

The Monash Absolute Investment Company Ltd

ASX Code: MA1

May 2016



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Presentation Outline

- 1) Company Overview
- 2) Portfolio Structure
- 3) Top positions
- 4) Investor Updates
- 5) How to get more updates
- 6) Appendix
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 - 3) Investment Strategy and Philosophy
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MA1 Company Overview – 30 April 2016

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

	30 April 2016
Gross Assets	51m
Share Price	\$0.97
Pre-tax NTA	\$0.9724 (Unaudited)
Post Tax NTA	\$0.9805 (Unaudited)
Options outstanding	52.5m
Option price (MA1O)	\$0.03
Option expiry	27 September 2017

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

Since inception Performance, 12 April 2016 to 30 April 2016

- NTA Pre Tax +0.98%
- NTA Post Tax +0.67%



Portfolio structure – 30 April 2016

Stock	Number of Positions	(%)
Outlook Stocks (Long Stocks)	15	51%
Outlook Stocks (Short)	3	-8%
Event, Pair and Group (Long)	3	7%
Event, Pair and Group (Short)	2	-5%
Cash		56%
Total		100%
Gross Exposure		71%
Net Exposure		44%



Top Outlook Stocks (long) – 30 April 2016

Company	Sector
Challenger	Financial Services
Greencross	Pet Retail / Vet
Emerchants	Transaction Cards
Orocobre	Resources (Lithium)
G8	Childcare
Netcomm	Telecommunications
Yowie	Food & Beverage Manufacturer



Top Outlook Stocks (short) – 30 April 2016

Company	Sector
Woolworths	Food & Beverage Retail
Coca-Cola Amatil	Food & Beverage Manufacturer
SKY Network TV NZ	Media



Update - Emerchants (long): Market Underestimating Significant Change and Lack of 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

Value

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

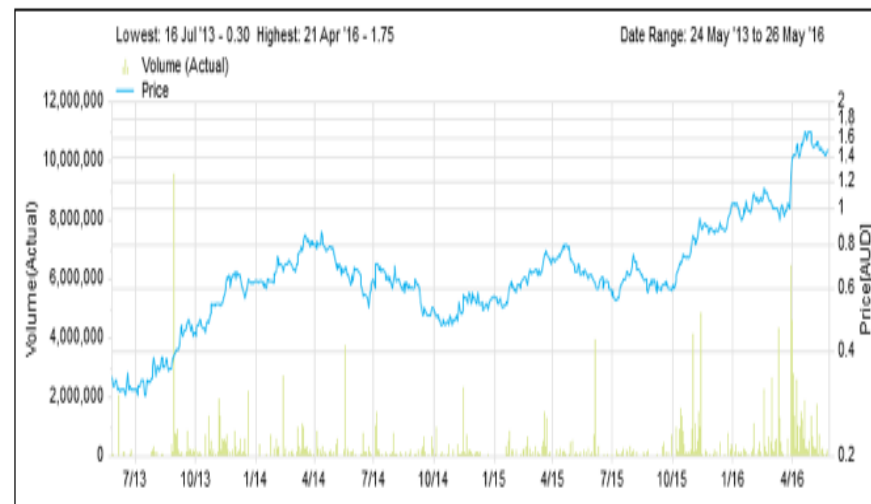
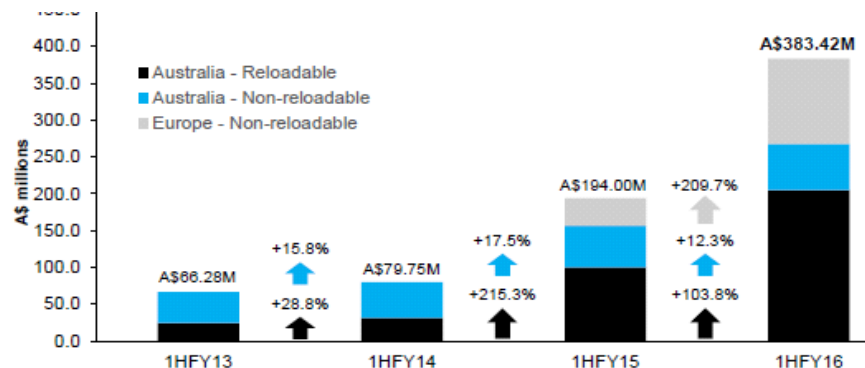
Result

