

## Monash Absolute Investment Company Limited

13 July 2018

### Announcement of Simultaneous Equal Access Buy Back and Share Purchase Plan

On 20<sup>th</sup> June 2018, Monash Absolute Investment Company Limited (**the Company**) announced its intention to conduct a simultaneous equal access buy back and share purchase plan.

On behalf of the Board, I'm pleased to announce we have agreed to proceed with this proposal. The timetable and further information is outlined below. The required Appendix 3C is also attached.

What appealed to me about Monash Absolute Investment Company Limited was getting exposure to share investments that were very different to those in my more traditional share portfolio. The philosophy and skills of the investment management team also appealed to me. The first year, as we all know was a really tough one for this style of investing. But the returns in the financial year to June 30 2018 were very strong and more reflective of what I expected in the Board of Directors and the Investment Manager. The Company is lightly traded and this lack of liquidity is a real issue. So after much debate and research, the Board now present what we believe is an innovative solution that will benefit all investors.

This novel approach of combining two existing well understood mechanisms, equal access buy back and share purchase plan/placement offers a number of benefits. It provides certainty, a 5% discount vs the current larger on market discount, and allows for larger transactions without market impact. It also has the advantages of being low cost, it need not shrink the size of the Company, and subject to market conditions, will be an ongoing arrangement not a "one off."

**The Buy Back:** The Off Market Equal Access Buy Back is buying up to 10% of the Company's shares on issue. Any shareholder at the record date Friday 3rd August 2018, will be able to sell some or all of their shares at a 5% discount to pre-tax NTA, based on whatever the pre-tax NTA will be on Friday 31 August 2018. The offer closes on Friday 7th September 2018, so a shareholder will know in advance what that buy back price is. For example the pre-tax NTA as at 30 June was 98.4c per share, a 5% discount to that value is about 93.5c per share. This compares to the ASX market price at 30 June of 82c per share.

**The Share Issue:** The share Issue via a Share Purchase Plan ("SPP") and Placement is also at a 5% discount to pre-tax NTA. We will only issue the number of shares that are bought back. The offer price for the SPP will be the same as the buyback price. Any shares that remain unissued after the SPP concludes are available for Placement to sophisticated investors, at a 5% discount to pre-tax NTA. For example, if 3m shares are bought back, and 1m shares are issued under the SPP then 2m shares may be issued at a future date via a Placement(s).

**Not a one off:** Finally, subject to market conditions, the Company flagged its intention to repeat this in the future to provide a reliable ongoing liquidity facility. So, we are taking two well understood

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## Monash Absolute Investment Company Limited

existing mechanisms: the off market buyback and the share issue via SPP and placement, and we are combining them, in a repeatable way, to address an issue that is affecting the Company.

**Investment Liquidity and NTA Discount:** It is in the Boards opinion that this structure will help to increase liquidity and reduce the Company's share price discount to NTA. This in turn will improve the investability, of the Company's shares.

It's not that the Company shares are illiquid relative to the size of the Company. In the 2 years since the Company listed. 34m shares have traded, which amounts to 62% of issued shares. Rather, as a smaller LIC, larger investors are concerned that it takes too long to buy the stock they want, and too long to sell, and they are concerned they will not get a fair price, by overly affecting the stock price when they are buying or selling in size. So, they are only induced to buy at a large discount, if at all.

Over the last 12 months the Company shares have traded at an average 15% discount to pre-tax NTA. We are very disappointed that shareholders who need to sell their shares have to accept such a discount. We are not the only small LIC suffering from this problem.

The off market buy back and issue of shares addresses both these problems (liquidity and discount). As it is not a one off, it allows investors to invest or divest in size at regular intervals, at a fair price and it allows new investors to invest more confidently in the stock even when there is little or no discount in the share price versus the pre-tax NTA.

**Previous Actions:** The Board and the Investment Manager have already taken a number of actions to try improving liquidity and reducing the Share Price discount to pre-tax NTA. We have progressively increased communication with the market via monthly reports, post reporting season conference calls, regular visits to larger existing and potential shareholders, weekly performance updates and the disclosed that dividends are likely to commence following this financial year end. We have undertaken an On-Market share buy back. Nevertheless the NTA discount has persisted.

**Alternative Actions:** Before proceeding with this proposal, the Board examined a range of alternatives. Firstly, they looked at doing an Off Market buyback at a 5% discount on its own. But this would just shrink the size of the Company and while management fees are variable, some costs are fixed (e.g. Audit, ASX, other corporate expenses) and the fixed costs would become too large as a percentage cost vs the size of the Company. Furthermore, as it would be a one-off, the discount would likely re-occur after the buyback ended. Secondly, they looked at converting the Company to an ETMF (Exchange Traded Managed Fund). ETMFs use a broker as a market maker to keep the share price in a tight range around the NTA. However, it's costly to convert the Company to an ETMF and there are additional costs for market making and ASX compliance. Finally, they looked at winding the Company up and making a capital return to shareholders. However, there are a number of supportive long term shareholders who like the Company's absolute return strategy and like LIC vehicles. There are also many new shareholders who have also bought since listing in order to get exposure to the Company's investment strategy at a low price and want to see us deliver on it. Also, 2 years is too soon to wind

## Monash Absolute Investment Company Limited

up the strategy when shareholders have invested on the basis that it is designed to deliver absolute returns over an investment cycle of 7 years.

