

The Monash Absolute Investment Company Ltd

ASX Code: MA1

March 2016



The Australian
HEDGE FUND
awards2014 | *Winner*
BEST EMERGING FUND
Monash Absolute Investment Fund

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Presentation Outline

- ① About the Company and Board of Directors
- ② About the Investment Manager
- ③ Investment Performance and Attribution
- ④ Investment Strategy
 - a) Mandate Overview
 - b) Philosophy
 - c) Stock Criteria
 - d) Stock Examples
 - e) Portfolio Snapshot as at 31 January 2016
- ⑤ IPO Timetable
- ⑥ Roadshow Timetable
- ⑦ Investor Communications
- ⑧ Summary



About the Company

- The objective is to achieve a targeted return over a full investment cycle and to avoid a negative return each financial year
- The Company will achieve its objectives by employing an Absolute Return investment strategy with the following characteristics: -
 - Capital preservation focus
 - Long and short
 - Pre-IPO stocks
 - Variable beta
 - High conviction
 - Benchmark unaware
 - Security size agnostic
 - Investment style agnostic
- The Investment strategy is the same as the Monash Absolute Investment Fund (Fund¹), which has delivered after fee returns of 15.9% p.a. (from inception to Jan 2016), 5.9% p.a. higher than the S&P/ASX300. Importantly, these results have been delivered with little to no leverage and with considerably less volatility of 9.0% p.a. when compared to the S&P/ASX300 of 12.1% p.a. resulting in high risk adjusted returns.
- The largest drawdown the Fund has experienced is -6.1% versus the S&P/ASX300 of -12.6%
- The Company aims to provide shareholders with a more consistent return profile than the market, with lower volatility and a lower Beta



Expected outcomes of our approach

- ① More consistent return profile
- ② Stocks not found in most portfolios e.g. Pre-IPO
- ③ Lower beta than the market
- ④ Lower volatility over time
- ⑤ Smaller drawdowns
- ⑥ Complement to long only and direct holdings



Board of Directors



Paul Clitheroe AM - Chairman (Independent)

- Co-Founder of iPac securities in 1983
- Previous host of “Money” and now Chairman of Money Magazine
- Chair of Financial Literacy at Macquarie University
- Chairman of youth drink driving body RADD
- Chairman of ASX Listed Australasian Wealth Investments (AWI)
- Non-Executive Director of Wealth Defender (WDE)



Suvan de Soya – Non-executive Director (Independent)

- 30+ years of wealth management experience
- Co-founder of iPac
- Previous Managing Director of AXA Life subsidiary in the UK
- Has sat on numerous audit and compliance committees, and responsible officer for a number of superannuation funds



Simon Shields – Executive Director (Not Independent)

- One of Australia’s leading fund managers
 - Head of Equities at UBS Global Asset Management and Colonial First State
- UBS Australian Share Fund, managed by Simon won the “Best of the Best” 2012 – Money Magazine
- Member of / led multi-award winning equity teams across different investment styles
 - Monash 4 years – Style Agnostic
 - UBS 5 years – DCF Style
 - Colonial First State 9 years – Growth Style
 - Rothschild/Westpac 9 years – Value Style



About the Investment Manager

- ① Founded in 2012 by Simon Shields and Shane Fitzgerald
- ② Track record of 15.9% p.a. after fees (from inception to 31 Jan 2016) with far lower volatility than the market and with little to no leverage
- ③ 50+ years of combined experience at institutional grade managers including UBS/CFS & JPMorgan
- ④ Manager is majority owned by the fund managers
- ⑤ Portfolio Managers have large portion of own wealth invested in the strategy
- ⑥ The Board will be investing into the LIC

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Portfolio manager biographies



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

- One of Australia's leading fund managers
 - Head of Equities at UBS Global Asset Management and Colonial First State
- UBS Australian Share Fund, managed by Simon won the "Best of the Best" 2012 – Money Magazine
- Member of / led multi-award winning equity teams across different investment styles
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Shane Fitzgerald B.Comm (Hons)

Highly rated equity analyst

- 20 years an equity analyst, including
- 14 years sell side experience
- Head of JPMorgan Insurance and Diversified Financial Research
- Member of the multi award winning JPMorgan Research Team

