Monash ABSOLUTE INVESTMENT COMPANY

Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX:MA1) **Friday, 3 June 2016**
May 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. We estimate that as at 31 May 2016 the NTA Pre-Tax was $0.9967.

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

During the month we added a few new event driven opportunities to the portfolio and closed a couple of shorts.

There were a number of positive announcements related to our stocks, which have generally been good for their share prices. The standout contributors this month were Orecobre (+36.7%) and Yowie (+26.6%). However, there was also a capital raising from Emerchants (-10.8%) to fund its North American acquisition, which weighed on its share price.

For more discussion on these stocks see the next page.

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 Liverwire here or subscribe to our updates here

Company at a Glance 31 May 2016

ASX Code - Shares	MA1
ASX Code - $1 Options Sep17	MA1O
Portfolio Size	$52.6m
Share Price	$0.96
Option Price	$0.02
Shares on Issue	52.5m

Portfolio Structure 31 May 2016

Outlook Stocks (Long)	15 Positions	58%
Outlook Stocks (Short)	3 Positions	-9%
Event, Pair and Group (Long)	7 Positions	12%
Event, Pair and Group (Short)	0 Positions	0%
Cash		40%
TOTAL		**100%**
Gross Exposure		79%
Net Exposure		60%

NTA (unaudited) 30 April 2016

NTA Pre Tax	$0.9724
NTA Post Tax	$0.9805

Estimated NTA (unaudited) 31 May 2016

Estimated NTA Pre Tax	$0.9967

Return Estimate to 31 May 2016

	1 month	Since Inception 12 April 2016
NTA Pre Tax	2.5%	3.5%

Orecobre (ASX: ORE) is a producer of Lithium, a metal that is experiencing strong demand growth due to its use in electric car batteries. Orecobre is one of 4 major Lithium producers that account for 91% of the world's production. Resources analysts generally expect the Lithium price to double from its 2015 level of $6,000/t by 2020. We have now seen much of that rise, and stock prices in the sector have risen dramatically, too.

We have been happy to take profits in the stock and have reduced our weighting from its original level, given that there is now less upside to our price target.

Yowie (ASX:YOW) is a manufacturer of novelty chocolates, that are similar to Kinder Surprise. It is already has US distribution through Walmart and Walgreens, among others. The Neilson survey in North America found it to be the number one selling Novelty Candy (where sold) and this led to the announcement of two large new convenience store distribution contracts in May. The company also announced the purchase of an additional high speed wrapper to meet expected future demand.

The share price responded to these announcements after a period where the market was becoming concerned that execution was lagging. This really is just the beginning for Yowie in the USA, where Kinder Surprise has not ever been sold due to regulatory issues.

Emerchants (ASX:EML) provides payment solutions and transactions cards. It has operations in Australia and Europe. Retailers use these cards for reward schemes and gift cards, and they are also used for loan disbursements, corporate expenses and salary packaging. Corporate bookmakers have found the cards particularly useful for their clients, who can use them to deposit and withdraw money from betting accounts at ATM machines.

In May, Emerchants announced the purchase of Store Financial US and a placement to fund it. This put a cap on the share price, which had risen sharply over the last 6 months with strong sales growth to corporate bookmakers and expansion into Europe. We expect Emerchants high rates of sales and earnings growth to continue.