

Monash Absolute Investment Company Limited

ASX ANNOUNCEMENT

11 October 2019

**Monash Absolute Investment Company Limited (ASX Code: MA1)
Australian Shareholders' Association – LIC Showcase Presentation
(11th, 15th and 17th October 2019)**

Simon Shields from Monash Investors will be presenting on “Achieving absolute returns” to the Australian Shareholders Association LIC Showcase this month. Attached is a copy of his presentation. This event is being held in Sydney, Melbourne and Brisbane.

If you would like to attend and take up an offer of a \$20 discount on the full registration, please use the registration links by location below:

[Sydney](#) – 11th October

[Melbourne](#) – 15th October

[Brisbane](#) – 17th October

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ABSOLUTE RETURN INVESTING

Monash Absolute Investment Company

ASX Code MA1, MA1OA

**Australian Shareholders Association
Listed Investment Company Showcase
October 2019**



Does this make sense to investors?

- Most “active” Australian equity portfolios are close reflections of the indexes they track
- There is too much career risk on the line at every level: consultants, trustees, investment managers
- This makes most portfolio managers tightly constrained by style and small bets around the index
- These funds simply rise and fall with the market
- And are generally fully invested, regardless of growth, value or outlook



Absolute Return Investing requires a different approach

- Ignore the index
- Focus on the payoff (absolute return) for each stock
- Set high hurdles before making an investment
- Take advantage of opportunities for shorting
- Cash is your friend
- Portfolio characteristics are outcomes, not inputs



Over the long term Monash has delivered on its absolute return objectives

10.9% p.a.* return p.a. over 7+ years

1 negative financial year

Lower volatility and beta than the market

Welcome to Absolute Return Investing



* After fee performance since inception for Monash Absolute Investment Fund (July 2012 to September 2019)



We aim to give you access to compelling opportunities vs cheap access to the broad Australian Share market

Top 10	Vanguard ETF (ASX Code: VAS)*	Monash Absolute Investment Company (ASX MA1, MA1OA)
1	Commonwealth Bank	Afterpay Touch
2	CSL Limited	EML Payments
3	BHP Group	Electro Optic Systems
4	Westpac Bank	Lovisa
5	ANZ Bank	Kogan
6	National Australia Bank	Service Stream
7	Woolworths	Telix
8	Wesfarmers	NearMap
9	Telstra	People Infrastructure
10	Macquarie Group	Leigh Creek Energy
Cash	<0.5%	12%

Source: Monash Investors. [Vanguard Australian Shares Index ETF Factsheet – August 2019](#)



Finding compelling opportunities requires judgement based on 50+ years of combined experience

- ① Underestimation of significant change
- ② Analyst reputation management
- ③ Drive by boards to exploit high ROE opportunities in their core business
- ④ Limitations of company guidance
- ⑤ Overlooked signals
- ⑥ Business disruption
- ⑦ Misjudging risk
- ⑧ Corporate motives by brokers
- ⑨ Lack of analyst coverage
- ⑩ Pre-IPO discount



Lovisa (Outlook Long) – Vertically integrated retailer, global rollout



Insight

- Lovisa sells fast fashion jewellery
- Vertical integration protects retail margin
- Store payback 12 months
- Highly systematised
- Global rollout opportunity
- Company to accelerate rollout

