

Monash Absolute Investment Company Limited

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

3rd January 2018

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 31 December 2017 the NTA Pre-Tax was \$1.0118.

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 Company's pre-tax NTA increased 1.21% (after fees) for the month of December, during which the S&P/ASX200 rose 1.81% and the Small Ords rose 3.20%. It's the 7th positive month in a row for the NTA which has now risen by 15.73% so far this financial year.

During the month, 81,256 shares were bought under the Company's on market share buyback. A total of 1,599,088 shares have now been bought back at a discount to NTA.

December was a relatively uneventful month for the portfolio. The best contributors to return were smaller positions with share prices that did well, while a number of the larger positions marked time.

In the last couple of months there have been several new holdings added as Long Outlookⁱ stocks, and profits/exits taken in some of the other stocks.

Company at a Glance 31 December 2017

ASX Code - Shares	MA1
Portfolio Size	\$52.1m
Share Price	\$0.865
Shares on Issue	50.9m

Portfolio Structure 31 December 2017

Outlook Stocks (Long)	22 Positions	80%
Outlook Stocks (Short)	3 Positions	-7%
Event, Pair and Group (Long)	3 Positions	11%
Event, Pair and Group (Short)	0 Positions	0%
Cash		17%
TOTAL		100%
Gross Exposure		98%
Net Exposure		83%

Estimated NTA (unaudited) 31 December 2017

Estimated NTA Pre Tax	\$1.0118
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Return Estimate to 31 December 2017

	NTA Pre Tax
1 Month	1.21%
3 Months	10.36%
6 Months	15.73%
FYTD	15.73%
1 Year	7.86%
Since Inception p.a.	2.92%

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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A Comment on 2017 by Simon Shields from Monash Investors

I wrote a piece in the monthly update this time last year when our portfolio returns were being impacted by a market bias against smaller cap growth stocks, which had started during the preceding October.

Despite positive news from a number of the portfolio stocks, and avoiding a raft of high profile earnings downgrades, January 2017 had been a difficult month with the portfolio falling about 4%.

The trend continued into February 2017, despite a strongly positive reporting season from our companies as businesses. Of the top 12 holdings, 7 beat expectations, 4 were in line and just 1 disappointed, and yet the portfolio fell another 2%.

By the end of May 2017, the portfolio was down almost a further 2%, which was quite extraordinary, given the continued positive updates and good business momentum of the stocks held. That was the lowest point of returns with the portfolio down about 14% for the rolling 12 months.

All through that period of negative returns, Shane Fitzgerald and I intensively reviewed the Company's stocks, to ensure we maintained a portfolio of companies that met our high standards for growth and value. Our activity levels were never higher, and you may recall that I reported on a trip that I did in June 2017, to check on the US exposures of our investments. In June 2017, the portfolio rose about 2%.

As it turned out, we continued to be mostly right in our assessments. The August reporting season was another strong one for us. Out of the top 12 holdings, 6 beat, 4 were in line and 2 disappointed, and while the portfolio only rose about 1.15% that month, it was the start of a run of strong months.

In those 7 months in 2017 from May to December, the portfolio bounced back by about 18%. We expect to continue to see positive announcements from our stocks through the coming reporting season of February 2018, and their stock prices should respond. We are also continuing to find new stocks with high pay-offs to invest in, while we harvest and exit from some existing holdings that have done their job.

Investing is fraught with uncertainty, which we seek to reduce as much as we can while targeting double-digit returns for the portfolio. While at times, outcomes can paradoxically be adverse to reality, that just increases the opportunity for returns. In the short to medium term, the unpredictability of news flow, or wider trends in markets can make a wise approach to investing seem foolish. 2017 has been a great lesson in the reward for working hard and smart, and sticking with our common sense approach to investing.

This presentation has been prepared by Monash Absolute Investment Company Limited (**MA1**) and Monash Investors Pty Ltd (ABN 67 153 180 333, AFSL 417 201) (**Investment Manager**) and is for information purposes only, and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in MA1. The information is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this information, MA1 has not considered the objectives, financial position or needs of any particular recipient. MA1 strongly suggests that investors consult a financial advisor prior to making an investment decision. Past performance is not a reliable indicator of future performance. See the ASX Company Announcements platform at www.asx.com.au for further information.

ⁱ Long Outlook Stocks have strong business outlooks with large valuation upside and moderate to low downside risks