

**The Monash Absolute Investment Company Ltd**  
**ASX Code: MA1**  
October 2016



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# Presentation Outline

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- 1) Company Overview
- 2) Portfolio Structure
- 3) Top positions
- 4) Investor Updates
- 5) How to get more updates
- 6) Appendix
  - 1) About the Investment Manager
  - 2) About the Board
  - 3) Investment Strategy and Philosophy
  - 4) Contact Information



# MA1 Company Overview – 30 September 2016

MA1 is an Australian equity listed investment company that employs an absolute return strategy (both long and short) to create wealth

	30 September 2016	<u>Key Features:</u>
Gross Assets	\$51.5m	1. Absolute return (long and short)
Share Price	\$0.96	2. Relatively concentrated
Pre-tax NTA	\$0.9773 (Unaudited)	3. Benchmark unaware
Post Tax NTA	\$0.9860 (Unaudited)	4. Pre-IPO stocks
Options outstanding	52.5m	5. Stock size agnostic
Option price (MA1O)	\$0.016	6. Style agnostic
Option expiry	27 September 2017	7. Key focus on capital preservation
		8. Lower volatility expected
		9. Unique investment philosophy
		10. Manager track record

## Since inception Performance, 12 April 2016 to 30 September 2016

- NTA Pre Tax 1.49%
- NTA Post Tax 1.23%



# Portfolio structure – 30 September 2016

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Stock	Number of Positions	(%)
Outlook Stocks (Long Stocks)	20	71%
Outlook Stocks (Short)	1	-3%
Event, Pair and Group (Long)	6	17%
Event, Pair and Group (Short)	1	-3%
Cash		18%
Total		100%
Gross Exposure		95%
Net Exposure		82%



# Top Outlook Stocks (long) – 30 September 2016

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Company	Business
Emerchants	Transaction Cards
Challenger	Retirement Incomes
G8	Childcare
Greencross	Pet Retail / Vet
Netcomm	Telecommunications
Impedimed	Medical Device
Yowie	Confectionary
Silverchef	Leasing/Rental
Catapult	Sport Technology



# Top Short Stocks – 30 September 2016

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Company	Business
Coca-Cola Amatil	Beverages
Sky Network	Telco and Pay TV



# Impedimed (long): Market Underestimating Significant Change and Lack of Analyst Coverage

## Insight

- Breakthrough Medical Device
  - monitors fluid status by bio-impedence
  - Early warning for Lymphedema & Heart Disease
- Regulators & Hospitals Enthusiastic
  - FDA approved Class 1 Device
  - US Medicare CPT1 Reimbursement
- Limited analyst coverage

## Growth

- Global rollout opportunity
- Remote monitoring / ehealth
- Consumer wellness / fitness applications

## Value

- Very large market opportunity
- 20% NPAT margin typical
- Similar to Resmed / Cochlear

## Result

- IPD has risen >400% since Monash Investors first purchase

## Say hello to SOZO.

The world's first intuitive device that allows you to take control of your health.



### Health/Wellness

Creates a routine around your individual health and wellness needs to fit your lifestyle and improve your life.



### Fluid Status

Understands, and helps you adjust and manage the fluid status of your body down to a tablespoon.



### Body Composition

Delivering your fat, fluid and tissue percentages at an unparalleled level of accuracy.



### Weight

Develops a customized plan to help continue to build your healthy body and become the fittest you.

