

# Monash Absolute Investment Company Limited

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

**4 May 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 30 April the NTA Pre-Tax was \$1.0373.

## 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 April the Pre-Tax NTA was up 20.27 % (after fees). This compares to the S&P/ASX200 which was up by 8.78%, and the Small Ords, which was up by 14.27%.

This brings the financial year performance for the Pre-Tax NTA to -0.31% (after fees) compared to S&P/ASX200 down by -13.78%, and the Small Ords, which is down by -13.00%.

April saw a strong and rapid rally continuing off the low that occurred on the 23<sup>rd</sup> of March.

Over the two months, the daily moves in the ASX200 have been extreme, with moves greater than 2% occurring on 11 days.

It has been a challenging time to manage portfolios, but our portfolio has come through it better than most, from what we can tell from public unit prices. We have endeavoured to keep you as informed as we can during this time with interim updates and articles.

We are conducting a Zoom Webinar tomorrow 5 May at 12pm (AEST). Please [click here](#) to register.

## Company at a Glance 30 April 2020

ASX Code	MA1, MA1O
Portfolio Size	\$45.98m
Share Price	\$0.895
Shares on Issue	44.3m

## Estimated NTA (unaudited) 30 April 2020

Estimated NTA Pre Tax	\$1.0373
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## Return Estimate to 30 April 2020

	NTA Pre Tax
1 Month	20.27%
3 Months	-11.97%
CYTD	-8.45%
FYTD	-0.31%
1 Year	2.30%
2 Years p.a.	6.85%
3 Years p.a.	7.21%
Since Inception p.a. (April 2016)	2.56%

## Portfolio Structure 30 April 2020

Outlook <sup>1</sup> Stocks (Long)	21 Positions	91%
Outlook Stocks (Short)	1 Position	-2%
Event, Pair and Group (Long)	2 Positions	8%
Event, Pair and Group (Short)	0 Position	0%
Cash		2%
TOTAL		100%
Gross Exposure		102%
Net Exposure		98%

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](#).

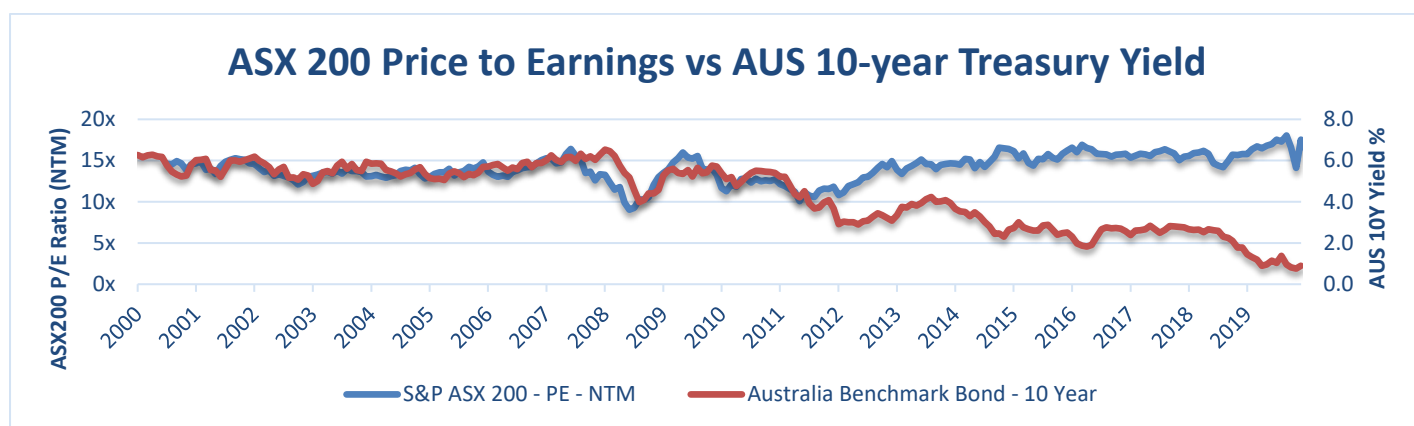
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In February and March 2020, uncertainty around the impacts of COVID-19 was at an all-time high and fear was at its peak. The Western world was only beginning to face the epidemic with exponential infection rates, mounting deaths, shortages in medical staff, equipment and no vaccine or effective treatment measures in sight.

During April, we noted levels of uncertainty falling, allowing markets to price expectations beyond COVID-19 with the worst of the pandemic appearing behind us. Drug company Gilead released promising drug trial results for its Remdesivir drug and we saw positive progress on potential vaccines. Most notably, social distancing coupled with extensive testing and contact tracing has emerged unequivocally as the effective solution to the health care crisis. Unfortunately, this solution comes at significant economic and social disruption and cost. However, this disruption is temporary and central banks and governments have undertaken unprecedented measures to support businesses with liquidity. The productive capacity of the economy has not been permanently destroyed, at the cost of expanded government deficits and debt levels.

In early April, we noticed this decline in uncertainty and accordingly covered the majority of our short positions. In addition, we continued to deploy our cash to purchase high-quality companies with established operations at material discounts (60% or above upside) to intrinsic value. We also rebuilt existing positions. Whilst we expect short-term earnings results to be weak, we look through short-term disruptions and calculate valuations for ourselves on medium-term discounted future cash flows. We believe the market had been too near-term focused. Based on this outlook, we started April with 34% cash, by mid-April we reached close to 100% fully invested.

A common theme many observed in April was that valuations are high relative to long term historical price-to-earnings ("PE") ratios. This is true, compared to the often cited 10-year cyclically adjusted PE ratios. However, as shown in the chart below, interest rates are at record lows, and stock prices must be seen in that context. Given world debt-to-GDP ratios, there is little chance the world's central banks can raise them any time soon without catalysing a catastrophic sell-off and wrecking pensions worldwide. We therefore believe these valuation levels may be with us for some time longer. Interest rates may rise in the future, but only if the economy has improved to such a point that its liquidity is sufficiently robust.



Source: FactSet

Our response in April 2020 benefitted from Monash Investors' benchmark unaware mandate. Being benchmark unaware in times of significant volatility is an advantage. The post Global Financial Crisis recovery had largely been dominated by a period of low volatility. Low volatility generally yielded low-tracking errors amongst benchmark-aware

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funds. This meant that these funds were not forced to buy/sell equities because their tracking error did not exceed their threshold. But in current times of high volatility, tracking errors can easily, and materially, exceed thresholds. Given our benchmark unaware mandate, we were not forced to prematurely sell stocks or lock in short term losses.

Our ability to respond to changes in market signals with agility and better position the portfolio is one of the core advantages of the Monash Investors strategy. As at the end of April, Monash Investors remains bullish, but dynamic. Whilst COVID-19 infection and death rates are improving, resurgence remains a risk we're watching closely. Countries like Singapore have demonstrated that we have to remain vigilant and social distancing protocols may return, extending the period of economic disruption and recovery.

As we demonstrated in February, if the market signals change or uncertainty increases, we will respond accordingly to best align the portfolio for our investors.

Please [click here](#) for a recent interview with Simon Shields (Principal, Monash Investors) on our current market views.

This announcement has been authorised for release to the ASX by the Board of Directors of MA1.

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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> Glossary of terms can be found on the Company's website at [www.monashinvestors.com/glossary/](http://www.monashinvestors.com/glossary/)