



**Monash**INVESTORS

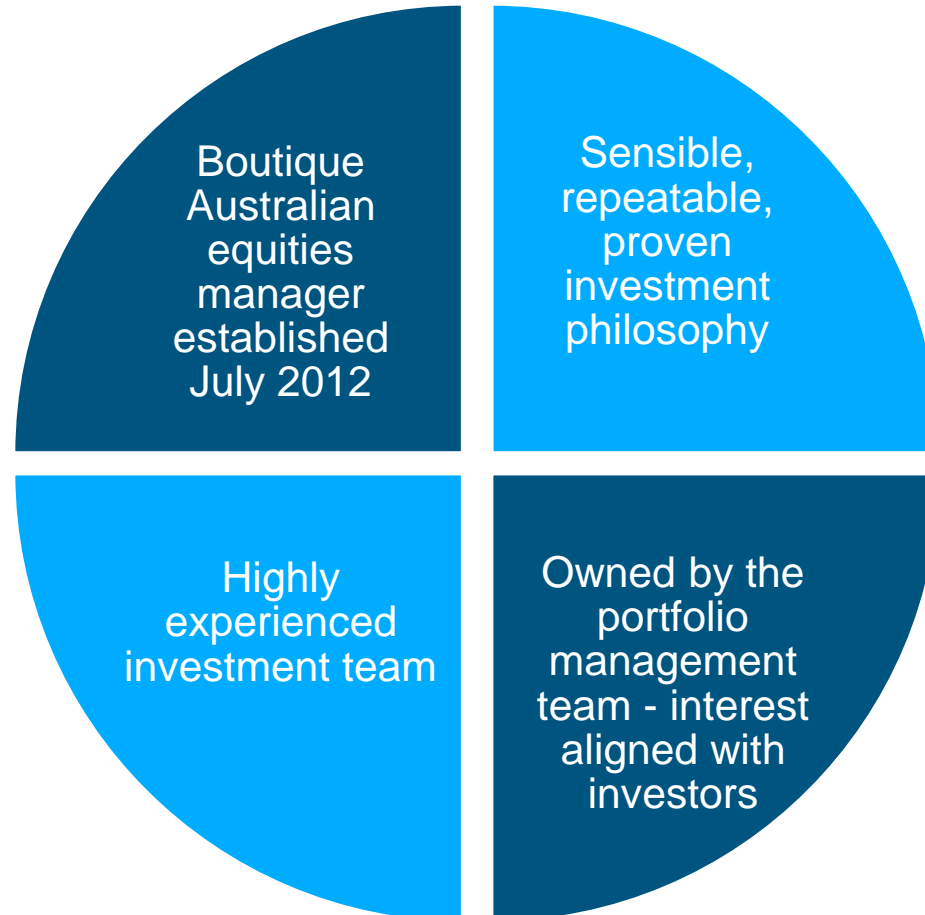
**Australian Small Companies Specialist**

March 2024

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## About the Manager

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Australian Small Companies Specialist



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# Products

- Monash Investors Small Companies Fund – retail unit trust (MON0001AU)
- Monash Investors Small Companies Trust (Hedge Fund) – Exchange Traded ASX: MAAT

## Performance as at 29 February 2024 (after fees)

Monash Investors Small Companies Fund	1 Month	3 Months	1 Year	3 Years (p.a)	5 Years (p.a.)	7 Years (p.a.)	Since Inception (p.a.)
Fund Return	5.3%	10.5%	8.9%	1.5%	11.5%	9.6%	9.7%
S&P/ASX Small Ordinaries (Total Return)	1.7%	10.1%	7.8%	1.4%	4.4%	6.5%	6.1%
Outperformance	3.5%	0.5%	1.0%	0.1%	7.1%	3.1%	3.6%

Since inception date 2 July 2012

Monash Investors Small Companies Trust (ASX MAAT)	1 Month	3 Months	1 Year	3 Years (p.a)	5 Years (p.a.)	7 Years (p.a.)	Since Inception (p.a.)
Fund Return	5.3%	10.9%	8.5%				0.6%
S&P/ASX Small Ordinaries (Total Return)	1.7%	10.1%	7.8%				-0.7%
Outperformance	3.6%	0.8%	0.7%				1.3%

