



Monash Absolute Investment Company Limited

ABN 86 610 290 143

Annual Report 2018

Year Ended 30 June 2018

Level 12, Grosvenor Place,
225 George Street
Sydney NSW Australia 2000

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www.monashinvestors.com



**Monash Absolute Investment
Company Limited**

ABN 86 610 290 143

**Appendix 4E
for the year ended 30 June 2018**

Monash Absolute Investment Company Limited
Appendix 4E
For the year ended 30 June 2018

Final Report

This final report is for the reporting year from 1 July 2017 to 30 June 2018. The previous corresponding year end was 30 June 2017.

Results for announcement to the market

			\$	\$
(Loss)/revenue from ordinary activities	Up	322%	from (3,046,354)	to 6,775,430
(Loss)/profit before tax for the year	Up	214%	from (4,573,190)	to 5,222,537
(Loss)/profit from ordinary activities after tax attributable to members	Up	226%	from (2,998,797)	to 3,792,522

Dividends

Dividend information	Cents per share	Franked amount per share	Tax rate for franking				
Final dividend dates							
Ex-dividend date							14 September 2018
Record date							17 September 2018
Payment date							31 October 2018

Net tangible assets

	30 June 2018	30 June 2017
Net tangible asset backing (per share) before tax	0.9838	0.8743
Net tangible asset backing (per share) after tax	0.9994	0.9167

Brief explanation of results

The gross portfolio return before all fees and expenses was approximately 14.60% for the year from 1 July 2017 to 30 June 2018.

Other information required by Listing Rule 4.3A

The Company has the ability to hedge market risk and apply hedging strategy.

Audit

This report is based on the Annual Report which has been audited. The audit report is included in the Company's Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

**Monash Absolute Investment
Company Limited**

ABN 86 610 290 143

**Annual Report
for the year ended 30 June 2018**

**Monash Absolute Investment Company Limited
Corporate Directory**

Directors

Paul Clitheroe AM (Independent Chairman)
Suvan de Soysa (Independent Director)
Simon Shields (Non-Independent Director)

Secretary

Tharun Kuppanda (resigned 13 August 2018)
Laura Newell (appointed 13 August 2018)

Investment Manager

Monash Investors Pty Limited
Level 5, 139 Macquarie Street
Sydney NSW 2000

Registered office

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Phone: (02) 9290 9600

Administrator

Link Fund Solutions Pty Limited
Level 12, 680 George Street
Sydney NSW 2000
Phone: (02) 8280 7100

Prime broker

Morgan Stanley & Co. International plc
Level 26, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Phone: 1800 808 576

Share registrar

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Phone: (02) 9290 9600
Fax: (02) 9279 0664
Email: enquiries@boardroomlimited.com.au

For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.

Auditors

Ernst & Young
200 George Street
Sydney NSW 2000
Phone: (02) 9248 5555

Stock exchange

Australian Securities Exchange (ASX)
The home exchange is Sydney
ASX code: MA1 Ordinary shares

Website

www.monashinvestors.com

Monash Absolute Investment Company Limited ABN 86 610 290 143

Annual Report - For the year ended 30 June 2018

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Dear Fellow Shareholders,

After a difficult trading environment in the 2016/17 financial year, I am pleased to report that the 2017/18 financial year was a very positive one with the NTA pre-tax growing by 12.52% (after fees and expenses). The Company's share price at 30 June 2018 was \$0.82. As at the 30 June 2018, the pre-tax net tangible asset backing (NTA) of the Company was \$0.9838 per share. The post-tax NTA at the 30 June 2018 was \$0.9994 per share.

The Company has also had a strong start to the 2018/19 financial year achieving a positive return of 2.82% on NTA pre-tax (after fees and expenses) for the month of July and NTA pre-tax was \$1.0115 and NTA post-tax was \$1.0188. Simon Shields from Monash Investors provides more detailed information on the performance for the year in his Chief Investment Officer's report in this Annual Report.

Off market equal access buy back and share purchase plan

The Board after considering different options for improving the liquidity and size of the Company, decided on 13 July 2018 to offer shareholders the opportunity to participate in an equal access buy-back and share purchase plan of up to 10% of the share capital of the Company. Both the buy-back price and offer price will be set at a price calculated by applying a 5% discount to the Company's pre-tax NTA at 31st August 2018. This offer is currently open and closes on 7th September 2018. At the time of writing, the Company's share price is trading at \$0.835 per share (at 20 August 2018). The Board believes that this opportunity will benefit shareholders since it provides certainty and we therefore encourage you to participate.

In December 2017 the Board renewed the on-market buy-back as part of its ongoing capital management program. For the year to 30 June 2018 2,717,446 shares were bought back at a cost of \$2,210,166 representing an average price per share of \$0.82 under this program. On 13th July 2018 the Board also announced that the on-market buy-back would conclude at this time.

Dividend

The Board has declared a fully franked dividend of 1 cent per share for the Financial Year ended 30 June 2018. The Board is committed to continuing to pay fully franked dividends in the future provided the Company has sufficient franking credits and profit reserves and believes it is prudent to do so. We are also continuing to look at ways to reward the Company's existing shareholders and attract new ones.

Shareholder Communication

The Investment Manager, Monash Investors Pty Ltd, is holding an investor update teleconference on 6th September 2018 and I encourage you to dial in and participate. To obtain news and information on the Company, please visit and use the subscription feature on the Company's website at www.monashinvestors.com.

On behalf of the Board, I would like to thank you for your continued support of the Company.

Yours Sincerely,



Paul Clitheroe AM

Monash Absolute Investment Company Limited
Chief Investment Officer's Report
For the year ended 30 June 2018

As financial years go, the 12 months to 30 June 2018 was a good one: the company's NTA grew 12.52% after fees, which is around what we aim for over the longer term. As a stock, the price of MA1 rose 9.33% for the year.

On average, we held 25 positions at any one time in the portfolio (including 3 shorts) and our average cash holding was 25%.

Our attitude to cash in the portfolio does not just set MA1 apart from other LICs and ETFs, it is also fundamental to our strategy which is designed to deliver double digit annual returns over the long term, without loss of capital over the medium term.

The flexibility afforded the portfolio to hold cash while looking for compelling investment opportunities is a key aspect of our ability to focus on absolute returns. It allows the manager discretion to wait for compelling opportunities, rather than have to lower the bar, or imprudently increase position sizes, just to use up the cash.

Indeed, an increase in cash holdings is evidence that it is getting harder to find stocks to buy, or easier to find shorts. In such a situation, it is of course sensible to be wary and to hold more cash. And, to the extent that we hold cash, portfolio risk is lower.

From the point of view of returns, it was a year of two halves, with our return outcomes dissimilar to those of the market. In the first six months to December 2017 our NTA rose 15.70% after fees. In the second six months to June 2018 it fell 2.75%. This was quite different from the stock market overall, with the ASX200 rising 8.37% in the first half and rising 4.29% in the second.

When we look back over the whole year, the thing that stands out is how much of a contribution our best stocks made to performance, and how much the worst ones detracted. This is invariably the case because our portfolio is relatively concentrated. We look to find the stocks that the market has misjudged or mispriced, by doing fundamental research and using recurring business situations or patterns of behaviour to support our assumptions.

This leads to a portfolio that is rich in success stories, and a few failures. We have often said that we aim to be right 80% of the time, and if we do so, the winners more than offset the losers. Because we are also investing without regard to the index, the portfolio is all about the stocks, rather than about overweights and underweights to index components. In that spirit I present the best 5 contributors of the financial year.

Given that we have been talking about these companies in our monthly reports over the year, I am not going to go into detail on their businesses, but rather assume a bit of familiarity in order to describe how we managed them in the portfolio and to summarise their main drivers.

Lovisa (ASX: LOV) – Lovisa is a vertically integrated retailer of low price jewellery. It started the year at \$3.69 with a 4.1% weight in the portfolio. It finished the year at \$11.70 with a weight of 6.6%. We progressively sold it down as the stock rose in price. Lovisa grew its retail margin over the year, while enjoying strong like for like sales and continuing its international expansion. Over the year analyst earnings forecasts rose and the stock was re-rated. The international roll out has a long way to go, and we are checking for the pace of new store locations by monitoring job sites.

