

## Monash Absolute Investment Company Limited

11 June 2020

**Monash Absolute Investment Company Limited (ASX Code: MA1)**

**Webinar Presentation – Monash Investors Investment Performance Update**

We look forward to you joining us today in our webinar hosted by Monash Investors. The details are provided below. A copy of the presentation is attached.

During the webinar Simon Shields and Shane Fitzgerald from Monash Investors will cover the following topics,

1. Update on performance through April and May
2. Update on key changes to the portfolio
3. New stock case study : Jumbo Interactive
4. Outlook on key positions and markets

To register for the webinar, please register at this [link](#)

**Date:** Thursday 11<sup>th</sup> June 2020

**Time:** 11.00am (NSW, ACT, VIC, TAS, QLD)  
10.30am (SA, NT)  
9.00am (WA)

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

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](#)

# **Invest With Confidence**

## **Monash Investors**

**The Monash Absolute Investment Fund (MAIF)**  
**The Monash Absolute Investment Company Ltd (MA1)**

June 2020



# Agenda

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1. Presenters
2. About Monash Investors
3. MA1 Restructure Update
4. Performance Overview
5. Market Crash and Recovery
6. Recent Portfolio Activity
7. Top Stock Positions
8. Stock Example – Jumbo Interactive
9. Q & A
10. Appendix MA1 Restructure Details



# Presenters



## **Simon Shields CFA, B.Comm (Hons), LLB, MBA**

- One of Australia's leading fund managers
  - Former Head of Equities at UBS Asset Management and Colonial First State
- Member of / led multi-award winning equity teams across different investment styles
  - Monash Investors 8 years – Style Agnostic
  - UBS 5 years – DCF Style
  - Colonial First State 9 years – Growth Style
  - Rothschild/Westpac 9 years – Value Style



## **Shane Fitzgerald B.Comm (Hons)**

- Highly rated equity analyst
  - 26 years an equity analyst, including
  - 14 years sell side experience
  - Former Head of JPMorgan Insurance and Diversified Financial Research
  - Former member of the multi award winning JPMorgan Research Team
- Broad experience
  - “Sell side” 14 years JPMorgan
  - “Buy side” 4 years UBS
  - 8 years Monash Investors



# About Monash Investors

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- Founded in 2012
- Portfolio managers own the firm and have large holdings in the strategy
- Absolute return focus: active - benchmark unaware - stock size agnostic
- Provides an investment strategy that investors can't implement for themselves
  - Differentiated investment philosophy
  - Proprietary fundamental stock research
  - Sophisticated DCF modelling
  - Long and Short
  - Highly Active
- Two ways to invest
  - Monash Absolute Investment Fund, APIR: MON0001AU
  - Monash Absolute Investment Company, ASX: MA1



# Restructure of MA1

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We have now signed the implementation deed

- Expect the Notice of Meeting issued to shareholders by 31 July 2020
- Expect the Restructure completed by 30 September 2020
- Confident conditions precedent will be met

The restructure will in effect

- Delist the Listed Investment Company (LIC)
- Replace it with a Listed Unit Trust (ETMF)

Benefits

- Eliminates the price discount to NTA
- Allows liquidity as needed
- Provides a distribution yield
  - **We are moving to provide investors with an income distribution of 1.5% per quarter (capital and income)**



# Monash Absolute Investment Fund (Managed Fund)

## Strong absolute and relative track record

### Returns (After Fees) to 31 May 2020



	Monash Fund	Average Cash Held	Peer Rank	ASX200	Small Ords
<b>1 Month</b>	13.7%	4%	3 / 13	4.4%	10.6%
<b>3 Months</b>	9.7%	21%	2 / 13	-9.9%	-1.9%
<b>1 Year</b>	12.5%	15%	1 / 13	-6.7%	-2.9%
<b>2 Years pa</b>	11.1%	17%	1 / 13	1.8%	-0.5%
<b>3 Years pa</b>	11.9%	19%	1 / 13	4.4%	7.5%
<b>5 Years pa</b>	6.9%	20%	1 / 12	4.23%	6.6%
<b>7 Years pa</b>	8.8%	19%	4 / 10	6.77%	6.7%
<b>MAIF Inception pa</b> <small>From 2 July 2012</small>	10.0%	22%		9.0%	6.1%

