

Monash Absolute Investment Company Limited

7th March 2019

**Monash Absolute Investment Company Limited (ASX Code: MA1)
Teleconference - February 2019 Post Reporting Season Update**

We look forward to you joining us today on the Monash Investors February 2019 post reporting season teleconference update.

Attached is the presentation that will be provided today at 1pm AEST.

During the presentation, Simon Shields from Monash Investors will discuss the following:

1. Performance of key portfolio holdings during the reporting season
2. Portfolio performance over the past year
3. Key changes within the portfolio
4. MA1 capital management update

Details of the teleconference are as follows:

1. **Date:** Thursday, 7th March 2019
2. **Phone details:** Australia **1300 254 398** , International **+613 9034 4181**
3. **Time:**
 - 1.00PM (NSW, VIC, TAS)
 - 12.30PM (SA)
 - 12.00pm (QLD)
 - 11.30am (NT)
 - 10.00am (WA)

Please register for the teleconference [here](#)

The presentation will be made available on the Monash Investors website for anyone who cannot make the above times, following the teleconference.

For more information, please contact:

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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](#)

Monash Investors

Post Reporting Season Teleconference

7 March 2019



Post February 2019 Reporting Season Update overview

- **Agenda**

- Market and Performance Review
- A review of portfolio holdings reporting season and portfolio impacts
- A summary of key actions within the portfolios over the past six months, and
- MA1 capital management update

- **Teleconference Details**

- **Date:** 7 March 2019
- **Time:** 1.00PM (NSW, Vic, Tas), 12.30PM (SA) 12:00PM (QLD) 11.30AM (NT) 10.00AM WA
- **Call details**
 - Australian Dial-in Number 1300 254 398
 - International Dial-in Number +613 9034 4181



Two ways to access the Monash investment strategy – small differences between the strategies

1. ASX Listed Investment Company

1. ASX Code : MA1
2. 44,314,634 Shares on Issue
3. 16% discount to NTA as at 28 February 2019
4. Lonsec Investment Grade

2. Managed Fund

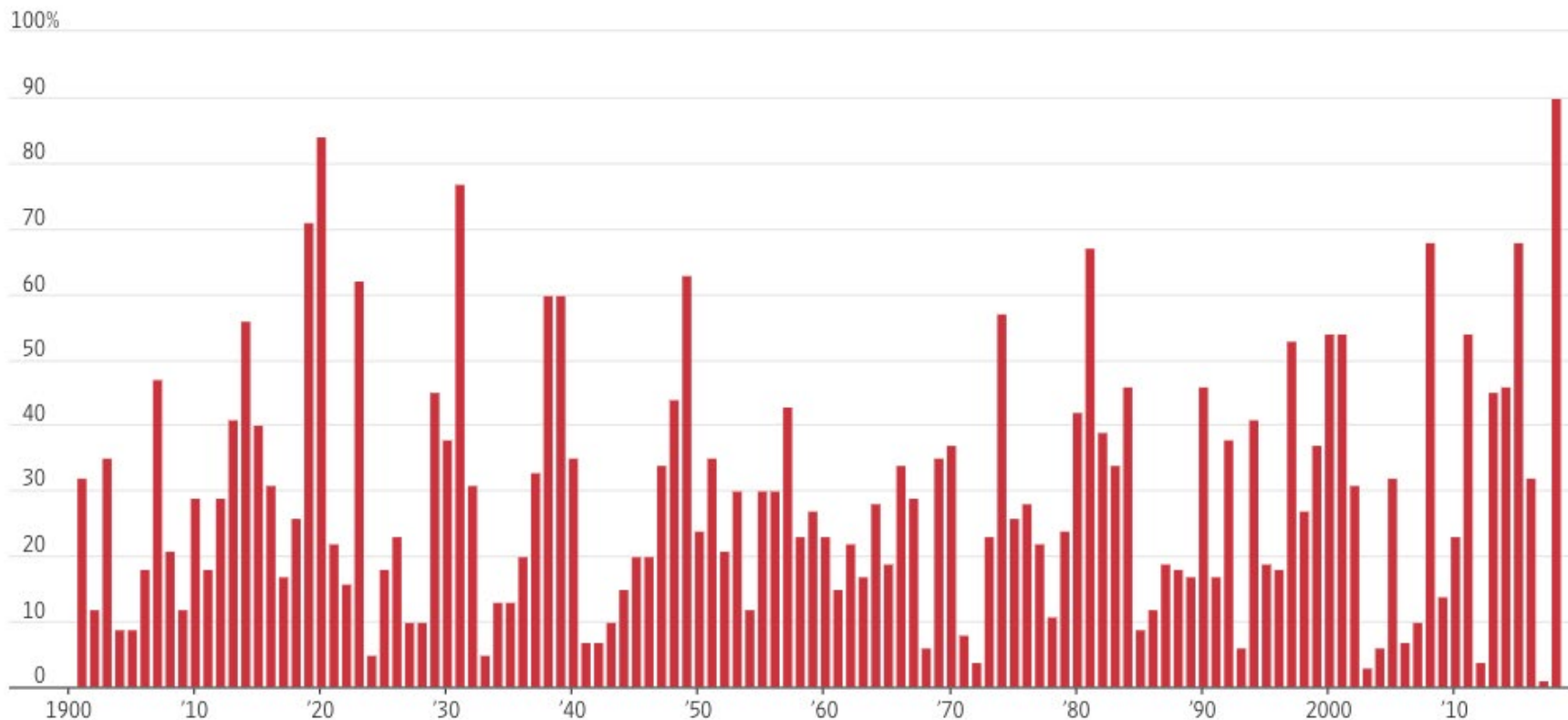
1. APIR Code MON0001AU
2. Daily priced
3. Minimum Initial Investment \$20k
4. Available on key platforms
5. Lonsec Investment Grade