Emeco (ASX: EHL) – Emeco rents out trucks, diggers and dozers for mining and construction. We first purchased it in August 2017 for 14c with a 5% weight. We sold progressively as the stock rose with most sales at 27c, to cut the weight to around 6% in February 2018. Emeco then did a 1 for 7.8 entitlement issue of shares at 25c in April 2018 to fund an acquisition, in which we participated, subsequently selling more shares again at 32c in May 2018 to finish the year at a weight of 7.1% with the price at 38c. Our investment thesis for Emeco played out nicely through the year with the market upgrading forecasts for improved fleet utilisation and higher rental yields.

NextDC (ASX: NXT) – NextDC has a network of data centres. It started the year at a \$4.59 and a 4.7% weight in the portfolio. We sold 2/3 of our position at a price of \$6.13 in February 2018. They did capital raise in April 2018 at \$6.81 to fund Data Centre expansion. We exited the remainder of our holdings in July 2018 at \$7. While future demand for data storage seems insatiable, this is an asset heavy business. With its FY20 P/Cashflow at 35x, and future capital raises ahead of it, we felt that we were getting value for enough of its future earnings, whether or not they were achieved.

Kogan (ASX: KGN) – Kogan is an internet based retailer of its goods and 3rd party brands. It started the year at a \$1.70 and a 0.7% weight in the portfolio, amongst the gloom of almost daily articles about the imminent launch of Amazon in Australia, and what it would mean for other retailers. However, Kogan continued to grow its sales and earnings strongly and the stock rerated, ultimately achieving a price of \$9.80 on 4 June 2018. In the prior two days the company had announced its entry into the additional verticals of Whitegoods and NZ mobiles, helping to drive the price to that all time high. Aftermarket the founders, who are also the CEO and COO, then sought to sell down a large part of their holdings. This strong behavioural signal marked a turning point for investors perception of its future earnings growth, and the share price began to collapse when it re-opened. We sold out that day for \$8.60 and then shorted the stock the following day at \$8.30. We closed out the short successfully on the 29th of June 2018 at \$7.04.

Afterpay (ASX: APT) – Afterpay provides an instalment payment method for consumers. It was first purchased in December of 2017 at around \$5.20 to get to a 5% portfolio weight. We halved it in March 2018 at \$7 on fears of regulatory risk and then sold out completely in April at \$5.40 as the drum beats grew louder, fearing that where there is smoke there is fire. Our view was always that its potential as a business in the USA was worth multiples of its Australian business, so when it confirmed it was launching there in May 2018 we re-entered the stock with a 5% weight at \$7.30. Since then it has gone from strength to strength, on the back of a very successful initial roll out in the USA, and continued acceleration in Australia. It closed at 30 June 2018 at \$9.35. We have since sold a quarter of our holdings at \$14.70.



Simon Shields
Principal
Monash Investors

Monash Absolute Investment Company Limited
Company Profile
For the year ended 30 June 2018

Company Profile

Investment Objective

The investment objectives of Monash Absolute Investment Company Limited ("the Company") are:

- to achieve a targeted positive return over a full investment cycle which it considers to be a minimum period of 5 to 7 years; and
- avoid a negative return each financial year.

Investment Strategy

The Company's investment strategy is to invest in a portfolio of Australian and international listed equity securities, pre-IPO securities, exchange-traded and over-the-counter derivatives and cash, in order to target an absolute return.

The Company's absolute return strategy seeks to achieve a targeted positive return by taking long positions in some securities and short positions in other securities. Various investment techniques are used to maximise returns including pairs trading, price targets, stop loss levels (set by reference to price or changes to circumstances), holding cash and the use of derivatives.

The Company employs an investment approach which is high conviction, benchmark unaware, security size agnostic, investment style (i.e. growth, value, discounted cash flow) agnostic and has a capital preservation focus.

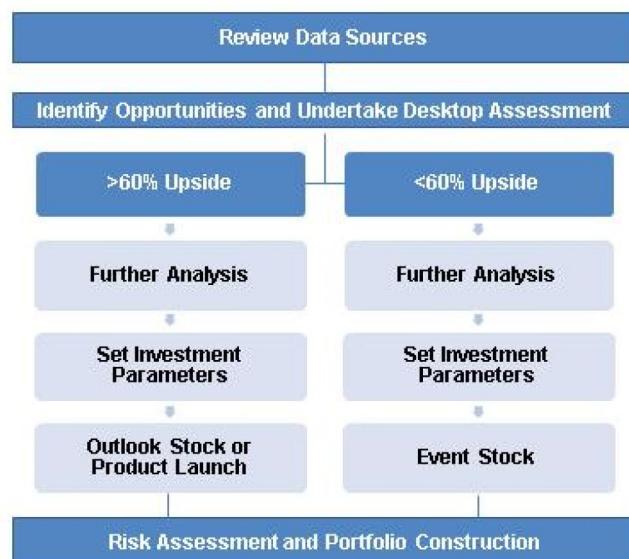
Investment Philosophy

The Company is focused on identifying securities that meet one or more of the following characteristics:

- **Insight:** securities that are considered to be underestimated or misunderstood in some way by the market;
- **Growth:** securities with high growth in revenue, cash flow or earnings per share forecast;
- **Value:** securities that represent a high expected pay-off to a target price the Company sets; and
- **Event:** securities identified with a near term event or catalyst that the Company believes should drive a share price reaction.

Investment Process

To achieve its objectives, the Company's Investment Manager employs the following investment process which generally involves the steps set out in the diagram below:



Monash Absolute Investment Company Limited
Company Profile
For the year ended 30 June 2018
(continued)

Investment Process (continued)

a) Review Data Sources (Idea Generation)

The Company's Investment Manager applies its investment philosophy to help identify securities that have one or more of the characteristics **Insight, Growth, Value** and **Event** by:

- filtering news and ideas from a number of data sources including company releases, news media, equity broking research houses and meetings with equity broking analysts;
- meeting with senior management of the companies in which the Investment Manager may consider investing; and/or
- consulting with the business and professional networks of the Investment Manager.

b) Identify Opportunities and Undertake Desktop Assessment

Once a potential opportunity is found, a desktop assessment is undertaken to determine whether the security meets the hurdle rates of return.

If the anticipated return on buying the investment is greater than 60%, the security is a potential candidate to become an outlook stock or product launch stock. If the expected return on "shorting" the investment is greater than 30%, the security is a candidate to become an outlook short position.

If the expected return is less than 60% for buying or 30% for "shorting", then the security may qualify as an event stock. Securities will only qualify as event stocks if the Company can identify an event or catalyst it believes will drive returns.

What are Outlook Stocks or Product Launch Stocks?

Outlook stocks (both long positions and short positions) and product launch stocks are securities, in the Investment Manager's view, whose current valuation does not reflect the future earnings potential of the business.

- **Long Outlook Positions** have strong business outlooks with large valuation upside and moderate to low downside risk;
- **Short Outlook Positions** have poor business outlooks with large valuation downside; and
- **Product Launch Stocks** are early stage businesses in the process of launching a new product or expanding into a new region, which the Company believes is highly attractive to the business, and may be higher risk.

What are Event Stocks (Long and Short Positions)?

Event stocks (long and short positions) are securities that, in the Company's view, are due to experience, or have experienced, a catalyst that has not yet been factored into the value of the Company (an **Event**). An Event can be information or news about the equity investment that should have an impact on the valuation of the investment. Events fall into three broad categories:

- pre-events, for example, ahead of an earnings announcement or strategy briefing;
- post-events, for example, following an earnings announcement or strategy briefing; and
- liquidity events, for example, as a result of a share issue or sell down by an existing holder.

c) Further Analysis & Setting Investment Parameters

Further Analysis

For outlook stocks and product launch stocks, a further analysis is undertaken to confirm the expected upside to the investment opportunity. This may include:

- visits with the company, its competitors, suppliers, customers, regulators or industry experts;
- creating a detailed financial model of the company; and
- writing up an investment proposal that summarises the investment thesis, expected signposts and potential thesis violations.

Monash Absolute Investment Company Limited
Company Profile
For the year ended 30 June 2018
(continued)

c) Further Analysis & Setting Investment Parameters (continued)

For event stocks, the Investment Manager considers the effect and likelihood of an event impacting a company that may drive its share price. An event is not required for an outlook stocks or product launch stocks; it is the outlook for the underlying business and our assessment of the existing mispricing of the security if the market was fully aware of the opportunity that drives these investments. An event stock it is all about the event itself and the expected share price reaction to that event that drives the investment.

The Investment Manager continually monitors for any new information that can impact positively or negatively on each investment (the rationale for the investment in a particular security).

Setting Investment Parameters

Price targets are determined for each investment and continually monitored.

