

Aug-15 **0.22 %**  
Latest 12 Months **3.25 %**

### Key Points:

□ Boutique Manager launched in July 2012 by Simon Shields, former Head of Equities at UBS & Colonial First State, and Shane Fitzgerald, previously JPMorgan's Head of Insurance & Diversified Financial Research.

□ The Fund employs a long biased, equity long/short strategy which is style agnostic, absolute return focused, and aims to invest in compelling opportunities that have a specific profit opportunity. The Fund can also short, use derivatives and move to cash to protect investors' capital.

□ The Fund's return since inception has been broadly in line with the ASX200 but with better performance in negative markets and lower volatility, leading to higher Sharpe and Sortino ratios than the ASX200 Accumulation Index.

□ In February 2015, Monash Investors recruited a Chief Operating Officer with 25 years' experience in financial services to transition the Fund from wholesale to a retail investor base, with a PDS issued on August 3<sup>rd</sup>, 2015.

### Management Company Overview:

Monash Investors is a Sydney-based "boutique" fund manager established in May 2012 by two experienced and senior joint CIO's, Simon Shields and Shane Fitzgerald, each of whom had over 20 years' experience in financial markets. Prior to establishing Monash Investors Simon Shields was one of Australia's leading fund managers including five years at UBS Global Asset Management as Head of Equities. Prior to this he spent nine years at Colonial First State, also as head of equities, which followed a period of eight years with Rothschild and Westpac (BT Investment Management). His experience at these major institutional managers covered a range of long only investment styles including Value (Rothschild, Westpac), Growth (Colonial) and Discounted Cash Flow (UBS).

Shields has a B.Comm, a law degree (UNSW) and an MBA (Deakin). In his previous role at UBS the Australian Share Fund which he managed was awarded "Best of the Best" fund by Money Magazine in 2012.

Shane Fitzgerald, who has a B.Comm. (Hons), spent the previous 20 years as an equity analyst, including fourteen years "sell side" experience with JP Morgan where he was Head of Insurance and Diversified Financial Research, and four years "buy side" experience working with Shields at UBS.

Shields and Fitzgerald own 80% of Monash, with the balance held by two minority shareholders, UBS Global Asset Management (Australia) Pty Ltd, and Allan Moss. Shields and Fitzgerald are also significant investors in the Fund on the same terms as other unit holders.

### Investment Approach

Shields' and Fitzgerald's motivations for leaving the security of their previous positions at large institutions to launch Monash are integral to the Fund's investment strategy: Firstly, they wanted to control their own destiny and make decisions away

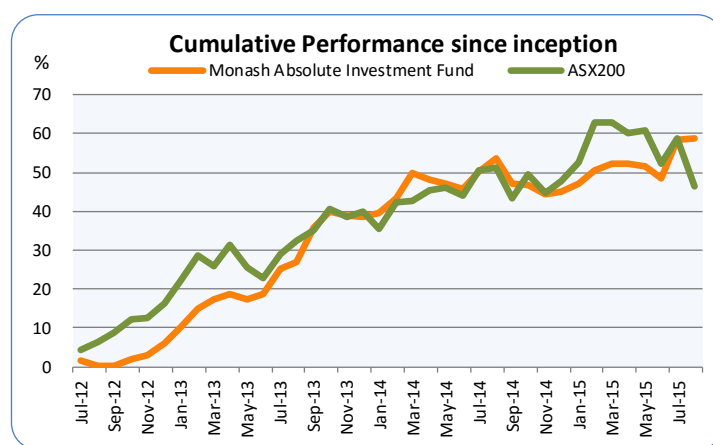


Key Performance Statistics	Monash	Index*
Aug-15	0.22	-7.79
Annualised Return	15.71	12.83
Latest 3 Months	4.80	-8.84
Latest 6 Months	5.35	-10.09
Latest 12 Months	3.25	-3.16
Latest 24 Months p.a.	11.84	5.26
Latest 36 Months p.a.	16.54	11.22
Latest 60 Months p.a.	0.00	8.15
% Positive Months	63.16	68.42
Best Month	7.08	6.89
Worst Month	-4.31	-7.79
Largest Drawdown	-6.13	-10.09
Average +ve Return	2.60	3.04
Average -ve Return	-1.15	-3.20
Annualised Standard Deviation	8.27	12.03
Downside Deviation (Since Inception)	3.47	7.76
Sharpe Ratio (Since Inception)	1.50	0.86
Sortino Ratio	3.48	1.23

\*Index is ASX200 Total Return adjusted since Fund's Inception

from their previous corporate environments.

