

# Monash Absolute Investment Company Limited

Date: 1 April 2021

## **Monash Absolute Investment Company (MA1 or Company) Notice of General Meeting and Explanatory Memorandum**

The MA1 Board is pleased to present to shareholders the attached **Shareholder Booklet**, which contains a notice of **General Meeting** and explanatory memorandum in relation to the proposed restructure of the Company into an ETMF (**Proposed Transaction**).

### Webinar

Monash Investors will be hosting a webinar on **Tuesday 6 April 2021 at 11am (AEST)** to provide an overview of restructure and the details on the notice of meeting. There will be an opportunity for questions. To register for the webinar, please click [here](#).

### Independent Expert's Report

The Independent Expert appointed by the Board in relation to the Proposed Transaction, BDO Corporate Finance (East Coast) Pty Ltd, has concluded that the Proposed Transaction is fair and reasonable to shareholders. A copy of the Independent Expert's Report is included in Annexure B of the Shareholder Booklet.

### MA1 Board Recommendation

The MA1 Board recommends that MA1 shareholders vote in favour of all the resolutions in relation to the Proposed Transaction.

### General Meeting

The General Meeting will be held online via the Lumi App or <https://web.lumiagm.com/341400670> on Monday 10 May 2021 at 10.00am (AEDT).

The meeting ID to enter the meeting is 341-400-670. All MA1 shareholders are urged to attend or vote by lodging the proxy form which is included in the Shareholder Booklet. Details of how to vote at the General Meeting are also included in the Shareholder Booklet.

If you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Shareholder Booklet and the proxy form. For those other shareholders, they will receive these documents by post.

You can also contact our share registry Boardroom Pty Limited on [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au) or 1300 737 760 (within Australia) or +61 2 9290 9600 (Outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday, to arrange a copy.

This announcement has been authorised by the Board of the Company.

## Monash Absolute Investment Company Limited

**For all business development enquiries, please contact**

**Winston Capital Partners (Acting on behalf of Monash Investors)**

SA, NT and WA Advisers	Andrew Fairweather	P: +61 401 716 043 <a href="mailto:andrew@winstoncapital.com.au">andrew@winstoncapital.com.au</a>
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**For shareholder enquiries, please contact**

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[E: enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

For more information about the Company and the strategy, please refer to the Monash Investors website at [www.monashinvestors.com](http://www.monashinvestors.com). You can also [follow us on Livewire here](#) or [subscribe to our updates here](#)



**Monash Absolute Investment Company Limited  
ACN 610 290 143**

## **Shareholder Booklet**

**(containing a Notice of General Meeting and Explanatory Memorandum)**

**A General Meeting of the Company will be held virtually on Monday, 10 May 2021 at 10:00am (AEST).**

This Shareholder Booklet should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their financial advisor, accountant, solicitor or other professional advisor prior to voting.

**Should you wish to discuss any matter, please do not hesitate to contact the share registry by telephone on 1300 737 760 (in Australia) or +61 2 9290 9600 (International).**

**The Independent Expert has opined that the Transaction is fair and reasonable to Shareholders and the Independent Directors recommend that Shareholders vote in favour of all Resolutions.**

**Shareholders are urged to attend or vote by lodging the enclosed proxy form.**

## Important notices

This Shareholder Booklet has been prepared for the information of the Company's Shareholders in connection with a proposal relating to the listing of Monash Absolute Active Trust (Hedge Fund) (MAAT) and the de-listing of the Company.

This Shareholder Booklet is dated 31 March 2021.

Some terms used in this Shareholder Booklet are defined in the Glossary in Section 10.

## Summary

The proposed new fund investment structure (an investment in Units in MAAT) has a number of advantages over the current corporate investment structure (that is an investment in Shares in the Company) (see Section 2.2).

The Independent Directors believe that the Transaction, designed to achieve a move to the MAAT investment structure, is in the best interests of the Shareholders and recommend that Shareholders vote in favour of all Resolutions.

The Independent Expert has opined that the Transaction is fair and reasonable to Shareholders.

In summary, if the Transaction is approved:

- MAAT Units will be issued to the Company for it to distribute in-specie to the Company's Shareholders on a 1 unit:1 share basis (**First Distribution (In-Specie)**) (franked to the maximum extent possible). As a result Shareholders will have the same percentage holding in MAAT as they have in the Company.
- In return the Company will transfer the majority of its liquid assets to MAAT (comprising the Listed Assets and the Cash Transfer Amount) and retain the Unlisted Assets and the Cash Reserve. The Cash Reserve will be used to pay the Second Distribution (Special Dividend) (see below) to Shareholders and to meet the Company's tax liabilities and operating and winding up costs and includes a contingency amount for unforeseen costs.
- The Company intends to pay a cash distribution to Shareholders (**Second Distribution (Special Dividend)**) in the September 2021 quarter (franked to the maximum extent possible).
- The Company will realise the Unlisted Assets that it holds and it is expected that the Company will be wound up and a final distribution paid by the Company to Shareholders (**Third Distribution (Capital Return)**) by no later than 30 June 2022.

## ASIC and ASX

A final copy of this Shareholder Booklet has been lodged with ASIC and ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the contents of this Notice or the merits of the Transaction.

## Forward Looking Statements

This Shareholder Booklet includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

None of the Company, MAAT, The Trust Company (RE Services) Limited ABN 45 003 278 831 in its capacity as responsible entity of MAAT (**Responsible Entity**) or any of their respective officers or any person named in this Shareholder Booklet or involved in the preparation of this Shareholder Booklet make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Shareholder Booklet reflect views held only as at the date of this Shareholder Booklet.

### **No financial product advice**

This Shareholder Booklet does not constitute financial product, taxation or investment advice. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances. Neither the Company nor MAAT is licensed to provide financial product advice.

No cooling-off regime applies in respect of the acquisition of MAAT Units under the In-Specie Distribution.

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## Chairman's Letter

Dear Shareholder,

On behalf of the directors of Monash Absolute Investment Company Limited (**Company**), I am pleased to provide you with details of the proposed restructure of your investment as previously announced to the ASX (**Transaction**). Approval for the Transaction is being sought at the meeting of the Company's Shareholders for the Transaction which is to be held on Monday, 10 May 2021 at 10:00am (AEST).

The Independent Directors believe that the Transaction is in the best interests of Shareholders and unanimously recommend that Shareholders approve the Transaction by voting in favour of all resolutions.

The Independent Expert has opined that the Transaction is fair and reasonable to Shareholders.

### ***What is the Transaction?***

The Transaction is a proposed restructure of Shareholders' investments from Shares in the listed Company into Units in a newly established exchange traded managed fund, Monash Absolute Active Trust (Hedge Fund) (**MAAT**).

### ***What are the key steps of Transaction?***

The key steps required to implement the Transaction are:

- the Company will transfer its investments in ASX listed entities (Listed Assets) and the Cash Transfer Amount to MAAT and retains its unlisted investments (Unlisted Assets) and the Cash Reserve;
- in return, MAAT will issue to the Company the same number of fully paid ordinary Units as there are issued Shares in the Company;
- the MAAT Units will be distributed in-specie to the Company's Shareholders, on a 1:1 basis so that each investor will hold the same percentage interest of Units in MAAT as they have in Shares in the Company (**First Distribution (In-Specie)**);
- the First Distribution (In-Specie) will likely comprise a capital and income component for tax purposes. The Company intends to frank the income component to the maximum extent possible;
- MAAT will seek admission to AQUA Trading Status on the ASX after which MAAT Units will be able to be traded on market;
- the Company intends to pay a dividend, franked to the maximum extent possible, to the Company's Shareholders as soon as possible after the completion of the audit of the Company's 30 June 2021 financial statements expected to be in the September 2021 quarter (**Second Distribution (Special Dividend)**);

- the Company will de-list from the Official List of the ASX and realise the Unlisted Assets; and
- the Company intends to pay a further and final dividend to Shareholders on wind up of the Company (**Third Distribution (Capital Return)**), which it is expected to occur by no later than 30 June 2022.