Since inception date 28 May 2021

**Past performance is not a reliable indicator of future performance.**

### Sources

Monthly Performance Report & Unit Prices [www.monashinvestors.com](http://www.monashinvestors.com) ASX Indices: S&P Dow Jones Total Return Indices

These Funds are appropriate for investors with "High" and "Very High" risk and return profiles. A suitable investor for these Funds is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the TMD available at [www.monashinvestors.com](http://www.monashinvestors.com) for further information.



# Investment Philosophy

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Every year we can look back and see that the best and worst performing stocks produce significant share price gains / losses

We expend all of our research effort to find these companies in advance:

## Identify Step Changes

- Monash Investors aims to identify businesses which are likely to undergo step-changes (either positive or negative) in their business prospects which will lead to material share price movements

## Look for Recurring Situations

- We draw upon our experience in order to exploit recurring business situations and patterns of behaviour, to identify and invest in a portfolio of compelling opportunities



# Investment Process

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There are several steps in the Monash Investment Process:

**Recurring  
Situations**

**Compelling  
Investments**

**Selling  
Discipline**

**Portfolio  
Construction**



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# Recurring Situations

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At the core of the Monash Investment Philosophy is the view that in business there are certain activities/events that can result in material changes in business prospects.

As Investment Managers, the challenge is to identify when these situations will actually make a difference. This is where Monash's decades of experience and extensive company research come into play.

Monash undertakes hundreds of meetings a year with companies and while undertaking this work we are always looking out for recurring situations that are under-estimated including:

