

# **The Monash Absolute Investment Company Ltd**

**ASX Code: MA1**

CIO Update

AGM

2 November 2018



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# Presentation outline

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- 1) 2018 Financial Year Highlights
- 2) Portfolio Performance Review
- 3) Portfolio Structure
- 4) Loyalty Bonus Issue and Buyback and SPP Update



# 2018 financial year highlights

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## Portfolio Return

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+12.5%

## Net Profit After Tax

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\$3.8m

## Fully Franked Dividend

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\$0.01 Per Share

## Fully Franked Dividend Yield

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1.22%

## Share Price

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\$0.82

## Pre-tax Net Tangible Assets

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\$1.01



# About Monash Absolute Investment Company

## As at 30 September 2018

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Feature	Description
ASX Code	<ul style="list-style-type: none"><li>MA1</li></ul>
Shares on issue	<ul style="list-style-type: none"><li>44,314,634 shares</li></ul>
Total NAV (pre-tax)	<ul style="list-style-type: none"><li>\$45,698,352</li></ul>
Dividends payable	<ul style="list-style-type: none"><li>Yes</li></ul>
ASX Listing date	<ul style="list-style-type: none"><li>12 April 2016</li></ul>
Investment Manager	<ul style="list-style-type: none"><li>Monash Investors Pty Ltd (AFSL 417201)</li></ul>
Board	<ul style="list-style-type: none"><li>Paul Clitheroe, Independent Chairman</li><li>Suvan de Soysa, Independent Director</li><li>Simon Shields, Non Independent Director</li></ul>
Fees	<ul style="list-style-type: none"><li>Management fee 1.5% p.a. (plus GST)</li><li>Performance fee 20% (plus GST) &gt; RBA Cash Rate subject to HWM</li></ul>



# Monash has dual investment objectives that require a different approach

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Objective 1

Targeted Positive Return  
over the medium to long  
term

Objective 2

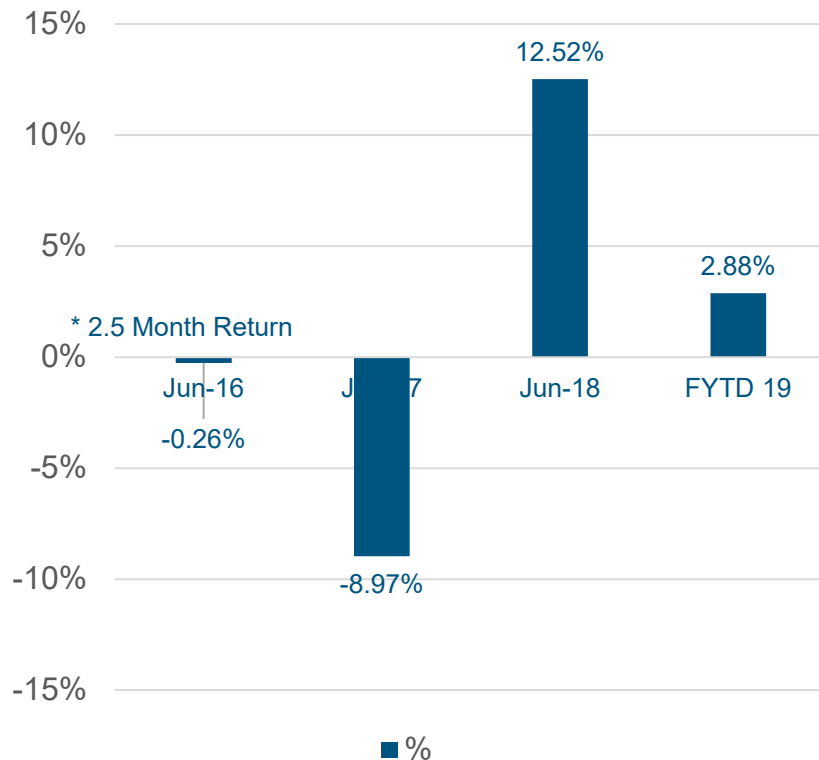
Limit capital losses over the  
medium term