Broad experience

- | | | |
|---------------|----------|----------|
| • "Sell side" | 14 years | JPMorgan |
| • "Buy side" | 4 years | UBS |
| | 4 years | Monash |



Since inception, MAIF has achieved its targets with lower risk and a lower beta than investing in major market indices

31 January 2016 (after fees)

	Since Inception – 2 July 2012			3 Mths	6 Mths	1 Year	3 Years
	Return p.a. (%)	Volatility p.a. (%)	Largest Drawdown	Return (%)	Return (%)	Return (%)	Return p.a. (%)
Monash Absolute Investment Fund	15.9	9.0	-6.1	3.1	6.8	15.0	15.5
S&P/ASX100	10.7	12.2	-12.9	-3.7	-10.5	-6.7	5.8
S&P/ASX300	10.0	12.0	-12.6	-3.5	-9.7	-5.8	5.3
S&P/Small Ordinaries	2.2	13.8	-17.7	-1.4	0.0	3.6	-1.4
RBA Cash Rate	2.6	NA	NA	0.5	1.0	2.1	2.4
Average Beta	0.59						
Sharpe Ratio	1.46						

Notes

- Since inception performance is calculated over the period commencing 2 July 2012 and ending 31 January 2016. The performance periods (of 3 months, 6 months and 1 year) in Table 1 are calculated over the relevant period ending 31 January 2016. The "3 year p.a." performance is the average annual performance over the 3 year period ending on 31 January 2016.
- S&P/ASX50, S&P/ASX200, S&P/ASX300, S&P/ASX Small Ords and RBA Cash Rate Indices have been chosen for comparison purposes only. Table 1 is not intended to be an indication of future performance of any asset class, index or the Portfolio.
- The performance of MAIF above is based on the unaudited monthly returns of MAIF. The performance of the S&P/ASX50, S&P/ASX200, S&P/ASX300, S&P/ASX Small Ords is based on trading data prepared by Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial (S&P). S&P has not consented to the use of this data in this Prospectus.
- The relative returns, volatility or Maximum Drawdown identified in Table 1 are not indicative of returns that have been achieved by other investment strategies or indicative of returns which other investment managers may have achieved over the same period using a similar strategy.



PHILOSOPHY, STOCK SELECTION AND PORTFOLIO PARAMETERS



We aim to *'reliably grow investor wealth'*

We start with a simple idea

We believe that wealth can be reliably grown over time by investing in stocks (long and short) that meet our very high return hurdle requirements, while adopting various strategies to preserve capital



Our unique investment philosophy has been shaped by 50 years of combined investment experience

- ① Most stocks are fairly priced most of the time but significant mispricing does occur
- ② Sometimes these stocks can be identified in advance because of recurring situations or patterns of behaviour - we focus on these opportunities