Stop loss levels are determined based on either share price movements (for outlook stocks or product launch stocks) or the occurrence of thesis violations for event stocks (for example the identified event does not impact the valuation of a security as expected).

d) Portfolio Construction based on Risk Assessment

The portfolio is constructed in accordance with investment guidelines required by the Company from time to time and it aims to diversify within the portfolio for securities, sectors, countries and investment themes.

Once an investment opportunity is identified, the risk is reviewed to determine the weight of the security in the portfolio. The risk assessment “triangulates” the following factors:

- the likelihood of the investment thesis success versus thesis violation. That is the Company's confidence that the investment thesis will play out as expected;
- the potential upside pay-off;
- the liquidity of the security; and
- the portfolio's risk exposure to similar investment themes and industries.

The Company is able to reduce exposure through holding cash, options, futures and shorting securities. The Company's portfolio may at times have a large amount of cash holdings.

Monash Absolute Investment Company Limited
Corporate Governance Statement
For the year ended 30 June 2018

Corporate Governance Statement

The Board of Directors of Monash Absolute Investment Company Limited is committed to maintaining high standards of Corporate Governance. The Corporate Governance Statement discloses the extent to which the Company has followed the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations).

The Corporate Governance Statement adopted by the Board can be found in the Company's Corporate Governance section <http://www.monashinvestors.com/listed-company/corporate-governance/>.

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018

Directors' Report

The Directors present their report together with the financial report of Monash Absolute Investment Company Limited ("the Company") for the year ended 30 June 2018.

Directors

The following persons held office as Directors during the year or since the end of the year and up to the date of this report:

Paul Clitheroe AM (Independent Chairman)
Suvan de Soysa (Independent Director)
Simon Shields (Non-Independent Director)

Principal activities

The investment strategy is to invest in a portfolio of Australian and international listed equity securities, pre-IPO securities, exchange-traded and over-the-counter derivatives and cash.

There was no significant change in the nature of the activity of the Company during the year.

Dividends

Dividend information	Cents per share	Franked amount per share	Tax rate for franking
2018 Final dividend	1.0 Cent	1.0 Cent	27.5%
Final dividend dates			
Ex-dividend date			14 September 2018
Record date			17 September 2018
Payment date			31 October 2018

The Company's dividend objective is to pay dividends provided the Company has sufficient profit reserves and franking credits available and it is within prudent business practices to do so.

The amount of any dividend will be at the discretion of the Board. Currently, it is the Board's intention that all dividends paid to shareholders will be franked to 100% or to the maximum extent possible.

On 21 August 2018, the Directors declared a final full franked dividend of 1 cent per ordinary share (2017: nil) franked at 27.5%, which is expected to be paid on 31 October 2018.

Review of operations

The operating profit before tax was \$5,222,537 for the year ended 30 June 2018 (2017: loss \$4,573,190). The net result after tax was a profit of \$3,792,522 (2017: loss \$2,998,797).

The net tangible asset backing before tax as at 30 June 2018 was \$0.9838 per share (2017: \$0.8743).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 and the Chief Investment Officer's Report on page 2 of the Annual Report.

Financial Position

The net asset value of the Company for the financial year ended 30 June 2018 was \$49,229,465 (2017: \$47,646,909).

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Significant changes in the state of affairs

During the year ended 30 June 2018, 2,717,446 shares were bought back at an average buy back of \$0.82 per share. A total of 3,241,765 shares have been cancelled since the Company undertook the buy back program.

On 20 December 2017, the Company extended the buy back period to 2 January 2019 and on 13 July 2018, the Board announced that it would conduct an off-market equal access buy back and share purchase plan. It was also announced that the on-market buy back would conclude effective 13 July 2018.

A total of 200 options were exercised this financial period. The remaining 52,464,800 options expired on 29 September 2017.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2018.

Matters subsequent to the end of the financial period

On 21 August 2018, the Directors declared a final full franked dividend of 1 cent per ordinary share (2017: nil) franked at 27.5%, which is expected to be paid on 31 October 2018.

Other than the above, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on directors

Paul Clitheroe AM Independent Chairman, Non-executive Independent Director

Experience and expertise

Paul Clitheroe has had an extensive career within the financial services industry as a company director, key practitioner and also educator. Paul Clitheroe has been Chairman of the Australian Government Financial Literacy Board since 2002, which sets and implements the national strategy for financial literacy with a particular focus on schools, universities and vocational education. Paul Clitheroe was host of "Money" on Channel 9 from 1993 to 2002. His Talking Money segments run on radio stations across Australia and his Money books have sold over 750,000 copies. Paul was appointed as a Member of the Order of Australia in 2008 for services to the financial services industry and the community. In 2012 he was made a Life Member by FINSIA. Paul Clitheroe holds the Chair of Financial Literacy at Macquarie University and is a Professor in the School of Business and Economics.

Paul Clitheroe holds a Bachelor of Arts from the University of NSW.

Other current directorships

Paul is Chairman of the youth anti drink driving body RADD. He is also Chairman of the ASX listed entity, InvestSMART Group Ltd, a non-executive director of Wealth Defender Limited, an ASX listed investment company as well as Chairman of Money Magazine Australia and the Clitheroe Foundation.

Former directorships in last 3 years

Paul Clitheroe has not held any other directorships of listed companies within the last three years.

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Information on directors (continued)

Interests in shares and options

Details of Paul Clitheroe's interests in shares of the Company are included later in this report.

Interests in contracts

Paul Clitheroe has no interests in contracts of the Company.

Suvan de Soysa Non-executive Independent Director, Chairman of Audit and Risk Committee

Experience and expertise

Suvan de Soysa has over 30 years' experience in wealth management. He was a co-founder of Ipac Securities Limited, which became a leading financial planning and portfolio management firm that was acquired by AXA APH in 2002. At Ipac Securities Limited, Suvan held a range of senior executive roles with accountability for financial planning, strategic partnerships, investment product and registry services, and was managing director of the private client business AXA Life subsidiary in the UK. Suvan has consulted extensively to the financial services industry and held a range of governance roles, as a director of Ipac Securities Limited and Ipac Asset Management, and director of joint ventures with several Australian financial institutions. He has served on audit and compliance committees and been a nominated responsible officer on behalf of the trustee of superannuation funds in Australia.

Suvan de Soysa was appointed as Chief Executive Officer of Chancellor Portfolio Services Pty Ltd in February 2018.

Suvan de Soysa holds a Bachelor of Science (Economics) Hons from University of London and Bachelor of Laws from University of Sydney. He gained his admission as a solicitor in 1985, is a Certified Financial Planner, and a Fellow of FINSIA and a Fellow of the Australian Institute of Company Directors.

Other current directorships

No current directorships.

Former directorships in last 3 years

Suvan de Soysa has not held any other directorships of listed companies within the last three years.

Interests in shares and options

Details of Suvan de Soysa's interests in shares of the Company are included later in this report.

Interests in contracts

Suvan de Soysa has no interests in contracts of the Company.

Simon Shields Executive Non-Independent Director

Experience and expertise

Simon Shields is one of Australia's leading fund managers with over 28 years of industry experience including as Head of Australian Equities at UBS Asset Management (Australia) Limited (UBS) and Head of Australian Equities at Colonial First State Limited (CFS). Simon has been a member of and/or led multi-award winning equity teams across a range of investment styles. Simon commenced his career as an analyst with Westpac Investment Management Limited (now part of BT Investment Management Limited), before moving into a portfolio management role. In 1995, he moved to Rothschild Australia Asset Management Limited as a Portfolio Manager, responsible for value-style Australian equities. In March 1998, he joined CFS as a Senior Portfolio Manager, responsible for growth style Australian and New Zealand equities, before becoming the Head of Australian Equities in January 2004. In July 2007, he moved to UBS as Managing Director and Head of Australian Equities and in 2011 also took responsibility for the ING Investment Management Limited Australian equity team following its acquisition by UBS.

Simon Shields holds a Bachelor of Commerce with honours, Bachelor of Law and Masters of Business Administration and is a Chartered Financial Analyst.

Other current directorships

Simon Shields is a director and co-founder of Monash Investors Pty Limited.

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Information on directors (continued)

Former directorships in last 3 years

Simon Shields has not held any other directorships of listed companies within the last three years.

Special responsibilities

Senior Portfolio Manager of Monash Investors Pty Limited

Interests in shares and options

Details of Simon Shields' interests in shares of the Company are included later in this report.

Interests in contracts

Details of Simon Shields' interests in contracts of the Company are included later in this report.

