

Monash Absolute Active Trust

Hedge Fund (ASX : MAAT)



6% p.a Target
Distribution



Buy and Sell on
the ASX or direct



Long/Short
Australian Equities



Proven Track
Record

December 2021 Fund Update

During the December quarter, the Fund rose 6.73% (after fees). This compares to a total return of 2.09% for the S&P/ASX200 and 2.03% for the Small Ords.

Our strong portfolio performance this quarter was broad-based. It resulted from oversized contributions from a number of holdings and some well-timed investment decisions. While the top contributors have very different industry exposures, what they have in common is strong earnings outlooks driven by recurring business situations.

The top contributor was Healthia (ASX: HLA) which rose 27%. It has a network of physiotherapists, podiatrists and optometrists. It is a great example of a business that is showing good like for like sales growth as well as growing through bolt on acquisitions. It still trades on a relatively modest near term multiple despite its history of high teen earnings per share growth.

OFX Group (ASX: OFX) rose 46%, and due to its lower weight was only the second best contributor. It provides foreign exchange money transfers across 55 different currencies. It is now focusing more on business clients than consumers. Its larger clients include Amazon, Wisetech and Link Market Services. This has led to a strong turnaround in its growth and margins. During the quarter, OFX also announced an accretive acquisition to materially expand its North American operations' scale and profitability.

The next best contributor was Johns Lyng Group (ASX: JLG) rising 49%. A relatively recent addition to the portfolio, it undertakes building work and strata management services, mostly in Australia. In the last quarter it made a highly eps accretive acquisition in the United States.

Return Summary¹ (after all fees)

1 Month	3 Months
2.61%	6.73%
FYTD	Since Inception ¹
8.66%	13.97%



Our Investment team: Sebastian Correia, Simon Shields and Shane Fitzgerald

¹ Inception date is 28 May 2021. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

Monash Absolute Active Trust

Hedge Fund (ASX : MAAT)

As it is the end of the calendar year, we're taking the opportunity to review our results versus our objectives over the longer term. We are using the Monash Absolute Investment Fund (MAIF) as the reference portfolio, as it has been going for 9 years. The Monash Absolute Active Trust (Hedge fund) (ASX: MAAT) has only been around for 6 months. The MAIF and the MAAT follow the same investment strategy, and both provide quarterly distributions to investors.

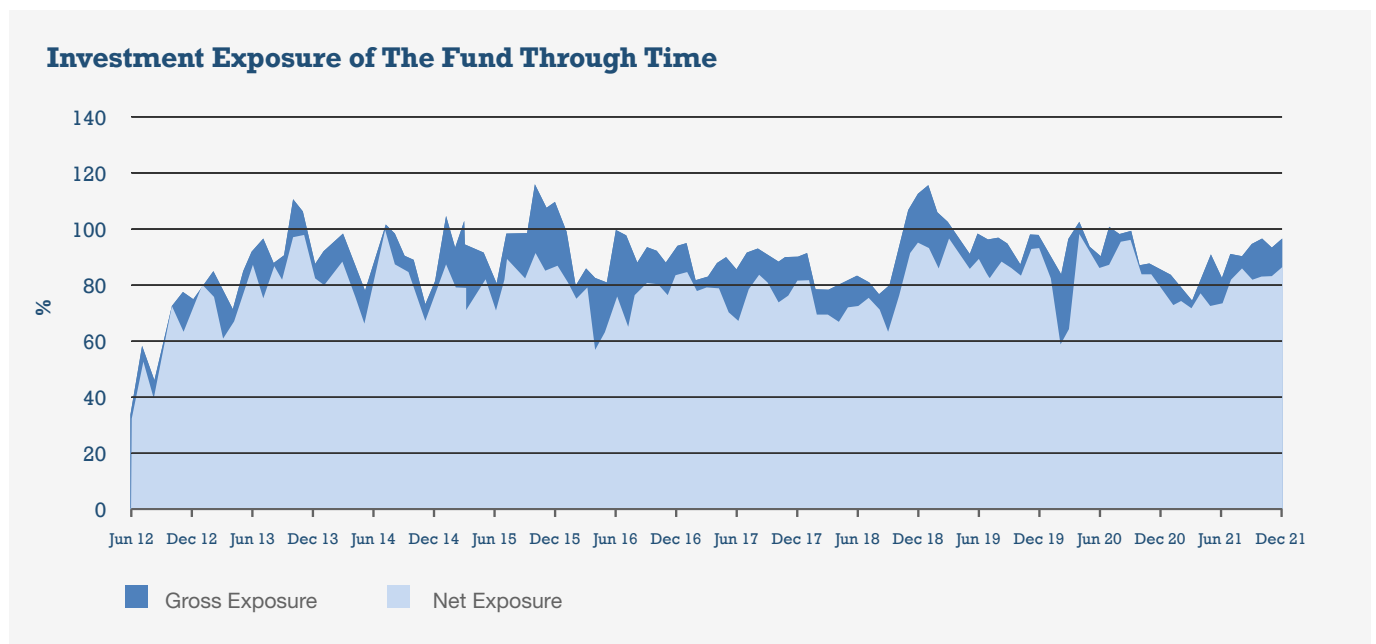
Since we started, it has been the objective of the Fund to deliver double digit returns after fees over a market cycle (say, 7 years) while seeking to preserve capital over the medium term (say, 3 years).