Further details of the steps involved in the Transaction are set out in Sections 2.2 and 2.3 of this Shareholder Booklet.

### ***Why is the Board proposing the Transaction?***

Over the last two years, the Company's Shares have traded at a significant discount to the value of the Company's net tangible assets. In the Board's view the current market capitalisation of the Company does not properly reflect the value of its underlying net tangible assets.

The Board believes that the new ETMF investment structure has a number of advantages over the current listed investment company structure and that the Transaction will increase Shareholder value.

### ***What are the advantages and disadvantages of the Transaction?***

The key advantage of the Transaction is that unitholders in MAAT will be able to trade their Units at a price that is closer to the value of its underlying net tangible assets than has been achieved with the Company. This is because, as an exchange traded managed fund, MAAT has appointed a market maker agent to provide liquidity to investors on the ASX AQUA market by acting as a buyer and seller of Units as required.

A summary of the advantages and disadvantages of the Transaction is set out in Section 2.4.

### ***What do the Independent Directors recommend?***

The Independent Directors believe that the Transaction is in the best interests of the Shareholders and recommend that Shareholders vote in favour of all Resolutions.

### ***What conclusion has the Independent Expert reached?***

The Independent Expert has opined that the Transaction is fair and reasonable to Shareholders. The full Independent Expert Report is attached to this Shareholder Booklet at **Annexure B**.

If you have any questions about the Transaction, please do not hesitate to contact the Company on +61 2 9237 8862 between 9.00am and 5.00 pm (Sydney Time), Monday to Friday.

On behalf of the Directors of the Company, we invite you to carefully consider this opportunity and encourage you to vote on the Resolutions.

Yours faithfully,



Mr Paul Clitheroe AM  
Non-Executive Chairman  
Monash Absolute Investment Company Limited



## Important dates

Event	Date
MAAT lodges the MAAT PDS with ASIC	6 April 2021
MAAT applies for admission of MAAT Units to Trading Status	6 April 2021
General Meeting to approve the Resolutions	10:00am on 10 May 2021
Announcement of the results of the Meeting and the effective date for the First Distribution (In-Specie) of MAAT Units	10 May 2021
Effective Date	28 May 2021
Last day for Share trading cum return of capital Completion of acquisition of the Listed Assets by, and payment of the Cash Transfer Amount to, MAAT	31 May 2021
Company delisted from ASX	1 June 2021
Record Date for the First Distribution (In-Specie)	2 June 2021
First Distribution (In-Specie) of MAAT Units to Shareholders	4 June 2021
Dispatch of holding statements for MAAT Units distributed under the First Distribution (In-Specie)	9 June 2021
MAAT Units commence trading on ASX	10 June 2021
Intended payment of Second Distribution (Special Dividend) to Shareholders (as soon as practical after audit completed for FY21)	Expected September quarter 2021
Intended payment of Third Distribution (Capital Return) to Shareholders and Company wound up	Expected before 30 June 2022

**These dates are indicative only and the Directors reserve the right to change these dates without notice.**

## Explanatory Memorandum

### 1. Introduction

#### 1.1 General

This Explanatory Memorandum forms part of the Shareholder Booklet that has been prepared for the information of Shareholders in the Company in connection with the Shareholder Meeting to be held on Monday, 10 May at 10:00am (AEST) (**Meeting**).

The Shareholder Booklet should be read in its entirety.

A Proxy Form is enclosed.

#### 1.2 Purpose of the Shareholder Booklet

The purpose of the Shareholder Booklet is to:

- (a) explain the terms of the Transaction and how it will be implemented (if approved); and
- (b) provide material information to Shareholders to assist them in considering whether or not to approve the Resolutions and the Transaction.

The Shareholder Booklet includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on Resolution 2, as required by section 256C(4) of the Corporations Act.

#### 1.3 Background

The Company was admitted to the official list of the ASX on 11 April 2016 as an investment company.

Since then, the Company's investment objective has been to achieve a targeted positive return. To achieve this objective, the Company appointed the Manager to invest in a portfolio of predominantly Australian listed securities, as well as some pre-IPO securities, adopting various investment techniques including the use of long and short positions, price targets, stop loss levels, cash holdings and derivatives.

Over the last two years, the Company's Shares have traded at a significant discount to the value of the Company's per Share net tangible assets. As at 31 December 2020, the audited pre-tax net tangible asset backing per Share was \$1.45, compared to a trading price of \$1.32 per Share at close on 31 December 2020.

The Company is seeking to maximise Shareholder value by undertaking the Transaction outlined below so that Shareholders have the opportunity to realise their investment for a value much closer to the underlying net tangible asset value.

As at the date of this Shareholder Booklet, the investments of the Company consisted of, by value, approximately:

- (a) 64.91% investments in listed securities;
- (b) 2.76% investments in unlisted securities; and
- (c) the remaining 32.33% in cash.

#### 1.4 Overview of Transaction

As announced to the ASX on 5 May 2020, the Company is proposing, subject to Shareholder approval, that:

- (a) MAAT will seek admission to AQUA Trading Status;
- (b) subject to Shareholder approval, the Company will transfer the Listed Assets and part of its cash (**Cash Transfer Amount**) to MAAT (a newly established registered managed investment scheme that is wholly owned by the Company);
- (c) the Company will retain the Unlisted Assets and a cash amount (**Cash Reserve**) comprised of estimates of the Second Distribution (Special Dividend) (defined below) and the tax liabilities, operating costs (for the 2021 and 2022 financial years) and winding up costs of the Company plus a contingency amount for unforeseen costs;
- (d) the Manager will continue to manage the Listed Assets and Cash Transfer Amount using the same investment strategies as the Manager used for the Company;
- (e) in consideration for the transfer of the Listed Assets and the Cash Transfer Amount to MAAT, MAAT will issue to the Company the same number of Units as there are issued Shares in the Company;
- (f) those Units will be distributed in specie to the Company's shareholders on a 1 Unit:1 Share basis (**First Distribution (In-Specie)**). The First Distribution (In-Specie) will likely comprise a capital and income component for tax purposes. The income component will be franked to the maximum extent possible;
- (g) the Company intends to pay a fully-franked dividend to the Company's Shareholders as soon as possible after the completion of the audit of the Company's 30 June 2021 financial statements (expected to be in the September quarter 2021) (**Second Distribution (Special Dividend)**) (franked to the maximum extent possible); and
- (h) the Company intends to realise the Unlisted Assets, pay a final dividend to Shareholders (**Third Distribution (Capital Return)**) and be wound up by no later than 30 June 2022,