Secondly they believed that long-only funds were no longer at the cutting edge of the industry, with absolute return strategies providing flexibility to adjust investment styles to suit changes to the underlying market. From an investment perspective they also saw the ability to invest with true conviction; to short if necessary; to invest in pre IPO's; and without the limitations of being fully invested, as a more attractive approach. Both also viewed the inability to take advantage of offshore opportunities in a risk controlled manner as limiting. In addition the size of



Performance - Net of Fees (%)														Monash Absolute Investment Fund
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2015	1.50	2.30	1.08	0.00	-0.55	-1.90	6.60	0.22	-	-	-	-	9.39%	
2014	0.80	2.62	4.71	-1.27	-0.50	-1.01	3.06	2.30	-4.31	-0.30	-1.61	0.55	4.81%	
2013	3.90	4.39	2.00	1.13	-1.10	1.05	5.57	1.40	7.08	2.96	-0.58	-0.47	30.58%	
2012	-	-	-	-	-	-	1.46	-1.15	-0.20	1.81	1.09	2.91	6.01%	

most long-only funds, along with liquidity requirements, had led to most capital flowing into large cap stocks rather than the compelling investments which were available in smaller companies, or to funds with greater flexibility.

The pair also felt that while it was possible for benchmark aware long only funds to out-perform a market index, significant efforts went into looking for marginal returns, with an inability to protect capital in negative markets. They therefore saw a need to run a benchmark unaware fund in order to reliably grow investor wealth.

### Investment Strategy

The Fund's investment strategy is a natural progression of their approach and is best described as long biased, equity long-short, with a strong focus on absolute returns rather than relative to an index or the market.

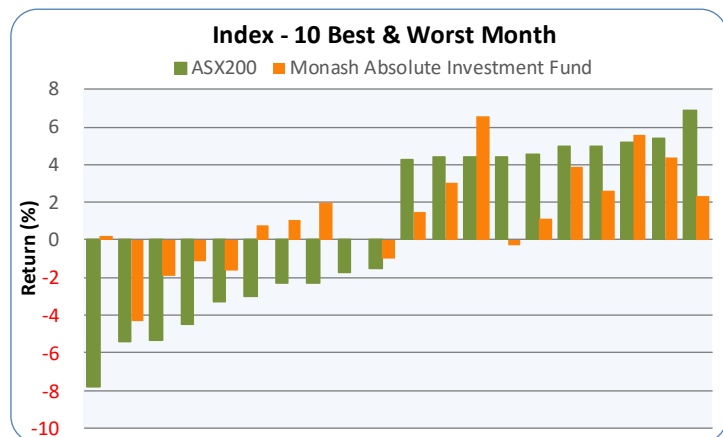
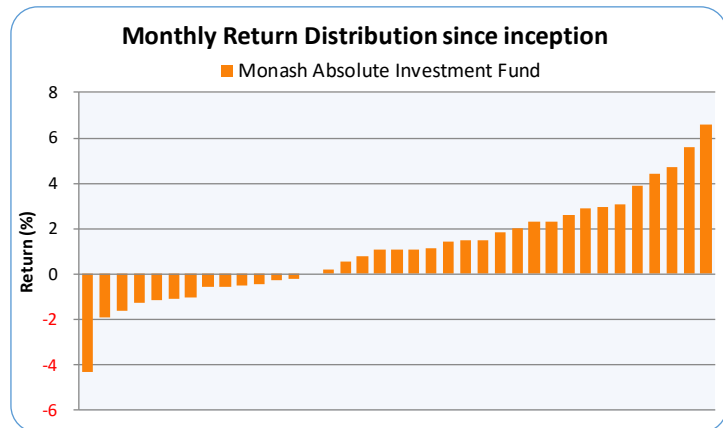
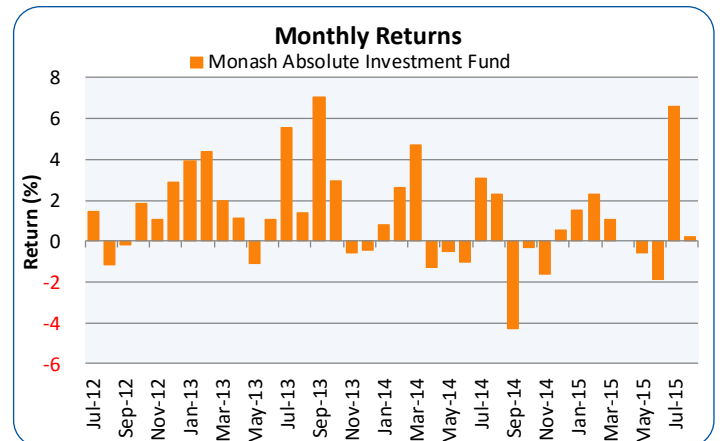
The Fund can therefore go short to profit from specific opportunities or to hedge against risk, or can invest in companies due to be listed within 12 months. It can also take advantage of offshore opportunities when appropriate, and invest across all market sectors and company sizes.