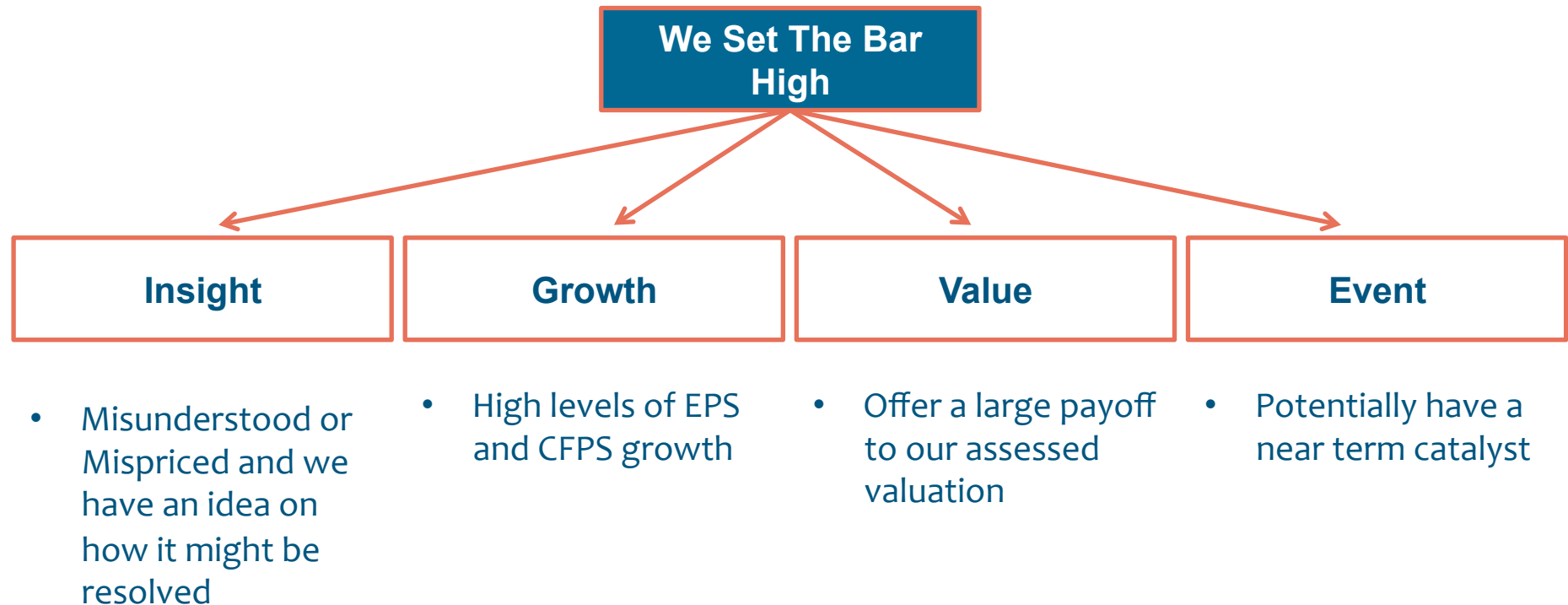


Examples of recurring situations and behaviours that often lead to mispricing by the market

- ① Underestimation of significant change
- ② Analyst reputation management
- ③ Drive by boards to exploit high ROE opportunities in their core business
- ④ Limitations of company guidance
- ⑤ Overlooked signals
- ⑥ Business disruption
- ⑦ Misjudging risk
- ⑧ Corporate motives by brokers
- ⑨ Lack of analyst coverage
- ⑩ Pre-IPO



Not trying to cover the whole market, but on asymmetric payoffs that have a combination of these four attributes



We classify stocks based on expected payoff and event

Definition	Explanation
Outlook	<ul style="list-style-type: none">• High conviction positions• Expecting large payoffs• Long and short
Event	<ul style="list-style-type: none">• Shorter term event trades• Pre, post and liquidity• Long and short
Pairs	<ul style="list-style-type: none">• Market neutral positions in companies in same industry sector with different outlooks
Group	<ul style="list-style-type: none">• Basket approach• Various strategies• Includes Pre IPO



HISTORICAL STOCK EXAMPLES TO HIGHLIGHT PHILOSOPHY AND PROCESS

The stocks referred to in the following pages are examples only. They are provided solely to illustrate the Investment Manager's investment philosophy and process. They are not to be taken as any indication that the Company will invest in the example stocks or that the Company's investments will perform in a similar fashion. Past performance is not indicative of future performance and the performance of the Company could be significantly different to the performance of MAIF.



Emerchants (long): Market Underestimating Significant Change and Lack of Analyst Coverage

Insight

- Exciting new product – meeting the needs of corporates and customers
- Limited analyst coverage

Growth

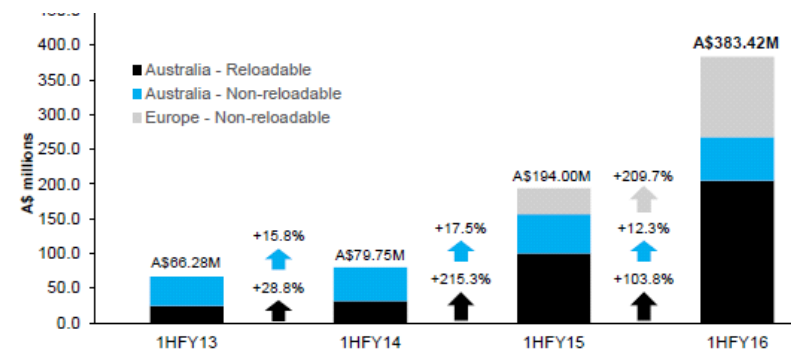
- Significant product rollout opportunity
- New industry verticals
- Geographic expansion underway in Europe

Value

- Business has significant operating leverage
- Material upside to our price target

Result

- Emerchants has risen >400% since first purchase



Emerchants Share Price Performance



Challenger (long): Market Underestimating Significant Change and Overestimating Margin and Asset Value Risks