# Performance of the Monash Investors strategy to 30 September 2018

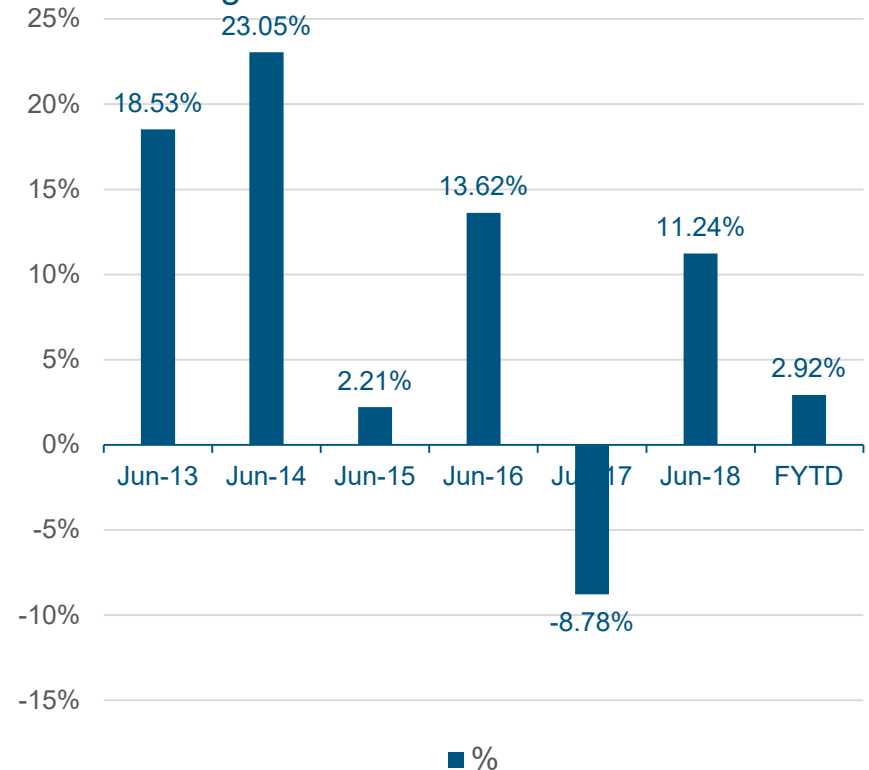
2.04% p.a.  
Since inception

Portfolio Performance of MA1



9.55% p.a.  
Since inception

Longer Term Performance of MAIF



After fees, before tax



# Monash Investors employs a unique approach to achieve dual objectives

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- Benchmark unaware
- Stock size agnostic
- Up to 5% in Pre-IPO
- Style agnostic
- Long and short
- Cash





# Portfolio structure – 30 September 2018

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Stock	Number of Positions	(%)
Outlook Stocks (Long Stocks)	17	62%
Outlook Stocks (Short)	1	-3%
Event, Pair and Group (Long)	2	13%
Event, Pair and Group (Short)	1	-6%
Cash		33%
Total		100%
Gross Exposure		84%
Net Exposure		67%



# Top long holdings as at September 2018

Company	Business	ASX Code	Portfolio Weight (%)
Cash Holdings	N/A	N/A	33.1%
Lovisa	Fast Fashion Jewellery Retailer	LOV	6.9%
Emeco Holdings Limited	Mining Equipment Lessor	EHL	6.8%
EML Payments	Transaction Cards	EML	5.5%
Nearmap Limited	Industrials	NEA	5.0%
Healthia	Health Care	HEA	4.8%
Speedcast	Telecommunication	SDA	4.6%
Paragon Care Limited	Health Care	PGC	4.0%
Electro Optic Systems	Industrials	EOS	3.6%
Afterpay Touch	Short Term Payments	APT	3.6%



# Top short holdings in alphabetical order as September 2018

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Company	Business	ASX Code	Portfolio Weight (%)
Coca-Cola Amatil	Beverages	CCL	-2.6%
Estia Health Ltd	Agedcare	EHE	-2.0%
Japara Healthcare Ltd	Agedcare	JHC	-2.1%
Regis Healthcare Ltd	Agedcare	REG	-2.0%



# Lovisa (Outlook Long) : Vertically integrated retailer, global rollout



## Insight

- Lovisa sells fast fashion jewellery
- Vertical integration protects retail margin
- Store payback <12 months
- Perfected systematic approach
- Global rollout opportunity
- Company to accelerate execution