- Emerchants has risen >400% since Monash Investors first purchase

Update

- First client in UK Bet365 announced - 30 March
- Acquisition Store Financial US - 28 April
 - Expands capability to Digital and Mobile Cards
 - Raised capital at \$1.45 per share

emergents
empowering | Your Money



Source: FactSet



Update - Catapult (Pre-IPO): A Unique Feature of the Company

Insight

- Significance of product rollout
- Natural monopoly
- Behaviour of customers – competitive, price insensitive

Growth

- Volumes to grow >10x in next 5 years
- Prices charged to grow strongly over time
- Additional revenue from media and sub-elite

Value

- Invested pre-IPO at 38c, target price many multiples of this.

Result

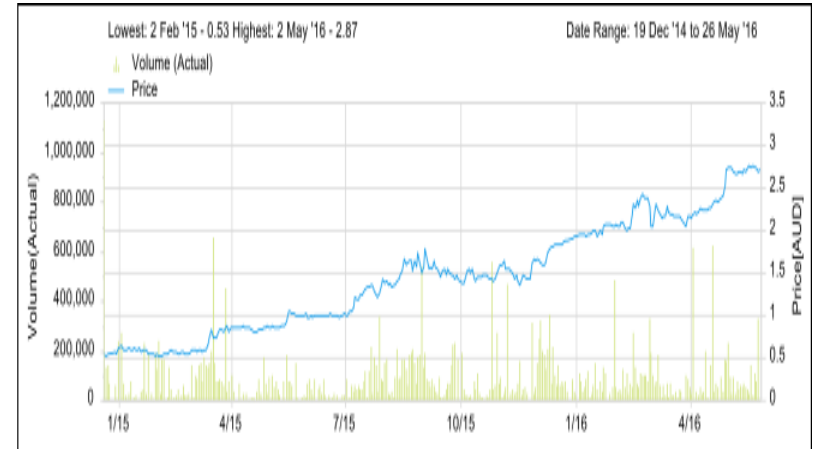
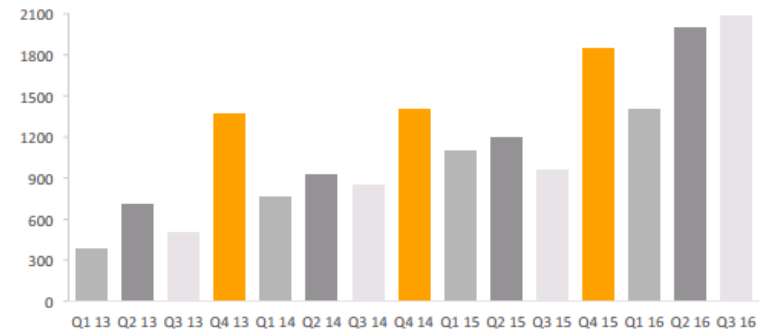
- IPO'd after 9 months at 55c, currently > \$2.70

Update

- Outstanding quarterly sales result – 27 April

catapult.

Units Ordered per Quarter



Source: FactSet



Yowie (long): Behaviour of consumers & retailers

Insight

- Kinder sells 2 billion units pa but none in USA
- US trials: sales > average confectionary item
- Retailer margin \$1.00 versus \$0.20