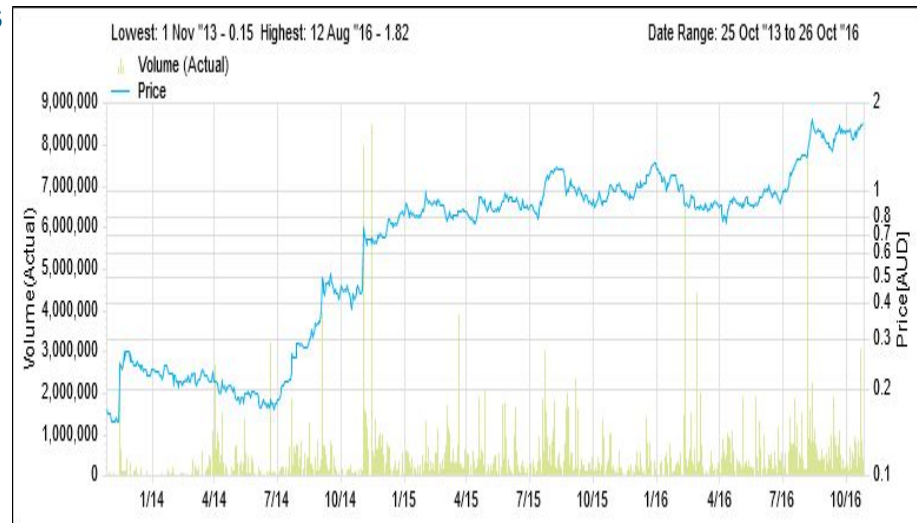


### Hydration Monitoring

Accurately measures and allows you to maintain maximum hydration to keep your body at peak performance.

[Discover more](#)

[Buy Now \\$ 499.99](#)





# Catapult (Pre-IPO): A Unique Feature of the Fund

## Insight

- Significance of product rollout
- Natural monopoly
- Behaviour of customers – competitive, price insensitive

## Growth

- Volumes to grow >10x in next 5 years
- Prices charged to grow strongly over time
- Additional revenue from media and sub-elite

## Value

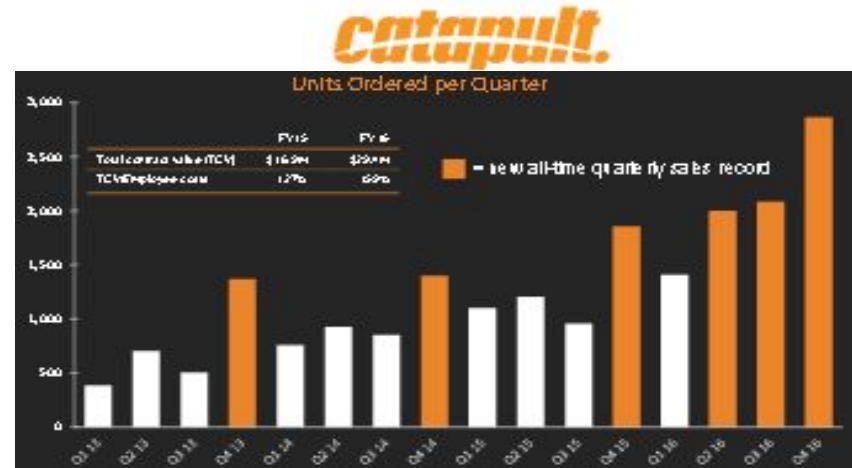
- Invested pre-IPO at 38c, target price many multiples of this.

## Result

- IPO'd after 9 months at 55c, currently > \$3.40

## Update

- 13 July – Acquires XOS, Capital Raise at \$3
- Developing “Pro-sumer” product



# Sky TV (short): Limitations of Company Guidance and Analyst Reputation Management

## Insight

- Fragmentation effect of Netflix & other streamers
- Competition understood, but impact underestimated
- Limitations of company guidance
- Analyst reputation management

## Growth

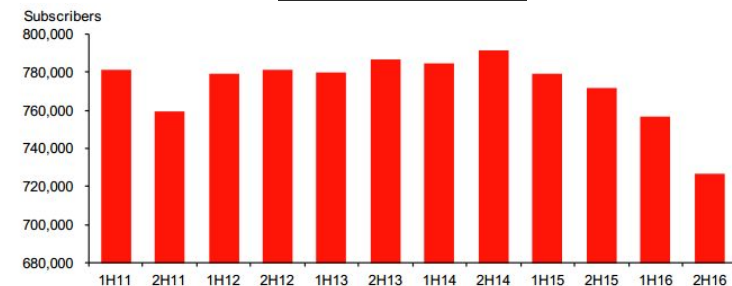
- Subscriptions and Revenue to negatively surprise
- Fixed Cost leverage to declining sales to cause a greater fall in EPS

## Value

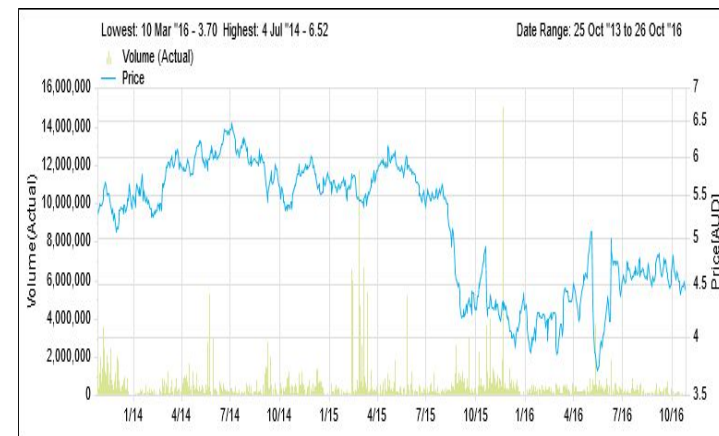
- Historically priced as a growth utility