Insight

- Market underestimating significance of demographic change
- Market overestimating margin and asset value risks

Growth

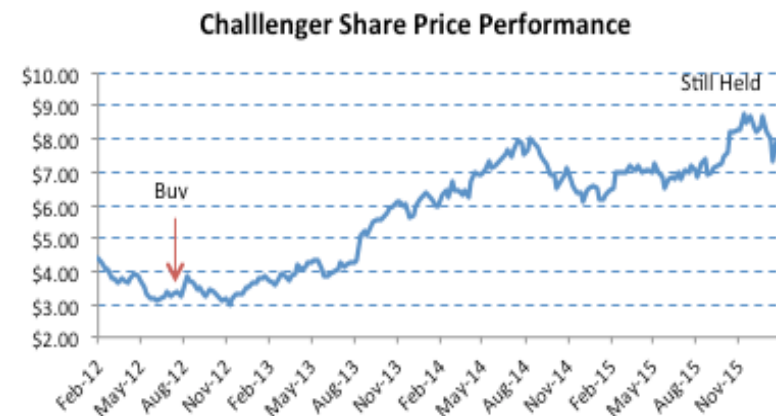
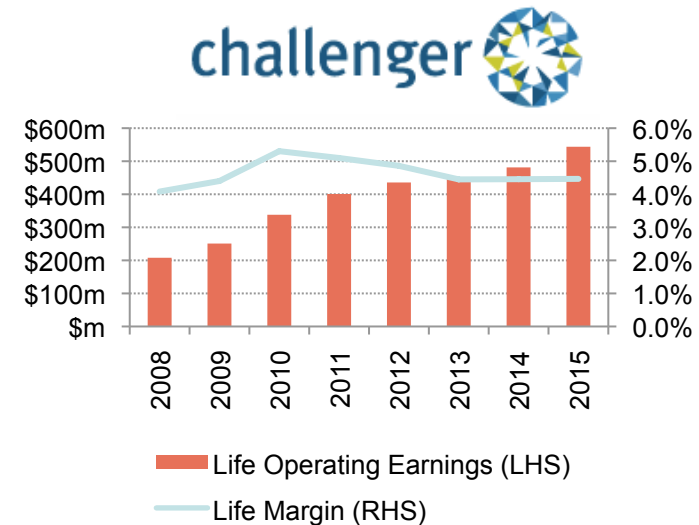
- Retirement savings market growing at 10-14%pa
- Growth in share for annuities will see >20%pa

Value

- Low multiple (11x) doesn't reflect risk or earnings outlook
- >60% upside to our price target

Result

- Challenger has risen >130% since June 2012



MYER (short): Limitations of Company Guidance and Analyst Reputation Management

Insight

- Competition understood, but effect underestimated
- Limitations of company guidance
- Analyst reputation management

Growth

- EPS to decline >50%
- Fixed Cost leverage to declining sales to cause collapsing earnings
- Dilution from equity issuance to cause further collapse in EPS

Value

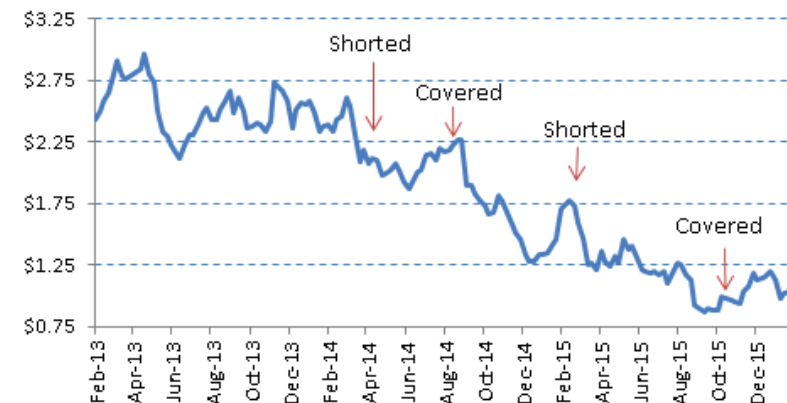
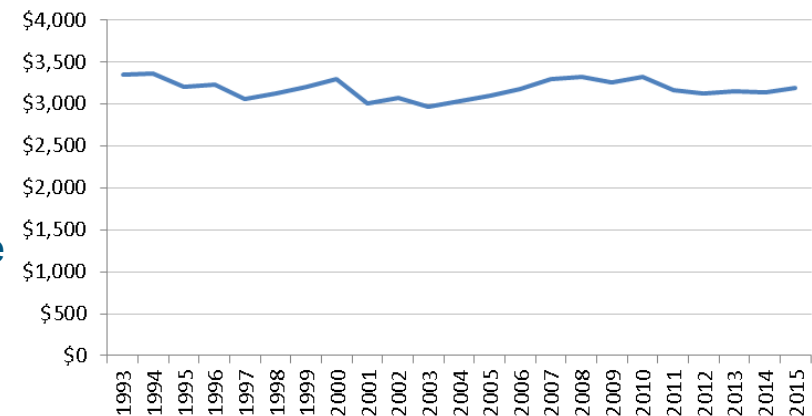
- >60% fall in share price expected with de-rating
- Target price \$1.00