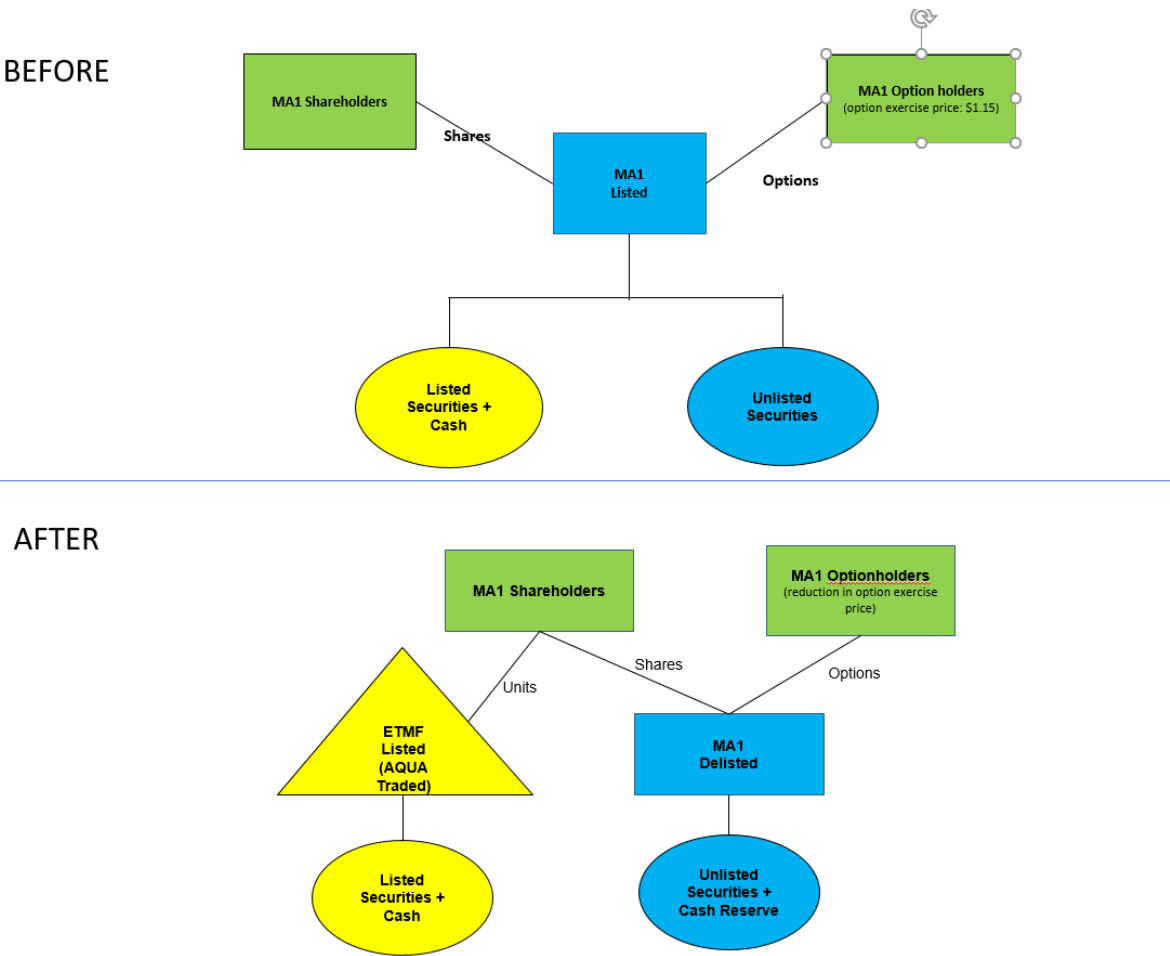
(Transaction).

See Section 0 for more details of the Transaction.

The Company and the Responsible Entity of MAAT have entered into an implementation agreement which sets out the process by which the Transaction will be proposed and implemented and the terms and conditions that will govern the implementation of the Transaction by the parties, subject to the satisfaction or waiver of conditions precedent

(Implementation Agreement). A summary of the Implementation Agreement is set out in Section 2.9.

A diagram depicting the Transaction is provided below.



## 2. Transaction in detail

### 2.1 Key steps of the Transaction

The Transaction is proposed to be undertaken pursuant to the following steps:

(a) **Transfer of Listed Assets and payment of the Cash Transfer Amount to MAAT**

The Company intends to transfer the Listed Assets and the Cash Transfer Amount to the newly established trust MAAT.

In consideration for this transfer, the Responsible Entity of MAAT will issue fully paid ordinary units in MAAT (**Units**) to the Company. The number of Units to be issued will be equal to the number of Shares on issue in the Company on the relevant record date.

The Unlisted Assets and the Cash Reserve will continue to be held by the Company.

The Cash Reserve is comprised of estimates of the Second Distribution (Special Dividend) and the tax liabilities, operating costs (for the 2021 and 2022 financial years) and winding up costs of the Company plus a contingency amount for unforeseen costs.

Any remaining Cash Reserve will be distributed to the Shareholders before the final wind-up of the Company via the Third Distribution (Capital Return).

(b) **First Distribution (In-Specie)**

Under the Implementation Agreement, as summarised in Section 2.9, the Company proposes to simultaneously undertake a capital reduction by way of an *in specie* distribution under which all of the MAAT Units held by the Company will be transferred to the Shareholders on a pro rata basis of 1 MAAT Unit for every 1 Share held by a Shareholder on the Record Date.

The In-Specie Distribution of MAAT Units will:

- (i) for tax purposes likely be treated as partly a distribution of income and partly a distribution of capital; and
- (ii) for the purposes of the *Corporations Act (Cth)* 2001 (**Corporations Act**) be an equal reduction of share capital in accordance with sections 256B and 256C.

The First Distribution (In-Specie) will only proceed if the following outstanding conditions are met or waived (together, the **In-Specie Conditions**):

- (i) all regulatory approvals or consents necessary to implement the Transaction (including conditional approval for MAAT to be admitted to Trading Status) being granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects;
- (ii) each of the Resolutions being approved by the Shareholders;
- (iii) the Independent Expert concluding that the Transaction is in the best interests of the Shareholders in its report and not changing its conclusion or withdrawing its report prior to 8.00 am on the Effective Date;
- (iv) the Company and the Manager entering into a deed of variation to amend the existing investment management agreement entered into 23 February 2016 (**Existing IMA**):
  - (A) to allow the transfer the Listed Assets and the Cash Transfer Amount to the Responsible Entity; and
  - (B) to otherwise allow the Transaction;
- (v) the Company being satisfied (acting reasonably) with the contents of the opinion provided by its tax advisor setting out the tax implications of the Transaction;
- (vi) no Company or Responsible Entity prescribed occurrence occurring prior to the Effective Date; and

- (vii) neither the Company nor the Responsible Entity breaching any material provision of the Implementation Agreement that remains unremedied prior to the Effective Date.

Subject to satisfaction (or waiver) of the In-Specie Conditions, the First Distribution (In-Specie) will be effected by an equal reduction of the Company capital on a pro rata basis. The Shareholders that are:

- (i) registered as a Shareholder as at 5.00pm (AEST) on the Record Date; or
- (ii) entitled to be registered as a Shareholder of by virtue of a transfer of Shares executed before 5.00pm (AEST) on the Record Date and lodged with the Company at that time,

will receive an in specie distribution of the MAAT Units (which for tax purposes will comprise a dividend and a return of capital) held by the Company in proportion to the number of Shares held by them at the Record Date.

The Shareholders will continue to own the Company (which will hold the Unlisted Assets and the Cash Reserve) and will also receive Units in MAAT (which will hold the Listed Assets and Cash Transfer Amount). Following the First Distribution (In-Specie), Shareholders will hold the same percentage of Shares in the Company as Units in MAAT. As such, there will be no change to the overall investment of the Shareholders in the underlying assets of the Company. Obviously, if an investor acquires or disposes of Units their percentage holding in MAAT will change.

The Record Date for the First Distribution (In-Specie) is proposed to be 2 June 2021, subject to the Resolutions being approved and satisfaction of the In-Specie Conditions.

