

# Monash Absolute Investment Company Limited

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

**2 June 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 May the NTA Pre-Tax was \$1.1620.

## 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 May, the Pre-Tax NTA was up 12.76% (after fees). This compares to the S&P/ASX200 that was up 4.36%, and the Small Ords up 10.59%.

The Pre-Tax NTA has risen by 11.67% (after fees) for the financial year, compared to the S&P/ASX200 which was down by -10.03%, and the Small Ords which was down by -3.80%.

These figures include the effect of the small amount of shareholder dilution in May due to the \$1.05 exercise of the bonus options. The shares on issue increased by about 2.5%. Corresponding amounts of unlisted \$1.15 loyalty options were issued.

During May, listed company share prices continued to normalise somewhat as uncertainty around COVID-19 impacts reduced. A number of companies surprised the market with the strength of their sales, which further benefitted the portfolio.

We are conducting a Webinar on Thursday 11 June at 11am (AEST). Please [click here](#) to register.

## Company at a Glance 31 May 2020

ASX Code	MA1, MA1O
Portfolio Size	\$52.12m
Share Price	\$1.04
Shares on Issue	44.8m

## Estimated NTA (unaudited) 31 May 2020

Estimated NTA Pre Tax	\$1.1620
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## Return Estimate to 31 May 2020

	NTA Pre Tax
1 Month	12.76%
3 Months	10.85%
CYTD	2.55%
FYTD	11.67%
1 Year	12.85%
2 Years p.a.	10.78%
3 Years p.a.	11.69%
Since Inception p.a. (April 2016)	5.36%

## Portfolio Structure 31 May 2020

Outlook <sup>1</sup> Stocks (Long)	22 Positions	84%
Outlook Stocks (Short)	1 Position	-2%
Event, Pair and Group (Long)	2 Positions	8%
Event, Pair and Group (Short)	0 Position	0%
Cash		9%
TOTAL		100%
Gross Exposure		94%
Net Exposure		91%

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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There were some large moves in stock prices again in May. So much so that 6 stocks contributed more than 1% each to the portfolio return. The top three of these are discussed below.

We usually find that portfolio activity correlates with strong performance, and this was once again the situation in May.

As many stocks got closer to our price targets, we started to do some selling to keep stock weights under control, reduce some absolute weights, or even sell out completely. However, we found new stocks to add, or added to some existing stocks. The net result was that our cash weight rose from 2% to 9%.

### **AfterPay** (ASX: APT) +52%

Afterpay was boosted by two announcements this month. First, the Hong Kong listed internet-based business Tencent Holdings bought APT shares on market to become a substantial shareholder<sup>1</sup>. This provided a strong endorsement from industry at a time when many in the market were voicing concerns about AfterPay's outlook and valuation. Second, APT positively surprised the market, by reaching 5m active customers in the USA<sup>2</sup>, a 30-40% increase in the weekly run rate from January and February.

We took the opportunity to cut our weight back by about 2% after each of those announcements but it still remains one of our largest holdings.

### **Kogan** (ASX: KGN) +41%

We had sold out of Kogan in late February on COVID-19 concerns about its supply chain. The stock subsequently fell and rebounded. These concerns kept us out of the stock until mid April, even though we were quite confident about how strong its sales were during the lockdown, and its acceleration in on-line sales penetration. Once it was clear to us there supply chain issues were limited we bought back into the stock.

A week after we rebuilt our position it had a positive business update and the stock price continued run. It ran all the way through May too and we started to take profits. In late May the stock reached our price target and we sold out, having made about 50% on our April entry price.

### **EML Payments** (ASX: EML) +30%

EML was also a stock that we had sold down somewhat in February, following which the share price collapsed, reaching its low point not long after EML withdrew guidance, as did many firms. This was despite it stating at the time that business trends remained favourable.

With EML however, we managed to rebuild our position close to that low point, in mid March. A strong rally started soon after when EML announced a renegotiated outcome for its PFS acquisition<sup>3</sup>, resulting in a strong capital position. A further business update later in May was well received by the market<sup>4</sup>. We sold a modest amount in May, to control our portfolio weight.

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<sup>1</sup> <https://www.asx.com.au/asxpdf/20200501/pdf/44hhl29jmt6b50.pdf>

<sup>2</sup> <https://www.asx.com.au/asxpdf/20200521/pdf/44hzy5fythncd2.pdf>

<sup>3</sup> <https://www.asx.com.au/asxpdf/20200401/pdf/44glxf8yp4drqb.pdf>

<sup>4</sup> <https://www.asx.com.au/asxpdf/20200522/pdf/44j1fg9s1w50g4.pdf>

## Monash Absolute Investment Company Limited

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.

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