Company secretary

Tharun Kuppanda (Resigned 13 August 2018)

Trained as a corporate lawyer, Tharun Kuppanda is an experienced Company Secretary and corporate governance professional. Tharun Kuppanda has been involved in the listing of a number of entities on ASX, as well as advising entities in relation to the listing rules and the Corporations Act. Tharun Kuppanda has worked with Boards and management in both the ASX listed and the unlisted company arenas. His experience covers a range of industries including technology, gaming and mining companies.

Tharun Kuppanda holds a Bachelor of Laws, Bachelor of Business and Commerce (Accounting) and a Graduate Diploma in Legal Practice as well completing training from the Australian Institute of Company Directors in the areas of Financial Statements and Directors Duties.

Laura Newell (Appointed 13 August 2018)

Laura Newell is an experienced Chartered Company Secretary and has worked for a broad range of organisations, both in-house and for corporate secretarial service providers.

Laura Newell has over seven years of experience in the company secretarial industry, covering public unlisted entities, FTSE100 and ASX listed entities. She has worked with Boards and executive management of listed and unlisted companies across a range of industry sectors.

Laura Newell is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Masters degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA).

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2018 and the numbers of meetings attended by each Director were:

	Directors' Meetings		Meetings of committee	
	A	B	Audit and Risk Compliance	
Paul Clitheroe	6	6	4	4
Suvan de Soysa	6	6	4	4
Simon Shields	6	6	4	4

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Remuneration report (Audited)

This report details the nature and amount of remuneration for each Director of Monash Absolute Investment Company Limited in accordance with the *Corporations Act 2001*.

Remuneration of Independent Directors

The Independent Non-Executive Directors are remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Independent Non-Executive Directors. The remuneration of the Independent Non-Executive Directors is not linked to the performance or earnings of the Company.

The Directors will be entitled to receive the following benefits:

- (a) Paul Clitheroe: \$50,000 p.a.
- (b) Suvan de Soysa: \$40,000 p.a.

Simon Shields is remunerated by the Investment Manager and will not receive Directors' fees or any other form of remuneration from the Company.

Details of remuneration

The following tables show details of the remuneration paid by the Company to the Directors of the Company for the current financial year.

2018 Name	Short-term employee benefits	Post-employment benefits	
	Salary and fees \$	Superannuation \$	Total \$
Independent Directors			
Paul Clitheroe AM	45,662	4,338	50,000
Suvan de Soysa	11,530	28,470	40,000
Sub-total Independent Directors	57,192	32,808	90,000
Non-Independent Director			
Simon Shields*	-	-	-
Sub-total Non-Independent Director	-	-	-
Total key management personnel compensation	57,192	32,808	90,000

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Remuneration report (Audited) (continued)

Details of remuneration (continued)

2017 Name	Short-term employee benefits	Post-employment benefits	
	Salary and fees \$	Superannuation \$	Total \$
Independent Directors			
Paul Clitheroe AM	47,831	2,169	50,000
Suvan de Soysa	10,000	30,000	40,000
Sub-total Independent Directors	57,831	32,169	90,000
Non-independent Director			
Simon Shields*	-	-	-
Sub-total Non-Independent Director	-	-	-
Total key management personnel compensation	57,831	32,169	90,000

* Mr Simon Shields received no fees as an individual. Mr Simon Shields is a shareholder and officer of Monash Investors Pty Limited. During the year, Monash Investors Pty Limited was entitled to receive fees of \$750,754 (2017: \$744,908) net of reduced input tax credits for the management of the Company, out of which costs of corporate and investment management are paid.

Director Related Entity Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

Simon Shields is a Director and beneficial owner of Monash Investors Pty Limited, the entity appointed to manage the investment portfolio of Monash Absolute Investment Company Limited. In its capacity as Investment Manager, Monash Investors Pty Limited was paid a management fee of 1.50% p.a. (plus GST) of gross assets amounting to \$750,754 net of reduced input tax credits (2017: \$744,908).

As at 30 June 2018, the balance payable to the Investment Manager was \$65,804 (2017: \$61,713).

In addition, Monash Investors Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) of the Portfolio's outperformance and subject to a high water mark.

For the year ended 30 June 2018 in its capacity as Investment Manager, Monash Investors Pty Limited was not paid a performance fee (2017: \$nil).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Remuneration of Executives

There are no executives that are directly paid by the Company. However, Simon Shields is considered a Non-Independent Director on the basis that he is a Director and a shareholder of Monash Investors Pty Limited and due to his role as an Investment Manager in that entity, is integrally involved in the operation of the Company. Monash Investors Pty Limited remunerates Simon Shields as an employee and also provides day to day management of the Company and is remunerated as outlined above.

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Remuneration report (Audited) (continued)

Details of remuneration (continued)

Director Service Agreements

Remuneration and other terms of employment for the Independent Non-Executive Directors are formalised in service agreements with the Company.

Paul Clitheroe AM, Non-Executive Chairman and Director

- Commenced on 20 January 2016
- Term of appointment is in accordance with the Company's Constitution and the Listing Rules of the Australian Securities (ASX)
- Base annual salary, inclusive of superannuation for the year ended 30 June 2018 of \$50,000

Suvan de Soysa, Non-Executive Director

- Commenced on 20 January 2016
- Term of appointment is in accordance with the Company's Constitution and the Listing Rules of the Australian Securities (ASX)
- Base annual salary, inclusive of superannuation for the year ended 30 June 2018 of \$40,000

Simon Shields is not remunerated by the Company.

Equity Instrument Disclosures Relating to Directors

The Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2018

Director	Position	Balance at 1 July 2017	Acquisitions	Disposals	Balance at 30 June 2018
Paul Clitheroe	Independent Chairman	500,000	-	-	500,000
Suvan de Soysa	Independent Director	500,000	-	-	500,000
Simon Shields	Non-Independent Director	200,001	-	-	200,001
		1,200,001	-	-	1,200,001

2017

Director	Position	Balance at 1 July 2016	Acquisitions	Disposals	Balance at 30 June 2017
Paul Clitheroe	Independent Chairman	500,000	-	-	500,000
Suvan de Soysa	Independent Director	500,000	-	-	500,000
Simon Shields	Non-Independent Director	200,001	-	-	200,001
		1,200,001	-	-	1,200,001

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders.

Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)

Remuneration report (Audited) (continued)

Details of remuneration (continued)

Equity Instrument Disclosures Relating to Directors (continued)

Options Held

2018

Director	Position	Balance at 1 July 2017	Options Acquired	Options Expired	Balance at 30 June 2018
Paul Clitheroe	Independent Chairman	500,000	-	500,000	-
Suvan de Soysa	Independent Director	500,000	-	500,000	-
Simon Shields	Non-Independent Director	200,000	-	200,000	-
		1,200,000	-	1,200,000	-

The Company's unexercised options expired on 29 September 2017.

2017

Director	Position	Balance at 1 July 2016	Options Acquired	Options Exercised	Balance at 30 June 2017
Paul Clitheroe	Independent Chairman	500,000	-	-	500,000
Suvan de Soysa	Independent Director	500,000	-	-	500,000
Simon Shields	Non-Independent Director	200,000	-	-	200,000
		1,200,000	-	-	1,200,000

Directors and Director related entities acquired options in the Company on the same terms and conditions available to other shareholders.

The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

End of remuneration report

Insurance and indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Monash Absolute Investment Company Limited
Directors' Report
For the year ended 30 June 2018
(continued)**

Non-audit services

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services in Note 20 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Rounding of amounts

In accordance with ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

This report is made in accordance with a resolution of Directors.



