

Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1)

Thursday, 6th April 2017

March 2017 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 March 2017 the NTA Pre-Tax was \$0.8903.

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.

Buy-Back

The Company is undertaking an on market buy-back of up to 10% of its shares. We are doing this because at times the shares have been trading at more than a 10% discount to NTA.

The Company believes that it is in the interests of all shareholders to buy-back shares at this time for a number of reasons:

The market headwind against smaller growth companies that started from October 2016 has resulted in price weakness of some companies held, despite their continuing strong outlook as businesses. Therefore, the opportunity to increase our exposure to these businesses is particularly attractive at current prices.

The buy-back of shares in the company at a discount is accretive to NTA. For example, if the company bought buy-back 10% of its shares at a 10% discount, NTA would rise approximately 1%.

Continued on next page.

Company at a Glance 31 March 2017

ASX Code - Shares	MA1
ASX Code - \$1 Options Sep17	MA1O
Portfolio Size	\$46.8m
Share Price	\$0.820
Option Price	\$0.002
Shares on Issue	52.5m

Portfolio Structure 31 March 2017

Outlook Stocks (Long)	20 Positions	72%
Outlook Stocks (Short)	1 Positions	-2%
Event, Pair and Group (Long)	3 Positions	11%
Event, Pair and Group (Short)	0 Positions	0%
Cash		19%
TOTAL		100%
Gross Exposure		85%
Net Exposure		81%

NTA (unaudited) 28 February 2017

NTA Pre Tax	\$0.8801
NTA Post Tax	\$0.9186

Estimated NTA (unaudited) 31 March 2017

Estimated NTA Pre Tax	\$0.8903
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Return Estimate to 31 March 2017

	1 month	Since Inception 12 April 2016
NTA Pre Tax	1.16%	-7.55%

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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It is in the interests of all shareholders that the price at which they can sell their shares reflects the fair value of the company's investments.

The preparedness of the Company to buy-back its shares, when they are trading at a significant discount, demonstrates that the Company is committed to acting in the best interests of all shareholders.

Monthly Commentary

The Portfolio rose 1.25% (after fees) for the month of March, during which the Small Ords rose 2.66% and the S&P/ASX300 rose 3.28%.

During March, price falls in small cap growth stocks abated. The Portfolio took advantage of this and began to add selectively to existing holdings towards the end of the month.

The Portfolio also participated in a capital raising for one of its Product Launch Stocks¹, Livehire (ASX: LVH) which rose 12% over March, despite a large placement. It is seeing very strong growth in clients, volumes and revenues. Livehire connects job applicants to corporates, with the employers paying LVH to manage the database. Compared to existing approaches, it is less expensive, the employee data is more up to date, and it appears to get better results. Applicants like it because they can access multiple employers using the one Curriculum Vitae (CV), rather than having to enter it into multiple systems. It allows them to have an ongoing relationship with other applicants and the corporates via "Talent Communities".

This month Monash Investors provides details on Yowie, which is one of the Portfolio's Outlook² Driven stock holdings.

Yowie (ASX: YOW)

Yowie makes and distributes Yowies – a chocolate covered capsule that contains a collectable miniature of an animal. It is similar to a Kinder Surprise, which sells around 2 billion units per year, but none in the USA, because unlike YOW it does not comply with local regulations.

Like many other small cap growth companies, Yowie's share price has fallen over the last year despite a strong outlook. In Yowie's case, the share price fall has been exacerbated by issues around corporate governance, which have affected its execution. These are being resolved and a professional management team is now in place.

