

Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1)

Friday, 5th May 2017

April 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 30 April 2017 the NTA Pre-Tax was \$0.8656.

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 portfolio fell 2.74% (after fees) for the month of April, during which the Small Ords fell 0.25% and the S&P/ASX300 rose 0.98%. The run of poor returns that the Company has experienced has been extremely disappointing, and quite extraordinary, given the positive updates and good business momentum of the stocks held, as previously detailed in monthly updates.

Over the past six months the 'reflation' trade has seen a sharp reversal of fortune for fund managers that look for companies that are growing faster than average. The speed at which the market has sold out of small and mid-sized companies to invest in larger 'value' stocks, has seen a sharp correction in many stocks that the Company holds.

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Company at a Glance 30 April 2017

ASX Code - Shares	MA1
ASX Code - \$1 Options Sep17	MA1O
Portfolio Size	\$45.0m
Share Price	\$0.8150
Option Price	\$0.001
Shares on Issue	52.3m

Portfolio Structure 30 April 2017

Outlook Stocks (Long)	20 Positions	72%
Outlook Stocks (Short)	1 Positions	-4%
Event, Pair and Group (Long)	3 Positions	11%
Event, Pair and Group (Short)	0 Positions	0%
Cash		21%
TOTAL		100%
Gross Exposure		88%
Net Exposure		78%

Estimated NTA (unaudited) 30 April 2017

Estimated NTA Pre Tax	\$0.8656
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Return Estimate to 30 April 2017

	Share Price	NTA Pre Tax
1 Month	-0.61%	-2.76%
3 Months	-9.44%	-3.81%
6 Months	-12.37%	-12.08%
FYTD	-14.21%	-9.88%
Since Inception	-17.71%	-9.66%

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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This reversal of fortune has seen fund managers that adopt the value style (targeting low near term P/E ratios¹) move from the bottom of the performance surveys to the top, whilst growth fund managers (who target fast growing businesses where value is apparent in the medium term) have moved to the bottom.

As a refresher, Monash Investors focuses on investing in companies that exhibit a combination of the following four attributes - which with a shuffling of the mnemonic can be referred to as G.I.V.E.

1. Insight – that the market is misunderstanding or mispricing a stock, why that is so, and how it will be resolved
2. Growth – companies that are growing their revenues, earnings and/or cashflow quickly, for long positions
3. Value – companies must show upside to Monash Investors valuation of 60%+ for Outlook Stock² long positions or 30%+ downside for our Outlook Stock short positions
4. Event – shorter term trading opportunities (long and short positions)

As previously highlighted, during the February 2017 reporting season, of the top twelve Outlook Stock long positions, 7 beat expectations, 4 were in line and 1 missed. On any measure, this should be considered a very strong result.

But even with these excellent results at the underlying business level, these stocks were on average only up 1.4% on the day of their earnings results, falling by 1.7% over the month. Since then, the Company's stocks continued to see some share price weakness, in an environment where the underlying businesses are continuing to perform well.

On the next page are charts of two such examples with Netcomm Wireless (ASX Code: NTC) and Catapult (ASX Code: CAT) – two of the Outlook Stock long positions in the Company. As the charts highlight, on balance, they have continued to announce significant wins, whilst their share prices have been falling. In the medium term, Monash Investors know that earnings drive share prices, and will be patient.

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¹ P/E ratio is the price to earnings ratio and is the measure of the share price relative to the annual net income earned per share.

² Outlook Stocks are those where the anticipated return on buying the investment is greater than 60%.

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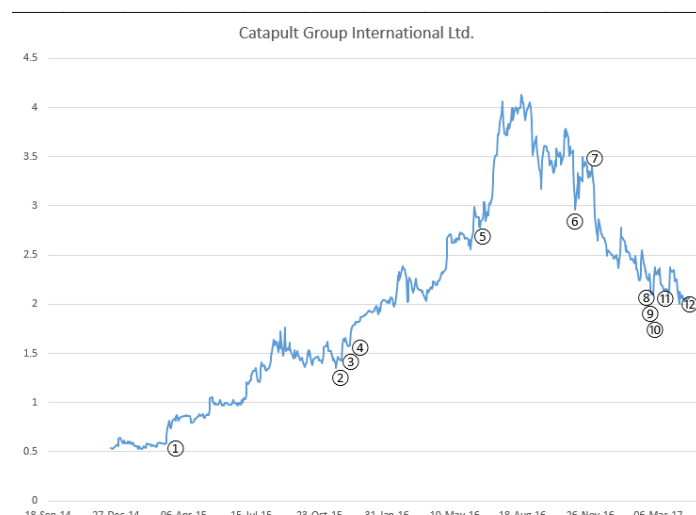
Netcomm (NTC)



Symbol	Announcement
1	Distribution agreement for Japan
2	Distribution agreement with Arrow Electronics - North America
3	M2M agreement with Singtel
4	Hitachi selects NTC for UK Energy Project
5	Signs rural broadband agreement with USA Telco
6	Agreement with Nokia for Fixed Wireless
7	Selected by NBN for Fibre to the Curb Project
8	CEO succession
9	Initial NBN Fibre to the Curb order

(Source: Factset and Monash Investors)

Catapult (CAT)



Symbol	Announcement
1	Partners with XOS
2	League Wide deal with Australian Rugby Union
3	League Wide deal with NBA and Super Lig
4	League Wide deal with AFL
5	Acquires XOS and Playertek
6	League Wide deal with NBL
7	AGM - announced \$3-5m of earnings deployed in establishing Prosumer
8	League Wide deal with Argentina La Liga
9	Major League Baseball approves Catapult wearables
10	League Wide deal with Welsh Rugby Union
11	CEO succession announced
12	Push into Prosumer Market launched

(Source: Factset and Monash Investors)

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