Monash Absolute Investment Company Limited

Monash Absolute Investment Company Limited (ASX: MA1) **9 April 2018**
March 2018 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 31 March 2018 the NTA Pre-Tax was $0.9808.

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 decreased 1.54% (after fees) for the month of March, during which the S&P/ASX200 fell 3.77% and the Small Ords fell 2.29%.

In December 2017, the Company announced a renewal of the on-market buy-back as part of its ongoing capital management program. During the month of March, 628,707 shares were bought under the Company's on market share buyback.

The net cash weighting in the portfolio currently stands at around 30%, which is higher than usual, and it helped the portfolio given that it reduced the portfolio's exposure to a falling market.

We noted the increased market volatility early in February, following many months of a consistently rising US stock market, which had being buoying the ASX. This led us to undertake a risk control measure whereby we trimmed/exited some positions in the portfolio and cash holdings were increased from 15%.

Company at a Glance 31 March 2018

ASX Code - Shares	MA1
Portfolio Size	$49.1m
Share Price	$0.810
Shares on Issue	49.9m

Portfolio Structure 31 March 2018

Outlook Stocks (Long)	17 Positions	61%
Outlook Stocks (Short)	2 Positions	-5%
Event, Pair and Group (Long)	3 Positions	13%
Event, Pair and Group (Short)	0 Positions	0%
Cash		30%
TOTAL		**100%**
Gross Exposure		79%
Net Exposure		70%

Estimated NTA (unaudited) 31 March 2018

Estimated NTA Pre Tax	$0.9808

Return Estimate to 31 March 2018

	NTA Pre Tax
1 Month	-1.54%
3 Months	-3.04%
6 Months	6.98%
FYTD	12.18%
1 Year	10.18%
Since Inception p.a.	0.94%

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

While there was a continuation of the increased “macro” risk in March, due to the international trade and tariff posturing, stock specific news for the Company holdings was uneventful. Of course, there are always outliers, so this month we highlight two of the best contributors, and two of the worst detractors to the month’s performance.

The top two performing stocks were Lovisa (LOV) and Electro Optic Systems (EOS), which were both up 9% during the month. The bottom two performing stocks were EML Payments (EML) and NetComm (NTC), which were down 18% and 17% respectively.

Lovisa Holdings (ASX: LOV)
LOV is a fast fashion jewellery retailer that is expanding rapidly both in Australia and offshore. LOV continued its strong momentum since its result. We believe that in a period in which retailing is facing headwinds, LOV is a standout in this sector. The continued share price momentum is a reflection of this as it is in a discovery phase by other managers.

Early in April, the CEO Steve Doyle announced he would be leaving the business at the end of the month. Sudden departures of senior management is always a major concern, however in this case the Managing Director and Founder Shane Fallscheer will take back the role, both men were operating in an effective joint CEO capacity. The trading update provided with this announcement was strong with like for like sales well above market expectations. We will be monitoring this position very carefully.

Electro Optics Systems Holdings (ASX:EOS)
EOS is a new addition to the portfolio. EOS has developed an extremely accurate laser based tracking system. Due to its high degree of accuracy, the company has been a pioneer in Remote Weapons Systems (RWS). However, the technology has other applications that are currently being developed including Space Surveillance Data. This a laser based sensor network that will be offered as a low cost, highly accurate space object tracking solution with commercial applications. EOS hosted an investor day in Canberra during the month. This was an extremely well attended event and highlighted the strength of the company.

EML Payments (ASX: EML)
The downwards share price momentum in EML was a continuation from their result. We are still bullish about the long-term prospects for EML. However, we are cognisant of the timing of contracts and the concern that these may be pushed out. We therefore took steps to lower the weighting of our position in EML to mitigate for these short-term timing risks.

Netcomm Wireless (ASX: NTC)
During the month, the share price retraced its gains from the previous month. The NTC share price is likely to be in a holding pattern until management announces new contract wins / existing contract extensions. There is little doubt in our minds that NTC is the global leader in fixed wireless broadband having won the two largest contracts in this space. It also developed, and is the first to supply hardware for, fibre to the curb. We understand they are trialing with a number of other players and expect that new contracts will be forthcoming.

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