#### Sources

MAIF : Monthly Performance Report & Unit Prices [www.monashinvestors.com](http://www.monashinvestors.com) MA1: Announcements [www.asx.com.au](http://www.asx.com.au)  
 ASX Indices: S&P Dow Jones Indices Peers: Winston Capital - Comparable Absolute Return Funds



# Monash Absolute Investment Company (ASX : MA1) returns have rebounded after the initial drawdown post IPO

## Returns (After Fees) to 31 May 2020



	Monash Company NTA	MA1 Share Price	ASX200	Small Ords
1 Month	12.76%	16.20%	4.4%	10.6%
3 Months	10.85%	14.29%	-9.9%	-1.9%
1 Year	12.85%	30.27%	-6.7%	-2.9%
2 Years pa	10.78%	13.80%	1.8%	-0.5%
3 Years pa	11.68%	11.28%	4.4%	7.5%
MA1 Inception pa From 12 April 2016	5.36%	1.76%	7.98%	8.42%

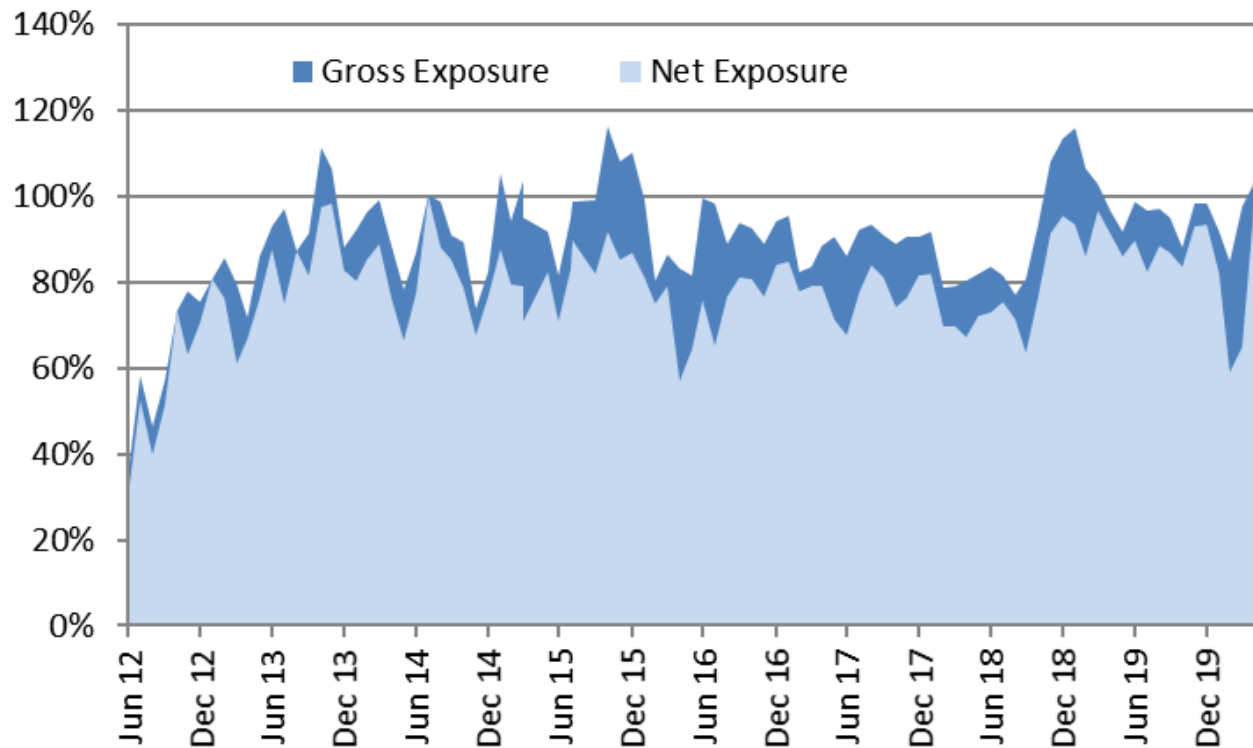
### Sources

MAIF : Monthly Performance Report & Unit Prices [www.monashinvestors.com](http://www.monashinvestors.com) MA1: Announcements [www.asx.com.au](http://www.asx.com.au)  
ASX Indices: S&P Dow Jones Indices Peers: Winston Capital - Comparable Absolute Return Funds



# Returns not generated through leverage

Gross/Net Exposure



# Crash and Recovery: Revisiting our view

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## Investing is challenging

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- The market incorporates future expectations very quickly, often leaving little time to react
- The future is always uncertain, and never more so when there is a crisis, making it even harder to act promptly when needed most
- The temptation is always to wait for more information. By then it is usually too late
- We look to recurring business situations and patterns of behaviour to assist our decision making
