

**Monash Absolute Investment Company Limited (ASX: MA1)
 October 2020 End of Month Update**
3 November 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 ("NTA") 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 October the NTA Pre-Tax was \$1.2258.

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.

AGM this week

Our AGM is being held at 11am (AEDT) on Thursday 5 November, Online via the Lumi App or <https://web.lumiagm.com/338806048>.

Will we be providing an update on the reconstruction to an ETMF. While the process is well underway, we also welcome our new director Paul Jensen, as an additional resource with expertise in this area.

Monthly Commentary

For the month of October, the Pre-Tax NTA fell -0.11% (after fees). This compares to the S&P/ASX200 that was up 1.93%, and the Small Ords up 0.46%.

Despite a flat month, our returns so far this financial year have been good. Since 30 June, the Pre-Tax NTA is up 11.91%. This compares to the S&P/ASX200 that was up 1.48%, and the Small Ords up 6.15%.

Some of our stocks have done particularly well at times in this volatile market, which has led to a number recently having their weight trimmed or even exited. There were also a couple we exited due to "Sign Post" misses.

Company at a Glance 31 October 2020

ASX Code	MA1, MA1O
Portfolio Size	\$ 56.4M
Share Price	\$1.16
Shares on Issue	44.85m

Estimated NTA (unaudited) 31 October 2020

Estimated NTA Pre Tax	\$1.2258
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Return Estimate to 31 October 2020

	NTA Pre Tax
1 Month	-0.11%
3 Months	10.12%
CYTD	9.06%
FYTD	11.91%
1 Year	8.85%
2 Years p.a.	15.40%
3 Years p.a.	9.57%
Since Inception p.a. (April 2016)	6.28%

Portfolio Structure 31 October 2020

Outlook ¹ Stocks (Long)	15 Positions	68%
Outlook Stocks (Short)	No Positions	0%
Event, Pair and Group (Long)	5 Positions	17%
Event, Pair and Group (Short)	1 Position	-2%
Cash		17%
TOTAL		100%
Gross Exposure		87%
Net Exposure		83%

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](#)



While there have been opportunities to add to holdings, the net effect was an increase in the cash weight from 5% to 17%. As a result, the number of “Outlook Stocks” in the portfolio fell from 18 to 15.

For example, we had last purchased Afterpay Ltd (ASX: APT) in September. At that time, we had increased its weight from 4.5% to 7% at an average price of \$77. Now APT is a stock that is rarely out of the news. During the month, it had three announcements¹:

- AUSTRAC was to take no action following its audit
- APT is working with Westpac to start offering savings accounts and cash flow tools
- Business update

All three of these were positive, and the stock share price rose towards (but didn’t reach) our price target. We took the opportunity to cut our APT weight back to 4%, which at \$100 (our average selling price) had grown to an 8.5% weight. It is not that we don’t like Afterpay as a business, or that we don’t think it’s still somewhat cheap. It’s just that it now has less than 60% upside to our price target.

On the other hand, during the month Kogan.com Ltd (ASX: KGN) got quite close to our price target and we exited completely. Kogan had previously re-entered the portfolio with a 5% weight at \$17.80 in August. Kogan had no significant announcements during October but its share price ran, and it had grown to a 6.5% holding. We took the opportunity to sell out at an average price of \$23 per share.

During the month the portfolio took some hits too, here are the top three detractors.

Jumbo Interactive Limited (ASX: JIN) fell -13%. Jumbo’s revenue benefits from customers chasing jackpot prize pools. This quarter there have been a comparatively low number of just 8 jackpots (OzLotto/Powerball draws with A\$15m+ Div 1 prize) vs 13 in the previous corresponding period². Whilst it is a comparatively lower number of jackpots, this is within historic ranges as jackpot numbers rise and fall cyclically. We expect the JIN share price will recover strongly as the frequency of jackpots picks up.

Lovisa Holdings Ltd (ASX: LOV) fell 9%. Lovisa had a trading update in October³. Same store sales growth is improving however it is well behind the recovery rate of most ASX listed retailers, reflecting the reality that there are currently less women dressing up and going out to work or socialise, due to COVID-19. The proposed second lock-downs in France and the United Kingdom also placed some pressure on the share price during this period.

Uniti Group Limited (ASX: UWL) fell 17%. UWL is engaged in a takeover battle for Opticomm (ASX: OPC) and has had to increase its offer to match a competing bid⁴. Our price target for UWL is driven by its organic growth, but its price jumped when it first made the move to take-over OPC. While it claims the EPS accretion due to the takeover would still be greater than 10% at the most recent bid, it’s no longer as good a deal as it would have been. Accordingly the share price has softened to reflect a less accretive, but still attractive acquisition price for OPC.

¹ <https://www2.asx.com.au/markets/company/apt>

² https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02301317-2A1259877?access_token=83ff96335c2d45a094df02a206a39ff4

³ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02295862-3A553016?access_token=83ff96335c2d45a094df02a206a39ff4

⁴ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02297341-2A1258092?access_token=83ff96335c2d45a094df02a206a39ff4

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 for further information.

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Independent Investment Research (IIR) has awarded a Recommended rating for the Monash Absolute Investment Company Limited (ASX: MA1). To access the IRR report, please refer to our website at www.monashinvestors.com or [click here](#)

ⁱ Glossary of terms can be found on the Company's website at www.monashinvestors.com/glossary/