This is an absolute objective, not a relative objective like trying to beat the ASX200 index over a cycle. It has profound implications for the stocks we include, their weights and how we control for risk.

If we were just looking to beat the index, we would be trying to pick stocks that have a higher pay-off than the average stock in the market, and we would control for risk by controlling their weights relative to the size of stocks and sectors in the index. This is the typical way fund managers "construct" portfolios. All sectors are represented, there are lots of stocks (60+) and as a result bet sizes around each stock and sector weight are small (no more than say +/- 2%, but typically <1%). We don't do this.

We are trying to deliver an absolute return, so instead we require a minimum expected absolute pay-off every time we make an investment. It doesn't matter to us whether a stock is relative value, it needs to be absolute value. Generally we work this out by doing a Discounted Cash Flow (DCF) valuation on a stock. We then invest in stocks that have at least 60% upside to the DCF assessed price. This leads to far fewer stocks in the portfolio (say 20) and larger positions (average weight say 4-5%).

If we can't find stocks with the pay-off we need, we hold cash and wait for opportunities. The cash weight is an outcome. This is also a great way of automatically protecting against the risk of prices falling when the market is expensive. The chart below shows how our investment exposure has changed month to month since we started.



Source: Monash Investors



Monash Absolute Active Trust

Hedge Fund (ASX : MAAT)

The light blue line is the portfolio's net exposure. It has averaged 79%. This means that on average we have had 21% cash in the portfolio. The dark blue line shows the level of shorts in the portfolio. Since we started we have averaged 6% of the portfolio in shorts, while 85% of the portfolio has been long (85% long – 6% short = 79% net invested). The gross exposure of the portfolio has therefore been 91% (85% long + 6% short = 91% gross invested).

As a result, the portfolio is typically invested in the market to less than 100%. This means that our results have not been generated through leverage.

I'm pleased to say that we have met the return objectives that we set for ourselves. More than that we have also beaten the ASX200 and the Small Ords, even though that is not what we set out to do, and we did it while only being about 79% invested in the market.

When we started this fund, we came from a background of long only, benchmark aware investing. At that time we had an average of 25 years' experience each, managing large amounts of money across diverse styles. Our new fund departed from this background. We took the best from our experience as relative return managers and established our own approach focused on absolute returns.

It is so different from the rest of the industry that asset consultants and asset allocators often have difficulty deciding how to classify our approach. More recently we have begun to get a warmer reception.

We have learned things along the way, too. For example, we have become better at shorting, which has contributed 2.5%pa to our returns over the last 3 years. We also made a change to our selling discipline about 5 years ago which led to us better minimizing losses when things go against us, further improving our overall returns by better preserving investor capital.

The table below shows our performance over multiple time periods, along with average cash levels and the total returns for the ASX200 and the Small Ords. The fund returns are all after deducting our fees.