2018 saw the largest number of asset classes post negative returns, going back to 1901

Under Pressure

A record share of asset classes have posted negative total returns this year, according to Deutsche Bank data going back to 1901.



Note: Returns are in U.S. dollars. Data for 2018 are as of mid-November.

Sources: Deutsche Bank; Bloomberg Finance LP; GFD



Monash Absolute Investment Fund has returned 8.35% p.a. after fees since inception, with a low beta to the market

Monthly after fee returns since inception to 28 February 2019



Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2012/13	1.46%	-1.15%	-0.20%	1.81%	1.09%	2.91%	3.90%	4.39%	2.00%	1.13%	-1.10%	1.05%	18.53%
2013/14	5.57%	1.40%	7.08%	2.96%	-0.58%	-0.47%	0.86%	2.62%	4.72%	-1.27%	-0.54%	-1.01%	23.05%
2014/15	3.06%	2.32%	-4.31%	-0.22%	-1.61%	0.55%	1.55%	2.33%	1.08%	0.08%	-0.55%	-1.86%	2.21%
2015/16	6.57%	0.22%	-0.46%	3.88%	2.36%	6.00%	-4.97%	-2.88%	2.43%	1.87%	2.39%	-3.84%	13.62%
2016/17	1.93%	-1.11%	0.73%	0.75%	-5.15%	0.39%	-4.01%	-2.04%	1.25%	-2.74%	-0.84%	2.02%	-8.78%
2017/18	0.29%	1.31%	3.53%	5.07%	3.27%	1.27%	0.82%	-2.40%	-1.58%	-4.24%	3.81%	-0.04%	11.24%
2018/19	3.35%	-0.18%	-0.24%	-5.73%	-0.37%	-7.89%	8.00%	3.49%					-0.67%

Inception Date 2 July 2012

Source: MAIF : Monthly Performance Report & Unit Prices www.monashinvestors.com

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Monash Absolute Investment Company has returned 0% p.a. after fees since inception, with a low beta to the market

Monthly after fee returns since inception to 28 February 2019



Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2015/16										0.98%	2.33%	-3.48%	-0.26%
2016/17	2.13%	-1.10%	0.73%	0.74%	-4.92%	0.21%	-4.07%	-2.22%	1.15%	-2.74%	-0.95%	1.95%	-8.97%
2017/18	0.21%	1.14%	3.64%	5.37%	3.49%	1.19%	0.77%	-2.29%	-1.46%	-4.82%	4.22%	1.04%	12.52%
2018/19	2.82%	-0.12%	0.18%	-5.70%	-0.57%	-8.45%	7.11%	3.49%					-2.11%

Inception Date 12 April 2016

Source: MA1 Announcements www.asx.com.au



The longer term returns have not been achieved by index hugging – performance to 28 February 2019