Due to the outstanding options to acquire Shares on issue in the Company prior to the Record Date, it is not clear at the date of this Shareholder Booklet how many Shares will be on issue at the Record Date. At the date of this Shareholder Booklet, the Company has 44,956,003 Shares on issue and 435,369 unlisted options on issue (**Options**). If no further Shares are issued prior to the Record Date, a total of 44,956,003 Units will be distributed to the Shareholders.

Simon Shields (the non-independent director) currently intends to exercise all of the 200,000 Options he holds and so acquire an additional Shares prior to the Record Date and participate in the Transaction with an additional 200,000 Shares.

See Section 2.10 for details in relation to the taxation consequences of the Transaction.

Resolution 2 seeks Shareholder approval for the capital reduction and First Distribution (In-Specie).

The 30 June 2021 financial statements of the Company will be audited and subsequent to the audit, the Manager's performance fee (if any) will be paid and it is anticipated that a special dividend will be declared (the Second Distribution (Special Dividend)). The Second Distribution (Special Dividend) will be franked to the maximum extent possible.

- (c) **Second Distribution (Special Dividend)**

In addition to the First Distribution (In-Specie) of MAAT Units to the Shareholders, the Company intends to pay a dividend to the Company's Shareholders, the Second Distribution (Special Dividend):

- franked to the maximum extent possible); and
- as soon as possible after the completion of the audit of the Company's 30 June 2021 financial statements, expected to in the September quarter 2021, referred to as the Second Distribution (Special Dividend).

The Manager intends to procure that the Responsible Entity:

- Shareholders will have the option to reinvest some or all of their Second Distribution (Special Dividend) in additional MAAT Units under a separate offer of Units to be made by the Responsible Entity and conditional on the quotation of MAAT Units on ASX; and
- allots additional MAAT Units immediately following the payment of the Second Distribution (Special Dividend) and give relevant Shareholders a dividend notice setting out the number of MAAT Units allotted to it, the price per MAAT Units and other information relevant to the dividend.

Further information on the offer of MAAT Units is included in section 7 of the MAAT PDS.

(d) **Third Distribution (Capital Return)**

The Directors intend that the Company will be liquidated and the any remaining cash of the Company (net of liquidation costs) will be distributed to the Shareholders via the Third Distribution (Capital Return) before 30 June 2022.

(e) **MAAT application for admission to Trading Status**

As part of MAAT's application to be admitted to Trading Status (**Admission Application**), MAAT is required to issue a product disclosure statement in accordance with section 1012B of the Corporations Act (**MAAT PDS**). The MAAT PDS is expected to be lodged with ASIC on or around 6 April 2021.

The Admission Application will be made to ASX within 7 days after the date of the MAAT PDS, however the Shareholders must note that the MAAT Units will not commence trading unless the ASX grants approval to be admitted to Trading Status. Shareholders should note that there is no guarantee that the Admission Application will be successful or that the MAAT Units will be quoted on the ASX under the AQUA Rules.

Resolution 6 seeks Shareholder approval for MAAT Units to be admitted to Trading Status.

(f) **Delisting of the Company from ASX**

On successful completion of the Transaction, the Company intends to delist from the ASX and continue to operate as an unlisted public company until realisation of the Unlisted Assets.

The delisting of the Company is expected to occur on or around 1 June 2021, as set out in the timetable in the Important Dates section of this Shareholder Booklet on page 4.

Resolution 4 seeks Shareholder approval for the Company to be delisted from the Official List of the ASX.

(g) **Additional items**

In addition to the items above, the Company is seeking approval to amend the Company Constitution and the Existing IMA to allow the Transaction to take place.

Resolutions 1 and 4 respectively seek Shareholder approval for these items. Please refer to Sections 5 and 7 for further information.

## 2.2 **Advantages and disadvantages of the Transaction**

The Independent Directors are of the view that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolutions.

<b>Advantages of the Transaction</b>	<b>Disadvantages of the Transaction</b>
The Transaction will "close the gap" between the value of the underlying investments and the market price of the listed securities.	There are risk factors associated with an investment in MAAT. The key risks are set out in section 9 of the MAAT PDS (although an investment in the Company is subject to similar risks).
Investors who wish to realise their investment will have the opportunity of choosing to redeem their investment in MAAT or selling their Units on-market	The tax consequences of the Transaction may not suit your financial position.
The appointment of the market making agent will provide greater liquidity for investors.	Providing an exit at close to the net tangible asset value may encourage some investors to realise their investment and if there are more sellers than buyers of MAAT, MAAT may become sub-scale with its operating costs becoming a higher proportion of the overall income or value of MAAT.
MAAT has lower manager fees than the Company. The management fee reduces from 1.5% to 1.25%, and the performance fee hurdle increases from the RBA Cash Rate to the RBA Cash Rate plus 5%.	Until the winding up of the Company, investors will be indirectly subject to the operating costs of two investment entities.
MAAT has an independent Responsible Entity with much more substantial operating and compliance resources than the Company.	

## 2.3 **Summary of effect on Shareholders**

### ***What will you receive?***

If the Transaction is implemented, it is expected that Shareholders will receive the following distributions.



- (a) the **First Distribution (In-Specie)** of MAAT Units - for every Share a Shareholder holds, they will receive a unit in MAAT. The First Distribution (In-Specie) of Units will likely comprise a fully franked dividend and a return of capital with the income component franked to the maximum extent possible. Overseas Shareholders will receive Sale Facility Proceeds, as described below.

Shareholders are not required to contribute any payment for the MAAT Units for which they are entitled to receive under the First Distribution (In-Specie).

- (b) the **Second Distribution (Special Dividend)** - as soon as possible after the completion of the audit of the Company's 30 June 2021 financial statements, expected to be in the September quarter 2021, the Directors intend to declare a dividend and to frank it to the maximum extent possible; and
- (c) the **Third Distribution (Capital Return)** - by 30 June 2022 after realising the Unlisted Assets, the Directors intend that the Company will be wound up and after payment of costs and expenses, any surplus will be distributed to Shareholders.

Shareholders will have the option to reinvest all or part of their Second Distribution (Special Dividend) in additional MAAT Units (rather than cash) under a separate offer of Units to be made by the Responsible Entity, conditional on the quotation of MAAT Units on ASX. Further information on the offer of MAAT Units is included in section 7 of the MAAT PDS.

#### ***What about Overseas Shareholders?***

The distribution of MAAT Units to Overseas Shareholders under the First Distribution (In-Specie) will be subject to the legal and regulatory requirements in the Overseas Shareholders' relevant jurisdictions. If, in the opinion of the Directors, the requirements of any jurisdiction where a Shareholder is resident restricts or prohibits the distribution of MAAT Units or otherwise imposes on the Company an undue administrative cost and burden with respect to compliance with overseas legislation, the MAAT Units to which the Overseas Shareholder is entitled will be sold by the Company on behalf of that Shareholder as soon as practicable after the Record Date to a nominee of the Company's choice.

The nominee will be directed to sell those MAAT Units on market and account to the Overseas Shareholder for the proceeds of sale less any costs or expenses in connection with the sale (**Sale Facility Proceeds**).

The Sale Facility Proceeds to be distributed to the Overseas Shareholders may be more or less than the notional dollar value of the First Distribution (In-Specie) in this Explanatory Memorandum.

Overseas Shareholders will receive the Second Distribution (Special Dividend) and the Third Distribution (Capital Return) under the Transaction in the same manner as Shareholders who reside in Australia.

#### ***Will the rights attaching to Shares be altered?***

The rights attaching to Shares will not alter.

