

Monash Absolute Investment Company Limited

**Monash Absolute Investment Company Limited (ASX: MA1)
January 2020 End of Month Update**

4 February 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 January the NTA Pre-Tax was \$1.1791.

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 January, the Pre-Tax NTA was up 4.06% (after fees) compared to the S&P/ASX200 up 4.98% and the Small Ords, which was up 3.38%.

Financial year 2020 has been going well. For the seven months since 30 June, the Pre-Tax NTA is up 13.31% (after fees) compared to the S&P/ASX200 up 8.20% and the Small Ords, which was up 7.40%.

Over the last year, the portfolio has benefitted from holding companies that are not just growing strongly, but are also meeting or exceeding the market's expectations for their growth.

On the other hand, we have generally avoided companies that have missed their growth expectations.

Heading towards the February reporting season, a number of companies had January "confessions" to make.

While, the portfolio generally avoided the disappointers, and was the beneficiary of good news, we were on the wrong side of one announcement.

Company at a Glance 31 January 2020

ASX Code	MA1, MA1O
Portfolio Size	\$53.9m
Share Price	\$1.02
Shares on Issue	44.3m

Estimated NTA (unaudited) 31 January 2020

Estimated NTA Pre Tax	\$1.1791
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Return Estimate to 31 January 2020

	NTA Pre Tax
1 Month	4.06%
3 Months	3.85%
CYTD	4.06%
FYTD	13.31%
1 Year	30.30%
2 Years p.a.	9.06%
3 Years p.a.	10.45%
Since Inception p.a. (April 2016)	6.24%

Portfolio Structure 31 January 2020

Outlook Stocks (Long)	19 Positions	72%
Outlook Stocks (Short)	2 Positions	-5%
Event, Pair and Group (Long)	3 Positions	11%
Event, Pair and Group (Short)	0 Positions	0%
Cash		22%
TOTAL		100%
Gross Exposure		88%
Net Exposure		78%

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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Winners

Electro Optic Systems (ASX: EOS) +42%

In previous monthly updates, we wrote at length on EOS. Recently, we were so bold as to include it as our contribution to Livewire's series '[One thing investors can't ignore in 2020](#)'. We were the only fund manager to contribute a stock – the others made non-stock specific observations about threats and opportunities in 2020.

EOS has rewarded our confidence early, making two significant announcements in January. The first confirmed the progress of its US businessⁱ, which is entering into a Special Security Arrangement with the US Department of Defence to permit it to undertake classified contracts in the US. The second was the acquisition of a microwave communications business, a step in ultimately migrating EOS's space communications customers to laser broadbandⁱⁱ.

Afterpay (ASX: APT) +32%

Afterpay continues to attract enormous media interest, which is to be expected from a company that has in the last 5 years invented the "Buy Now Pay Later" category, been used by 17% of the Australian purchasing population, has 3 million active customers here, and another 3 million combined in the USA & UK.

Market scepticism is falling away, because Afterpay is continuing to execute successfully on this global opportunity, APT's share price re-rated in January, ahead of its earnings announcement to come in February.

Losers

As noted earlier, it's been unusual for us to be on the wrong side of trading updates over the last year. In January however, we did suffer one, and narrowly avoided another.

Nearmap (ASX: NEA) -33%

NEA sold off hard on a downgradeⁱⁱⁱ. Elevated churn in the US and slowdown in Australia were the key concerns. They also disclosed a number of "one-off" issues – which is common occurrence when a company is looking to make excuses for a poor result, but taken in their stride if things are going well.

Fortunately, we had completely sold out ahead of this announcement. Our sell down was initially triggered by observing a significant rise in the amount of NEA short sold, which we use as an early warning flag. We completed our sell down following additional analysis that reduced our confidence further.

Kogan (ASX: KGN) -32%

While Kogan increased its sales strongly (+16% versus the previous corresponding quarter) and this was a positive surprise, its gross profit didn't keep up (only growing +9%)^{iv}. The market focussed on the sales mix change between high margin third party brands (sales down) and lower margin market place (sales up). Another concern was in the mobile phone division, where sales were weaker than expected. Kogan remains a strongly growing business.

This announcement has been authorised for release by the Board of Monash Absolute Investment Company Limited.

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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 for further information.

ⁱ <https://www.asx.com.au/asxpdf/20200131/pdf/44dph6f8f9gfsd.pdf>

ⁱⁱ <https://www.asx.com.au/asxpdf/20200128/pdf/44dk0v5shctbm0.pdf>

ⁱⁱⁱ <https://www.asx.com.au/asxpdf/20200130/pdf/44dm5mlytgi0q3.pdf>

^{iv} <https://www.asx.com.au/asxpdf/20200120/pdf/44dcmfzpwjkbm5.pdf>