Result

- First shorted at \$2.21 but closed out early due to threat of take-over
- Re-shorted at \$1.66 and closed out at \$0.98
- 50% return

MYER

Myer Historical Sales Revenue



Catapult (Pre-IPO): A Unique Feature of the Fund

Insight

- Significance of product rollout
- Natural monopoly
- Behaviour of customers – competitive, price insensitive

Growth

- Volumes to grow >10x in next 5 years
- Prices charged to grow strongly over time
- Additional revenue from media and sub-elite

Value

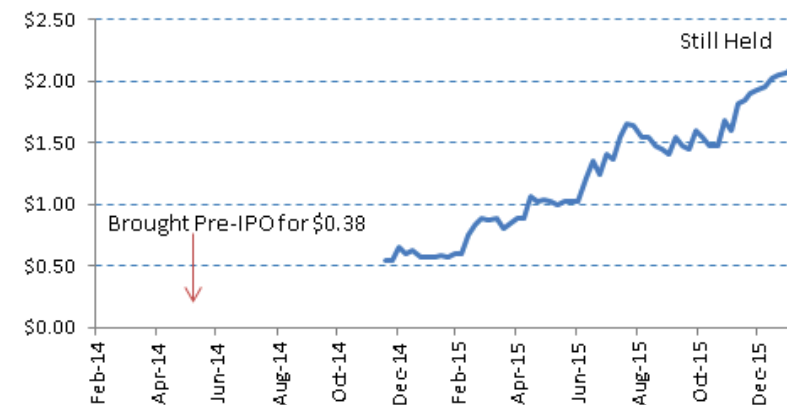
- Invested pre-IPO at 38c, target price many multiples of this.

Result

- IPO'd after 9 months at 55c
- Current price >\$2.00



Catapult Share Price Performance



PORTFOLIO SNAPSHOT AND ATTRIBUTION

The following tables and graphs are not forecasts and do not represent the future behaviour of the Company or the Investment Strategy. Past performance is not indicative of future performance and the performance of the Company could be significantly different to the performance of the MAIF portfolio managed in the past by the Investment Manager. There can be no certainty that the performance of the Company will be similar to the historic performance of MAIF.



MAIF attribution – consistent value added

	MAIF Attribution By Market Capitalisation			Market Returns
Since Inception Returns ending 31 January 2016	Average Weight	Contribution After Fees	Return % p.a. ⁽¹⁾	S&PASX Index
ASX Top 100 Stocks	12.7%	2.9%	31.7%	10.7% ⁴
ASX 101 to 200 Stocks	13.1%	4.5%	48.1%	2.2% ⁵
ASX 201 to 300 Stocks	21.5%	3.8%	24.9%	
Ex Index	29.7%	4.1%	19.0%	
Cash	23.1%	0.6%	3.9%	
Total Return			15.9%	10.0%⁶
Volatility			9.0%	12.0% ⁶
Sharpe ratio (vs RBA Cash Rate)			1.46	0.61 ⁶

1>Returns are calculated based on the pre-fee contribution divided by weight.

2.The above table reflects the period commencing 2 July 2012 and ending 31 January 2016.

3.The historical performance of MAIF of based on the unaudited monthly returns (calculated before fees).

4.Represents the return on the S&P ASX100 (Total Return) Index during the period commencing 2 July and ending 31 January 2016. This return is based on trading data sourced from S&P.