#### ***What is the impact on your shareholding in the Company?***

The number of Shares in the Company that you hold, and the percentage shareholding interest that you hold, will not change as a result of the Transaction.

If the Transaction is implemented, the value of your Shares in the Company will be less than the value held prior to the Transaction being implemented due to the removal of the Listed Assets and Cash Transfer Amount from the Company's asset portfolio. The size of any decrease will be dependent on the value ascribed to the Listed Assets and Cash Transfer Amount.

A post-Transaction pro-forma balance sheet of the Company is contained in Annexure A to this Shareholder Booklet which assumes completion of the First Distribution (In-Specie) and Second Distribution (Special Dividend) (based on the financial accounts of the Company as at 31 January 2021).

***Do you have to do anything to receive your MAAT Units?***

You must hold Shares on the Record Date in order to receive a First Distribution (In-Specie) of MAAT Units.

If the Transaction proceeds, you will automatically receive the MAAT Units you are entitled to receive (unless you are an Overseas Shareholder, in which case you may receive the Sale Facility Proceeds – see above for more information), even if you vote against the Transaction or do not vote at all. If the Transaction proceeds, and you do not wish to remain a holder of MAAT Units, you will be able to trade your MAAT Units, as set out below.

***Will I be able to trade my MAAT Units?***

If the Transaction is approved by Shareholders and is implemented, a holder of MAAT Units will be able to sell their MAAT Units.

The MAAT PDS is anticipated to be lodged with ASIC on or around 6 April 2021. Conditional on the approval of all of the Resolutions contained in the Notice, MAAT will seek admission to Trading Status of MAAT Units.

It is expected that the MAAT Units will be able to be traded on 10 June 2021, as set out in the timetable in the Important Dates section of this Shareholder Booklet on page 4.

In the event MAAT is successful in being admitted to Trading Status, there will be a liquid market for the MAAT Units. Investors in MAAT will be able to exit MAAT either by directly making a withdrawal request to the Responsible Entity for the redemption of their MAAT Units or by selling their MAAT Units on the ASX.

***What are the taxation implications of the Transaction?***

A general guide to the taxation implications of the Transaction is set out in Section 2.10 of this Explanatory Memorandum. The description is in general terms and is not intended to provide taxation advice in respect of particular circumstances of any Shareholder. The taxation implications of the Transaction will depend on the individual circumstances of each Shareholder. Shareholders should obtain professional advice as to the taxation implications of the Transaction in their specific circumstances.

***Is there any stamp duty payable?***

Shareholders will not bear any stamp duty on the transfer of Units to them pursuant to the First Distribution (In-Specie).

***Conditionality***

The First Distribution (In-Specie) is conditional upon MAAT receiving conditional approval from ASX for admission to Trading Status of MAAT's Units. If each of the Resolutions (which are interdependent), are approved but MAAT does not receive conditional approval from ASX for any reason, the Transaction will not be completed, which means the Shareholders will not receive any MAAT Units.

**2.4 Summary of effect on Optionholders**

If the Transaction completes, under ASX Listing Rule 7.22.3, the terms of the Options will be reorganised such that the exercise price of each Option will be reduced by the amount returned

as capital in relation to each Share. Refer to Section 4.1 for further information on the Options on issue.

The exact value of the reduction to the exercise price will be known on the Implementation Date, when the value of the Listed Assets has been ascertained.

2.5 **Intention of the Company if the Resolutions are not approved or the Transaction otherwise does not complete**

Each of the Resolutions are conditional and interdependent. If any of the Resolutions are not passed, the Company will retain its holding of the Listed Assets, the Transaction will not proceed, the Shareholders will not be issued Units and MAAT will not proceed with its application to be admitted to Trading Status on the ASX.

In that event, the Company would seek to maximise Shareholder value and would:

- (i) continue the business of the Company as presently conducted; and
- (ii) not make any major changes to the business of the Company.

2.6 **Intention of the Company if the Resolutions are approved and the Transaction completes**

(a) **In relation to the Company**

If the Transaction successfully completes, the Manager will continue to manage the Unlisted Assets of the Company as presently conducted in order to maximise Shareholder value.

The Company does not intend to make any future investments. Rather, once its delisting has taken place, the Company intends to operate as an unlisted public company until the value from the Unlisted Assets can be realised for Shareholders.

The Company intends to pay the Second Distribution (Special Dividend) as soon as possible after the completion of the audit of the Company's 30 June 2021 financial statements expected to be in the September quarter of 2021. The Company will be wound up by no later than 30 June 2022 when the Company intends to pay the Third Distribution (Capital Return) to Shareholders.

(b) **In relation to MAAT**

If the Transaction successfully completes, the Manager intends to continue to manage the Listed Assets on behalf of MAAT pursuant to the New IMA and following the same investment strategy as the Company.

The Company will have no interest in MAAT after completion of the Transaction, however the assets of each of the Company and MAAT will be managed by the Manager.

2.7 **Differences between Shares and Units**

A summary of the key differences between Shares and Units is set out below.

	Shares in the Company	Units in MAAT
Security	Fully paid ordinary shares	Fully paid ordinary units

<b>Issuer</b>	The issuer of the Shares is Monash Absolute Investment Company Limited.	The issuer of fully paid units in Monash Absolute Active Trust (Hedge Fund) is The Trust Company (RE Services) Limited, the responsible entity of Monash Absolute Investment Trust (Hedge Fund).
<b>Listing and quotation</b>	The Company is admitted on the Official List of the ASX and its Shares are quoted on the ASX under the ticker code 'MA1'.	MAAT is seeking to be admitted to Trading Status.  If it is admitted, MAAT intends to use the ticker code 'MAAT'.
<b>How trading prices are calculated</b>	Trading of Shares takes place on ASX.  The price of Shares is determined by the aggregate supply and aggregate demand for the Shares on the exchange managed by ASX.	Trading of Units takes place on ASX.  If MAAT has one class of Units on issue, the application or withdrawal price of Units is the amount calculated as at the close of business on the application or withdrawal date, as applicable, as follows:  (a) establishing the NAV, which will generally be based on the daily market value of MAAT's assets, and either adding (if an application) or deducting (if a withdrawal) Transaction Costs; and  (b) dividing the resulting amount by the number of Units on issue.  If MAAT has more than one class of Units on issue, the application or withdrawal price of Units is the amount calculated as at the close of business on the application or withdrawal date, as applicable, as follows:  Application Unit price = $\frac{[A - B] + \text{Transaction Costs}}{N}$  Withdrawal Unit price = $\frac{[A - B] - \text{Transaction Costs}}{N}$  Where:  <i>A means the value of the Assets attributable to the class of Units to which the request relates.</i>