Paul Clitheroe AM
Independent Chairman

Sydney
21 August 2018

Auditor's Independence Declaration to the Directors of Monash Absolute Investment Company Limited

As lead auditor for the audit of Monash Absolute Investment Company Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Rita Da Silva
Partner
21 August 2018

Monash Absolute Investment Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2018

	Notes	Year ended 2018 \$	Year ended 2017 \$
Investment income from ordinary activities			
Net realised gains/(losses) on investments		2,137,749	(2,083,634)
Net unrealised gains/(losses) on investments		4,064,665	(1,789,463)
Dividend income		455,778	693,673
Interest income		105,303	140,686
Net foreign exchange gain/(loss)		11,935	(7,616)
		6,775,430	(3,046,354)
Expenses			
Management fees	22	(750,754)	(744,908)
Brokerage expense		(66,803)	(79,889)
Short dividend expense		(155,445)	(133,038)
Stock loan fees		(17,656)	(21,247)
Accounting fees		(92,372)	(89,461)
Share registry fees		(30,583)	(29,863)
Company secretarial fees		(46,221)	(50,010)
Tax fees	20	(9,000)	(18,343)
Directors' fees		(90,000)	(90,000)
ASX fees		(41,928)	(43,110)
Audit fees	20	(43,965)	(40,465)
Marketing expense		(78,717)	(84,336)
Other expenses		(129,449)	(102,166)
		(1,552,893)	(1,526,836)
Profit/(loss) before income tax		5,222,537	(4,573,190)
Income tax (expense)/benefit	7	(1,430,015)	1,574,393
Profit/(loss) for the year after tax		3,792,522	(2,998,797)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		3,792,522	(2,998,797)
		Cents	Cents
Earnings/(losses) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(losses) per share	25	0.07	(0.06)
Diluted earnings/(losses) per share	25	0.07	(0.06)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Financial Position
As at 30 June 2018

		At	
	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	13,863,948	13,474,238
Trade and other receivables	9	34,868	1,099,613
Financial assets at fair value through profit or loss	10	37,191,771	35,486,490
Other current assets		33,880	19,439
Total current assets		51,124,467	50,079,780
 Non-current assets			
Deferred tax assets	12	1,384,496	2,202,836
Total non-current assets		1,384,496	2,202,836
 Total assets		 52,508,963	 52,282,616
 LIABILITIES			
Current liabilities			
Trade and other payables	13	169,132	378,039
Financial liabilities at fair value through profit or loss	14	2,494,607	4,253,584
Total current liabilities		2,663,739	4,631,623
 Non-current liabilities			
Deferred tax liabilities	15	615,759	4,084
Total non-current liabilities		615,759	4,084
 Total liabilities		 3,279,498	 4,635,707
 Net assets		 49,229,465	 47,646,909
 EQUITY			
Issued capital	16	48,454,318	50,664,284
Profits reserve	17(a)	8,094,292	1,236,026
Accumulated losses	17(b)	(7,319,145)	(4,253,401)
 Total equity		 49,229,465	 47,646,909

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Changes in Equity
For the year ended 30 June 2018

Notes	Issued capital \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	51,075,953	1,236,026	(1,254,604)	51,057,375
Loss for the year	-	-	(2,998,797)	(2,998,797)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(2,998,797)	(2,998,797)
 Transactions with owners in their capacity as owners:				
Share buy back	16(f) (411,669)	-	-	(411,669)
Balance at 30 June 2017	50,664,284	1,236,026	(4,253,401)	47,646,909
 Balance at 1 July 2017	50,664,284	1,236,026	(4,253,401)	47,646,909
Profit for the year	-	-	3,792,522	3,792,522
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,792,522	3,792,522
 Transactions with owners in their capacity as owners:				
Shares issued on options exercised	16(e) 200	-	-	200
Share buy back	16(f) (2,210,166)	-	-	(2,210,166)
Transfer to profits reserve	17(a) -	6,858,266	(6,858,266)	-
	(2,209,966)	6,858,266	(6,858,266)	(2,209,966)
 Balance at 30 June 2018	48,454,318	8,094,292	(7,319,145)	49,229,465

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Year ended	
	2018	2017
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial assets held at fair value through profit or loss	38,220,129	37,166,266
Purchase of financial assets held at fair value through profit or loss	(32,833,962)	(41,011,294)
Proceeds from short sale of financial liabilities held at fair value through profit or loss	6,056,706	10,750,629
Payments for settlement of financial liabilities held at fair value through profit or loss	(7,820,521)	(12,519,122)
Dividends received	380,591	444,413
Interest received	104,366	158,222
Dividends paid on short stocks	(124,598)	(127,784)
Investment management fees paid	(747,548)	(756,127)
Brokerage expenses paid	(67,617)	(72,727)
Payments for other expenses	(579,805)	(464,747)
Net cash inflow/(outflow) from operating activities	24	2,587,741
	(6,432,271)	
Cash flows from financing activities		
Payments for shares bought back	(2,210,166)	(411,669)
Shares issued on options exercised	200	-
Net cash outflow from financing activities	(2,209,966)	(411,669)
	(411,669)	
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	377,775	(6,843,940)
Effects of exchange rate changes on cash and cash equivalents	13,474,238	20,325,794
Cash and cash equivalents at the end of the year	11,935	(7,616)
	13,863,948	13,474,238
	8	

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018

1 General information

Monash Absolute Investment Company Limited ("the Company") is a listed public company domiciled in Australia. The address of Monash Absolute Investment Company Limited's registered office is Level 12, 225 George Street, Sydney, NSW 2000. The Company's investment strategy is to invest in a portfolio of Australian and international listed equity securities, pre-IPO securities, exchange-traded and over-the-counter derivatives and cash.

The financial statements of the Company are for the year ended 30 June 2018.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Monash Absolute Investment Company Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 August 2018.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of Monash Absolute Investment Company Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Company.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 9 <i>Financial Instruments</i>	<p>AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.</p>	<p>The Company does not expect any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities.</p> <p>The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.</p> <p>The Directors have assessed the impact of AASB 9 on the Company's financial statements. Given no debt instruments are held by the Company which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Company's financial instruments.</p>	1 July 2018

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, AASB 15 will not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.</p>	1 July 2018

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Net changes in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if any.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

(c) Income tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses carried forward are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(e) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(g) Financial assets and liabilities

The Company's investments are classified as at fair value through profit or loss. They comprise:

Classification

(i) Financial instruments held for trading

These include futures, forward contracts, options and interest rate swaps. Derivative financial instruments entered into by the Company do not meet the hedge accounting requirements as defined by the accounting standards. Consequently, hedge accounting is not applied by the Company.

(ii) Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded and unlisted equity instruments.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is to evaluate information about these financial instruments on a fair value basis together with other related financial information.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement

At initial recognition, the Company measures financial assets at fair value. Transaction costs of financial assets at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an investment is disposed, the cumulative gain or loss is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

The Company's accounting policy on fair value measurements is discussed in Note 4.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Expenses

All expenses, including management fee, are recognised in the Statement of Comprehensive Income on an accruals basis.

(k) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Profits reserve

A profits reserve has been created representing an amount allocated on a monthly basis from current profit that is preserved for future dividend payments.

(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

2 Significant accounting policies (continued)

(q) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(i) Foreign currency translation

Foreign currency transactions are translated into Australian dollars at the functional currency spot rates of exchange at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign assets and liabilities at year end exchange rates are recognised in the Statement of Comprehensive Income.

Translation differences on monetary assets and liabilities, forward foreign exchange hedging contracts, exchange traded equity options and investments are reported as part of the change of value of investments on the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within revenue.

Assets and liabilities denominated in a foreign currency are translated at the functional currency spot rates of exchange at reporting date.

(r) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price risk

Exposure

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through profit or loss.

The investment strategy, investment process, investment guidelines and risk measurement tools used by the Investment Manager are directed towards managing the risk that the Portfolio will fall in value whilst targeting an absolute return. The permitted investments and investment guidelines are detailed in Company Profile on page 5 of the Annual Report.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent. The analysis is based on the assumption that the equity index had increased by 5% and 10% or decreased by 5% and 10% with all other variables held constant, and that all the Company's equity instruments moved in line with the index.

	Impact on post-tax profit/(loss)	
	2018	2017
	\$	\$
Decrease 5%	(1,214,401)	(1,093,152)
Increase 5%	1,214,401	1,093,152
Decrease 10%	(2,428,802)	(2,186,303)
Increase 10%	2,428,802	2,186,303

Post-tax profit/(loss) for the year would increase/decrease as a result of gains/(losses) on equity securities classified as at fair value through profit or loss.

At balance date, the net portfolio position was \$34,697,164 (2017: \$31,232,906).