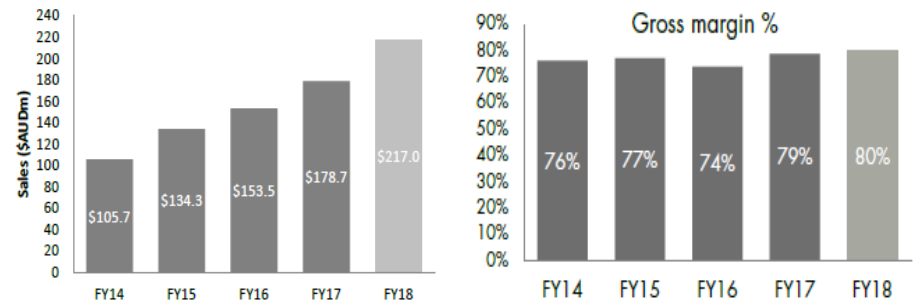
## Growth

- We expect >20%pa Sales growth over next 3-5 years
- Additional opportunities to acquire multiple sites from distressed retailers

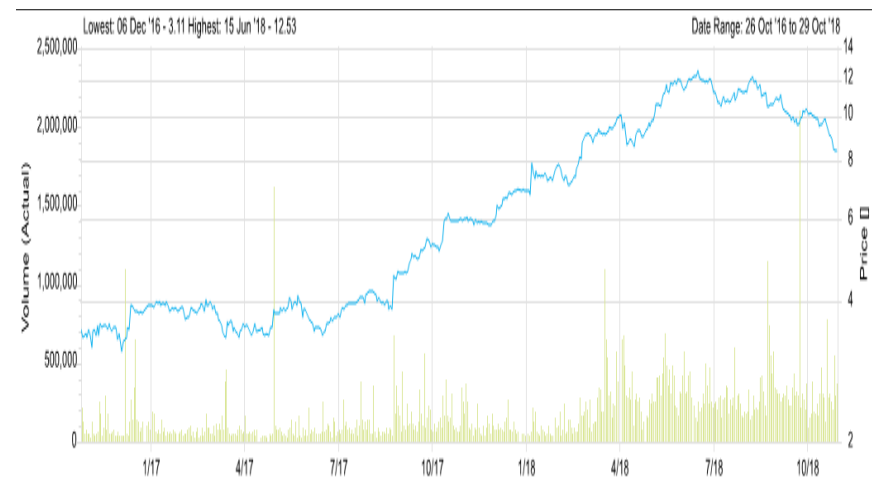
## Value

- Our DCF is >100% above current share price
- Near term PE of 22x FY19 low given outlook
- Short term stock price has been driven by macroeconomic / market correction
- Like for like sales growth will slow this year
- We trimmed position at recent high prices

Comparable sales up 6.8%



- Total Global Sales Revenue up 21.4% to \$217m



Source: FactSet



# Emeco (Long): Industry Recovery and Increasing Analyst Coverage



## Insight

- “Yellow” vehicle leasing industry
  - Recovering from disruption
  - Now consolidated / reduced competition
- Highly attractive to analysts and PMs
  - Diversified exposure to mining services
  - Capex holiday / rapidly improving balance sheet
  - Large market cap (\$750m) but until recently spurned
  - Analyst coverage, professional investors, will grow

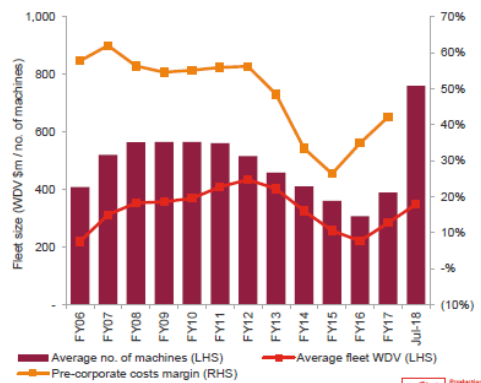
## Growth

- Demand growing strongly
- High profit leverage to revenue growth
  - Utilisation improving
  - Prices improving
  - Terms improving
- NPAT to grow from Nil to \$100m in 3 years