5.Represents the return on the S&P/ASX Small Ordinaries (Total Return) Index during the period commencing 2 July and ending 31 January 2016.

This return is based on trading data sourced from S&P.

6.Represents the return on the S&P/ASX 300 (Total Return) Index during the period commencing 2 July and ending 31 January 2016. This return is based on trading data sourced from S&P.

The S&P/ASX 300 (Total Return) Index is used in the above table for comparison purposes only. There is no indication that the returns of these assets classes or indices will be similar in the future and the table is not intended to be an indication of future performance of any asset class, index or the Portfolio.



MAIF attribution – consistent value added

MAIF Attribution by Outlook / Event Stocks	Average Weight (%)	Contribution after fees (% p.a)	Return (% p.a) ⁽¹⁾
Outlook	59.7%	14.0%	32.6%
Event, Pair & Group	17.3%	1.3%	10.8%
Cash	23.1%	0.6%	3.9%
Total	100%		15.9%

MAIF Attribution by Long and Short	Average Weight (%)	Contribution after fees (% p.a)	Return (% p.a) ⁽¹⁾
Long	80.6%	15.2%	26.1%
Short	-3.7%	0.1%	-4.0%
Pair	0.1%	0.1%	nc
Cash	23.1%	0.6%	3.9%
Total	100%	15.9%	

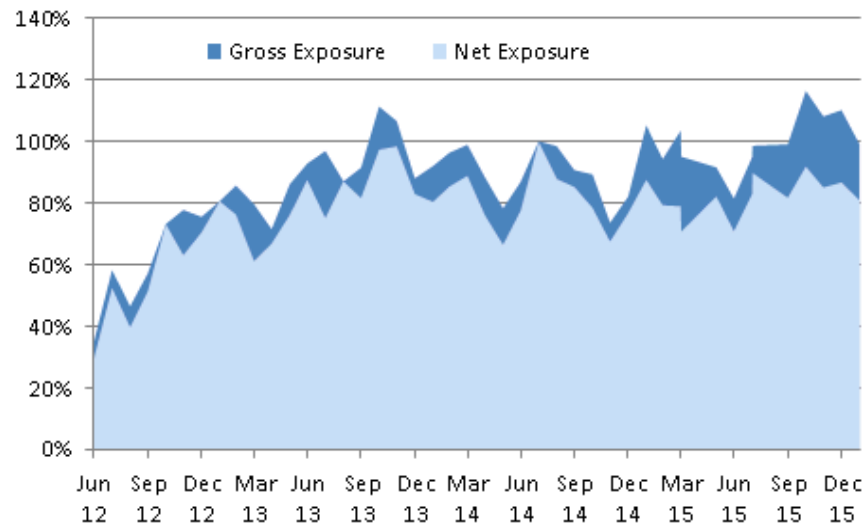
(1) Return = Pre Fee Contribution divided by Average Weight

(2) The above tables reflect the period commencing 2 July 2012 and ending 31 January 2016



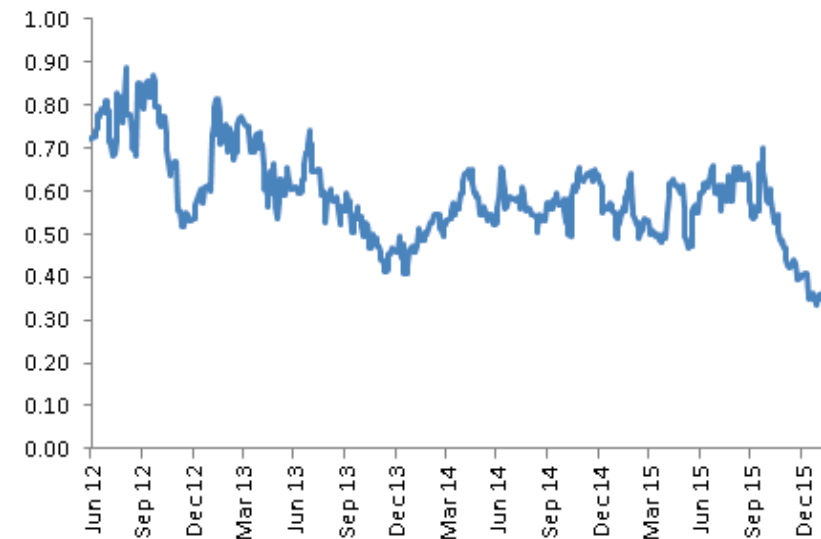
The Fund's Beta and Gross/Net Exposure shows that little to no leverage has been used to deliver the returns

Chart A - Gross/Net Exposure



1. Dark blue in Chart A represents gross exposure of MAIF's portfolio and the light blue represents the net exposure of MAIF's portfolio.
2. Exposure levels were calculated based on the underlying investments within MAIF's portfolio at various points in time during the calculation period.