Growth

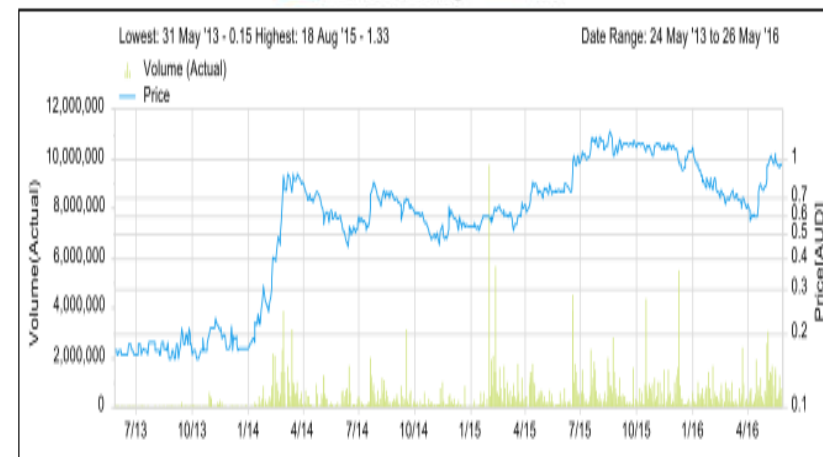
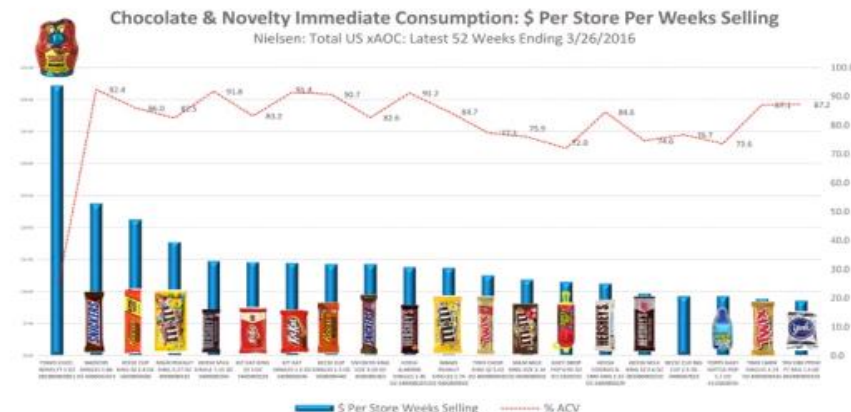
- Consumption rates of Kinder Surprise a guide
- Walmart national roll out 4,300 stores
- #3 selling item total US candy (where sold)
- Recent announcements take it to 60,000 stores

Value

- Every 100m units is worth \$30m NPAT to Yowie

Result

- Management & execution have been issues.
- Monash Investors maintained exposure due to strong insight
- Monash Investors expects the share price will rally strongly with sales



Source: FactSet



Greencross (long): Market Underestimating Significant Change - Store Rollout ++

Insight

- Industry Growth + Store Rollout + Stores Maturing + Vet Collocation + Private Label + Scale Benefits

Growth

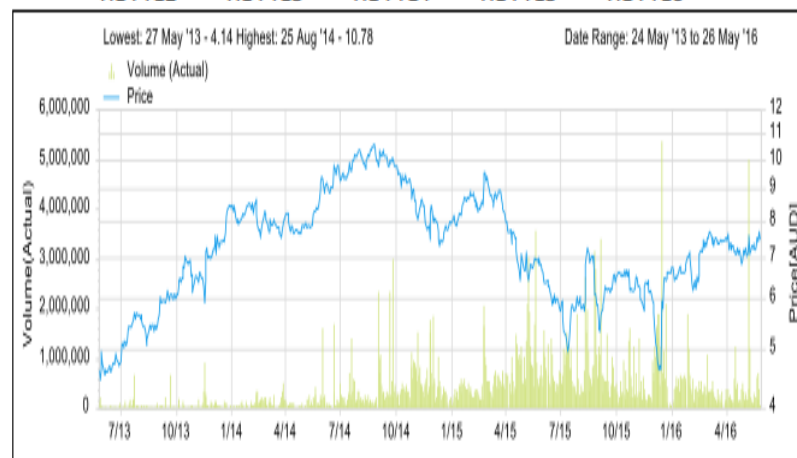
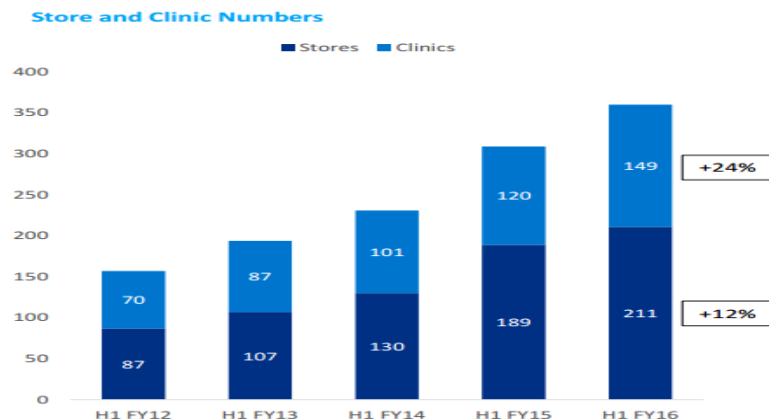
- High teen sales growth pa
- Margin expansion ➡ even higher rate EPS growth

