

# Monash Absolute Investment Company Limited

**Monash Absolute Investment Company Limited (ASX: MA1)  
October 2019 End of Month Update**

**5 November 2019**

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. All return calculations include dividends paid.

We estimate that at 31 October 2019 the NTA Pre-Tax was \$1.1348, after payment of a \$0.02 dividend.

## Company Strategy

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

For the month of October, the Pre-Tax NTA was down -1.25% (after fees) compared to the S&P/ASX200 down -0.35% and the Small Ords, which was down -0.50%.

Financial year 2020 has been going well. For the four months since 30 June, the Pre-Tax NTA is up 9.06% (after fees) compared to the S&P/ASX200 up 2.00% and the Small Ords, which was up 2.59%.

## The Good

Despite the gloom around Australian consumer spending, the portfolio benefitted from its holdings of retailers.

**Kogan** (ASX: KGN) rose 12%. It disclosed that compared to last year, its September quarter sales revenue was up 16% and its gross profit was up 28%<sup>1</sup>. This led to upgraded broker earnings forecasts for the full year.

We were particularly pleased to see the strong contribution from Kogan Market Place being a driver of the upgrade, because it was a key reason why we had recently re-purchased the stock.

## Company at a Glance 31 October 2019

ASX Code	MA1, MA1O
Portfolio Size	\$51.4m
Share Price	\$0.96
Shares on Issue	44.3m

## Estimated NTA (unaudited) 31 October 2019

Estimated NTA Pre Tax	\$1.1348
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## Return Estimate to 31 October 2019

	NTA Pre Tax
1 Month	-1.25%
3 Months	4.32%
FYTD	9.06%
CYTD	34.33%
1 Year	22.28%
2 Years p.a.	9.91%
3 Years p.a.	5.83%
Since Inception p.a. (April 2016)	5.56%

## Portfolio Structure 31 October 2019

Outlook Stocks (Long)	19 Positions	74%
Outlook Stocks (Short)	1 Positions	-2%
Event, Pair and Group (Long)	3 Position	12%
Event, Pair and Group (Short)	0 Positions	0%
Cash		17%
TOTAL		100%
Gross Exposure		88%
Net Exposure		83%

For more information about the Company and the strategy, please refer to the Monash Investors website at [www.monashinvestors.com](http://www.monashinvestors.com). You can also [follow us on Livewire here](#) or subscribe to our updates [here](#)

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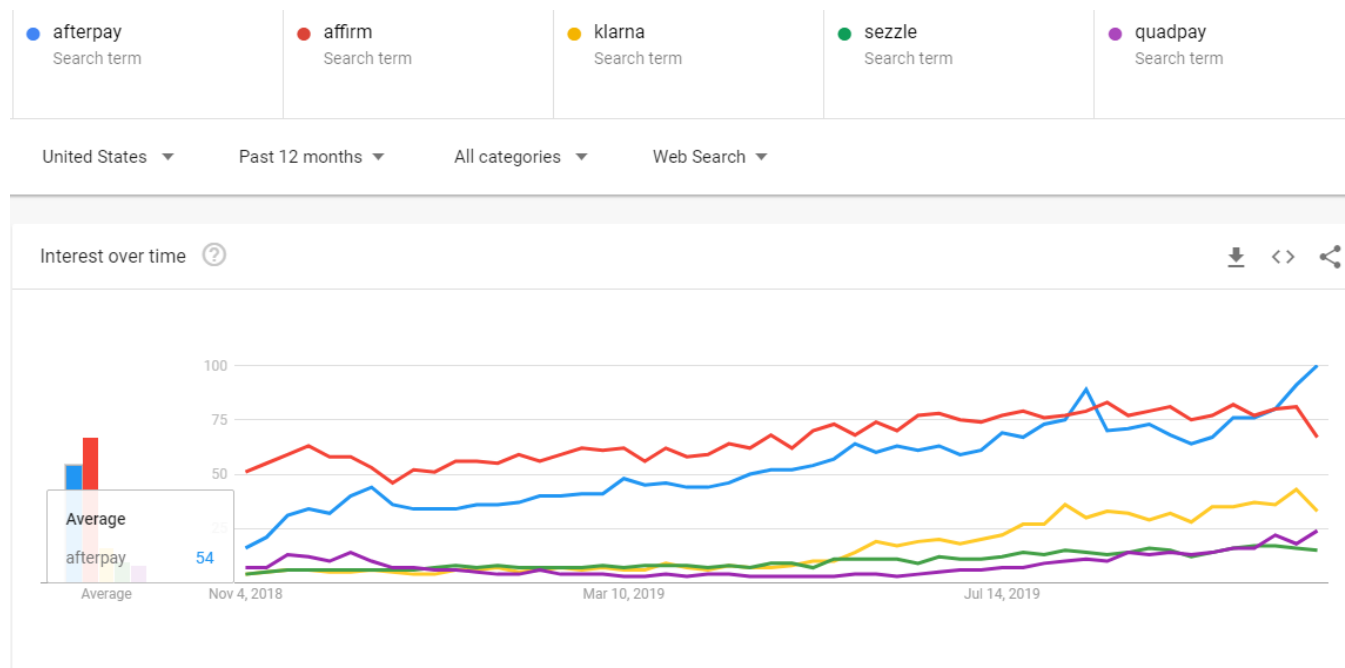
**Lovisa** (ASX: LOV) rose 5%. At its AGM it disclosed that the speed and success of its international store roll out was a bit ahead of market expectations<sup>ii</sup>. There have been 31 net new stores opened so far in FY20 with more than 80 expected over the full year.

