

# Monash Absolute Investment Company Limited

**Monash Absolute Investment Company Limited (ASX: MA1)**

**Thursday, 5<sup>th</sup> January 2017**

## December 2016 End of Month Update

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 31 December 2016 the NTA Pre-Tax was \$0.9382.

## 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.

## Commentary

The Company was up 0.22% (after fees) for the month of December, during which the Small Ords rose by 3.61% and the S&P/ASX300 was up 4.34%. Like many other hedge funds, and with the Company's current positioning towards growth stocks, the Company has had a weak couple of months.

Since the US election, large cap stocks have been sought after by the market, as short term macro and political concerns have eased, and the outlook for growth improves. Most of these large cap stocks have only modest growth outlooks, and paradoxically, their rally has come at the expense of higher growth smaller cap stocks.

The Company seeks to preserve capital on a financial year basis, and despite extreme pullbacks in many high growth stocks, it is only down 2.32% for the financial year. Monash Investors still expects that there is plenty of opportunity to have strong performance over the remainder of the financial year.

## Company at a Glance 31 December 2016

ASX Code - Shares	MA1
ASX Code - \$1 Options Sep17	MA1O
Portfolio Size	\$49.2m
Share Price	\$0.870
Option Price	\$0.010
Shares on Issue	52.5m

## Portfolio Structure 31 December 2016

Outlook Stocks (Long)	21 Positions	74%
Outlook Stocks (Short)	2 Positions	-6%
Event, Pair and Group (Long)	6 Positions	11%
Event, Pair and Group (Short)	0 Positions	0 %
Cash		22%
<b>TOTAL</b>		<b>100%</b>
Gross Exposure		91%
Net Exposure		79%

## NTA (unaudited) 30 November 2016

NTA Pre Tax	\$0.9361
NTA Post Tax	\$0.9571

## Estimated NTA (unaudited) 31 December 2016

Estimated NTA Pre Tax	\$0.9382
-----------------------	----------

## Return Estimate to 31 December 2016

	1 month	Since Inception 12 April 2016
NTA Pre Tax	0.22%	-2.57%

For more information about the Company and the strategy please refer to the Monash Investors website at [www.monashinvestors.com](http://www.monashinvestors.com). You can also [follow us on Livewire here](#) or [subscribe to our updates here](#)

## Monash Absolute Investment Company Limited

During December the Company's stocks continued to do well as businesses. This bodes well for the reporting season in February. Monash Investors typically does well in reporting months. The only downgrade in December was for one of the shorts (that's good news for the portfolio) there were also four positive announcements and two instances of directors buying their stocks on market in weakness. The Company avoided high profile "blow ups" such as Bellamy's and Sirtex.

The headwinds faced by the Company in delivering performance in December are well illustrated by reviewing the top 2 contributors and the worst 2 detractors to the Company. The winners had good news or were bouncing back from share price weakness, while the losers were high growth stocks that fell despite making no negative announcements.

### **December Winners**

#### Lovisa (ASX: LOV)

Lovisa rose 18% in December. It sells low priced, fashion jewellery through retail stores. About 15% of its inventory is refreshed each week, and the payback on each store is generally between 4 to 8 months. Its stores are doing well in Australia and it is expanding overseas. In December it issued a profit upgrade with same store sales running at 10%p.a and a gross margin of 77% which is stronger than previously forecast. This lead to brokers upgrading their forecasts for this year by around 20%.

#### Yowie (ASX: YOW)

Yowie rose 18% in December. It manufactures and distributes Yowie chocolates through supermarkets, convenience stores and specialty confectioners in the United States. Analyst consensus is that sales are expected to grow 100%p.a for the next 2 years. It is expected that they will also launch this year in Canada and Australia. The stock price has fallen due to poor execution of their US roll out and concerns over management. With a consensus PE of 9x for 2018 the stock is very cheap.

### **December Losers**

There were ongoing share price falls in many high growth companies in December, and again two of the Company's companies with extremely strong growth outlooks participated, despite no obvious news flow.

#### Impedimed (ASX: IPD)

Impedimed fell 16% in December. It is a medical device company that is rolling out a product that monitors various diseases using bioimpedence spectroscopy. It is likely to be a game changing device for the monitoring of patients with Lymphodema and heart disease, and is being enthusiastically backed by the US regulator and hospitals.

#### Catapult (ASX: CAT)

Catapult fell 24% in December. Catapult provides wearable technology for professional athletes. It delivered positive news in November at its AGM where it set strong guidance for next financial year, and indicated its imminent launch into the 'pro-summer' market, which should be a very significant driver of future earnings but is not yet in analyst forecasts.

This information has been prepared by Monash Absolute Investment Company Limited (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](http://www.asx.com.au) for further information.