Value

- Trading in line with market but with much higher growth and positive eps surprises ahead

Result

- Monash Investors sold out of the stock for a 104% return in early 2015, but re-entered the stock following a 24% pull back in the share price
- Currently up a further 10%



Source: FactSet



Sky TV (short): Limitations of Company Guidance and Analyst Reputation Management

Insight

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

Growth

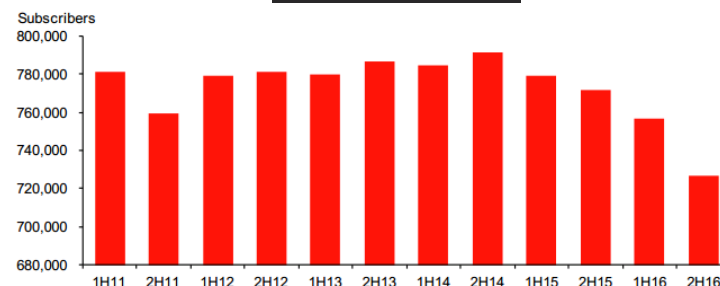
- Subscriptions and Revenue to negatively surprise
- Fixed Cost leverage to declining sales to cause a greater fall in EPS

Value

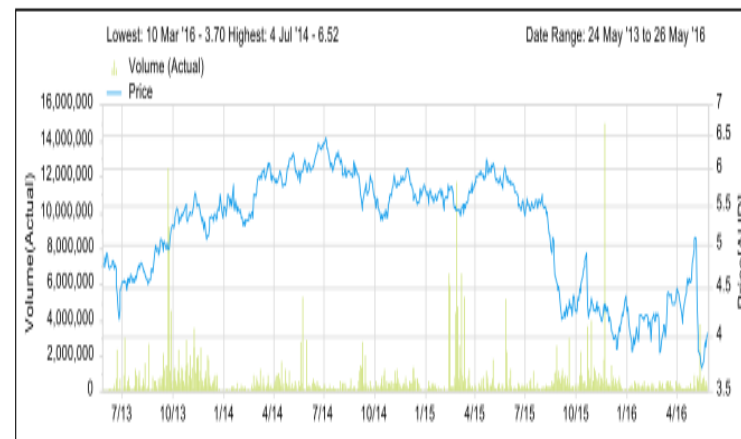
- Historically priced as a growth utility

Result

- Monash Investors first shorted the stock at \$4.32
- Monash Investors maintained exposure due to strong insight, despite stock price rally
- Stock responded dramatically to its third downgrade



Source: Company data, Macquarie Research, May 2016



Source: FactSet



Investor updates during April 2016

- During the month, we provided the following updates via our newsletter, blog and Livewire channel
- Click on the following links to learn more
 - [Short CCL Compelling Stock Blog](#)
 - [Short Sky Network TV Stock video](#)
 - [Overview of Active Management video](#)
 - [Reasons to be positive on the Australian share market video](#)



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

- 1) [Follow us on LinkedIn here](#)
- 2) [Follow us on Twitter here](#)
- 3) [Subscribe to our newsletter and blogs here](#)
- 4) [Follow us on Livewire](#)



Appendix



About the Investment Manager



- ① Founded in 2012 by Simon Shields and Shane Fitzgerald
- ② Track record of 15.2% p.a. after fees (from inception to 30 April 2016) with far lower volatility than the market and with little to no leverage
- ③ 50+ years of combined experience at institutional grade managers including UBS/CFS & JPMorgan
- ④ Manager is majority owned by the Portfolio Managers
- ⑤ Portfolio Managers have large portion of own wealth invested in the strategy

The Australian
HEDGE FUND
awards2014

Winner
BEST EMERGING FUND
Monash Absolute Investment Fund



We aim to *‘reliably grow investor wealth’*

We start with a simple idea

We believe that 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



Our unique investment philosophy has been shaped by 50 years of combined investment 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