Insight

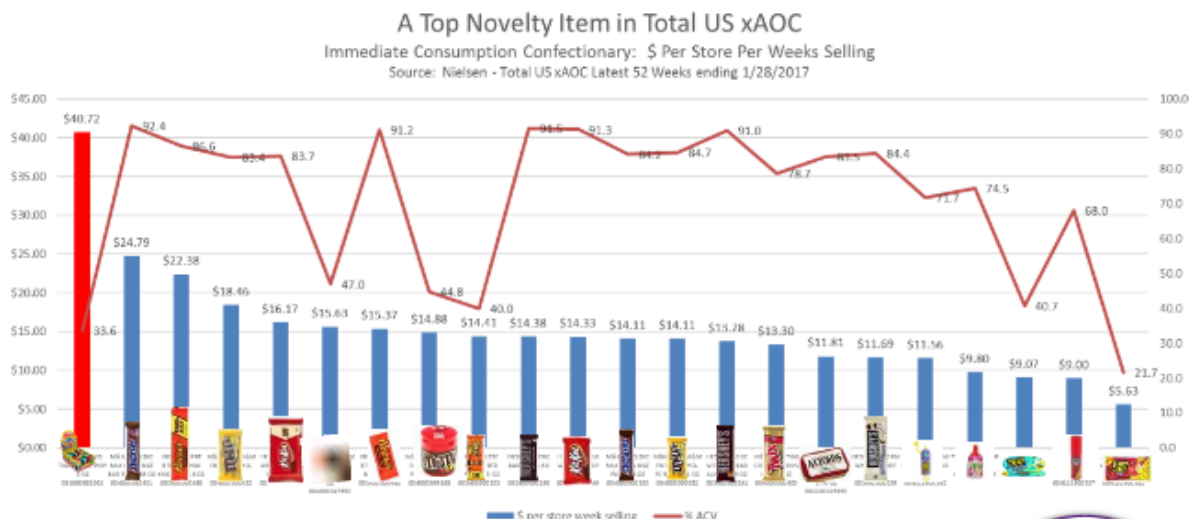
Behaviour of Consumers: Yowie is penetrating a product category that is vacant in the USA but highly successful in the developed world. The Nielson chart below shows that where Yowie is available for sale in the USA, it is the top selling immediate consumption confectionary. This chart is strong evidence that there is a pent up demand for this product category in the USA.

¹ Product Launch Stocks are securities issued by early stage businesses that are in the process of launching a new product or expanding into a new region, which Monash Investors believes is highly attractive to the business, and may be higher risk.

² Event means securities that Monash Investors has identified a near term event or catalyst that it believes should drive a share price reaction.

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YOWIE...The Top Immediate Consumption Item in TTL US xAOC



Source: Nielsen Total US xAOC 52 Weeks 1/28/2017



Behaviour of Retailers: Yowie delivers a gross margin to retailers of about \$1 per unit, which compares to the average confectionery item in the USA of 20c. Retailers find this product a compelling addition to their shelves, which is also, evidenced by the willingness of retailers to trial it.

Growth

Yowie has barely begun to penetrate the US market. It is currently in around only 6% of convenience stores, and while a number of Tier 1 retailers have begun to sell it, it is early days. For example, Walmart only sells Yowie around the cash registers, and not yet in the aisles.

Yowie currently is selling at a run rate of around 20 million units p.a. in the USA (population 320m). We see the USA as a market for Yowie that is many times bigger than current sales, in line with the popularity of the product category elsewhere in the developed world, even allowing for the eventual entry of Kinder. Yowies guidance this year is for 85-90% sales growth.

Yowie has a number of ways to stimulate growth apart from obtaining wider distribution. They are to license children's books and animations, and develop product extensions. With scale will come cost effective advertising. Yowies will sell in other countries over time, starting with Australia.

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Value

To determine the price that we think Yowie should trade at today, we need to form a realistic view about what the business will look like into the future. Because of the uncertainties involved in predicting the opportunity, we keep our assumptions relatively conservative.

For example, we assume that it takes 10 years for the US market to reach maturity, and that despite having no significant competitors there yet, Yowie's market share will only be 30%. In the rest of the world, we assume Yowie achieves a share of only 5%.

After allowing for additional capital raises to fund its growth, which will dilute its value, we use a discounted cash flow calculation to determine what the stock is worth and then take another 20% off the value for uncertainty. Despite all this, the resulting price target is a multiple of its current share price.

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