Chart B - Beta



1. Chart B reflects the period commencing 2 July 2012 and ending 31 January 2016.
2. MAIF's Beta is calculated based on the underlying investments within MAIF's portfolio at various points in time during the calculation period.
3. The above graph is not an indication that the Company's Beta or volatility will be similar in the future and the graph is not intended to be an indication of future performance of MAIF, the market or the Portfolio



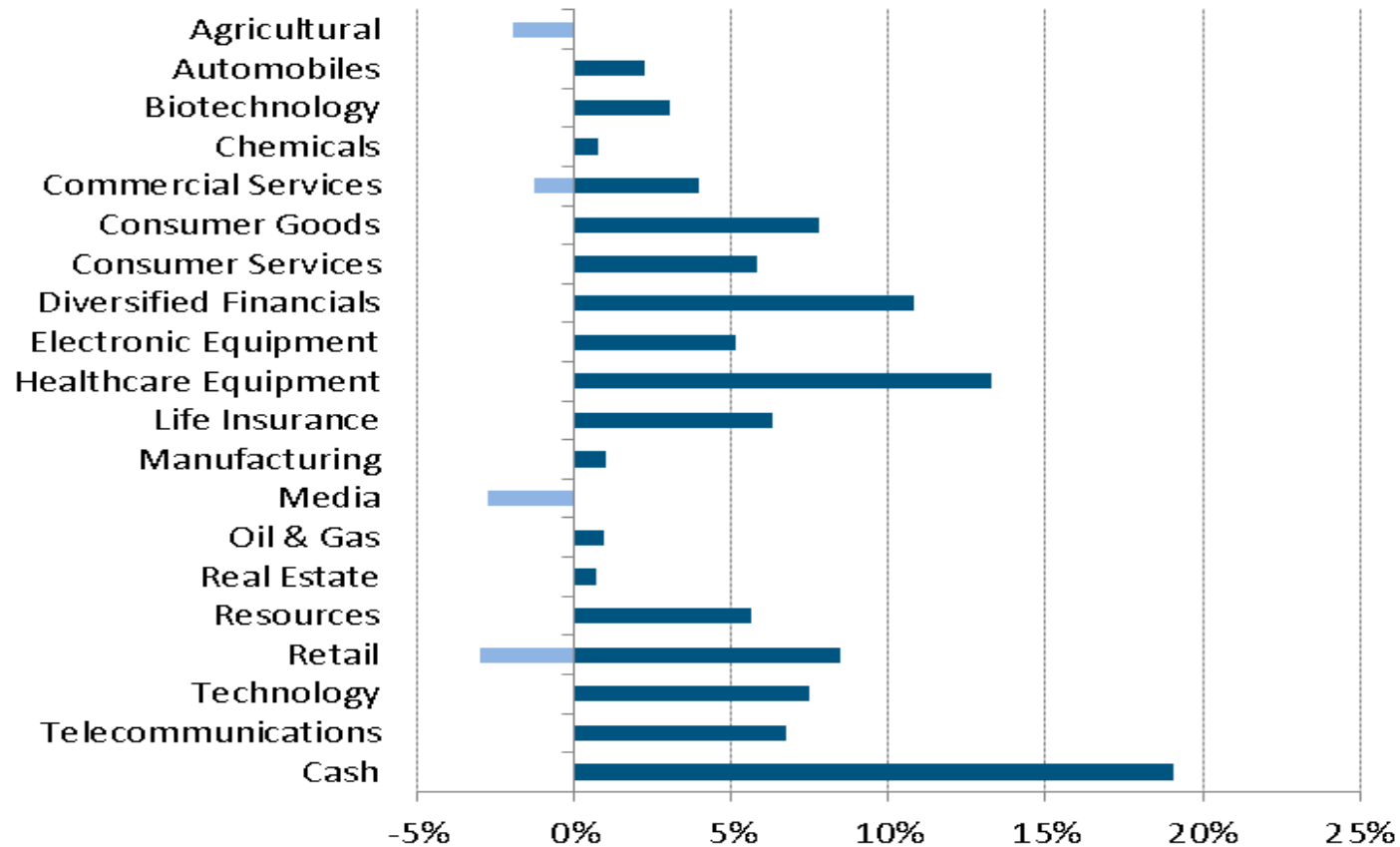
MAIF Portfolio metrics as at 31 January 2016