- We strive to maintain objectivity and anticipate likely outcomes, without succumbing to extremes of optimism, pessimism, fear or greed

## Low interest rates are positive for stocks

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Long term downward pressure on interest rates

- Technology Deflation
- Demographics
- Dovish Central Banks

The value of the equity market is underpinned by low interest rates

- These make it look cheap
- Cash yields are negligible
- Bond yields are very low
- Equity earnings yields are higher than these and grow over time

Picking the equity winners matters (as does, avoiding the losers).

## COVID-19 has created an opportunity rich environment

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The value of a company is the discounted cash flow of its earnings over time

The market is currently suffering a behavioural “double whammy”

- Earnings forecasts have fallen
- Price discounts for uncertainty have increased

But over the coming quarters

- Future earnings forecasts will be more normal
- Uncertainty will have reduced



# Crash and Recovery:

## Over the decade, equity prices increased

S&P/ASX 200 Price Index from Base of 100



# Crash and Recovery:

## Over the decade as bond yields fell, equity prices (P/Es) rose

ASX 200 2yr forward P/E vs AUS 10yr Treasury Yield



# Revisiting our recent activity

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## January                      **ASX200 rose 5%**

- Stocks hitting our price targets
  - Cash increased from 8% to 20%

## February                      **ASX200 fell 8%**

- Late Feb - CDC view that global pandemic likely
  - Cash increased to 40%                      -- Sold/shorted airlines, travel agents, casinos
  - Sold businesses with logistics chains into China