Performance ²	MAIF	Avg Cash	ASX200	SmallOrds
1 Month	2.6%	15%	2.7%	1.4%
3 Month	6.6%	16%	2.1%	2.0%
6 Month	9.8%	18%	3.8%	5.5%
1 Year	17.1%	21%	17.2%	16.9%
2 Years (p.a.)	23.9%	18%	9.0%	13.0%
3 Years (p.a.)	28.1%	16%	13.6%	15.7%
4 Years (p.a.)	15.8%	18%	9.3%	9.1%
5 Years (p.a.)	14.3%	19%	9.8%	11.2%
7 Years (p.a.)	12.0%	20%	9.0%	11.3%
MAIF Since Inception ³ (p.a.)	13.1%	21%	11.0%	8.7%

Best wishes for the year ahead.

²Past performance is not indicative of future performance.

³Inception date 2 July 2012.

Monash Absolute Active Trust

Hedge Fund (ASX : MAAT)

Monthly Portfolio Metrics

Outlook Stocks (Long)	16 Positions: 84%
Outlook Stocks (Short)	1 Positions: -3%
Event, Pair and Group (Long)	2 Positions: 10%
Event, Pair and Group (Short)	1 Positions: -3%
Cash	10%
Gross Exposure	100%
Net Exposure	90%

Return Summary Since Inception (after fees)⁶

FYTD	8.66%
1 Month	2.61%
3 Month	6.73%
6 Month	8.66%
Since Inception ⁴	13.97%

Portfolio Analytics Since Inception⁵

Sharpe Ratio	0.71
Sortino Ratio	1.28
Standard Deviation (p.a.)	16%
Positive Months	64%
Maximum Drawdown	-29%
Avg. Gross Exposure	91%
Avg. Net Exposure	79%
Avg. Beta	0.66
Avg. VAR	1.2%

⁴Inception date 28 May 202.

⁵Due to lack of MAAT history, data from Monash Absolute Investment Fund (MAIF) (inception date 2 July 2012) has been used. Glossary of terms can be found on the Fund's website at www.monashinvestors.com/glossary/

⁶Past performance is not indicative of future performance.

Monash Absolute Active Trust

Hedge Fund (ASX : MAAT)

For MAAT Unit Registry enquiries, please contact

Mainstream Fund Services Pty Limited

P: 1300 133 451 (in Australia)

+61 2 8259 8888 (international)

E: registry@mainstreamgroup.com

For all business development enquiries, please contact

Cameron Harris

P: +61 400 248 435

cameron@gsmcapital.com.au

For more information about MAAT 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](#)

This document is prepared and authorised for release by Monash Investors Pty Limited ABN 67 153 180 333, AFSL 417 201 ("Monash Investors") as authorised representatives of Sanlam Private Wealth Pty Ltd ABN 18 136 960 775, AFSL 337 927 ("Sanlam") for the provision of general financial product advice in relation to the Monash Absolute Active Trust (Hedge Fund) ARSN 642 280 331 ("Fund"). Monash Investors is the investment manager of the MAAT. 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 28 May 2021.

The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund or an offer to buy or sell any financial product. Accordingly, reliance should not be placed on this document as the basis for making an investment, financial or other decision. This information does not take into account your investment objectives, particular needs or financial situation. Monash Investors, Sanlam and Perpetual do not accept liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the disclosure document for the Fund. A Product Disclosure Statement ("PDS") issued by Perpetual dated 14 April 2021 together with a Target Market Determination ("TMD"), both issued by Perpetual, is available for the Fund. You should obtain and consider the PDS and TMD for the Fund before deciding whether to acquire, or continue to hold, an interest in the Fund. A copy of the PDS and TMD is available at www.monashinvestors.com.

You should not base an investment decision simply on past performance. Past performance is not a reliable indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall. Total returns shown have been calculated using NAV prices after taking into account all ongoing fees and assuming reinvestment of distribution. No allowance has been made for taxation. 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. Reference to Target Distributions, is a target return only. There is no guarantee MAAT will meet its investment objective. The payment of a quarterly distribution is a goal of the Fund only and neither Monash Investors or Perpetual provide any representations or warranty (whether express or implied) in relation to the payment of any quarterly cash income. The Fund reserves the discretion to amend its distribution policy.

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.