## Result

- Monash Investors first shorted the stock at \$4.32
- Monash Investors maintained exposure due to strong insight, despite stock price rally
- Stock responded dramatically to its third downgrade
- Merger with Vodafone NZ puts 2 troubled businesses together and signals an exit strategy for insiders



Source: Company data, Macquarie Research, May 2016



Source: FactSet



# Recent investor updates

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- Click on the following links to learn more
  - [Lovisa – long runway of store roll out opportunities](#)
  - [How to read between the lines of company guidance – educational content](#)



# Click on any of the following links to get more regular updates about what is happening at Monash Investors

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- 1) [Follow us on LinkedIn here](#)
- 2) [Follow us on Twitter here](#)
- 3) [Subscribe to our newsletter and blogs here](#)
- 4) [Follow us on Livewire](#)



# Appendix

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# About the Investment Manager



1. Founded in 2012 by Simon Shields and Shane Fitzgerald
2. Track record of 13.6% p.a. after fees (from inception 30 June 2012 to 30 September 2016) with far lower volatility than the market and with little to no leverage
3. 50+ years of combined experience at institutional grade managers including UBS/CFS & JPMorgan
4. Manager is majority owned by the Portfolio Managers
5. Portfolio Managers have large portion of own wealth invested in the strategy

The Australian  
HEDGE FUND  
awards2014 | *Winner*  
BEST EMERGING FUND  
Monash Absolute Investment Fund



# **We aim to *‘reliably grow investor wealth’***

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## **We start with a simple idea**

We believe that wealth can be reliably grown over time by investing in stocks (long and short) that meet our very high return hurdle requirements, while adopting various strategies to preserve capital



# Our unique investment philosophy has been shaped by 50 years of combined investment experience

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1. Most stocks are fairly priced most of the time but significant mispricing does occur
2. Sometimes these stocks can be identified in advance because of recurring situations or patterns of behaviour - we focus on these opportunities





# Examples of recurring situations and behaviours that often lead to mispricing by the market

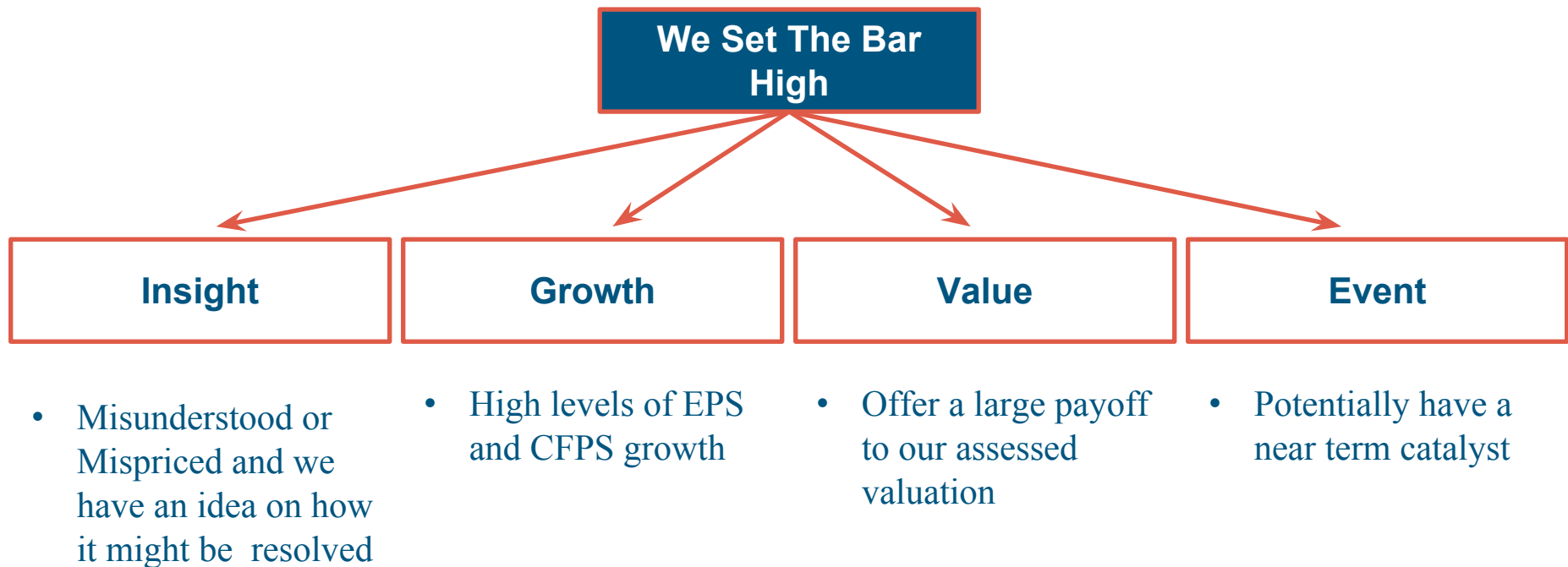
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1. Underestimation of significant change
2. Analyst reputation management
3. Drive by boards to exploit high ROE opportunities in their core business
4. Limitations of company guidance
5. Overlooked signals
6. Business disruption
7. Misjudging risk
8. Corporate motives by brokers
9. Lack of analyst coverage
10. Pre-IPO