	Monash Absolute Investment Fund ¹ (Managed Fund)	Vanguard Australian Shares Index ETF ² (ASX Code : VAS)	Vanguard MSCI Australian Small Companies Index ETF ² (ASX Code : VSO)
Since Inception after fee return³	• 8.35% p.a.	• 11.01% p.a.	• 7.25% p.a.
Volatility³	• 10.25% p.a.	• 10.96% p.a.	• 13.08%
# Positions	• 31	• 299	• 162
Top 5 Positions	<ol style="list-style-type: none"> 1. AfterPay 2. EML Payments 3. G8 Education 4. Emeco 5. MNF Group 	<ol style="list-style-type: none"> 1. CBA 2. BHP 3. CSL Ltd 4. WBC 5. ANZ 	<ol style="list-style-type: none"> 1. Northern Star Resources 2. Evolution Mining 3. Atlas Asteria 4. Downer EDI 5. Spark Infrastructure
Sector allocation	<ol style="list-style-type: none"> 1. 17.8% Cash 2. 17.9% Div Financials 3. 17.4% Tech Services 4. 9.7% Electronic Tech 5. 8.7% Consumer Services 	<ol style="list-style-type: none"> 1. 31% Financials 2. 18.4% Materials 3. 8.8% Health Care 4. 8.0% Industrials 5. 7.8% Real Estate 	<ol style="list-style-type: none"> 1. 23.6% Materials 2. 14.2% Industrials 3. 11.1% Con. Disc. 4. 9.3% Info Tech 5. 9.2% Real Estate

Notes 1 & 2 Holdings/ sectors allocation as at the end of January 2019: Source 1: Monash Investors, Source 2: Vanguard January 2019 Factsheets

Note 3 Return since inception date for MAIF 2 July 2012, Comparison Index for VAS is S&P/ASX200, Comparison Index for VSO is S&P/ASXSmallOrds



Reporting season averaged +3.7% for Monash's top 10 holdings to 28 February 2019

Top Holdings 31 August 2018	Top Holdings	Business Description Top Holdings	Result Top Holdings	Reaction in February Top Holdings
Speedcast	Afterpay Touch	Pay Later Retail Payments	In line	+16%
Emeco	Emeco	Mining Equipment Rental	Miss - unexpected capex	-5%
Lovisa	EML Payments	Gift Cards and Specialty Transactions	Beat – conservative guidance	+13%
EML Payments	G8 Education	Childcare Centres	In line	-1%
Afterpay Touch	Lovisa	Jewelry Retailer	Beat - better sales, accelerating rollout	+39%
Paragon Care	MNF Group	Telecommunication Services	In line – lowered profit guidance	-15%
Experience Co	Healthia	Physiotherapy & Podiatry	Miss – small profit miss, no change to guidance	-26.6%
Healthia IPO	Kogan	Internet Retail	In line	-5%
Nearmap	Paragon	Healthcare equipment and services	Miss- discontinued businesses weak prior to sale	-21%
Electro Optic Systems	Infomedia	Car parts data	Beat	+25%

Top 10: 3 positive, 4 in line, 3 negative



Key recent actions

- New Additions / Increases

- Increased holdings across portfolio:
 - During October/November following market weakness
 - Cash weight reduced from 20% to 5% over that period
 - Benefitted portfolio in January and February
- Added stocks pre results in 2019
- MNF Group (MNF) 5% weight at \$4.10 (down 7% to \$3.82 on 28 February)
- Infomedia (IFM) 4% weight at \$1.26 (up 27% to \$1.56 on 28 February)

- Sold / Decreases

- Trimmed weight in Emeco (EHL) 2%, Nearmap (NEA) 3% and SpeedCast (SDA) 4%
- Exited Experience Co (EXP) 3%

- Shorts

- Continuing to short Coca Cola Amatil (CCL)
- Shorted Aged Care stocks on the announcement of the Royal Commission Sep 2018
 - Estia (EHE), Japara (JHC) & Regis (REG)



MAIF Portfolio snapshot as at 28 February 2019

Type	# of Positions August 2018	# of Positions February 2019	(%) August 2018	(%) February 2019
Outlook Stocks – Long	17	22	62%	82%
Outlook Stocks - Short	1	1	-3%	-3%
Event, Pair and Group Trades - Long	3	3	12%	14%
Event, Pair and Group Trades - Short	0	1	0%	-8%
Cash	N/A	N/A	29%	14%
Total	21	27	100%	100%
Gross Exposure			77%	106%
Net Exposure			71%	86%
Beta			0.57	0.61



MA1 Portfolio snapshot as at 28 February 2019

Type	# of Positions August 2018	# of Positions February 2019	(%) August 2018	(%) February 2019
Outlook Stocks – Long	17	22	61%	82%
Outlook Stocks - Short	1	1	-3%	-3%
Event, Pair and Group Trades - Long	3	3	13%	14%
Event, Pair and Group Trades - Short	0	1	0%	-8%
Cash	N/A	N/A	29%	15%
Total	21	27	100%	100%
Gross Exposure			77%	105%
Net Exposure			71%	85%
Beta			0.57	0.61