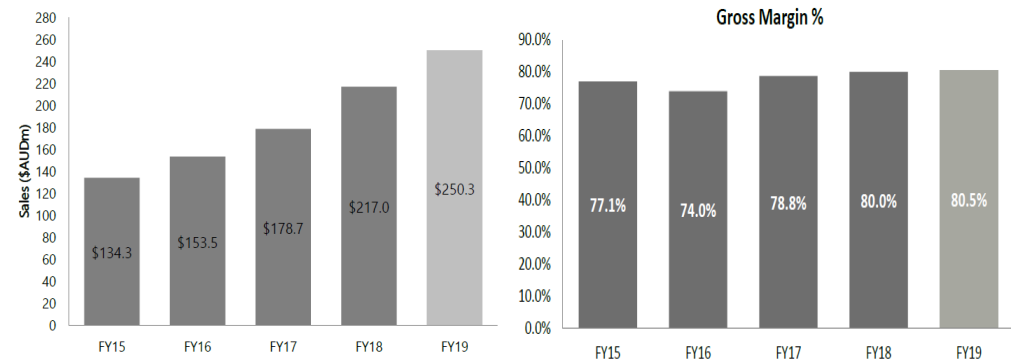
Growth

- 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 23x FY21
- Short term stock price will be driven by near term business performance
- Like for like sales growth picking up this year
- Bought more when price was lower
- We have trimmed position at recent high prices

Total sales up 15.3% from continued global rollout



Source: Company data



Source: Factset



Kogan.com Limited – Australia's largest internet-only retailer



Insight

- Ongoing penetration of on-line into retailing
- Very low cost of doing business (CODB)
- Retailer of private label, third party retailers and commissioned based sales
- New verticals diversify revenue risk and open new growth channels
- 1.6 million customers active in past 12 months
- Uses customer database to increase engagement and roll out new verticals

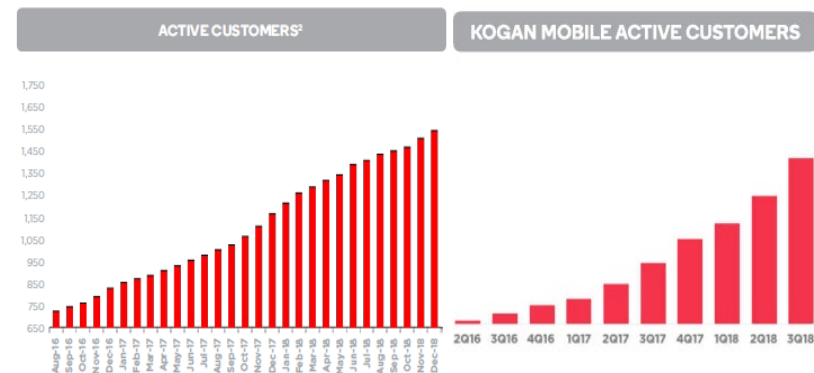
Growth

- We expect sales growth >20%pa growth over next 2-3 years from
 - Organic growth in private label and third party
 - Increase in mobile active customers
 - Significant uplift in Kogan Marketplace active customers
- Revenue mix to shift towards high margin verticals like Mobile and Marketplace

Value

- Our DCF is >90% above current share price, material upside from Kogan Marketplace and Mobile plans
- We trade this stock periodically - short term stock price volatility provides entry/exit opportunities
- Conservative analyst consensus forecasts at 10% pa sales growth