Geographic expansion

Store Roll Outs

Regulatory change

Limitations of company guidance

Change in relative power

New and better products or services

Overlooked signals

Business disruption



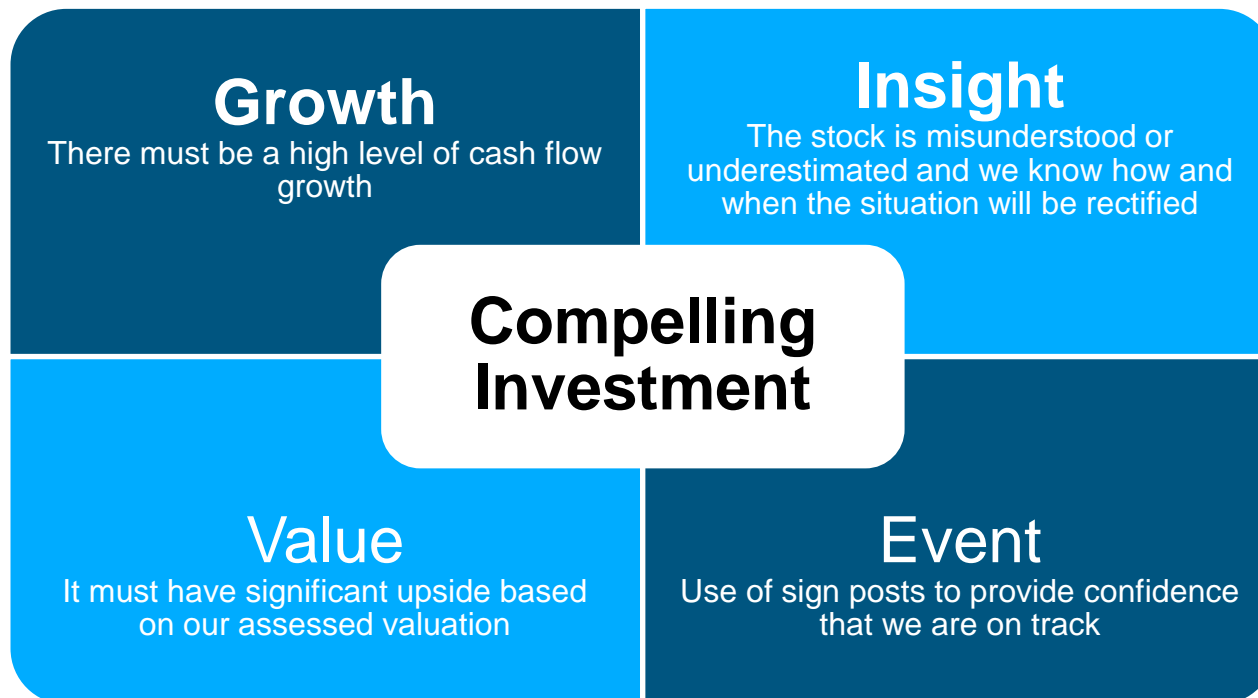
# Compelling Investments

A compelling investment is one where if the market held the same view as Monash Investors about that business' prospects, it would be trading materially higher or lower today, reflecting this view

Long position >60% upside

Short positions >30% downside

Stocks that meet our demanding requirements must have the following attributes:



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# Selling Discipline

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All positions are monitored by our Sign Post system which monitors each position against key investment parameters in real time.

The triggering of any of these items results in an active response by the investment managers

**Predetermined  
Price Targets**

**Changes in  
Consensus Estimates**

**Spikes in  
Short Interest**

**Business  
Performance Against  
specific time gated  
Sign Posts**





# Portfolio Construction

Cash limited to maximum of 10%

Typical number of positions 25-40, approximately 80% Small Caps (ex S&P/ASX 100)

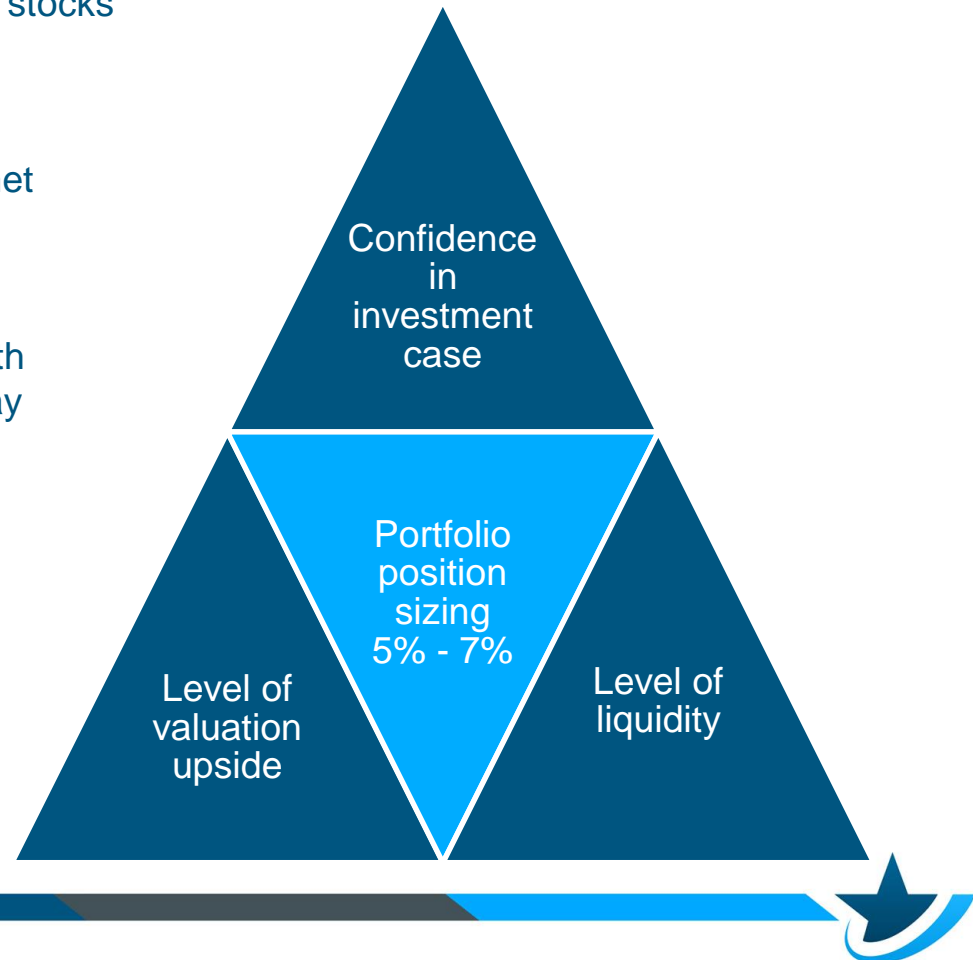
Up to 20% of the portfolio can be S&P/ASX 100 stocks