The Fund does not invest because it needs to have certain equity exposures, or invest in stocks purely because they are large cap and therefore target a specific or low tracking error. As such the Manager sees little benefit of making small risk adjusted gains.

A natural result of this approach is that the portfolio is concentrated, with capital preservation being a high priority. In addition, the Fund does not have a style bias to either growth, or value, and is benchmark unaware.

The core strategy is the Manager's focus on only making investments that they believe have "compelling" returns. Compelling is defined as an investment with an asymmetric payoff and/or large return. Asymmetric is taken as an expected return of at least twice the potential downside risk.

In addition to having an asymmetric payoff, a compelling opportunity combines factors such as having a high level of EPS



and CFPS growth, are underestimated or misunderstood in some way by market, represent strong value, or have a near term price catalyst.

The focus on capital preservation involves being able to hold cash if no compelling opportunities are available, and the Manager sees this as a major advantage. This flows directly from the core of the investment philosophy of not having to be fully invested, but to only invest when a compelling, profitable opportunity exists.

### Portfolio Construction, Research & Analysis

The Manager categorises the portfolio's investments as being either **Outlook Driven** or **Event Driven**.

**Outlook Driven** events are those where there is a high payoff expected over time, usually as a result of market re-rating or earnings upgrades. They usually make up the majority of the

### Performance Review

- In August, the Fund rose 0.22%, in a market that fell 7.79% (ASX200 Accumulation Index).
- Since inception in July 2012, the Fund has produced an annualised return of 15.71% p.a. against the Index return of 12.83% p.a.
- This has been achieved with lower volatility, resulting in Sharpe and Sortino ratios above that of the Index.
- The Fund has two return objectives. The first is to achieve a return of 12 to 15% after fees over the investment cycle with low market volatility.
- The second is to avoid capital loss over each year to 30th June. Shields and Fitzgerald believe that this allows them time to offset market weakness with the underlying performance of their investments. The payment of distributions and performance fees are also aligned with this, only being paid after the end of the financial year.

Fund's exposure, and the Manager looks for strong upside potential (defined as a return of greater than 60%) for outlook driven investments.

Outlook driven opportunities require a significant research effort in order to fully understand the company. The Manager has developed a proprietary screening model incorporating P&L, Balance Sheet, Cash-flow and Valuation templates. Based on this research and analysis the manager completes a formal investment proposal prior to making any investment. The proposal covers the Investment thesis, expected signposts, potential risks to the investment thesis, and valuation and potential payoffs. The proposal also includes the intended investment action, including entry and exit levels, and stop loss limits.

The Manager obtains a very detailed understanding of the target company to enable them to assess the upside potential and how or why the market may be mispricing the company. These stocks can be held for long time frames, and provided the investment thesis remains valid the stop loss limits may be "soft" rather than hard.

**Event Driven** opportunities are those where a specific catalyst or event is likely to lead to a change in stock price, either up or down. Positions can be long or short, or could be an equally weighted pairs-trade. Event catalysts include company results or company or industry events, (either pre or post the event), or liquidity events, block trades or IPO's.

Event Driven stocks have a more moderate payoff. Idea generation for these trades are sourced from a combination of market knowledge, and the portfolio managers' network of brokers formed during their previous careers.

Event Driven trades require prompt action and the Manager can conduct the required analysis by importing historical financials and forward earnings information to their proprietary valuation template.

Having extensive market experience, and the network noted above, also assists in making these decisions, although a written investment thesis is also prepared. Hard stop loss limits are set in advance and noted in the trade alert system.

All investment decisions, whether Outlook or Event driven, are made only with the unanimous agreement of both Shields and Fitzgerald. The same also applies to current positions: If either one of them is uncomfortable with an investment it is removed from the portfolio.

### Investment Risk & Processes

Prior to investment, limits are set for each entry and exit, including stop loss limits, and the portfolio is diversified by stock, sectors, themes, and pay-off horizons. Overall exposure, either at the portfolio or stock level, can be reduced by holding cash, options and futures, and by shorting stocks.

