

Monash Absolute Investment Company Limited

**Monash Absolute Investment Company Limited (ASX: MA1)
June 2017 End of Month Update**

4th July 2017

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 June 2017 the NTA Pre-Tax was \$0.8745.

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 increased 1.97% (after fees) for the month of June, during which the Small Ords rose 1.62% and the S&P/ASX200 fell -0.05%. A key feature this month was the strong performance of several of the Company's stocks on the back of relatively minor news flow events. This is indicative of the valuation upside in the portfolio in that such minor news flow events can result in such dramatic share price gains.

Monash Investors had meetings with the management of a large number of the key stocks during the month, including a week long research trip to the USA ([see blog for more details](#)). As highlighted in previous updates, as businesses, the stocks the Company is invested in continue to perform strongly.

During the month 209,599 shares were brought back under the share buyback. A total of 533,319 shares have now been brought back.

Company at a Glance 30 June 2017

ASX Code - Shares	MA1
ASX Code - \$1 Options Sep17	MA1O
Portfolio Size	\$45.5m
Share Price	\$0.75
Option Price	\$0.001
Shares on Issue	51.9m

Portfolio Structure 30 June 2017

Outlook Stocks (Long)	19 Positions	65%
Outlook Stocks (Short)	2 Positions	-5%
Event, Pair and Group (Long)	4 Positions	13%
Event, Pair and Group (Short)	2 Positions	-5%
Cash		31%
TOTAL		100%
Gross Exposure		87%
Net Exposure		69%

Estimated NTA (unaudited) 30 June 2017

Estimated NTA Pre Tax	\$0.8745
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Return Estimate to 30 June 2017

	NTA Pre Tax
1 Month	1.97%
3 Months	-1.76%
6 Months	-6.78%
FYTD	-8.95%
Since Inception p.a.	-7.62%

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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During the month, two Outlook stocks posted strong price gains on the back of relatively minor news flow events.

Impedimed (ASX:IPD) share price increased 25% on the back of obtaining a CE Mark for its SOZO™ product. The CE Mark means that it has regulatory approval to make SOZO™ commercially available throughout Europe and Australia. Late in the month, IPD separately announced that the first commercial sales of SOZO™ have been made.

The CE Mark specifies that SOZO™ is a bioimpedance spectroscopy (BIS) platform for fluid status monitoring, hydration monitoring and body composition testing in human patients. The intended uses of the product (all covered by the CE Mark) are clinical assessment of lymphedema using L-Dex, monitoring patients with heart failure, taking diuretic medication, having fluid management problems or end-stage renal disease, recovering from coronary artery disease-related events, hydration monitoring and body composition monitoring.

IPD currently has three regulatory approved products that are used for all of the above. What SOZO™ does is bring all three of these products together, and make use of touch plate sensors versus gel backed electrodes. The measurement mechanism is the real innovation of the product. It allows significant efficiency benefits as the test can be done very quickly (all you have to do is remove your shoes and socks, stand on the device and place your hands on the sensor plates), does not require trained medical personnel to conduct the test, and can be done in any environmental setting (for example, at home or at a doctor's surgery).

This event was entirely consistent with our Investment Thesis. Given that SOZO™ is an amalgamation of IPD's existing products we saw the regulatory approval risk as extremely low, and of course once it was approved IPD would start to commercialise it. The fact that this announcement set the share price sharply higher demonstrates the material valuation upside in the stock. Critically, over the next 6-9mths IPD will be releasing far more critical pieces of news, namely the interim results of its lymphedema study and a number of Heart Failure studies.

Catapult (ASX:CAT) share price increased 45% during the month. While CAT made no meaningful announcements during the month, a broker did initiate research coverage of the stock. This is one of the reoccurring situations which we have discussed in the past. Increased research coverage often results in a new group of investors learning about the story, and judging from the share price movement they liked what they heard.

Separately, on the USA research trip earlier in the month, there were two meetings with senior managers of CAT's US operations. This gave an even deeper understanding of the business and renewed confidence in the outlook, particularly concerning the revenue potential in the elite athlete market.

During the month we exited one of our Outlook positions, **Greencross** (ASX:GXL). We continue to believe that GXL has a solid outlook on the back of the continued rollout of new Petbarn stores / co-location of Vet Clinics, and margin expansion from private label. However, the share price was less than 35% from our price target, and with increasing anecdotal evidence of a weakening consumer environment and market concerns over the entry of Amazon into the Australian market we elected to exit the position.

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