Afterpay (Outlook Long): Product Roll Out & User Ramp Up

Market underestimating step changes in earnings



Insight

- Exciting buy now pay later product that is a win win for the merchant and consumer
- Rapid adoption particularly with Millennial Market
- Attractive expose to the online shopping trend

Growth

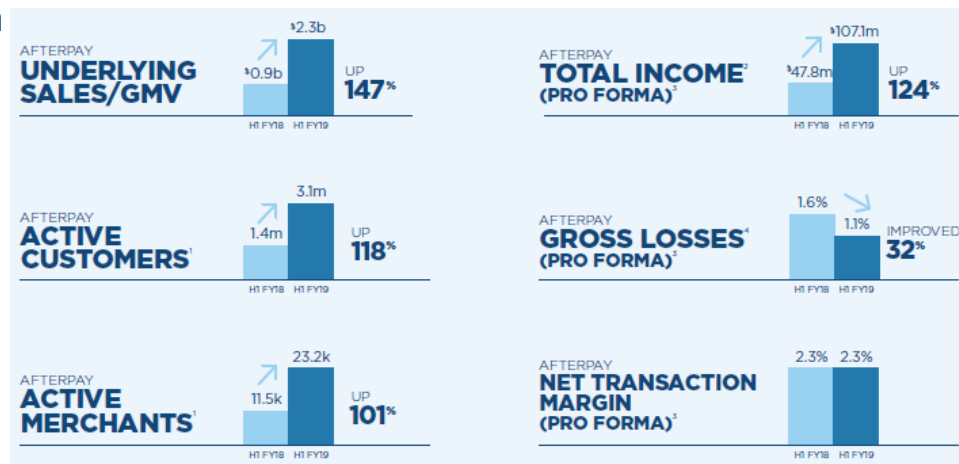
- Experience exponential growth on all metrics:
 - Number of merchants, Number of customers
 - Merchant sales, Merchant fees
- In store roll out
- Geographical expansion
 - Expansion in USA with strategic partner Matrix
 - Expansion in UK following acquisition of ClearPay

Value

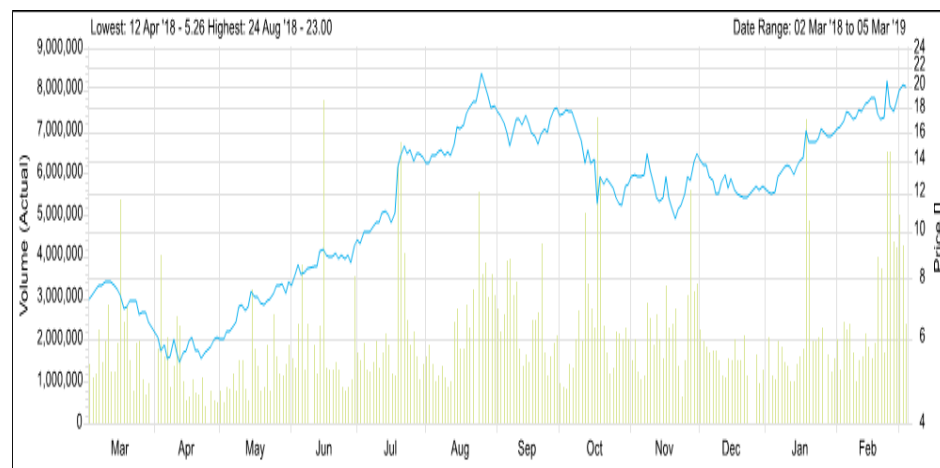
- Material upside to our target price from successful US expansion
 - Early signs of strong US traction

Update

- We have traded the stock somewhat
- Reducing our holding at higher levels
- Increasing again in October 2018