Active customers grew by 23% in FY19



Source: Company data



Source: Factset

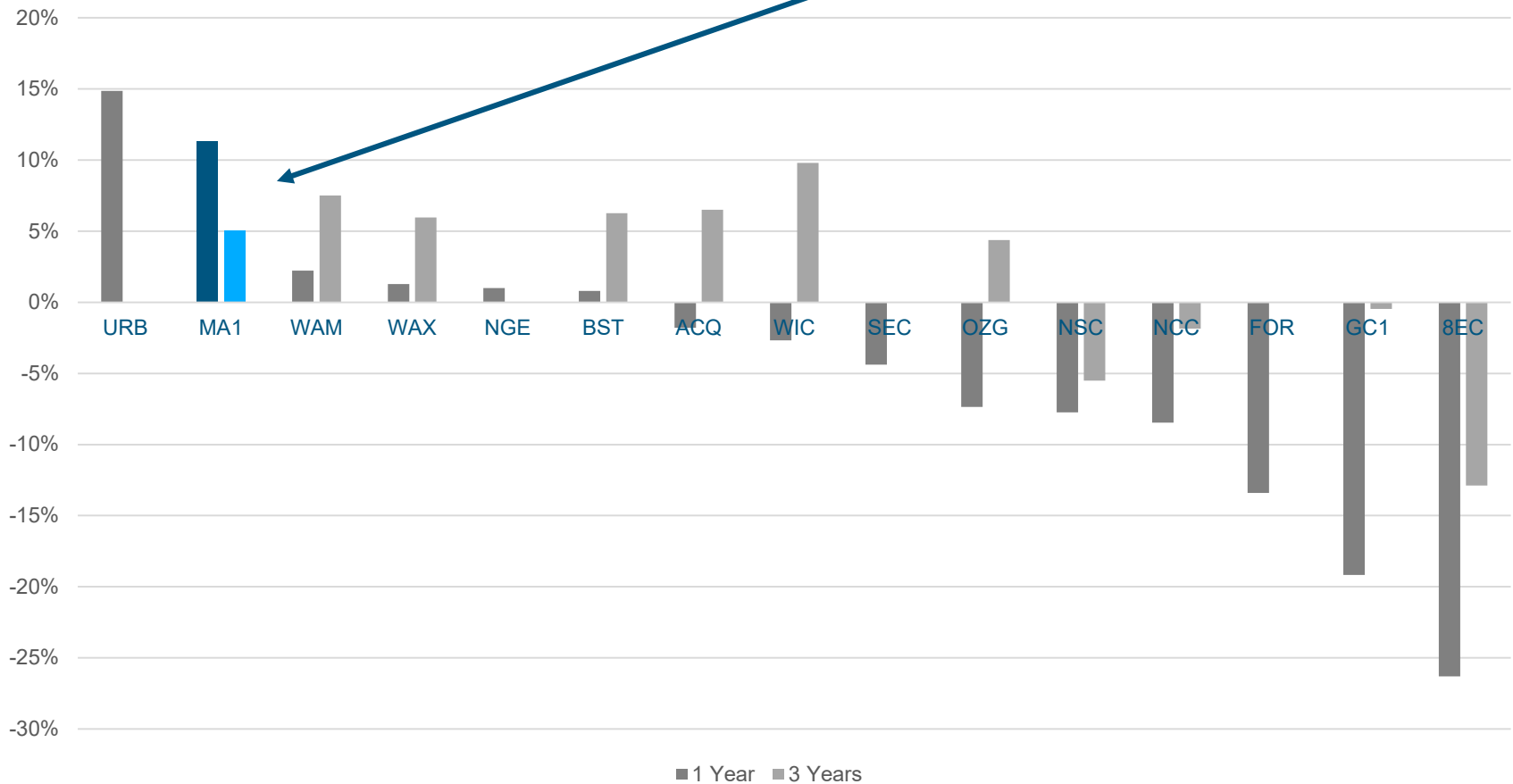


FOCUSING ON COMPELLING OPPORTUNITIES CAN DELIVER FOR INVESTORS



Monash is one of the best performing fund managers in the market versus similar Australian equity LICs