### The Bad

On balance, the portfolio had more stocks falling than rising this month, though none of the stocks in the portfolio suffered earnings downgrades.

**AfterPay** (ASX: APT) fell -20%. The closest we came to a specific piece of bad news in the portfolio was regarding the RBA announcing its 2020 review of payments regulation, including surcharging practises in Australia. Having done very well out of Afterpay, we once again cut the portfolio's exposure to it. We cut the weight by a third in October.

However, it will be AfterPay's success in the USA and UK that will ultimately drive the value of the stock, as these markets are so much bigger than Australia. The latest Google Trends chart shows over the last 12 months searches for the term "afterpay" in the USA continue to grow faster than those of its competitors. At this stage the business appears to be replicating the success it has achieved so far Australia.



Source: Google Trends

**Short CIMIC** (ASX: CIM) rose +5%. We were short CIMIC but closed out the position during October. CIM reported results for the first 9 months of FY19 re-iterating full year guidance<sup>iii</sup>. Its operating cashflow conversion which had been deteriorating has now stabilised. We had shorted the company due to its deterioration in cashflow up to this point, having taken the opportunity to do so when the share price was higher.

As a result, the portfolio enjoyed a positive contribution from shorting the position, with a return of +15%.

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## Proposed Restructure of Company into an ETMF

MA1 announced on 8<sup>th</sup> August 2019 its intention to propose the Company be restructured into an ETMF. The proposed restructure will address the large discount to the NTA value at which the MA1 shares have historically traded and provide liquidity.

This proposal will be subject to a number of conditions precedent including shareholder approvals required under the Corporations Act and the ASX Listing Rules, satisfactory resolution of the current ASIC review of the ETMF sector, ASX approval for the new ETMF to be listed and a satisfactory opinion from an Independent Expert in relation to the restructure. If these conditions are not satisfied, the Proposed Restructure will not proceed.

Details of the proposal can be found on the ASX announcements page for the Company and on the Company's website.

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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**) as authorised representatives of Winston Capital Partners Pty Ltd ABN 29 159 382 813, AFSL 469 556 ("Winston Capital") for the provision of general financial product advice in relation to MA1 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](http://www.asx.com.au) for further information.

<sup>i</sup> <https://www.asx.com.au/asxpdf/20191023/pdf/449rv38cs9f905.pdf>

<sup>ii</sup> <https://www.asx.com.au/asxpdf/20191029/pdf/449zswrt0l0lc9.pdf>

<sup>iii</sup> <https://www.asx.com.au/asxpdf/20191023/pdf/449ss6mm5fwc6l.pdf>