Monash ABSOLUTE INVESTMENT COMPANY

Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1) **4th October 2017**
September 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 September 2017 the NTA Pre-Tax was $0.9163.

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's pre-tax NTA increased 3.41% (after fees) for the month of September, during which the S&P/ASX200 fell 0.02% and the Small Ords rose 1.31%. The NTA has now risen by 4.80% this financial year.

During the month, 235,372 shares were bought back under the share buyback. A total of 1,239,724 shares have now been bought back at a discount to NTA.

In somewhat of a delayed response to the reporting season, a number of our stocks that had good financial results in August had their share prices kick on in September.

For example, Lovisa (ASX: LOV) continued to re-rate, rising a further 14% in September after 10% in August, when it beat full year expectations at its result by 7%. We note that Lovisa has advertised on line for employees in Los Angeles, which would be its first USA based store. Despite Lovisa's rally, the market is not yet pricing in a US store rollout.

Company at a Glance 30 September 2017

ASX Code - Shares	MA1
ASX Code - $1 Options Sep17	MA1O
Portfolio Size	$46.9m
Share Price	$0.80
Shares on Issue	51.2m

Portfolio Structure 30 September 2017

Outlook Stocks (Long)	19 Positions	72%
Outlook Stocks (Short)	2 Positions	-5%
Event, Pair and Group (Long)	4 Positions	15%
Event, Pair and Group (Short)	0 Positions	0%
Cash		19%
TOTAL		**100%**
Gross Exposure		91%
Net Exposure		81%

Estimated NTA (unaudited) 30 September 2017

Estimated NTA Pre Tax	$0.9163

Return Estimate to 30 September 2017

	NTA Pre Tax
1 Month	3.41%
3 Months & FYTD	4.80%
6 Months	2.93%
1 Year	-6.24%
Since Inception p.a.	-3.33%

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

Sky Dive the Beach (ASX: SKB)

Another stock that did well for the portfolio in September was SKB rising 16% in September following a result that was in line with expectations in August.

SKB is named after its original sky diving site on a beach at Wollongong. It has 70% of the tandem sky diving business in Australia and New Zealand. SKB has also expanded into other adventure experiences like white water rafting and ballooning, and as a result it is changing its name to Experience Co.

SKB is experiencing double digit like for like revenue growth as it satisfies strong demand for sky-diving, while also growing through acquisitions, and expanding its margins through increasing efficiency.

Despite jump completion rates being impacted last year by poor weather, organic revenue growth was about 12%. They are guiding for a similar amount this year but, if they get normal jump completions, it would likely be about 6% higher. Analysts are not including this higher number in their forecasts.

One way it is increasing efficiency is by upgrading its fleet with new engines and larger planes. The new planes are able to increase jump throughput and lower the cost per jump to SKB as demonstrated by the table below. It is also increasing its margins through acquisition cost synergies and scale benefits.

	EXISTING ENGINES	UPGRADED ENGINES
Engine time before overhaul	3,600	7,000
Minutes per flight	24	16
Flights per hour	2.5	3.75
Flights per lifetime	9,000	26,250
Average fuel per flight	86	55
Flights per maintenance period	500	750

Source: ASX: SKB Presentation to Morgan Stanley Micro-Cap Conference

We believe that there is significant international growth ahead of SKB as well as domestically in other areas of adventure experiences. SKB targets earning accretive smaller acquisitions with a multiple of 3-5times EBITDA, but with the larger ones up to 7-8 times EBITDA, and those would require a capital raise.

On current analyst consensus forecasts for FY18, SKB is trading on an EBITDA multiple of 11x and a P/E of 20x. Given the upside earnings surprise that we expect this year, and due to the substantial growth that the company should achieve in future years, our price target is at much higher levels.