

Monash Absolute Investment Company Limited

**Monash Absolute Investment Company Limited (ASX: MA1)
February 2018 End of Month Update**

7 March 2018

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 per share. It is only a guide, the official NTA will be released later in the month. We estimate that, as at 28 February 2018 the NTA Pre-Tax was \$0.9957.

Company Strategy

The Monash Absolute Investment Company offers investors access to an investment strategy that seeks to:

- achieve a targeted positive return over a full investment cycle; and
- avoid a negative return each financial year

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

The Company's pre-tax NTA decreased 2.32% (after fees) for the month of February, during which the S&P/ASX200 rose 0.36% and the Small Ords rose 0.03%.

In December 2017, the Company announced a renewal of the on-market buy-back as part of its ongoing capital management program. During the month of February, 354,698 shares were bought under the Company's on market share buyback.

February was an eventful month, which started with a major fall in global stock markets due to concerns over rising inflation, which saw and bond yields spike higher. As a risk control measure some positions were trimmed in the portfolio and cash holdings were increased from about 15% to about 30%.

The month also saw some significant stock price movements following the half-year results announcements, and the portfolio adjusted its positioning in response to those disclosures too.

Company at a Glance 28 February 2018

ASX Code - Shares	MA1
Portfolio Size	\$50.2m
Share Price	\$0.855
Shares on Issue	50.4m

Portfolio Structure 28 February 2018

Outlook Stocks (Long)	28 Positions	61%
Outlook Stocks (Short)	2 Positions	-5%
Event, Pair and Group (Long)	3 Positions	15%
Event, Pair and Group (Short)	0 Positions	0%
Cash		29%
TOTAL		100%
Gross Exposure		81%
Net Exposure		71%

Estimated NTA (unaudited) 28 February 2018

Estimated NTA Pre Tax	\$0.9957
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Return Estimate to 28 February 2018

	NTA Pre Tax
1 Month	-2.32%
3 Months	-0.40%
6 Months	12.37%
FYTD	13.89%
1 Year	13.13%
Since Inception p.a.	1.79%

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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On Monday the 5th of March, a conference call was presented by Simon Shields from Monash Investors to provide a post reporting season portfolio update for investors in the Monash Absolute Investment Company (ASX: MA1) which has the same investment strategy as the Monash Absolute Investment Fund (MAIF) which was also covered. The presentation is available on our website at <http://www.monashinvestors.com/post-reporting-season-update-march-2018/>.

Below is a summary of the presentation and items discussed during the call.

1. The 2018 Financial year to date has seen a strong rebound in performance.

- a. The NTA of the Company has risen 13.89% after fees for the seven months to 28 February 2018.
- b. February was the first negative month in 9 months.

2. Longer Term Performance Review

- a. Five year performance for the MAIF was shown as an indication of the longer term performance of the strategy.
- b. Superior after fee returns were achieved compared to index tracking ETFs, and with considerably different portfolios on both a stock and sector level.
- c. The good performance was also achieved despite a significant cash weighting
- d. Five year after fee returns to 31 January 2018:
 - i. 10.33% p.a. MAIF with an average cash weighting of 20%.
 - ii. 8.85% p.a. VAS (Vanguard Australian Shares Index ETF) based on the ASX 300
 - iii. 7.22% p.a. VSO (Vanguard MSCI Small Companies Index ETF) based on small companies.

3. Reporting Season Summary

- a. February 2018 reporting season was mixed compared to prior periods, and in the case of a couple of stocks we decided to exit our holdings, as a result of business outcomes at odds with our investment thesis. These stocks were Catapult (ASX: CAT) and Silverchef (ASX: SIV).
- b. On the other hand, some stocks that we held did better than expected. Highlights were Netcomm Wireless (ASX: NTC) NextDC (ASX: NXT) and Lovisa (ASX: LOV).

4. Key Recent Portfolio Actions

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

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5. Commentary on MA1 share price discount to NTA

- a. Based on data from Macquarie Wealth Management Research, the performance of the NTA over the last year placed MA1 as one of the highest returning Australian Equity LICs.
- b. Despite this, the MA1 discount, to NTA remains one of the largest in the market at around 16% despite there no longer being any options on issue.
- c. The Company has bought back about 3.3% of the shares on issue as part of the on market buy back. This has added about \$0.007 to the NTA so far.
- d. Research from Macquarie Wealth Management shows that the LICs that started in 2017 with the biggest discount had the best share price performance over Calendar year 2017, whilst those trading at premiums, the worst.
- e. The Company should be in a position to consider and if appropriate, declare a dividend following financial year end.

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**) 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.