Up to 20% of the portfolio can be Shorted

Typical long position sizing when all criteria is met is 5% - 7%

A strong investment case and >60% upside is required in every position we enter, however both factors can have a range of outcomes which may result in variance in position sizing

The major limiting factor to position sizing is liquidity. When it is relatively poor, the position sizing is lowered.





**Monash**INVESTORS

**February**

**2024**

**Reporting Season**



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# February 2024 Reporting Season

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The reporting season is a time when markets are reacting to actual facts, that is the results of the companies themselves.

It is also a time when Investment Managers can see if their hard work analysing and putting together a portfolio is paying off.

We know from our decades of experience that confirmation of a business' performance during reporting season is the best single indicator of likely future performance.

Time and time again we have seen our patience rewarded as the companies we invest in capitalise on their opportunities.



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# February 2024 reporting season

February Portfolio Return 5.3% versus Small Ords<sup>1</sup> 1.7%

- 3.6% outperformance driven by stock specific outcomes

Top 10	Price Return	Comment
Lovisa	40.9%	Global story rollout continues, all key operating metrics trending in the right direction
Telix Pharmaceutical	8.2%	Prostate imaging product continues to gain market share. Big 6-12mths coming up with launch of second major imaging product and numerous readouts on various late stage clinical trials.
Johns Lyng	-7.6%	US operations didn't grow over last 6mths but operations were impacted by hurricane delaying operational rollouts and upfront expenditure on growth. We are expecting a rebound
Credit Corp	11.5%	Broke a 2 year cycle of earnings downgrades. The cycle for debt ledgers is showing all the signs of bottoming which will lead to a vastly improved operating outlook
Austin Engineering	3.8%	Solid result with confirmation of a strong earnings outlook – share price consolidating after rising over 50% in the last 3 months
Pilbara Minerals	18.3%	Genuine Tier 1 asset - mining operations / expansion performing very well. But the story is the Lithium price which we believe has bottomed. Most shorted stock in the market
Temple & Webster	39.1%	High quality internet retailer, demonstrating strong market share gains but becoming increasingly fully valued. We have been taking profits post the result
Technology One	7.3%	Has a September year end, so didn't report this month – high quality IT stock with significant growth potential
QBE Insurance	9.1%	Upside dividend surprise and lots of evidence that there is real momentum to underlying margins
Boss Energy Paladin	-9.9% -4.2%	Both stocks due to commence operations this quarter, outlook for Uranium price remains upbeat



# Observations

During the February Reporting Season

- 45% of stocks had price moves greater than +7.5%
- 35% of stocks had price falls of more than -7.5%

This is the reversal of the pattern from the last reporting season

Indicating a shift in market sentiment

Best sectors:

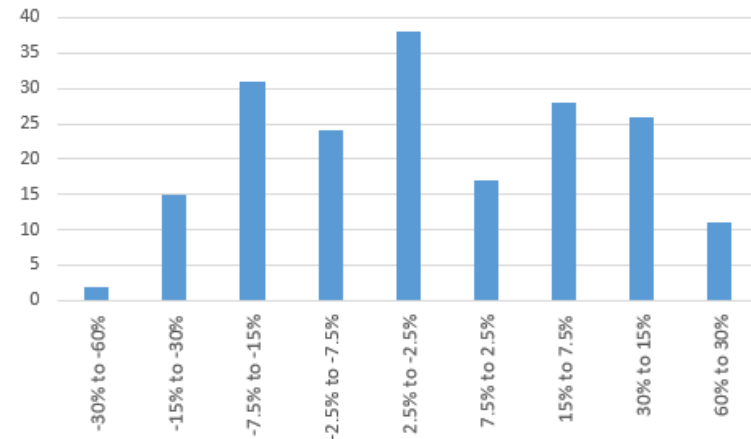
- Information Technology
- Consumer Discretionary
- Industrials