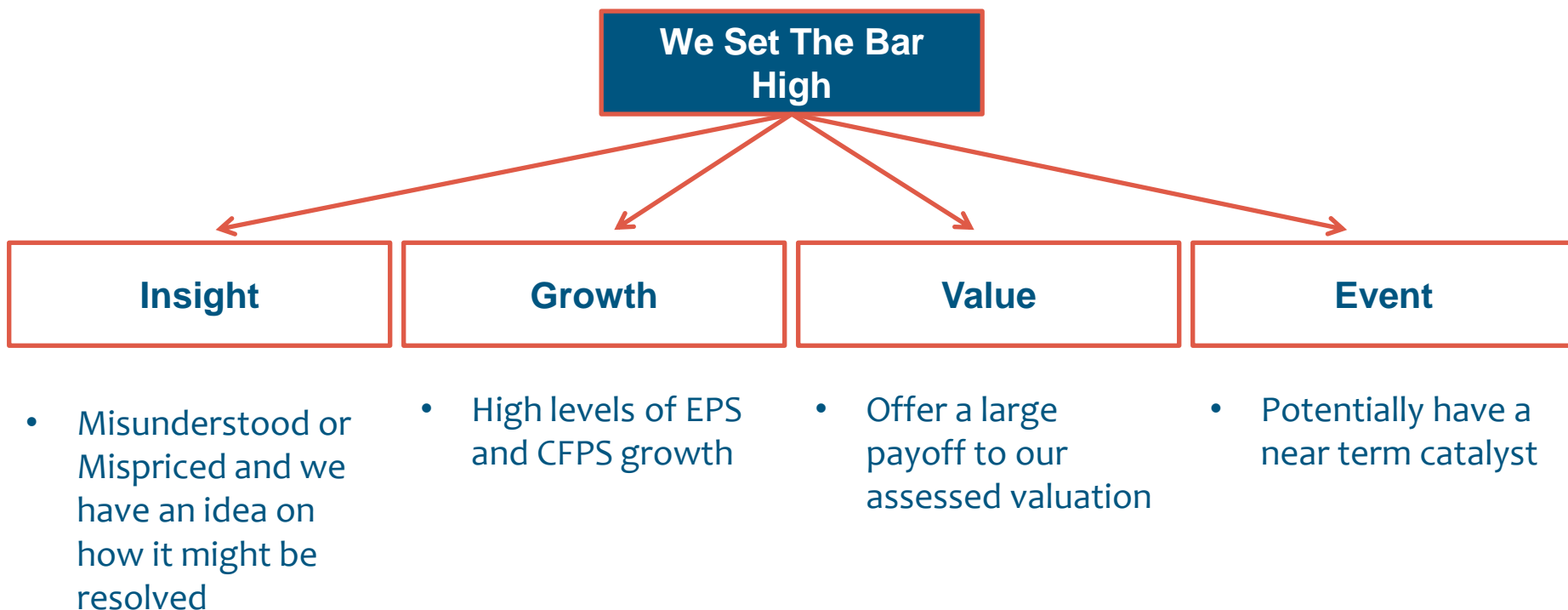


Examples of recurring situations and behaviours that often lead to mispricing by the market

- 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



Not trying to cover the whole market, but on asymmetric payoffs that have a combination of these four attributes



We classify stocks based on expected payoff and event

Definition	Explanation
Outlook	<ul style="list-style-type: none">• High conviction positions• Expecting large payoffs• Long and short
Event	<ul style="list-style-type: none">• Shorter term event trades• Pre, post and liquidity• Long and short
Pairs	<ul style="list-style-type: none">• Market neutral positions in companies in same industry sector with different outlooks
Group	<ul style="list-style-type: none">• Basket approach• Various strategies• Includes Pre IPO





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 Australasian Wealth Investments (AWI)
- 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 4 years – Style Agnostic
 - UBS 5 years – DCF Style
 - Colonial First State 9 years – Growth Style
 - Rothschild/Westpac 9 years – Value Style



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
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Shane Fitzgerald B.Comm (Hons)

Highly rated equity analyst

- 20 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 |
| | 4 years | Monash |



Key contact information

- **For investors, please contact Share Registry at Boardroom Limited**
 - 1300 737 760 (within Australia)
 - (+612) 9290 9600 (outside Australia)
 - enquiries@boardroomlimited.com.au
- **Financial Advisers please contact Andrew Fairweather – Winston Capital Partners**
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 - (+61) 401 716 032