		<p><b>B</b> means the Liabilities attributable to the class of Units to which the request relates but excluding application money in respect of applications that have not been accepted by the Responsible Entity.</p> <p><b>N</b> means the number of Units on issue attributable to that class of Units.</p> <p>Refer to Section 3.2 in relation to the appointment of the Market Maker Agent to provide a liquid market for MAAT Units.</p>
<b>Terms of issue</b>	The rights and obligations attaching to Shares are set out in the Company Constitution. Additional rights and obligations are contained in the provisions of the Corporations Act.	The rights and obligations attaching to Units are set out in the MAAT Constitution. Additional rights and obligations are contained in the provisions of the Corporations Act.
<b>Voting rights</b>	<p>Subject to any rights or restrictions for the time being attached to any class or classes of shares in the Company (at present, there is only one class of shares), at a general meeting of the Company:</p> <p>(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;</p> <p>(b) on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote (unless a Shareholder has appointed more than one proxy); and</p> <p>(c) on a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each fully paid Share held (with adjusted voting rights for partly paid shares).</p> <p>If the votes are equal on a proposed resolution, the Chairman of the meeting does not have a second or casting vote and the matter is decided in the negative.</p>	<p>Subject to the MAAT Constitution and the Corporations Act, a proposed resolution may be decided by a percentage of Units or in writing executed by unitholders holding the requisite majority of Units.</p> <p>Voting is by a show of hands where each unitholder in person or by proxy is entitled to one vote on a show of hands. If more than one proxy has been appointed by a unitholder, only one vote is to be recorded on a show of hands in respect of that unitholder. If a proxy is acting as proxy for more than one unitholder, only one vote is to be recorded on a show of hands in respect of that proxy.</p> <p>On a poll each unitholder or unitholders of the class, as applicable, in person or by proxy is entitled to 1 vote for each dollar of the value of whole Units or Units of the class, as applicable, held.</p> <p>Any objection made to a vote cast can only be made at the meeting. The Chairperson's decision as to the validity of a vote is final and binding on all unitholders or all unitholders of a class of Units, as applicable, and for all purposes.</p>

<b>Dividends or distributions</b>	<p>Subject to the Corporations Act, the Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.</p>	<p>The Responsible Entity may elect to distribute to Unitholders any amount (income or capital) pro rata to the total number of units held but the Responsible Entity aims to distribute, in cash, at least an amount equal to the taxable income of MAAT less any non-Cash Transfer Amounts included in taxable income .</p>
<b>Issue of further securities</b>	<p>Subject to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may issue or grant options for, or otherwise dispose of, Shares on the terms, with the rights, and at the times that the Board decides.</p>	<p>The Responsible Entity may issue classes of Units and, other than in respect of the matters required by section 601GA of the Corporations Act which are set out in the MAAT Constitution, determine the rights, liabilities, obligations and restrictions which attach to each class. A unitholder holds a Unit subject to the MAAT Constitution and the rights, liabilities, obligations and restrictions attaching to that Unit.</p>
<b>Variation of class rights</b>	<p>In addition to the requirements under the Corporations Act and ASX Listing Rules, the procedure set out in the Company Constitution must be followed for any variation of rights attached to the Shares. The rights attached to a class of Shares may be varied or cancelled by:</p> <ul style="list-style-type: none"> <li>(a) the holders of at least 75% of the issued Shares in the class consenting in writing; or</li> <li>(b) a special resolution passed at a separate meeting of the holders of Shares in that class.</li> </ul>	<p>The rights attaching to Units may only be varied by amending the terms of the MAAT Constitution, as summarised below.</p>
<b>General meetings</b>	<p>Each Shareholder is entitled to receive notice of, attend and vote, at general meetings of the Company. The Company must give at least 28 days' written notice of a general meeting.</p> <p>The Board may postpone, cancel or change the place of a meeting of shareholders in accordance with section</p>	<p>Each unitholder is entitled to receive notice of, attend and vote, at general meetings of MAAT. The Responsible Entity must give at least 21 days' written notice of a general meeting.</p> <p>The Responsible Entity may convene a meeting of unitholders at any time in accordance with the Corporations Act</p>

	<p>249D and 250N of the Corporations Act and the Company Constitution.</p> <p>The Company must hold an annual general meeting at least once in each calendar year and within 5 months after the end of its financial year.</p>	<p>and, while MAAT is quoted, the AQUA Rules.</p> <p>The Responsible Entity has the power to adjourn a meeting, and where convened on the requisition of unitholders, dissolve a meeting, where a quorum of unitholders is not present within 30 minutes of the start time of a meeting.</p>
<b>Winding up/ termination</b>	<p>Subject to the Company Constitution, the Corporations Act and any preferential rights attaching to any class or classes of Shares, on the Company being wound up, Shareholders will be entitled to any surplus assets of the Company in proportion to the Shares held by them.</p> <p>If the Company is wound up, the liquidator may, with the sanction of a special resolution:</p> <ul style="list-style-type: none"> <li>(a) divide the whole or part of the Company's property among Shareholders;</li> <li>(b) decide how the division is to be carried out as between Shareholders or different classes of Shareholders; and</li> <li>(c) vest assets of the Company in trustees on any trust for the benefit of the shareholders as the liquidator thinks fit.</li> </ul>	<p>MAAT will terminate two days before the 80th anniversary of the date of the MAAT Constitution, however the Responsible Entity may terminate it earlier if either an event occurs which under the Corporations Act or the MAAT Constitution obliges it to wind up MAAT or otherwise by notice to unitholders.</p> <p>MAAT must be terminated in accordance with the Corporations Act and, while MAAT is quoted, the AQUA Rules.</p> <p>On termination, the Responsible Entity will realise MAAT's assets and pay to unitholders their portion of the net proceeds of realisation. The Responsible Entity has the power to postpone the realisation of assets to maximise the net proceeds of the realisation of those assets attributable to unitholders provided that the Responsible Entity considers that the postponement is not inconsistent with its duties under the Corporations Act.</p> <p>The Responsible Entity is entitled to retain any assets to discharge liabilities and be indemnified out of the assets in respect of all costs incurred in connection with termination of MAAT.</p>
<b>Appointment and removal of directors</b>	<p>Under the Company Constitution, the Board is comprised of a minimum of three Directors. Directors can be elected or re-elected at general meetings of the Company. The Company may from time to time by resolution remove any Director from office or appoint an additional Director or additional Directors.</p> <p>No Director (excluding any managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which</p>	N/A

	the Director was last elected or re-elected or three years, whichever is longer. The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing director) must not hold office past the next annual general meeting of the Company.	
<b>Amendment</b>	The Company Constitution may be modified, repealed or replaced only by a special resolution passed by Shareholders.	The MAAT Constitution may by deed modify, repeal or replace the MAAT Constitution if it reasonably considers the amendments will not adversely effect the unitholder's rights. Otherwise, it must obtain unitholder approval of the amendments at a meeting of unitholders.
<b>Transfer of securities</b>	<p>Subject to the Company Constitution and to any restrictions attached to a Share, Shares may be transferred by any means permitted by the Corporations Act or by law. The Company must comply with the obligations imposed on it by the ASX Listing Rules or the ASX Operating Rules.</p> <p>The Board may or must refuse to register a transfer of Shares:</p> <ul style="list-style-type: none"> <li>(a) only if that refusal would not contravene the ASX Listing Rules or the ASX Operating Rules;</li> <li>(b) if the registration of the transfer would create a new holding of an unmarketable parcel;</li> <li>(c) to a subsidiary of the Company; and</li> <li>(d) if the Corporations Act, the ASX Listing Rules or the ASX Operating Rules forbids registration.</li> </ul> <p>If the Board refuses to register a transfer, the Company must give the lodging party notice of the refusal and the reasons for it within five business days after the date on which the transfer was delivered to it.</p>	<p>While MAAT is quoted, transfers or units are subject to the operation of the Corporations Act, CHESS and the AQUA Rules (as applicable).</p> <p>Subject to the MAAT Constitution and any class rights, a unitholder may transfer Units in the manner as the Responsible Entity from time to time prescribes.</p> <p>The Responsible Entity is not obliged to register a transfer where the transferee does not meet the Responsible Entity's criteria for a unitholder, the transfer is not duly stamped (where required), or any amount payable by the transferee to the Responsible Entity in respect any of the transferor's Units remains unpaid.</p> <p>While MAAT is quoted and subject to the AQUA Rules, the Responsible Entity may request a holding lock be applied to any Units in certain circumstances, including but not limited to, where:</p> <ul style="list-style-type: none"> <li>(a) the Responsible Entity has a lien on the Units the subject of the transfer;</li> <li>(b) registration of the transfer may break an Australian law and the ASX has agreed in writing to the application of a holding lock or that the Responsible Entity may refuse to register a transfer;</li> </ul>



		<p>(c) the relevant unitholder has agreed in writing to the application of a holding lock or that the Responsible Entity may refuse to register a transfer; or</p> <p>(d) it is otherwise permitted under the AQUA Rules, and the Responsible Entity must do so if the AQUA Rules require, but must tell the unitholder or the broker as the Corporations Act or the AQUA Rules require.</p>
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## 2.8 Differences between the ASX Listing Rules and the AQUA Rules

As MAAT will be seeking to be admitted to Trading Status on the ASX under the AQUA Rules, this Shareholder Booklet is required to set out the key differences between the ASX Listing Rules and the AQUA Rules. These differences are set out below and generally relate to the level of control and influence that the issuer of a product has over the underlying instrument. Further information relating to the AQUA market can be found at "<https://www2.asx.com.au/issuers/investment-products>".