# Not trying to cover the whole market, but on asymmetric payoffs that have a combination of these four attributes

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# We classify stocks based on expected payoff and event

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Definition	Explanation
<b>Outlook</b>	<ul style="list-style-type: none"><li>• High conviction positions</li><li>• Expecting large payoffs</li><li>• Long and short</li></ul>
<b>Event</b>	<ul style="list-style-type: none"><li>• Shorter term event trades</li><li>• Pre, post and liquidity</li><li>• Long and short</li></ul>
<b>Pairs</b>	<ul style="list-style-type: none"><li>• Market neutral positions in companies in same industry sector with different outlooks</li></ul>
<b>Group</b>	<ul style="list-style-type: none"><li>• Basket approach</li><li>• Various strategies</li><li>• Includes Pre IPO</li></ul>





## **Paul Clitheroe AM - Chairman (Independent)**

- Co-Founder of ipac securities in 1983
- Previous host of “Money” and now Chairman of Money Magazine
- Chair of Financial Literacy at Macquarie University
- Chairman of youth drink driving body RADD
- Chairman of ASX Listed Australasian Wealth Investments (AWI)
- Non-Executive Director of Wealth Defender (WDE)



## **Suvan de Sosya – Non-executive Director (Independent)**

- 30+ years of wealth management experience
- Co-founder of ipac
- Previous Managing Director of private client business of AXA UK subsidiary
- Has sat on numerous audit and compliance committees, and responsible officer for ipac’s superannuation funds



## **Simon Shields – Executive Director (Not Independent)**

- One of Australia’s leading fund managers
  - Head of Equities at UBS Global Asset Management and Colonial First State
- UBS Australian Share Fund, managed by Simon won the “Best of the Best” 2012 – Money Magazine
- Member of / led multi-award winning equity teams across different investment styles
  - Monash 4 years – Style Agnostic
  - UBS 5 years – DCF Style
  - Colonial First State 9 years – Growth Style
  - Rothschild/Westpac 9 years – Value Style



# Portfolio Manager biographies

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## **Simon Shields CFA, B.Comm (Hons), LLB, MBA**

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## **Shane Fitzgerald B.Comm (Hons)**

Highly rated equity analyst

- 20 years an equity analyst, including
- 14 years sell side experience
- Head of JPMorgan Insurance and Diversified Financial Research
- Member of the multi award winning JPMorgan Research Team

Broad experience

- “Sell side” 14 years JPMorgan
- “Buy side” 4 years UBS
- 4 years Monash



# Key contact information

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- **For investors, please contact Share Registry at Boardroom Limited**
  - 1300 737 760 (within Australia)
  - (+612) 9290 9600 (outside Australia)
  - [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)
- **Financial Advisers please contact Andrew Fairweather – Winston Capital Partners**
  - [andrew@winstoncapital.com.au](mailto:andrew@winstoncapital.com.au)
  - (+61) 401 716 032