Worst sectors:

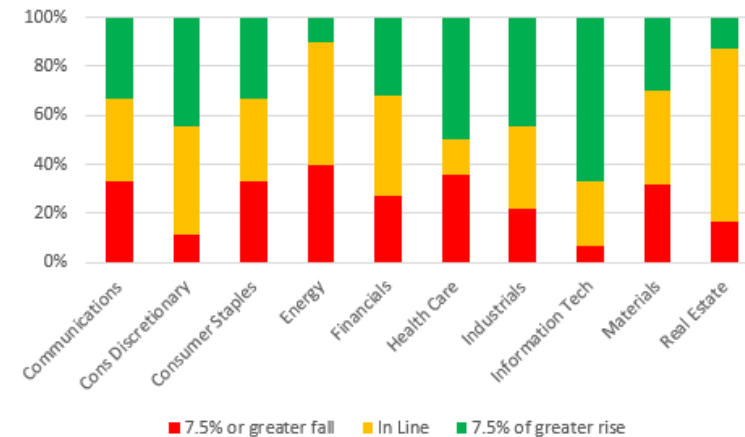
- Energy
- Real Estate

Source: Monash Investors, FactSet

**Stock price changes - S&P ASX Small Companies Feb24**



**Sector Price Movt's - S&P ASX Small Companies Feb24**



# Recent Activity And Positioning

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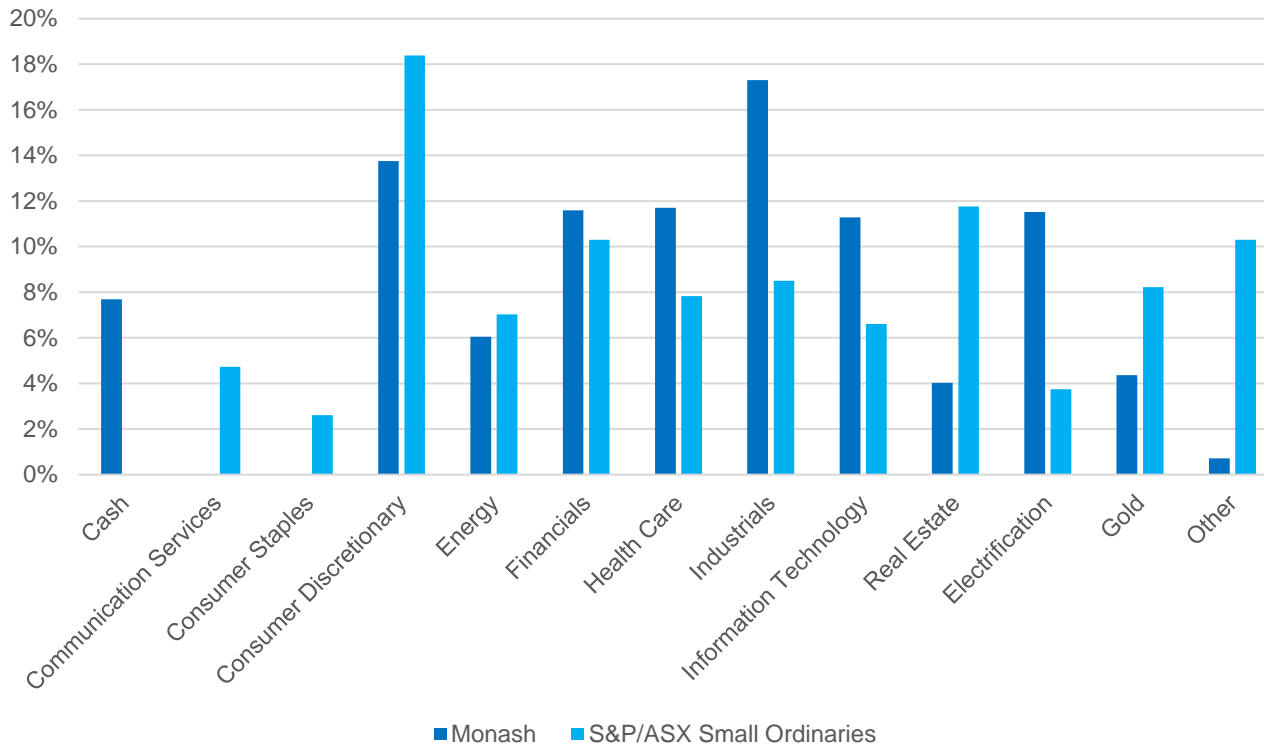
- **Major Changes**