Requirements	ASX Listing Rule	AQUA Rule
<b>Continuous Disclosure</b>	Issuers of products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	<p>Issuers of products under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>However, under the AQUA Rules, the Responsible Entity must provide ASX with information where the non-disclosure of that information may lead to the establishment of a false market in the Units or would materially affect the price of the Units.</p> <p>The Responsible Entity is required to disclose information about the NAV of MAAT daily. It must also disclose information about:</p> <ul style="list-style-type: none"> <li>• net monthly applications and redemptions;</li> <li>• distributions and other disbursements; and</li> <li>• any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act.</li> </ul> <p>The Responsible Entity will make any required disclosure through the ASX announcements platform at the same</p>

		time as it makes required disclosures to ASIC.
<b>Periodic Disclosure</b>	Issuers of products under the ASX Listing Rules are required to disclose half-yearly and annual information or annual reports under Chapter 4 of the ASX Listing Rules.	Issuers of products quoted under the AQUA Rules are not required to disclose half yearly and annual financial information or reports. However, the Responsible Entity of MAAT is still required to lodge ASIC financial reports required under Chapter 2M of the Corporations Act. The Responsible Entity will also lodge these reports with ASX at the time they submit them to ASIC.
<b>Corporate Control</b>	Listed companies and listed managed investment schemes are subject to requirements in the Corporations Act and the ASX Listing Rules relating to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	<p>As products quoted under the AQUA Rules are not shares in companies, the issuers of such products are not subject to the corporate governance requirements referred to under the Corporations Act and the ASX Listing Rules.</p> <p>However, the Responsible Entity, as an issuer of a product quoted under the AQUA Rules, is subject to the general requirement to provide ASX with information concerning itself that may otherwise lead to the establishment of a false market or materially affect the price of its products. Section 601FM of the Corporations Act will continue to apply to the Responsible Entity in relation to the removal of a Responsible Entity of a registered managed investment scheme by members.</p>
<b>Related party Transactions</b>	Chapter 10 of the ASX Listing Rules specifies controls over related party transactions (which relate to transactions between an entity and other people in a position to influence the entity).	Chapter 10 of the ASX Listing Rules does not apply to AQUA products such as MAAT's Units. However, as MAAT is a registered managed investment scheme it is still subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
<b>Auditor Rotation</b>	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	The specific auditor rotation requirements under Division 5 of Part 2M.4 of the Corporations Act do not apply to AQUA product issuers. However the Responsible Entity will continue to be required to undertake independent audit of its compliance with MAAT's compliance plan in

## 2.9 Summary of the Implementation Agreement

As noted in Section 1.3 above, the Company and the Responsible Entity, The Trust Company (RE Services) Limited ABN 45 003 278 831, have entered into the Implementation Agreement which sets out the process in which the Transaction will be implemented and the terms and conditions that will govern the implementation of the Transaction by the parties.

The Implementation Agreement details the steps of the Transaction (which are summarised in this Shareholder Booklet) and each party's obligations with respect to those steps. The Implementation Agreement also includes the In-Specie Conditions which must be satisfied (or waived) for the First Distribution (In-Specie) to proceed, as summarised in Section 2.1(b).

The Company has agreed to pay all reasonable costs or expenses incurred by the Responsible Entity in connection with the Transaction, however if the Transaction is not completed by 31 July 2021 (**End Date**) and the Company, acting reasonably, considers that the delay or non-completion of the Transaction is due to or partially attributable to a breach of the Responsible Entity's obligations under the agreement, the Company and the Responsible Entity will negotiate in good faith as to the portion of the costs that the Company would be liable to pay. The Company indemnifies the Responsible Entity against all loss suffered or reasonably incurred by breach of this obligation.

Either party can terminate the Implementation Agreement at any time before the Meeting if:

- (a) the other party is in material breach of the Implementation Agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by the breaching party within five Business Days of receiving notice of the breach and the non-breaching party's intention to terminate;
- (b) a court or another government agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Transaction, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
- (c) if the In-Specie Conditions have not been satisfied or waived by the End Date and the parties have not agreed to extend such date, provided that a party may not terminate the agreement if the relevant In-Specie Condition has not been satisfied or agreement cannot be reached as a result of that party's breach of the agreement, or a deliberate act or omission of that party.

After the date of this Meeting, if the Transaction has not been implemented on or before the End Date this agreement may be terminated by either party giving notice in writing to the other.

The Implementation Agreement otherwise contains terms and conditions (including standard representations, warranties and indemnities) considered standard for an agreement of this nature.

## 2.10 Summary of taxation consequences of the Transaction

The following is a general summary of the potential tax consequences of the Transaction to Shareholders and the Company. The comments only apply to Shareholders who are resident in Australia for tax purposes and who hold their Shares in the Company on capital account for Australian income tax purposes. Non-resident shareholders should obtain tax advice on the implications of the Transaction to their Australian tax position and the tax rules in their country.

The summary of potential tax consequences described below are statements of general principle only and Shareholders should be aware that the actual Australian tax implications may differ from those summarised below, depending on the individual circumstances of each Shareholder. Shareholders should obtain and rely on their own tax advice in relation to taxation consequences of the Transaction having regard to their particular circumstances. Neither the Company nor any of its officers accept any responsibility or liability in respect of such consequences.

### Transfer of listed assets to MAAT

The transfer of the Company's Listed Assets to MAAT will result in a disposal of those assets by the Company for tax purposes. A gain or loss for tax purposes may arise on the disposal of each asset depending on the difference between the consideration received on disposal and the tax cost base of the asset. Realised gains and losses on the disposal of the listed assets will be required to be included in the calculation of the Company's taxable income for the year ended 30 June 2021. Broadly, this should result in a crystallisation of the Company's deferred tax liability to the extent it relates to the Listed Assets. Any tax paid by the Company should generate franking credits.

It is anticipated that realised gains will arise on 11 May when the Listed Assets are transferred to MAAT and that these realised gains will create a tax liability for the Company for the year ended 30 June 2021. Part of that tax liability will be payable after 30 June 2021. Sufficient cash will be left in the Company to enable it to pay this tax liability to the ATO as well to pay a franked dividend on or around September 2021. The franking credits attached to this dividend will represent the tax paid by the Company as a result the transfer of the Listed Assets to MAAT.

### Dividends received from the Company

The First Distribution (In-Specie) of units to Shareholders will include a dividend. Shareholders who receive dividends from the Company (including the First Distribution (In-Specie) of units) will be required to include the amount of the dividend and any franking credits attached to the dividend in their assessable income.