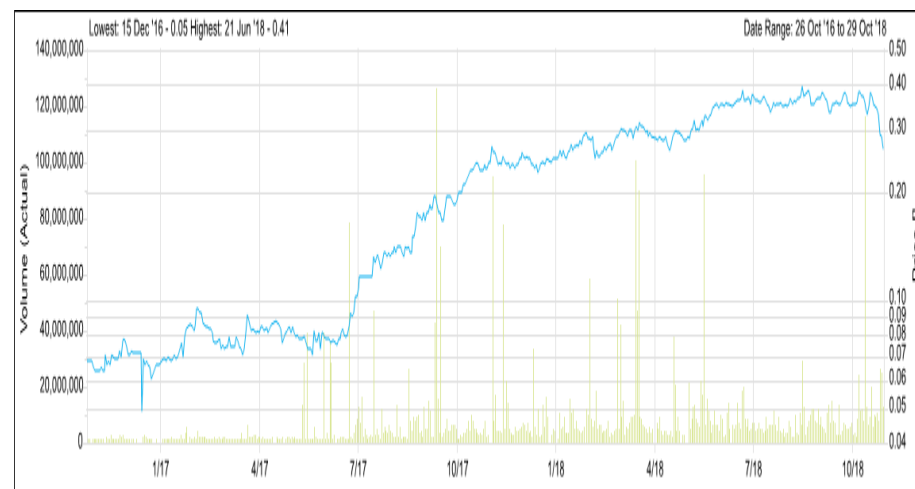
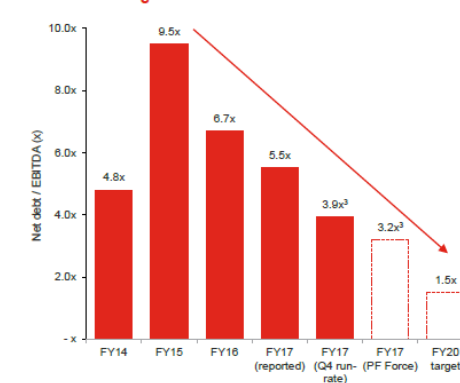
## Value

- Purchased August 2017
  - Average entry price around 14c per share
  - Initial portfolio weight of 4%
  - Target price >35c per share (P/E Y3 11x)
- Share price volatility has provided profitable opportunities to the trade stock

Historical Australian fleet and pre-corporate costs margin



Pro-forma leverage



Source: FactSet



# Recent Initiative : Bonus & Loyalty Options

- The bonus issue is a free entitlement provided to all shareholders.
- Should it be exercised it will increase company's size, operating scale and liquidity, to the benefit of all shareholders

Timetable	Date
• Lodgement of Prospectus and Notice sent to Option Holders	25 October 2018
• Shares quoted on an ex-Bonus Option entitlements basis and Bonus Options quoted on a deferred settlement basis	15 November 2018
• Record Date for Bonus Options	16 November 2018
• Issue Date	19 November 2018
• End of Bonus Options trading on a deferred settlement basis	19 November 2018
• Prospectus and Statement sent to Shareholders	20 November 2018
• Normal trading in Bonus Options (and exercised, Loyalty Options)	20 November 201
• Bonus Options Expire	15 May 2020
• Loyalty Options Expire	15 November 2021



# Off Market Buy-Back and SPP Update

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- The Company completed the off market buy back and share purchase plan on 12 September 2018
- The buy back and offer price was \$0.96 per share, which was a 5% discount to pre-tax NTA at 31 August 2018
- The Company bought back 10% of the shares on issue
- Benefits to shareholders
  - Improved liquidity
  - Provided certainty on discount to share price which was set at 5% discount to the pre-tax NTA
- The Board is looking to continue this opportunity on a regular basis to reward existing shareholders and attract new ones



# About the Investment Manager



- Founded in 2012 by Simon Shields and Shane Fitzgerald
- Over 50 years of combined experience at institutional grade managers including UBS, CFS & JPMorgan
- Manager is owned by the portfolio managers and high quality minority shareholders
- Portfolio Managers have large portion of own wealth invested in the strategy
- Lonsec Investment Grade
- Offer a LIC (ASX Code: MA1) and a managed fund (APIR Code: MON001AU)





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# Contact Details

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