## March                              **ASX200 fell 21%**

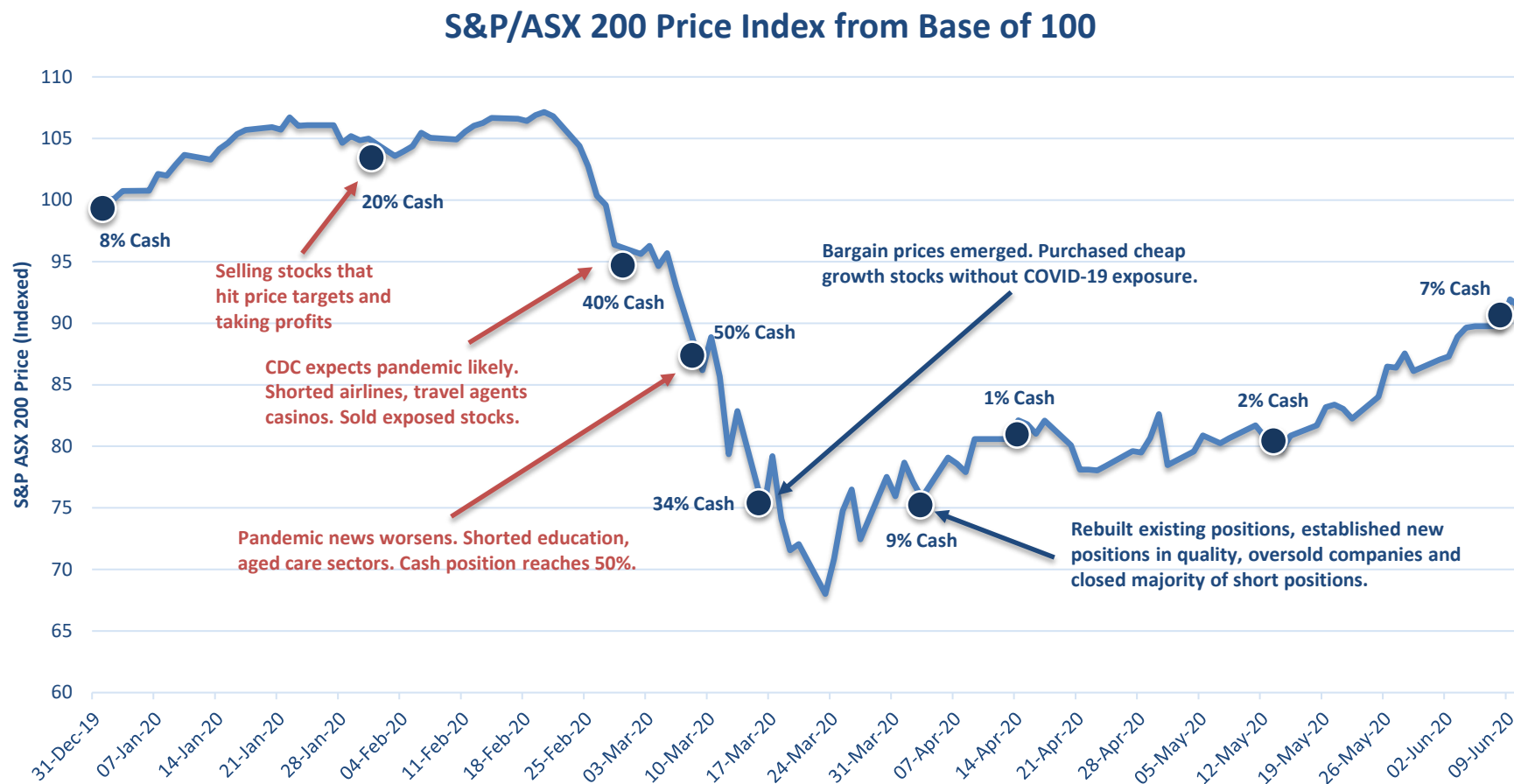
- Early March – bad news continued to build, markets didn't react much
  - Increased Cash weight to 50%                      -- Shorted education and aged care
- Mid March – ASX200 had fallen 18%, started to see bargains
  - Decreased cash to 34%                      -- At its worst ASX200 was down 29%
  - Purchased cheap growth stocks without exposure to COVID-19

## April                                **ASX200 rose 9%**

- Market had been too near-term focussed, stock price recovery continued
  - Decreased cash to 2%                      -- Rebuilt existing positions and closed shorts
  - Established new positions in cheap growth companies



# Sell High / Buy Low – How our cash weight changed this year



## Sales

Following big share price rises:

- Selling outperformers
  - Trimmed our largest holdings.
  - Halved weight in AfterPay
  - Exited Kogan
- Reduced Service Stream on a profit downgrade

## Purchases

Following big share price falls:

- Bought oversold COVID-19 impacted stocks
  - Added travel stocks Webjet (later exited) and Qantas
  - Added apparel and adventure retailer Kathmandu
  - Closed out shorts in Flight Centre and G8 Education
- Topped up some stocks we had previously cut on COVID-19 concerns
  - Nearmap, Lovisa