(i) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

At 30 June 2018

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents	13,863,948	-	-	13,863,948
Trade and other receivables	-	-	34,868	34,868
Financial assets held at fair value through profit or loss	-	-	37,191,771	37,191,771
	13,863,948	-	37,226,639	51,090,587
Financial liabilities				
Trade and other payables	-	-	(169,132)	(169,132)
Financial liabilities held at fair value through profit or loss	-	-	(2,494,607)	(2,494,607)
	-	-	(2,663,739)	(2,663,739)
Net exposure to interest rate risk	13,863,948	-	34,562,900	48,426,848

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

3 Financial risk management (continued)

(a) Market risk (continued)

At 30 June 2017

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents	13,474,238	-	-	13,474,238
Trade and other receivables	-	-	1,099,613	1,099,613
Financial assets held at fair value through profit or loss	-	-	35,486,490	35,486,490
	<u>13,474,238</u>	<u>-</u>	<u>36,586,103</u>	<u>50,060,341</u>
Financial liabilities				
Trade and other payables	-	-	(378,039)	(378,039)
Financial liabilities held at fair value through profit or loss	-	-	(4,253,584)	(4,253,584)
	<u>-</u>	<u>-</u>	<u>(4,631,623)</u>	<u>(4,631,623)</u>
Net exposure to interest rate risk	13,474,238	-	31,954,480	45,428,718

Sensitivity

At 30 June 2018, if interest rates had increased or decreased by 75 basis points ("bps") from the year end rates with all other variables held constant, post-tax profit/(loss) for the year would have been \$72,786 higher/\$72,786 lower (2017 changes of 75 bps: \$70,740 lower/\$70,740 higher on post-tax loss), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The Company is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

None of these assets are overdue or considered to be impaired.

The Company manages credit risk by only entering into agreements with credit worthy parties.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager manages liquidity risk by monitoring the asset size of the Company as a whole on executing transactions.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. Accordingly, the Company is not considered to be exposed to material liquidity risk.

Maturities of financial liabilities

All non-derivative financial liabilities of the Company have maturities of less than 1 month.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

4 Fair value measurements

The Company measures and recognises the following assets at fair value on a recurring basis:

- Financial assets and financial liabilities designated at fair value through profit or loss (FVTPL)
- Derivative financial instruments

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial instruments held by the Company is the last sale price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2018				
Financial assets				
Equity securities				
Australian equity securities	33,878,752	188,225	2,038,184	36,105,161
International equity securities	198,689	-	887,921	1,086,610
Total financial assets	34,077,441	188,225	2,926,105	37,191,771
Financial liabilities				
Listed equity securities sold short	(2,494,607)	-	-	(2,494,607)
Total financial liabilities	(2,494,607)	-	-	(2,494,607)
 At 30 June 2017	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
Financial assets				
Equity securities				
Australian equity securities	33,018,569	-	1,691,983	34,710,552
International equity securities	286,729	-	457,337	744,066
Derivatives				
Listed options	31,872	-	-	31,872
Total financial assets	33,337,170	-	2,149,320	35,486,490
Financial liabilities				
Listed equity securities sold short	(4,253,584)	-	-	(4,253,584)
Total financial liabilities	(4,253,584)	-	-	(4,253,584)

The 2017 comparative information has been reclassified. \$2,149,320 has been reclassified from level 2 to level 3.

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets have been based on the last sale prices at the end of the reporting year, excluding transaction costs.

The investments included in Level 3 of the hierarchy include amounts in relation to Initial Public Offerings and Placements in which the Company has subscribed. These investments are not listed on any securities exchange as at year end and therefore represent investments not in an active market. In valuing these unlisted investments, included in Level 3 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers without any deduction for estimated future selling costs, adjusted for subsequent arm's length transaction pricing or other market data where available.

During the year, investments amounting to \$224,000 were transferred from level 3 to level 1 relating to the listing of a prior year unlisted equity security. In addition, investments amounting to \$188,225 were transferred from level 1 to level 2 as a result of suspension of the equity securities during the year. There were no other transfers between levels.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are reasonable approximations of their fair values due to their short-term nature.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in fair value of level 3 instruments for the year ended 30 June 2018 by class of financial instrument.

At 30 June 2018

	Unlisted equity securities	\$
Opening balance	2,149,320	
Purchases	490,912	
Transfers out of level 3	(224,000)	
Gains recognised in the Statement of Comprehensive Income	509,873	
Closing balance	2,926,105	
Total gains or losses for the year included in the Statement of Comprehensive Income for financial assets and liabilities held at the end of the year	<u>626,464</u>	

At 30 June 2017

	Unlisted equity securities	\$
Opening balance	1,053,125	
Purchases	1,045,938	
Transfers out of level 3	(42,493)	
Gains recognised in the Statement of Comprehensive Income	92,750	
Closing balance	2,149,320	
Total gains or losses for the year included in the Statement of Comprehensive Income for the financial assets and liabilities held at the end of the year	<u>111,591</u>	

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

4 Fair value measurements (continued)

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value \$	Unobservable inputs*	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2018 Unlisted equity securities	2,926,105	Recent sales transaction price	N/A	Direct
As at 30 June 2017 Unlisted equity securities	2,149,320	Recent sales transaction price	N/A	Direct

* The valuation of unlisted equity securities is based on the acquisition price of the security and the price may be adjusted if an impairment has occurred or if there has been an arm's length transaction in relation to the security that warrants an updated valuation.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Income taxes

The Company has recognised deferred tax assets relating to current year tax losses, capitalised share issue costs and carried forward tax losses of \$1,384,496 at 30 June 2018 (30 June 2017: \$2,202,836). The utilisation of tax losses depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore would have to rely on the same business test. If the Company fails to satisfy the test, the deferred tax asset of \$1,135,112 (30 June 2017: \$1,248,081) that is currently recognised would be written off to income tax expense. Refer to Note 12 for further discussion of accounting for deferred tax assets.

Financial instruments

For the majority of the Company's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see Note 4 to the financial statements.

6 Segment information

The Company has only one reportable segment. The Company is engaged in investment activities primarily conducted in Australia, deriving revenue from dividend income, interest income and from the sale of its investments.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

7 Income tax expense/(benefit)

(a) Income tax expense/(benefit) through profit or loss

	Year ended	
	2018 \$	2017 \$
Deferred tax on temporary differences	1,430,015	(1,574,393)
	<u>1,430,015</u>	<u>(1,574,393)</u>

Income tax expense/(benefit) is attributable to:

Profit/(loss) from continuing operations	1,430,015	(1,574,393)
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(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Year ended	
	2018 \$	2017 \$
Profit/(loss) from continuing operations before income tax	5,222,537	(4,573,190)
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	<u>1,566,761</u>	<u>(1,371,957)</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	(213,468)	(292,151)
Imputation credit gross up	64,040	87,645
Franked dividends not subject to tax	<u>12,682</u>	<u>2,070</u>
Income tax expense/(benefit)	<u>1,430,015</u>	<u>(1,574,393)</u>
The applicable weighted average effective tax rates are as follows:	27.38%	(34.43%)

(c) Amounts recognised directly in equity

	Year ended	
Note	2018 \$	2017 \$
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share issue costs	12	238,123
		357,184

8 Current assets - Cash and cash equivalents

	At	
	2018 \$	2017 \$
Current assets		
Cash at bank	13,863,948	13,474,238
	<u>13,863,948</u>	<u>13,474,238</u>

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

8 Current assets - Cash and cash equivalents (continued)

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:

	Standard & Poor's Rating
Australia and New Zealand Banking Group Ltd	AA-
Morgan Stanley & Co. International plc	A+

9 Current assets - Trade and other receivables

	At	
	2018	2017
	\$	\$
Dividends receivable	-	45,823
Interest receivable	11,042	10,105
GST receivable	23,826	22,302
Unsettled trades	-	1,021,383
	34,868	1,099,613

Receivables are non-interest bearing and unsecured.

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amounts are reasonable approximations of their fair value. The maximum exposure to credit risk at the end of the period is the carrying amount of each class of receivables mentioned above. There are no past due or impaired receivables.

10 Current assets - Financial assets at fair value through profit or loss

	At	
	2018	2017
	\$	\$
Derivatives - listed options	-	31,872
Equity securities	34,265,666	33,305,298
Unlisted equity securities	2,926,105	2,149,320
Total financial assets	37,191,771	35,486,490

The market values of all investments as at 30 June 2018 are disclosed on page 52 of the Annual Report. Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

(a) Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 371 (2017: 533). Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$167,671 (inclusive of GST) (2017: \$187,878).

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

10 Current assets - Financial assets at fair value through profit or loss (continued)

(b) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3 and 4.

11 Derivative financial instruments

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- (i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
- (ii) as a substitute for physical securities; and
- (iii) adjustment of asset exposures within the parameters set out in the investment strategy.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

The Company holds the following derivative instruments:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held are exchange-traded.

2017		Fair value \$		
		Notional values \$	Assets	Liabilities
	Options	232,360	31,872	-

The Company did not hold any derivatives as at 30 June 2018.