- Mining Services – we believe that we are in a mini mining boom driven by the electrification of the economy to deal with climate change which is in turn a very favourable environment for mining services – Portfolio exposure Austin Engineering (new holding), NRW Holdings and Monadelphous
- Lithium – the price has fallen to a point where we are seeing production curtailments and in some cases the suspension of all mining operations. No matter what the ultimate demand outlook is for batteries, the Lithium price is significantly below incentive pricing and unsustainably low - Portfolio exposure Pilbara Minerals
- Taking profits in Lovisa, Telix and Temple & Webster – remain very bullish on Lovisa and Telix, less so on Temple & Webster due to valuation
- Rebuilding Uranium exposure via Boss Energy and Paladin in recent price weakness. Outlook for Uranium remains very upbeat with a clear supply and demand gap evident
- Added Credit Corp on the back of our view that the market for debt ledgers has bottomed. It makes a profit by recovering a greater amount of the debts than the price it pays for them. We have seen this industry dynamic play out in previous cycles as economies recover, and it leads to both an earnings and balance sheet upgrades



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# Sector Exposure 29 February 2024



Note the Materials sector has been split into those stocks exposed to the electrification theme, gold and other.

Source: Monash Investors, iShares S&P/ASX Small Ordinaries ETF



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## Appendix





# Portfolio Management Team

A team with multi decade, multi cycle and multi style experience

Name & Role	Qualifications	Years of Experience	Years at Monash Investors	Experience
Simon Shields Founder and PM	<ul style="list-style-type: none"> <li>• CFA</li> <li>• B.Comm (Hons)</li> <li>• LLB</li> <li>• MBA</li> </ul>	<ul style="list-style-type: none"> <li>• 34 years</li> </ul>	<ul style="list-style-type: none"> <li>• 12</li> </ul>	<ul style="list-style-type: none"> <li>• Monash Investors</li> <li>• UBS 5 years – DCF Style</li> <li>• Colonial First State 9 years – Growth Style</li> <li>• Rothschild/Westpac 9 years – Value Style</li> </ul>
Shane Fitzgerald Founder and PM	<ul style="list-style-type: none"> <li>• B.Comm (Hons)</li> </ul>	<ul style="list-style-type: none"> <li>• 31 Years</li> </ul>	<ul style="list-style-type: none"> <li>• 12</li> </ul>	<ul style="list-style-type: none"> <li>• Monash Investors</li> <li>• Former Head of JPMorgan Insurance and Diversified Financial Research</li> <li>• Former ember of the multi award winning JPMorgan Research Team</li> </ul>
Sebastian Correia Senior Investment Analyst and PM	<ul style="list-style-type: none"> <li>• CA</li> <li>• B.Comm</li> </ul>	<ul style="list-style-type: none"> <li>• 12 Years</li> </ul>	<ul style="list-style-type: none"> <li>• 5</li> </ul>	<ul style="list-style-type: none"> <li>• Monash Investors</li> <li>• EY (Ernst &amp; Young) – Valuations and Business Modelling, Risk and Transactions Advisory (7 years)</li> </ul>



# Contact us

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