Cash weight rose from 2% to 7% over the month



# Top Holdings as at 31 May 2020

Stock	Code	Business Description	Sector
Electro Optic Systems	EOS	Laser Based Tracking Applications	Aerospace & Defence
EML Payments	EML	Gift Cards and Specialty Transactions	Financial/Rental/Leasing
People Infrastructure	PPE	Workforce Management	Personnel Services
Healthia	HLA	Physiotherapy and Podiatry Clinics	Medical/Nursing Services
AfterPay Touch	APT	Pay Later Retail Payments	Info Technology Services
Lovisa	LOV	Jewellery Retailing	Specialty Stores
Nanosonics	NAN	Medical Device Disinfection Products	Medical Specialties
Kathmandu	KMD	Travel and Adventure Clothing	Apparel Retail
Altium	ALU	Subscription Based Printed Circuit Board Design Software	Packaged Software
Telix	TLX	Nuclear Medicine for Cancer	Biotechnology
Jumbo Interactive	JIN	Online Lotteries	Casino/Gaming
Total Weight	60.0%		



# Jumbo Interactive – riding the shift to online playing



## Growth

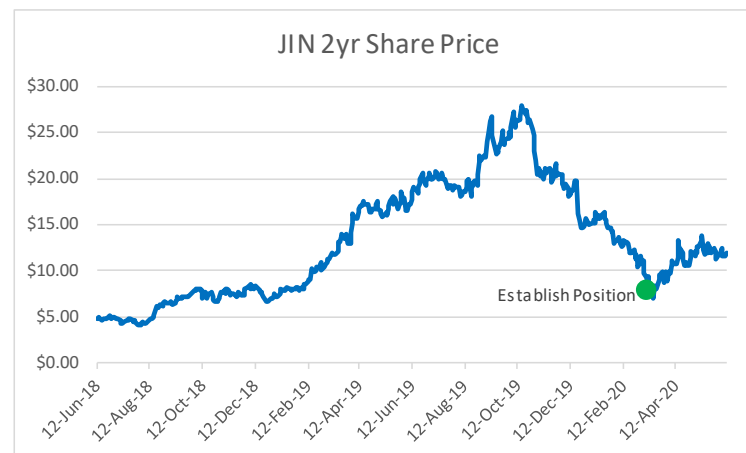
- The shift to online playing of lotteries was already gaining significant traction – COVID-19 will accelerate this trend
- The “Powered by Jumbo” is expected to get a big increase in growth as charities realise that, due to COVID-19, having an online presence for ticket sales is a necessity

## Insight

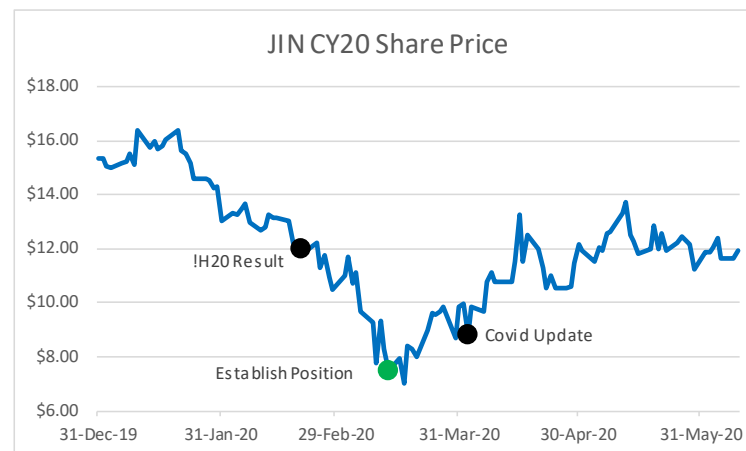
- We have watched JIN for years but felt that the share price was trading ahead of itself
- The unwarranted collapse of the share price due to COVID-19 provided an opportunity
- JIN will be a major beneficiary of the shift in online we are now seeing across the economy

## Value

- Our DCF is >60% above current share price
- This is based on very conservative assumptions regarding “Powered by Jumbo”
- Having previously invested in the business for growth, scope for upside operating leverage is also likely