Source: Company data



Source: FactSet



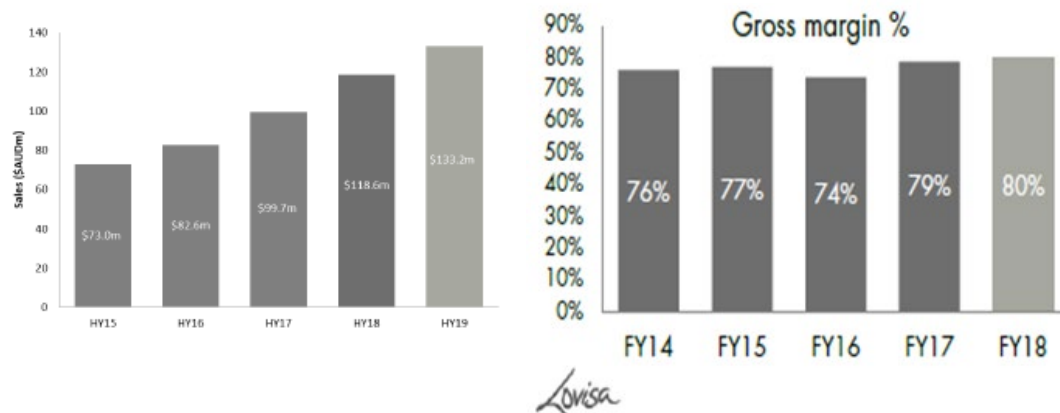
Lovisa – Vertically integrated retailer, global rollout



Total sales up 12.3% from continued global rollout

Insight

- Lovisa sells fast fashion jewellery
- Vertical integration protects retail margin
- Store payback <12 months
- Perfected systematic approach
- Global rollout opportunity
- Company to accelerate execution

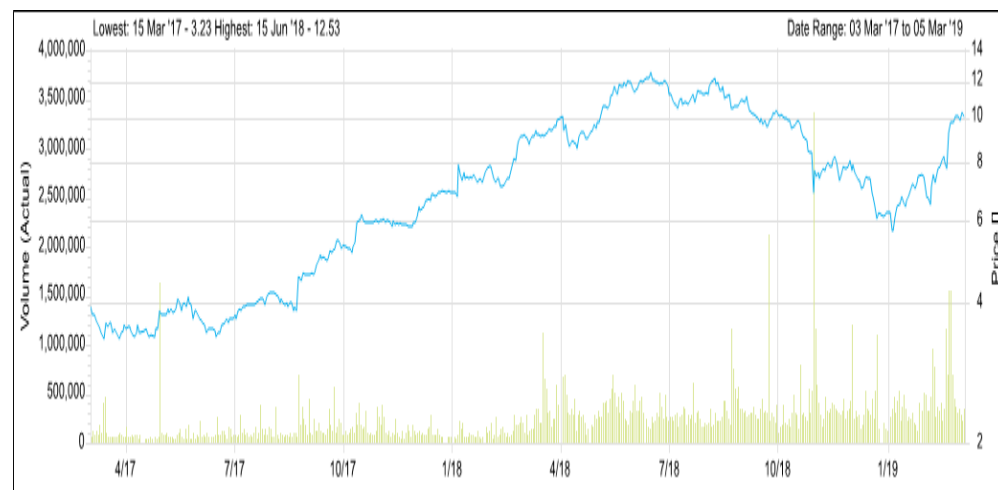


Growth

- We expect sales accelerating to >20%pa growth over next 3-5 years from
 - Like for Like growth (price & volume)
 - Store Rollout: UK, France, USA
- Additional opportunities to acquire multiple sites from distressed retailers

Value

- Our DCF is >100% above current share price
- However, high near term PE of 24x FY20
- Short term stock price will be driven by near term business performance
- Like for like sales growth picking up this year
- We have trimmed position at recent high prices
- And bought more at more recent lower prices



Source: FactSet



Key messages

- Has been a volatile 6 months
- Outlook for portfolio remains strong
 - We have only touched on the larger positions in this presentation
 - We provide a differentiated exposure to outstanding businesses
- Always looking to make money for the portfolio:
 - Size agnostic, style agnostic, long/short, pre-IPO
 - Not wedded to any stock, we set and keep the bar high, eg EXP, SDA
 - Not buy and hold, Prepared to sell stocks in strength, buy in weakness eg APT, LOV
 - Will keep finding new opportunities, e.g. MNF, IFM



MA1 loyalty options and capital management overview

- Taken action to address the stock price discount to NTA
 - Increased communications and moved to weekly NTA disclosure
 - Paying Fully Franked Dividends
 - Off Market Buy Back, On Market Buy Back and SPP
 - Explored conversion to LIT, Explored wind up - Costs are prohibitive
- Primary focus now is to grow the size of the company
 - Issued Loyalty Options (ASX: MA1OA) - \$1.05 exercise price, May 2020
 - Increased size & liquidity will increase pool of potential investors, should reduce discount
 - Increased company size will decrease Expense Ratio
- There is a cyclical element to LIC discounts
 - Average NTA Discounts/Premiums vary over time for Listed Investment Companies as a Sector
 - Today you can buy \$1 of assets for 85c



Q&A

- Questions are now welcome from callers



Disclaimer

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Contact Information to learn more about Monash Investors

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