Risk exposures and fair value measurements

Information about the Company's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

12 Non-current assets - Deferred tax assets

	At	
	2018	2017
	\$	\$
The balance comprises temporary differences attributable to:		
Capitalised share issue costs	238,123	357,184
Tax losses carried forward	1,135,112	1,248,081
Other temporary differences	11,261	10,659
Net unrealised losses on investments	-	586,912
	1,384,496	2,202,836
Movements:		
Opening balance	2,202,836	632,651
(Charged)/credited:		
- directly to equity	(119,061)	(119,061)
- directly to profit or loss	(699,279)	1,689,246
Closing balance	1,384,496	2,202,836

13 Current liabilities - Trade and other payables

	At	
	2018	2017
	\$	\$
Management fees payable	65,804	61,713
Unsettled trades	20,860	242,956
Other payables	82,468	73,370
	169,132	378,039

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are reasonable approximations of their fair values, due to their short-term nature.

14 Current liabilities - Financial liabilities at fair value through profit or loss

	At	
	2018	2017
	\$	\$
Equity securities sold short	2,494,607	4,253,584

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

15 Non-current liabilities - Deferred tax liabilities

	At		At	
	2018	\$	2017	\$
The balance comprises temporary differences attributable to:				
Net unrealised gains on investments	612,446		-	
Other temporary differences	3,313		4,084	
	615,759		4,084	
Movements:				
Opening balance	\$ 4,084		\$ 8,292	
Charged/(credited):				
- profit or loss	611,675		(4,208)	
Closing balance	615,759		4,084	

16 Issued capital

(a) Share capital

	Note	30 June 2018 Shares	30 June 2017 Shares	30 June 2018 \$	30 June 2017 \$
Ordinary shares	16(c)	49,223,436	51,940,682	48,454,318	50,664,284

(b) Movements in ordinary share capital

	Details	2018 Shares	2018 \$
Opening balance		51,940,682	50,664,284
Shares issued on options exercise	16(e)	200	200
Share buy back		(2,717,446)	(2,210,166)
Closing balance 30 June 2018		49,223,436	48,454,318

	Details	2017 Shares	2017 \$
Opening balance		52,465,001	51,075,953
Share buy back		(524,319)	(411,669)
Closing balance 30 June 2017		51,940,682	50,664,284

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

16 Issued capital (continued)

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan (DRP) for shareholders. The DRP is currently not in place.

(e) Options

On 12 April 2016, as part of the initial public offering the Company issued 52,465,000 options to acquire ordinary shares in the Company at an exercise price of \$1.00 on or before 29 September 2017. A total of 200 options was exercised during the financial period. The remaining 52,464,800 options expired on 29 September 2017.

(f) Share buy back

On 22 March 2017, the shareholders of the Company approved a resolution to undertake a buy back. During the year ended 30 June 2018 2,717,446 shares were bought back at an average buy back price of \$0.82 per share (30 June 2017: 524,319 shares at an average buy back price of \$0.79 cents per share). A total of 3,241,765 shares has been cancelled since the Company undertook the buy back program.

On 20 December 2017, the Company extended the buy back period to 2 January 2019 and on 13 July 2018, the Board announced that it would conduct an off-market equal access buy back and share purchase plan. It was also announced that the on-market buy back would conclude effective 13 July 2018.

(g) Capital risk management

The Board of Directors will actively manage the capital of the Company. The overriding intention is to deliver value to shareholders.

To achieve this, the Board monitor the monthly net tangible assets results, investment performance, the Company's indirect cost ratio and share price movements.

The Company is not subject to any externally imposed capital requirements.

17 Profits reserve and Accumulated losses

(a) Profits reserve

	At	
	2018	2017
	\$	\$
Movements:		
Opening balance	1,236,026	1,236,026
Transfer from current profits	6,858,266	-
Closing balance	<u>8,094,292</u>	<u>1,236,026</u>

This reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 2(l).

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

17 Profits reserve and Accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	At	
	2018	2017
	\$	\$
Opening balance	(4,253,401)	(1,254,604)
Profit/(loss) for the year	3,792,522	(2,998,797)
Transfer to profits reserve	(6,858,266)	-
Closing balance	<u>(7,319,145)</u>	<u>(4,253,401)</u>

18 Dividends

(a) Dividend franking account

The Company's franking account balance as at 30 June 2018 was \$505,619 (30 June 2017: \$292,151). Subsequent to year end, the Company will receive \$nil in franking credits as a result of dividends accrued at 30 June 2018 (30 June 2017: \$18,134).

(b) Dividends not recognised at the end of the reporting period

On 21 August 2018, the Directors declared a final full franked dividend of 1 cent per ordinary share (2017: nil) franked at 27.5%, which is expected to be paid on 31 October 2018.

19 Key management personnel disclosures

(a) Key management personnel compensation

	Year ended	
	2018	2017
	\$	\$
Short-term employee benefits	57,192	57,831
Post-employment benefits	<u>32,808</u>	<u>32,169</u>
	<u>90,000</u>	<u>90,000</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 15.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Company and its related practices:

(i) *Audit and other assurance services*

	Year ended	
	2018 \$	2017 \$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	30,000	-
Total remuneration of audit and other assurance services	<u>30,000</u>	<u>-</u>
<i>Taxation services</i>		
Tax compliance services	9,000	-
Total remuneration for taxation services	<u>9,000</u>	<u>-</u>
Total remuneration of Ernst & Young	<u>39,000</u>	<u>-</u>
Pitchers Partners Sydney		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	13,965	40,465
Total remuneration for audit and other assurance services	<u>13,965</u>	<u>40,465</u>
<i>Taxation services</i>		
Tax compliance services	-	14,493
Fees in relation to payroll advice	-	3,850
Total remuneration for taxation services	<u>-</u>	<u>18,343</u>
Total remuneration of Pitcher Partners Sydney	<u>13,965</u>	<u>58,808</u>

The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditors. The Audit and Risk Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

21 Contingent assets and liabilities and commitments

The Company had no contingent assets, liabilities or commitments as at 30 June 2018 (2017: nil).

22 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

(b) Transactions with other related parties

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Simon Shields is a Director and beneficial owner of Monash Investors Pty Limited, the entity appointed to manage the investment portfolio of Monash Absolute Investment Company Limited. In its capacity as Investment Manager, Monash Investors Pty Limited was paid a management fee of 1.50% p.a. (plus GST) of gross assets amounting to \$750,754 net of reduced input tax credits (2017: \$744,908).

As at 30 June 2018, the balance payable to the Investment Manager was \$65,804. (2017: \$61,713).

In addition, Monash Investors Pty Limited is to be paid, annually in arrears, a performance fee being 20% (exclusive of GST) of the Portfolio's outperformance and subject to a high water mark.

For the year ended 30 June 2018 in its capacity as Investment Manager, Monash Investors Pty Limited was not paid a performance fee (30 June 2017: nil).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

23 Events occurring after the reporting period

On 13 July 2018, the Board announced that it would conduct an off-market equal access buy back and share purchase plan. It also announced that the on-market buy back would conclude effective 13 July 2018.

On 21 August 2018, the Directors declared a final full franked dividend of 1 cent per ordinary share (2017: nil) franked at 27.5%, which is expected to be paid on 31 October 2018.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

24 Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Year ended	
	2018 \$	2017 \$
Profit/(loss) for the year	3,792,522	(2,998,797)
Proceeds from sale of financial assets held at fair value through profit or loss	38,220,129	37,166,266
Purchase of financial assets held at fair value through profit or loss	(32,833,962)	(41,011,294)
Payments for settlement of financial liabilities held at fair value through profit or loss	6,056,706	10,750,629
Proceeds from short sale of financial liabilities held at fair value through profit or loss	(7,820,521)	(12,519,122)
Net realised (gains)/losses on investments	(4,064,665)	2,083,634
Net unrealised (gains)/losses on investments	(2,137,749)	1,789,463
Dividends reinvested	(84,909)	(252,651)
Effects of foreign currency exchange rate changes on cash and cash equivalents	(11,935)	7,616
Change in operating assets and liabilities:		
Decrease in trade and other receivables	43,362	140,548
(Increase)/decrease in other current assets	(14,441)	17
Decrease/(increase) in deferred tax assets	818,340	(1,570,185)
Increase/(decrease) in trade and other payables	13,189	(14,187)
Increase/(decrease) in deferred tax liabilities	611,675	(4,208)
Net cash inflow/(outflow) from operating activities	<u>2,587,741</u>	<u>(6,432,271)</u>

25 Earnings per share

(a) Basic earnings/(losses) per share

	Year ended	
	2018 Cents	2017 Cents
Basic earnings/(losses) per share attributable to the ordinary equity holders of the Company	<u>0.07</u>	<u>(0.06)</u>

(b) Diluted earnings/(losses) per share

	Year ended	
	2018 Cents	2017 Cents
Diluted earnings/(losses) per share attributable to the ordinary equity holders of the Company	<u>0.07</u>	<u>(0.06)</u>

Diluted earnings/(losses) per share are the same as basic earnings/(losses) per share. The Company's options which had the potential to convert to ordinary shares expired on 29 September 2017. The average share price from the issuance date up to the expiration date was not in excess of the option exercise price, and therefore anti-dilutive and not considered for the diluted earnings per share calculation for 2017.