Source: Factset



Source: Factset



## You can follow Monash below

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- [www.monashinvestors.com](http://www.monashinvestors.com)
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# Questions

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- Q & A with Simon Shields and Shane Fitzgerald



# Appendix: MA1 Restructure

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## **Our objectives are simple**

1. Provide access to a strategy that is unique and with excellent long term performance
2. Do so without the persistent discount to NTA
3. Make it easy to buy /sell additional units
4. Provide regular income to investors

**“Invest with confidence”**



# Restructure of MA1 into an ETMF – Steps to Implementation

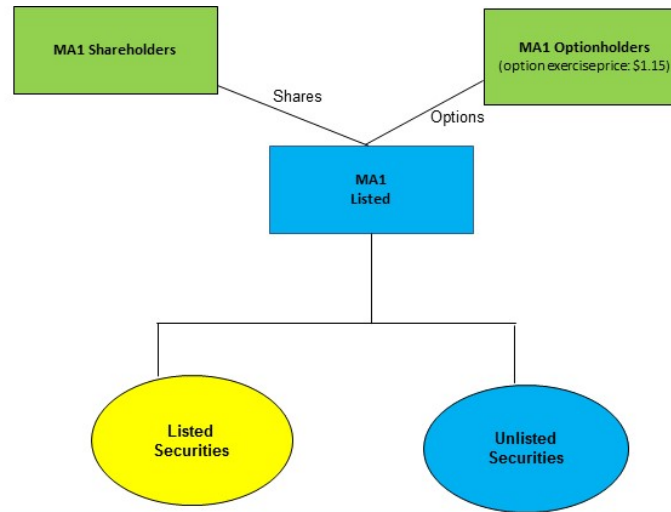
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- Execution of the Implementation Agreement between the Company and the Responsible Entity, The Trust Company (RE Services) Limited (“Perpetual”) was announced on 5 May 2020
- Under the implementation agreement, the Company and Perpetual agreed to propose and implement the transaction to restructure the Company into an ETMF.
- Notice of meeting to the shareholders will be despatched once all regulatory approvals (ASIC and ASX listing rules), investment management agreement is in place, execution of a subscription agreement and a satisfactory tax opinion and Independent Experts advice on the restructure is obtained.
- The shareholders meeting will be held and once approved advise ASX and make an announcement on key dates going forward including effective date for return of capital and the in-specie distribution of units.
- MA1 will be delisted from the Official Listing of the ASX and the ETMF will be listed on the Official List of the ASX
- The details on the proposed restructure and the benefits are set out in our [ASX announcement on 8 August 2019](#).

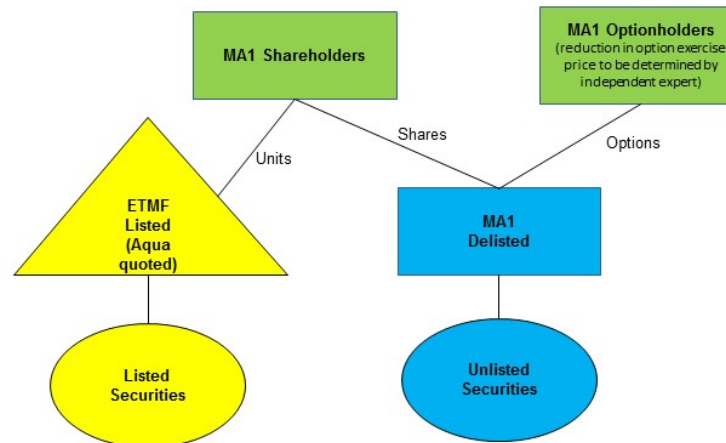


# MA1 Proposed Restructure into an ETMF – Structure Diagram

BEFORE



AFTER



# Disclaimer

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The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 ("Perpetual") is responsible entity of, and issuer of units in, the Fund. The inception date of the Fund is 2nd July 2012.

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