Monash has beaten most peers over the past 12 months and 3 years

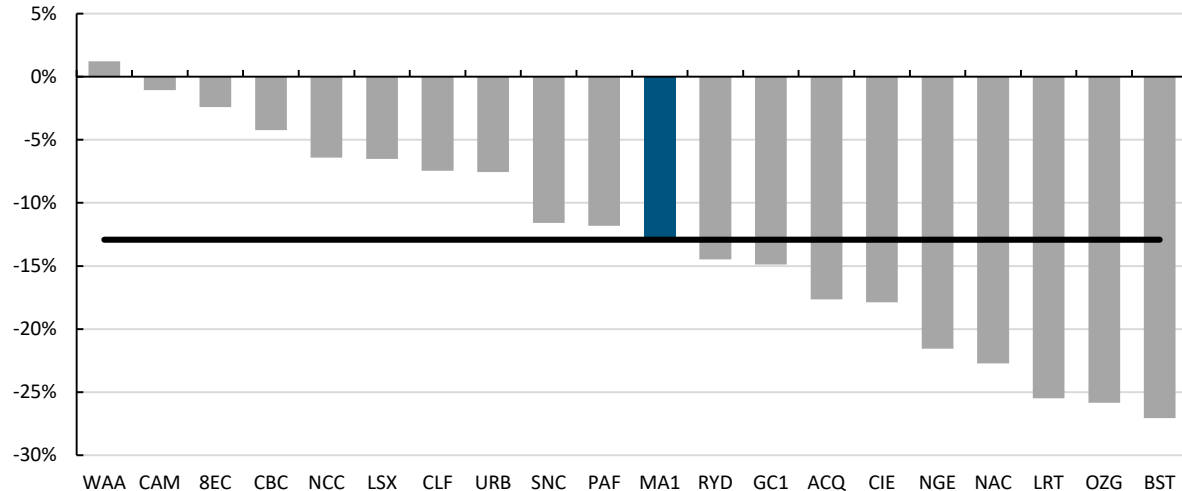


Source: E.L. & C. Baillieu – August 2019

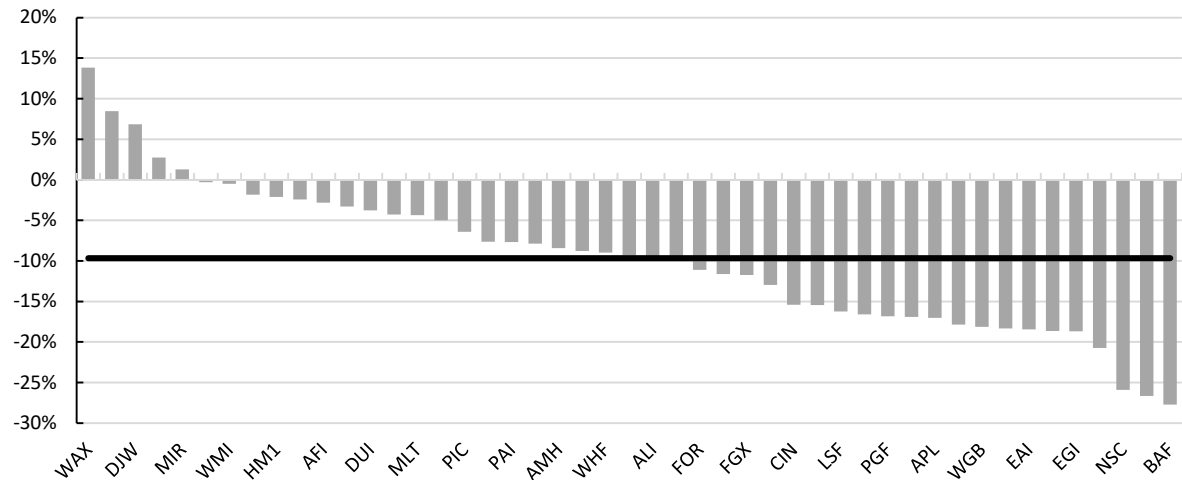


But we continue to trade at a discount – which we have a plan to permanently resolve

LICs < \$100m
Aug-19
Average Discount
-12.9%



LICs > \$100m
Aug-19
Average Discount
-9.7%



Source: EL&C Balillieu – August 2019



An innovative way to remove the discount to NTA and to provide investors with easier access to a great track record

Current Structure Listed Investment Company

- Closed End Fund
- Smaller LIC's often trade at larger discounts
- Can become illiquid

Proposed Structure Exchange Traded Managed Fund

- Can accept applications and redemptions
- Trades at close to NTA every day
- Works like a unit trust but it is listed

ANYONE INVESTING IN MA1 TODAY, COULD GAIN FROM THE CLOSING OF THE DISCOUNT IF THE PROPOSAL IS APPROVED BY ASIC AND SHAREHOLDERS



Wrapping up

- Focusing on absolute returns can deliver for investors
- We have a proven track record over a long period of time
- Subject to approval, we will soon allow investor to buy and sell our strategy at NTA

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We'd love to hear from you!

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