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018
(continued)

25 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

		Year ended
	30 June 2018	30 June 2017
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	50,652,570	<u>52,408,749</u>

Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share

50,652,570	<u>52,408,749</u>
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**Monash Absolute Investment Company Limited
Directors' Declaration
For the year ended 30 June 2018**

In the opinion of the directors of Monash Absolute Investment Company Limited:

- (a) the financial statements and notes set out on pages 18 to 46 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer of the Investment Manager required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Paul Clitheroe AM
Independent Chairman

Sydney
21 August 2018

Independent Auditor's Report to the members of Monash Absolute Investment Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Monash Absolute Investment Company Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Monash Absolute Investment Company Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Existence and valuation of investments

Why significant	How our audit addressed the key audit matter
<p>The Company has a significant investment portfolio consisting primarily of listed and unlisted equities. As at 30 June 2018, the value of these equities, was \$34,697,164 which equates to 70% of the net assets of the Company.</p> <p>As detailed in the Company's accounting policy in Note 1g of the financial report, these financial assets and liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.</p> <p>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and liabilities and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.</p>	<p>We assessed the effectiveness of the controls relating to the recognition and valuation of investments.</p> <p>We obtained and considered the assurance report on the controls of the Company's administrator in relation to fund administration services for the year ended 30 June 2018 and considered the auditor's qualifications, competence and objectivity and the results of their work.</p> <p>We agreed all listed investment holdings to third party confirmations at 30 June 2018.</p> <p>For investments where readily observable market data was available, we assessed the fair value of investments in the portfolio held at 30 June 2018 to independently sourced market prices.</p> <p>For investments where readily observable market data was not available, we assessed key inputs and assumptions, considering alternative valuation methods and assessing sensitivities to key factors.</p> <p>We assessed the adequacy of the disclosures in Note 4 of the financial report.</p>

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Monash Absolute Investment Company Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Rita Da Silva
Partner

Sydney
21 August 2018

Monash Absolute Investment Company Limited
Investments at Market Value
As at 30 June 2018

Investments at Market Value

		\$	%
Consumer Discretionary			
EXP	EXPERIENCE CO LIMITED	2,932,714	7.89%
GEM	G8 EDUCATION LIMITED	1,702,333	4.57%
KYTU	KAYLA TECHNOLOGIES PTY LTD	692,505	1.86%
LAWU	LAWONLINE SERVICES PTY LIMITED	-	0.00%
LOV	LOVISA HOLDINGS LIMITED	3,229,551	8.68%
NEXU	NEXDIUS PTY LTD	333,336	0.90%
SVH	SILVER HERITAGE GROUP LIMITED	281,289	0.76%
WEB	WEBJET LIMITED	1,403,333	3.77%
		10,575,061	28.43%
Financials			
CGF	CHALLENGER LIMITED	1,373,688	3.70%
EML	EML PAYMENTS LIMITED	1,990,473	5.35%
PWRU	POWERWRAP LIMITED	360,363	0.97%
SWF	SELFWEALTH LIMITED	117,152	0.31%
		3,841,676	10.33%
Health Care			
CYMU	CYTOMATRIX LIMITED	190,000	0.51%
IPD	IMPEDIMED LIMITED	479,788	1.29%
MX1	MICRO X LIMITED	856,015	2.30%
NOHLATU	NOHLA THERAPEUTICS INC.	617,230	1.66%
PGC	PARAGON CARE LIMITED	2,063,586	5.55%
TLX	TELIX PHARMACEUTICALS LIMITED	1,231,895	3.31%
		5,438,514	14.62%
Industrials			
EHL	EMECO HOLDINGS LIMITED	3,459,697	9.30%
EOS	ELECTRO OPTIC SYSTEMS HOLDINGS LTD	1,562,458	4.20%
LUMU	LUMITRON HOLDINGS INC	270,691	0.73%
SVW	SEVEN GROUP HOLDINGS LTD	1,146,614	3.08%
		6,439,460	17.31%
Information Technology			
1PG	1-PAGE LIMITED	188,225	0.51%
APT	AFTERPAY TOUCH GROUP LIMITED	3,104,668	8.35%
BLG	BLUGLASS LIMITED	199,500	0.54%
CYBGU	CYBER GYM LIMITED	-	0.00%
DTS	DRAGONTAIL SYSTEMS LIMITED	132,694	0.36%
ESV	ESERVGLOBAL LIMITED	1,022,931	2.75%
KYK	KYCKR LIMITED	272,663	0.73%
MOBOOMU	MOBOOM LIMITED	268,000	0.72%
NEA	NEARMAP LIMITED	856,899	2.30%
OLV	OTHERLEVELS HOLDINGS LIMITED	133,413	0.36%
PVS	PIVOTAL SYSTEMS CORPORATION	193,979	0.52%
SKO.NZ	SERKO LIMITED	198,689	0.53%
		6,571,661	17.67%
Materials			
AJX	ALEXIUM INTERNATIONAL GROUP LIMITED	607,761	1.63%
LCK	LEIGH CREEK ENERGY LIMITED	741,177	2.00%
		1,348,938	3.63%
Telecommunications Services			
NTC	NETCOMM WIRELESS LIMITED - TELECOM	1,581,119	4.25%
NXT	NEXTDC LIMITED - TELECOM	1,395,342	3.75%
		2,976,461	8.00%
Total Long Portfolio		37,191,771	100.00%
Total Short Portfolio		(2,494,607)	

Monash Absolute Investment Company Limited
Shareholder information
For the year ended 30 June 2018

The Shareholder information set out below was applicable as at 31 July 2018.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Class of equity security		
	No. of Shareholders	Shares	Percentage
1 - 1000	23	11,230	0.02
1,001 - 5,000	158	524,642	1.06
5,001 - 10,000	223	1,844,725	3.75
10,001 - 100,000	700	22,326,273	45.36
100,001 and over	50	24,516,566	49.81
	1,154	49,223,436	100.00

There were 6 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	Percentage of Number held issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,745,649	13.69
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	3,147,658	6.39
KEYBRIDGE CAPITAL LIMITED	1,480,000	3.01
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,244,228	2.53
MR BARRY MARTIN LAMBERT & MRS JOY WILMA LILLIAN LAMBERT <LAMBERT SUPER FUND A/C>	1,000,000	2.03
ONE MANAGED INV FUND LTD < SANDON CAPITAL INV LTD A/C>	840,001	1.71
MS PAULA SIRTES < DOLPHIN HOLDINGS A/C>	500,000	1.02
MR PAUL HUGH CLITHEROE & MRS VICKI CLITHEROE	500,000	1.02
DE SOYSA SUPER MANAGEMENT PTY LTD < DE SOYSA SUPER PEN FUND A/C>	500,000	1.02
NATIONAL NOMINEES LIMITED	498,792	1.01
J P MORGAN NOMINEES AUSTRALIA LIMITED	404,304	0.82
GASEOUS PTY LTD < LIQUID SUPER A/C>	400,000	0.81
IOOF INVESTMENT MANAGEMENT LIMITED < IPS SUPER A/C>	373,752	0.76
ANISAM PTY LTD < GUPTA 2002 A/C>	350,000	0.71
SENRAB SUPERANNUATION PTY LIMITED < SENRAB SUPER FUND A/C>	350,000	0.71
MR MURRAY STEWART LITTLE & MRS JENNIFER LITTLE < NO 2 A/C>	300,000	0.61
MR PAUL DOSTAL	280,311	0.57
MR ALISTAIR DAVID STRONG	270,000	0.55
PETER O RICKARDS & CATHERINE MV RICKARDS < PO & CM RICKARDS FAM A/C>	260,000	0.53
GIASAM PTY LTD < SINGER FAMILY A/C>	250,000	0.51
MR IAN DONALD HERAUD & MRS FIONA KERRY HERAUD < HWH SUPER A/C>	250,000	0.51
	19,944,695	40.52

Monash Absolute Investment Company Limited
Shareholder information
For the year ended 30 June 2018
(continued)

C. Substantial holders

There are no substantial shareholders.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.