



## Monash Absolute Investment Fund

### August 2015 – Month End Note<sup>1</sup>

#### Monash Absolute Investment Fund Unit Price Performance After Fees

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2012/13	1.46%	-1.15%	-0.20%	1.81%	1.09%	2.91%	3.90%	4.39%	2.00%	1.13%	-1.10%	1.05%	18.53%
2013/14	5.57%	1.40%	7.08%	2.96%	-0.58%	-0.47%	0.86%	2.62%	4.72%	-1.27%	-0.54%	-1.01%	23.05%
2014/15	3.06%	2.32%	-4.31%	-0.22%	-1.61%	0.55%	1.55%	2.33%	1.08%	0.08%	-0.55%	-1.86%	2.21%
2015/16	6.57%	0.22%											6.81%

Returns to 31 August 2015	Return Characteristics Since Inception	Portfolio Metrics as at 31 August 2015
3 Months	4.82%	Outlook Driven Stocks
Financial YTD	6.81%	Event, Pair & Group Trades
Calendar YTD	9.59%	Net Exposure
1 Year	3.52%	Gross Exposure
2 Years	12.02% p.a.	
3 Years	16.77% p.a.	
Since Inception	15.82% p.a.	FUM \$A
Standard Deviation	8.25% p.a.	Beta
		VAR

The Fund rose 0.22% after fees in August, despite a global equity market correction driven by investor concerns about China. The ASX200 fell almost 8% and the small caps about 5%. August is also the month most companies report their full year numbers. We had a good reporting season which offset the downward price pressure exerted by the falling markets on our stocks. The portfolio was also assisted by its short positions.

#### The Highs

**1-Page (1PG)** rose 66.7%. 1PG provides a revolutionary cloud based employee recruitment platform which is quickly gaining traction with very large US corporates (see last month's update for details).

During August there were a number of "price discovery" catalysts. A broker's analyst initiated research on the stock. He was the first analyst to publish a detailed research note on 1PG. Later in the month, 1PG presented to US fund managers in Boston and updated the market on their progress.

**Netcomm Wireless (NTC)** rose 14.9%. NTC provides innovative broadband telecommunication products. It delivered a strong result due to demand for its modems and splitters from Pay TV, broadband and Telcos providers in Australia and New Zealand. It also benefitted from strong and accelerating demand from the NBN for its wireless broadband routers.

The market for wireless broadband routers is now developing in the USA. NTC are the world leaders in this field.

<sup>1</sup> Inception date of Fund is 30 June 2012.

Short **Woolworths** (WOW) which fell 7.7%. We are short Woolworths because its P/E rating has disconnected from its business prospects. Our view is that it is in a downgrade cycle. Its profitability has peaked and is rapidly deteriorating as it struggles to respond to losing market share in the face of intense competition from Coles and Aldi. The head of supermarkets, the CEO and the Chairman have all been recent casualties – a sure sign of a failed strategy and a business in disarray. A new CEO has not yet been appointed, nor a strategy review completed. Once implemented, it will take time to turn around customer perceptions.

### The Lows

**Yowie** (YOW) fell 14.4%. Yowie's price pulled back following strong rises over a number of months. In August (before the pull back) we sold some Yowie into this strength in order to keep its weight in the portfolio at an appropriate level.

We have always been confident of Yowie's success in the US because it has obvious appeal to children (like Kinder Surprise which sells 2 billion units pa globally) yet the product category is vacant in the USA. Yowie has performed well at all trials to date. Early adopter US Retailers are moving quickly to distribute Yowie, due to its high gross margin and unit sales relative to other confectionary items. The national roll out by Walmart gives it greater credibility with other retailers.

**Emerchants** (EML) fell 12.7%. While EML continues to make good progress with the ramp up of its Australian card business, the market is expecting that it will announce its first European wagering client. The stock is likely to drift until an announcement is made.

**Impedimed** (IPD) fell 10.4%. Impedimed is also suffering from a lack of material news flow. It will be making the full commercial launch of its L-Dex system late this year.

IPD's system can detect lymphoedema in cancer survivors at its subclinical stage when the condition can be very easily managed and often reversed. The value of this unique system has been demonstrated by the fact that L-Dex has been granted its own "CPT Category 1 Code" which means it has full cost reimbursement in the USA. The only two other Australian companies granted their own CPT1 Code are Resmed and Cochlear.

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