Type	Number of positions	(%)
Outlook Stocks – Long Positions	17	70%
Outlook Stocks – Short Positions	3	-7%
Event, Pair and Group Trades – Long Positions	7	20%
Event, Pair and Group Trades – Short Positions	2	-2%
Cash	NA	19%
Total	29	100%
Gross Exposure		99%
Net Exposure		81%
Beta		0.36

The above table does not reflect the likely weightings of the Company's portfolio. It is provided as an example only – it is not to be taken as an example of the optimal portfolio allocation, now or in the future.



MAIF sector weights highlight the benchmark unaware nature of the strategy – as at 31 January 2016



The above chart does not reflect the likely weightings of the Company's portfolio, nor is it an example of the optimal portfolio allocation, now or in the future.



Offer highlights

- ① Access a specialist investment manager with deep expertise
- ② Absolute return and capital preservation focus
- ③ A portfolio with a small cap bias compared to a market capitalisation based index, such as the S&P/ASX300
- ④ Exposure to Pre-IPO and short selling opportunities
- ⑤ Seeing to maintain more consistent return profile than major indices, with lower volatility and a lower Beta



Offer details

Key Details	ASX Codes: MA1 and MA1O
Offer Price	<ul style="list-style-type: none"> \$1.00 per ordinary share
Issue Size	<ul style="list-style-type: none"> Minimum \$25m Maximum \$80m Oversubscription \$20m
Options	<ul style="list-style-type: none"> 1 per ordinary share Strike price - \$1.00 Option expiry – 29 September 2017
Offer expected to open	<ul style="list-style-type: none"> 2 March 2016
Offer expected to close	<ul style="list-style-type: none"> Broker firm offer: 5pm, 23 March 2016 General offer: 5pm, 31 March 2016
Expected date of allotment/dispatch holding statements	<ul style="list-style-type: none"> 7 April 2016
Shares expected to commence trading on ASX	<ul style="list-style-type: none"> 12 April 2016
Brokers to the Offer	<ul style="list-style-type: none"> Ord Minnett Limited (Joint Lead Manager) Bell Potter Securities (Joint Lead Manager) Taylor Collison (Joint Lead Manager)
Investment Manager	<ul style="list-style-type: none"> Monash Investors
Management Fee	<ul style="list-style-type: none"> 1.5% p.a. (plus GST)
Performance Fee	<ul style="list-style-type: none"> 20% (plus GST) above the average RBA Cash Rate subject to High Watermark
Prime Broker	<ul style="list-style-type: none"> UBSAG, Australia



Key contact information

- **Boardroom Limited**
 - 1300 737 760 (within Australia)
 - (+612) 9290 9600 (outside Australia)
- **Damien Menzies – Ord Minnett**
 - DMenzies@ords.com.au
 - (+612) 8216 6307
- **Tim Griffin – Bell Potter**
 - tgriffin@bellpotter.com.au
 - (+612) 8224 2841
- **Hamish Nairn – Taylor Collison**
 - hnairn@taylorcollison.com.au
 - (+618) 8217 3908
- **IFAs please contact Andrew Fairweather – Winston Capital Partners**
 - andrew@winstoncapital.com.au
 - (+61) 401 716 032



How to apply

- ① Minimum \$2,000 investment
- ② Apply online at www.monashinvestors.com
- ③ By Mail – Application Form Attached to the Prospectus
Monash Absolute Investment Company Limited
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
- ③ By Hand - Application Form Attached to the Prospectus
Monash Absolute Investment Company Limited
C/- Boardroom Pty Limited
Level 12, 225 George St
Sydney NSW 2000
- ④ Cheques made payable to “Monash Absolute Investment Company Limited”



Questions