The portfolio is concentrated both by its defining philosophy and strategy, and normally holds around 25 positions, the majority of which are long. Stock, sector/theme limits are set at 10 and 20% respectively. Typically an Outlook Driven stock

weighting is 5-8% of the portfolio, while Event Driven stock weighting is normally 2-5%.

The Manager may use leverage or borrow to increase exposure, but its use is minimal. Net average exposure since inception has been 75% with average beta since inception of 0.63, and VAR of 1.3%.

The manager uses the Imagine and Eze Castle portfolio management systems for real time measurement of VAR/Beta and portfolio weights and exposures respectively.

### Operational, Business Risk and Compliance

In February 2015 Sandra Donnarumma joined Monash as Chief Operating Officer following a career in the financial services sector spanning 25 years including with Deutsche Bank, (where she was Global Head of Futures in London) Westpac, Bankers Trust and ANZ McCaughan.

Donnarumma's role encompasses legal, compliance, risk and IT, and she also acts as Monash's company secretary. She was recruited to oversee the Manager's transition from a wholesale AFS licence to retail, and in July 2015 Perpetual became the Fund's Responsible Entity (RE). At the beginning of August 2015 the Fund switched from a wholesale IM to a retail PDS, and from monthly to daily pricing and liquidity

All other non-investment functions are outsourced including 3rd Party Marketing. In addition all investment-related service functions are outsourced including Custody, Prime Broking and Administration. Each service provider is monitored on a regular basis against their service level agreement. Monash Investors has one external director in addition to Simon Shields (Chairman) and Shane Fitzgerald, namely Glen Rice the COO of UBS Global Asset Management (Australia).

The Fund also has an external compliance consultant, Harbridge Investment Partnerships, with Donnarumma responsible for day to day compliance. Compliance duties include regular audits of the Company's compliance with the Compliance and Risk Management Plan. Both Shields and Fitzgerald are ultimately responsible for day to day compliance.

The Board is responsible for identifying and managing risks and has established written Risk Management procedures. Annually they also determine whether an additional assessment is required.

A Business Continuity Plan (BCP) has been approved by the Board. AML procedures are the responsibility of White Outsourcing, the Fund's external administrator, while the Responsible Entity, Perpetual has taken over Monash's responsibility as Trustee to facilitate the move to a Retail PDS.

### Structure, Terms & Conditions and Fees

Monash Investors Pty Limited (ABN 67 153 180 333) is an Australian company which was registered with ASIC in December 2011. The company holds AFS Licence number 41720 issued in May 2012, and amended on July 1<sup>st</sup> 2015 to include providing advice to retail investors.

The Fund is structured as a registered Australian domiciled Unit Trust and from 3<sup>rd</sup> August 2015 is open to retail and wholesale investors via a PDS.

The minimum investment is \$20,000 with a minimum additional investment of \$5,000. The minimum redemption amount is also \$5,000. Applications and redemptions are processed daily.

The Manager charges the Fund a management fee of 1.5% per annum. There is a performance fee of 20% pa of absolute returns before fees, accrued monthly and paid annually in July subject to a high water mark. There is no performance hurdle.

A buy/sell spread of 0.30% is applied to both investments and redemptions. All other Fund expenses are borne by the Manager out of their fees. All fees are subject to GST. The Fund distributes taxable income, if any, as at 30 June each year.

### Monash Absolute Investment Fund Key Terms

Strategy	Equity Long/short
Geographic Mandate	Australian Focused, Global
Domicile/Structure	Australian Unit Trust
Investor Type	Wholesale and Retail
Min. Investment	A\$20,000
Additional Investment	A\$50,00
Management Fee	1.50% p.a
Performance Fee	20% p.a, with high water mark
Hurdle	No
Min. Term	No minimum
Investment/Redemption	Monthly; 2 business days notice
Inception Date	Jul-12
Fund Size	A\$27 million
Manager's Total FUM	A\$27 million
Status	Open

### Service Providers

<b>Responsible Entity:</b>	Trust Company (Perpetual) RE Services Limited
<b>Custodian:</b>	UBS Nominees, Australia
<b>Prime Broker:</b>	UBS AG, Australia
<b>Administrator:</b>	White Outsourcing
<b>Auditors:</b>	Moore Stephens Sydney

### Availability

The Fund is available on the Powerwrap Platform, or online applications can be made directly through [www.OLIVIA123.com](http://www.OLIVIA123.com).



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