

Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1) January 2021 End of Month Update

3 February 2021

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 (“NTA”) per share. It is only a guide, the official NTA will be released later in the month. All return calculations include dividends paid.

We estimate that at 31 January 2021 the NTA Pre-Tax was \$1.4444.

Company Strategy

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.

Monthly Commentary

In January, the Pre-Tax NTA fell -0.75% (after fees). This compares to the S&P/ASX200 that was up 0.31%, and the Small Ords, which was down -0.25%.

For the financial year to the end of January, the Pre-Tax NTA is up 31.86% (after fees). This compares to the A&P/ASX200 that is up 13.55% and to the Small Ords, which is up 19.98%.

January is typically a quiet month before the storm of the February reporting season, excluding the few companies that need to fulfil their continuous disclosure obligations, by confessing early to a surprisingly good or bad result.

This was no exception and the market in effect “marked time” despite its continuing volatility, with 5 out of January’s nineteen business days experiencing a market move of greater than +/- 1%.

The portfolio has little appetite for businesses that are not progressing at least in line with our expectations. During the month we exited Polynovo (ASX:PNV) following a disappointing update.

Company at a Glance 31 January 2021

ASX Code	MA1
Portfolio Size	\$ 69.0M
Share Price	\$1.32
Shares on Issue	44.85m

Estimated NTA (unaudited) 31 January 2021

Estimated NTA Pre Tax	\$1.4444
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Return Estimate to 31 January 2021

	NTA Pre Tax
1 Month	-0.75%
3 Months	17.80%
CYTD	-0.75%
FYTD	31.86%
1 Year	23.58%
2 Years p.a.	26.86%
3 Years p.a.	13.68%
Since Inception p.a. (April 2016)	9.62%

Portfolio Structure 31 January 2021

Outlook ¹ Stocks (Long)	13 Positions	68%
Outlook Stocks (Short)	1 Position	-2%
Event, Pair and Group (Long)	3 Positions	10%
Event, Pair and Group (Short)	1 Position	-4%
Cash		28%
TOTAL		100%
Gross Exposure		84%
Net Exposure		72%

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](#)

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During calendar year 2020, management had repeatedly stated that their sales were resilient to COVID-19, and indeed their sales for the June and September quarters were in line with expectations. However, following director selling in early December, there was a sales update in mid-January. To quote their announcement¹, there had been “slower than expected sales in October and November” with COVID-19 being blamed for the disruption. As a result, the company is unlikely to meet its near-term growth targets.

Our concern was that the company requires substantial medium term growth to justify our (now former) target price, and in the circumstances, we no longer had the confidence that they would be able to do so, and we sold out.

The net effect of this and other investment decisions during February saw our cash weighting increase from 23% to 28%, which is above our average long term cash holdings which been around 20%. Our cash holding is an outcome of “bottom-up” investment decisions, rather than being a “top-down” view about the value or risk of the market overall. In other words, we sell positions in companies as the share price reaches our price targets, which are derived through bottom-up research and financial modelling. Nevertheless, it does indicate that we are identifying fewer compelling opportunities at present than on average, which may indicate that the market is more fully priced than usual.

We hope you can join us for our post reporting season update on Friday 5 March, the details of which have been released to the ASX. You can register for the webinar [here](#).

This announcement has been authorised for release to the ASX by the Board of Directors of MA1.

**For all business development enquiries, please contact
Winston Capital Partners (Acting on behalf of Monash Investors)**

SA, NT and WA Advisers	Andrew Fairweather	P: +61 401 716 043 andrew@winstoncapital.com.au
VIC, NSW and ACT Advisers	Stephen Robertson	P: +61 418 387 427 stephen@winstoncapital.com.au
VIC, QLD & NSW Advisers	Cameron Harris	P: +61 400 248 435 cameron@winstoncapital.com.au

For shareholder enquiries, please contact

Boardroom Pty Limited

P: 1300 737 760 (in Australia)

+612 9290 9600 (international)

[E: enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

This presentation has been prepared by Monash Absolute Investment Company Limited (**MA1**) and Monash Investors Pty Ltd (ABN 67 153 180 333, AFSL 417 201) (**Investment Manager**) as authorised representatives of Winston Capital Partners Pty Ltd ABN 29 159 382 813, AFSL 469 556 (“Winston Capital”) for the provision of general financial product advice in relation to MA1 and is for information purposes only, and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in MA1. The information is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this information, MA1 has not considered the objectives, financial position or needs of any particular recipient. MA1 strongly suggests that investors consult a financial advisor prior to making an investment decision. Past performance is not a reliable indicator of future performance. See the ASX Company Announcements platform at www.asx.com.au for further information.

¹ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02329907-3A559355?access_token=83ff96335c2d45a094df02a206a39ff4

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Independent Investment Research (IIR) has awarded a Recommended rating for the Monash Absolute Investment Company Limited (ASX: MA1). To access the IRR report, please refer to our website at www.monashinvestors.com or [click here](#)

ⁱ Glossary of terms can be found on the Company's website at www.monashinvestors.com/glossary/