payoff to 31 January price

42% weighted average for top stocks vs 27% for ASX200



Important changes to Monash Absolute Investment Company (ASX Code : MA1, MA10A)

Our objectives are simple

1. Provide access to a strategy that is unique and with excellent long term performance
2. Do so without the persistent discount to NTA
3. Make it easy to buy /sell additional units
4. Provide regular income to investors

“Invest with confidence”



Restructure of MA1

We have now signed the implementation deed

- Expect the Notice of Meeting issued to shareholders by 31 July 2020
- Expect the Restructure completed by 30 September 2020
- Confident conditions precedent will be met

The restructure will in effect

- Delist the Listed Investment Company (LIC)
- Replace it with a Listed Unit Trust (ETMF)

Benefits

- Eliminates the price discount to NTA
- Allows liquidity as needed
- Provides a distribution yield
 - **We are moving to provide investors with an income distribution of 1.5% per quarter (capital and income)**



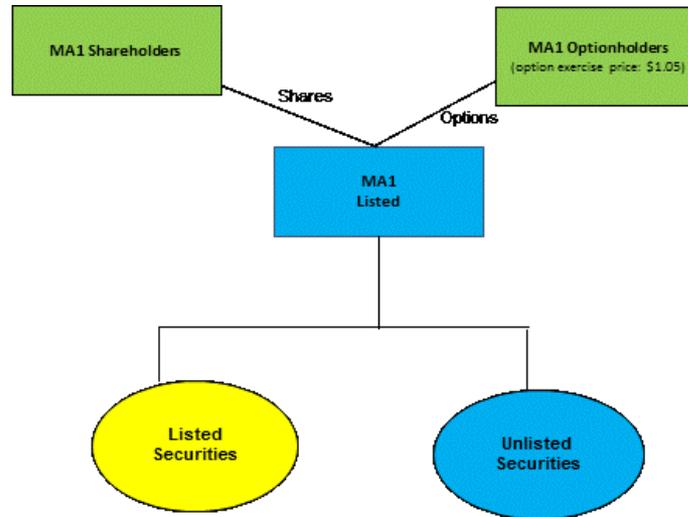
Restructure of MA1 into an ETMF – Steps to Implementation

- Execution of the Implementation Agreement between the Company and the Responsible Entity, The Trust Company (RE Services) Limited (“Perpetual) was announced on 5 May 2020
- Under the implementation agreement, the Company and Perpetual agreed to propose and implement the transaction to restructure the Company into an ETMF.
- Notice of meeting to the shareholders will be despatched once all regulatory approvals (ASIC and ASX listing rules), investment management agreement is in place, execution of a subscription agreement and a satisfactory tax opinion and Independent Experts advice on the restructure is obtained.
- The shareholders meeting will be held and once approved advise ASX and make an announcement on key dates going forward including effective date for return of capital and the in-specie distribution of units.
- MA1 will be delisted from the Official Listing of the ASX and the ETMF will be listed on the Official List of the ASX
- The details on the proposed restructure and the benefits are set out in our [ASX announcement on 8 August 2019](#).

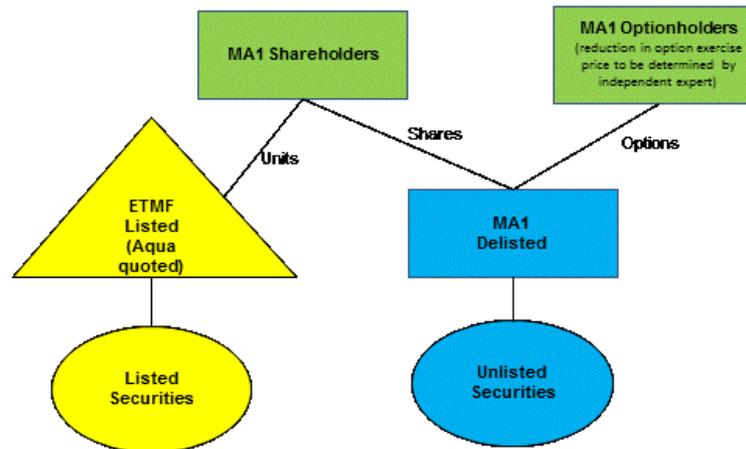


MA1 Proposed Restructure into an ETMF – Structure Diagram

BEFORE



AFTER



MA1 Listed Options Trading under ASX Code: MA10A

Key Dates:

Options cease trading on ASX: 11 May 2020

Options expiry date: 15 May 2020

By exercising your options before expiry, you are entitled to subscribe for one MA1 share at \$1.05 (the exercise price) for each option you own. Should you choose to exercise, no brokerage costs will be incurred.

Options Holders will receive a personalised ‘Application for Shares on Exercise of Options’ in the mail. This must be completed and returned to the Company’s registry, Boardroom Limited, by 5pm (AEDT) 15 May 2020. Payment can be made by BPAY or by cheque (made payable to ‘Monash Absolute Investment Company Limited’ A reply-paid envelope will be provided with the Application form.

If payment is not received by 5pm (AEDT) on Friday 15 May 2020, then your options will expire with no value and no further entitlement will exist.

Once your funds have cleared, new shares in the Company will be allotted to your account and you will receive an updated holding statement to reflect your shareholding.

If you need assistance in completing the form or to enquire about alternative payment options please call 1300 737 760 or email corporateactions@boardroomlimited.com.au. If you have any further questions about your MA1 options, please call Sandra Donnarumma, Chief Operating Officer of Monash Investors Pty Ltd on Phone: 02 9237 8862.



Closing remarks

- Monash provides an active differentiated strategy with a proven track record
- For those that would like to invest more, the outstanding options can be exercised (subject to price – it may be cheaper to acquire them on market)
- Two ways to invest : an unlisted managed fund and an ASX listed LIC / managed fund (subject to approval)
- We are committed to the firm and strategy, with the majority of personal wealth invested alongside of unit holders
- We are focused on investor outcomes and investor friendly vehicles
- We are excited about the portfolios current holdings and will continue to be active as opportunities present



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Questions

- Q & A with Simon Shields and Shane Fitzgerald



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The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (“Perpetual”) is responsible entity of, and issuer of units in, the Fund. The inception date of the Fund is 2nd July 2012.

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Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. Comparisons are provided for information purposes only and are not a direct comparison against benchmarks or indices that have the same characteristics as the Fund.

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