

Monash Absolute Investment Company Limited

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

2 January 2020

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 December 2019 the NTA Pre-Tax was \$1.1332.

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 December, the Pre-Tax NTA was down -0.17% (after fees) compared to the S&P/ASX200 down -2.17% and the Small Ords, which was -0.29%.

Financial year 2020 has been going well. For the six months since 30 June, the Pre-Tax NTA is up 8.90% (after fees) compared to the S&P/ASX200 up 3.06% and the Small Ords, which was up 3.89%.

Calendar year 2019 was an outstanding year for returns. The Pre-Tax NTA was up 34.14% (after fees) compared to the S&P/ASX200 up 23.40% and the Small Ords, which was up 21.36%.

During the year the Board of MA1 indicated its intention to propose that the Company restructure into an ETMF. Please refer to our 12 December update¹. This helped reduce the share price discount to NTA. As a result the share price performance of MA1 (including dividends) was very strong. For the financial year to date it is up 27.76%. For the calendar year it was up 45.63%.

Company at a Glance 31 December 2019

ASX Code	MA1, MA1O
Portfolio Size	\$51.4m
Share Price	\$1.02
Shares on Issue	44.3m

Estimated NTA (unaudited) 31 December 2019

Estimated NTA Pre Tax	\$1.1332
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Return Estimate to 31 December 2019

	NTA Pre Tax
1 Month	-0.17%
3 Months	-1.39%
FYTD	8.90%
CYTD	34.14%
1 Year	34.14%
2 Years p.a.	7.33%
3 Years p.a.	7.50%
Since Inception p.a. (April 2016)	5.26%

Portfolio Structure 31 December 2019

Outlook Stocks (Long)	20 Positions	83%
Outlook Stocks (Short)	1 Position	-3%
Event, Pair and Group (Long)	3 Positions	11%
Event, Pair and Group (Short)	0 Positions	0%
Cash		8%
TOTAL		100%
Gross Exposure		97%
Net Exposure		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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Highlights of calendar year 2019 – Six of the portfolio stocks that doubled¹

Lovisa (ASX: LOV) +105%

The global roll out of Lovisa “fast fashion” jewellery stores continues. This will continue to enable double digit earnings growth for many years to come, which will justify a much higher price for LOV in the future. However, we are mindful that there are limits to what price-to-earnings (P/E) the market will pay for a retailer’s near term earnings, so we cut the portfolio weight in October at \$13.80. We bought some of that stock back a month later at \$11.25.

Telix (ASX: TLX) +116%

Telix uses nuclear medicine to image and treat prostate, kidney and brain cancers. It has 8 clinical trials in progress but also has revenue, having delivered 12,000 patient doses in 2019. The good news kept coming for Telix in 2019, and the share price rose. Biotech stock prices are notoriously volatile, so we have trimmed over the year, into strength.

Kogan (ASX: KGN) +127%

Kogan’s low cost business model and clever use of technology have driven its sales and profit growth. But it hasn’t been all plain sailing for the business or the stock, with changes to GST collection around imports and a sell down by management.

The stock began the year at \$3.40 and we sold down holdings in May around \$5.70 as it approached our price target. In August, following its full year result we increased our price target and rebuilt holdings at around \$5.85, as Kogan Market Place began to demonstrate traction and the potential scale of its success became evident. The stock closed the year at \$7.59

Afterpay (ASX: APT) +136%

Such is the impact of Afterpay’s achievement in creating a new form of credit, it is closely scrutinised by regulators and rarely seems to be out of the news. So more often than not, there is something for shareholders to worry about. We sold down the stock around risk events, such as the Senate inquiry and the disclosure of a Reserve Bank of Australia (RBA) review of payment surcharges. We also increased holdings in price weakness, and with the evidence of surging sales in the USA.

Electro Optic Systems (ASX: EOS) +203%

EOS’s near term profit growth is driven by sales of its Remote Weapon Systems. During the year EOS upgraded its guidance a couple of times. It also announced contract wins that will lead to longer term growth.

With analysts raising their FY2020 NPATⁱⁱ forecasts by 80% over the year, the stock price trended up strongly. We had increased our position early in the year, and had to trim it due to the rising price, as the year went on.

EML Payments (ASX: EML) +208%

It was an eventful year for EML with acquisitions, capital raises and significant new contract announcements. Due to conservative guidance EML also surprised positively when announcing results in 2019. Analysts increased their FY21 and FY22 eps estimates steadily over the year and this was reflected in a strong share price. As a result we were consistent sellers of EML over the year to moderate its weight in the portfolio.

¹ Includes dividends

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ⁱ <https://www.asx.com.au/asxpdf/20191212/pdf/44cjndfzw9j4c5.pdf>

ⁱⁱ Net profit After Tax