**Shareholders should note that participation in either or both the buy back and share purchase plan is dependent on record date for each particular shareholder. Please see below for more information.**

Shareholders at the record date 7.00pm (Sydney time) 19<sup>th</sup> June 2018 are able to participate in an equal access buy back and share purchase plan of up to 4,922,343 of the Company's fully paid ordinary shares (comprising in aggregate approximately 10% of the entire issued capital of the Company)

Those shareholders that came onto the register after 7.00pm (Sydney time) 19 June 2018, will only be allowed to participate in the Company's Equal Access Buy Back of up to 4,922,343 of the Company's fully paid ordinary shares (comprising in aggregate approximately 10% of the entire issued capital of the Company)

**The buy-back timetable is as follows:**

Record Date	Friday 3 <sup>rd</sup> August 2018
Open Date	Wednesday 8 <sup>th</sup> August 2018
Buy Back Price Date	Friday 31 <sup>st</sup> August 2018
Close Date	Friday 7 <sup>th</sup> September 2018
Buy Back Date	Wednesday 12 <sup>th</sup> September 2018
Payment Date	Wednesday 17 <sup>th</sup> September 2018

**The SPP timetable is as follows:**

Record Date	7pm (AEST) Tuesday 19 <sup>th</sup> June 2018
Offer Opens	Wednesday 8 <sup>th</sup> August 2018
Issue Price Date	Friday 31 <sup>st</sup> August 2018
Offer Closes	Friday 7 <sup>th</sup> September 2018
Allotment of new shares	Wednesday 14 <sup>th</sup> September 2018
Dispatch of allotment confirmations and refunds if applicable	Wednesday 14 <sup>th</sup> September 2018



Paul Clitheroe AM  
Chairman

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## Appendix 3C

### Announcement of buy-back (*except minimum holding buy-back*)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
Monash Absolute Investment Company Limited	86 610 290 143

We (the entity) give ASX the following information.

#### Information about buy-back

1	Type of buy-back	Off market Equal Access Buy-back
2	+Class of shares/units which is the subject of the buy-back ( <i>eg, ordinary/preference</i> )	Ordinary Shares
3	Voting rights ( <i>eg, one for one</i> )	One for one
4	Fully paid/partly paid ( <i>and if partly paid, details of how much has been paid and how much is outstanding</i> )	Fully Paid
5	Number of shares/units in the +class on issue	49,223,436
6	Whether shareholder/unitholder approval is required for buy-back	No Shareholder approval is required.
7	Reason for buy-back	Capital Management Initiative

+ See chapter 19 for defined terms.  
11/01/2010

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## Appendix 3C Announcement of buy-back

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- 8 Any other information material to a shareholder's/unitholder's decision whether to accept the offer (*eg, details of any proposed takeover bid*)
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|---|
| See ASX Announcements on: <ul style="list-style-type: none"><li>• 20 June 2018 (Off-Market Equal Access Buyback and Share Purchase Plan); and</li><li>• 4 July 2018 (Month End Update).</li></ul> The Buy-back booklet will contain detailed information and will be lodged with the ASX before being despatched to shareholders. |
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### On-market buy-back

- 9 Name of broker who will act on the company's behalf
- |     |
|-----|
| N/A |
|-----|
- 10 Deleted 30/9/2001.
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- 11 If the company/trust intends to buy back a maximum number of shares - that number
- Note: This requires a figure to be included, not a percentage.
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|--|
- 12 If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention
- |  |
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|--|
- 13 If the company/trust intends to buy back shares/units if conditions are met - those conditions
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|--|

### Employee share scheme buy-back

- 14 Number of shares proposed to be bought back
- |     |
|-----|
| N/A |
|-----|
- 15 Price to be offered for shares
- |  |
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<sup>†</sup> See chapter 19 for defined terms.

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**Selective buy-back**

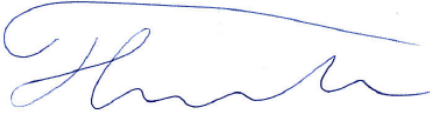
- 16 Name of person or description of class of person whose shares are proposed to be bought back N/A
- 17 Number of shares proposed to be bought back
- 18 Price to be offered for shares

**Equal access scheme**

- 19 Percentage of shares proposed to be bought back 10%
- 20 Total number of shares proposed to be bought back if all offers are accepted 4,922,343
- 21 Price to be offered for shares A 5% discount to the pre-tax NTA as at 31 August 2018
- 22 <sup>+</sup>Record date for participation in offer 3 August 2018  
Cross reference: Appendix 7A, clause 9.

**Compliance statement**

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

Sign here:   
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Company Secretary Date: 13 July 2018

Print name: Tharun Kuppanda

<sup>+</sup> See chapter 19 for defined terms.

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