Generally, a tax offset should be available for franking credits. However Shareholders will not be able to claim a tax offset for franking credits (and will not be required to include an amount referable to franking credits in their assessable income) unless the Shareholder satisfies the "holding period rule" in respect of their Shares in the Company.

Provided a Shareholder satisfies the "holding period" rule and to the extent that their entitlement to franking credits exceeds their income tax liability for the income year, the excess franking credits may be refundable to the Shareholder (if the Shareholder is an individual or complying superannuation fund). Other types of taxpayers should seek their own tax advice.

### Return of capital from the Company

The First Distribution (In-Specie) of units to Shareholders will also include a return of capital. The return of capital by the Company should reduce a Shareholder's capital gains tax ("CGT") cost base of their shares in the Company. If the CGT cost base is reduced to nil the excess will result in a capital gain. Resident individuals, trusts (conditions apply) and superannuation shareholders who have held their investments on capital account for at least 12 months may be entitled to the CGT discount.

The CGT cost base in the MAAT units should be equal to the distribution satisfied by the issue of units in MAAT.

It is the intention of the Company to frank the in-specie dividend payment to the full extent possible.

#### **Australian tax status of MAAT**

For information on the Australian tax treatment of MAAT, please refer to the PDS issued with this Shareholder Booklet.

### **3. Additional information relating to MAAT**

#### **3.1 Summary of New IMA**

The Responsible Entity has appointed the Manager as manager of MAAT, pursuant to the New IMA entered into on 9 November 2020. The rights and obligations of each party under the New IMA are conditional upon the ASX admitting the MAAT Units to Trading Status.

A summary of the key material terms of the New IMA are set out below.

#### **Services**

Pursuant to the New IMA, the Manager agrees to invest, promote and manage the assets of MAAT (which, subject to completion of the Transaction, will include the Listed Assets) on behalf of the Responsible Entity in compliance with the investment strategy for MAAT, which cannot be changed unless the consent of the Responsible Entity is first obtained (such consent to not be unreasonably withheld).

In providing the Services, the Manager's responsibilities include, but are not limited to:

- (a) complying with the investment strategy for MAAT and reviewing the portfolio of MAAT at regular intervals to ensure the portfolio is managed in accordance with the investment strategy for MAAT;
- (b) monitoring market liquidity and risks in relation to MAAT, and ensuring that appropriate portfolio management techniques are in place in order to minimise such risks;
- (c) ensuring that levels of securities trading for MAAT are appropriate, and not intended to generate brokerage;
- (d) ensuring that trades in the assets of MAAT are executed at the best available price and on a timely basis;
- (e) ensuring that an appropriate currency hedging policy is formulated and maintained where MAAT has exposure to non-Australian assets; and
- (f) providing proper instructions to Morgan Stanley & Co. International plc (the **Custodian**) and the Market Maker Agent in relation to transactions concerning the assets of MAAT.

#### ***Powers and discretions of the Manager***

Subject to the Corporations Act and the ASX Listing Rules, the Manager has the powers necessary to, on behalf of the Responsible Entity, invest money constituted in or available to MAAT, make, hold, realise and dispose of investments within MAAT's portfolio. The Manager may:

- (a) request the Responsible Entity to summon a meeting of unitholders which the Responsible Entity must do, subject to its duties under any relevant law;
- (b) request the Responsible Entity consider retirement and appointment of a replacement responsible entity of MAAT;
- (c) perform similar management or investment services for other persons;
- (d) act as responsible entity for any one or more managed investment schemes or as manager or trustee of any trusts; and
- (e) invest MAAT in another trust or scheme of which it or its related body corporate is the manager on the basis that any fees will be rebated to avoid double dipping.

#### ***Management of potential conflicts***

The Manager may invest in, deal with or engage the services of the Manager's related bodies corporate engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that the terms of such arrangement are in the ordinary course of business and on arm's length terms, and are first approved by the Responsible Entity. The Manager must first notify the Responsible Entity when it proposes to invest in, deal with or engage the services of the Manager's related bodies corporate.

#### ***Amendments***

The New IMA may be amended by exchange of letters signed by the parties.

#### ***Responsible Entity Indemnity***

The Responsible Entity must indemnify and hold harmless the Manager against any liabilities reasonably incurred by the Manager arising out of, or in connection with the Manager or any of its officers or agents properly acting under the New IMA except to the extent that any liability is caused by negligence, fraud, default or dishonesty of the Manager or any of its officers, employees or agents, the Manager's breach of the agreement or failure to meet the required standard of care or any act or omission of the Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to unitholders for which the Responsible Entity has no right of indemnity from MAAT (**Excluded Acts**).

This obligation continues after the termination of the New IMA.

#### ***Manager Indemnity***

The Manager must indemnify and hold harmless the Responsible Entity against any liabilities reasonably incurred by the Responsible Entity and MAAT arising out of or, or in connection with, any of the Excluded Acts.

This obligation continues after the termination of the New IMA.

#### ***Management fee and performance fee***

In consideration for the Manager investing and managing the portfolio of MAAT and providing the services specified in the New IMA, the Responsible Entity will pay the Manager a management fee and performance fee. The management fee will be calculated as equal to 125 basis points per annum multiplied by the daily value of the total portfolio referable to MAAT. The management fee is calculated and accruing daily and is payable by the Responsible Entity to the Manager within 30 days of the end of each calendar month. The management fee and performance fee are to be paid out of MAAT and must be paid in the manner and at the time (if any), specified in the MAAT Constitution.

### **Expenses**

The Manager is entitled to be reimbursed for all expenses it reasonably and properly incurs in performing the services provided that it provides the Responsible Entity with written notice of the expenses together with copies of any invoices or supporting documents that the Responsible Entity may reasonably request to verify that the expenses have been reasonably and properly incurred.

### **Term and Termination**

The initial term of the New IMA is ten years, which may be extended by additional rolling ten year terms by the Manager on written notice to the Responsible Entity and subject to compliance with the ASX Listing Rules and AQUA Rules and a resolution approving the extension being passed by the unitholders of MAAT.

The Responsible Entity may terminate the New IMA with immediate effect on written notice to the Manager, if:

- (a) MAAT terminates in accordance with the MAAT Constitution or the Corporations Act;
- (b) on three months' notice in writing to the Manager, if after the initial term of the New IMA of ten years or such longer term as is approved by the unitholders, an ordinary resolution is passed by the unitholders at properly convened meeting directing the Responsible Entity to terminate the New IMA or the appointment of the Manager in respect of MAAT;
- (c) where a change of control event occurs in respect of the Manager and a special resolution is passed by the unitholders of MAAT at a meeting properly convened directing the Responsible Entity to terminate the New IMA or the appointment of the Manager in respect of MAAT; or
- (d) if any of the mutual termination rights set out below occur.

The Manager is entitled to terminate the New IMA on written notice to the Responsible Entity:

- (a) to take effect three months after the date of the notice (or a lesser period, if the Responsible Entity agrees);
- (b) to take effect immediately if:
  - (i) the Responsible Entity ceases to be the responsible entity of MAAT; or
  - (ii) any of the mutual termination rights set out below occur.

In addition to the rights set out above, the Responsible Entity or the Manager may terminate the New IMA with immediate effect on written notice if:

- (a) a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertaking of either the Manager or the Responsible Entity, as applicable;
- (b) either the Manager or the Responsible Entity, as applicable:
- (i) goes into liquidation (other than for the purpose of a reconstruction or amalgamation on terms previously approved in writing by either the Manager or the Responsible Entity, as applicable);
  - (ii) is placed under official management or an administrator is appointed to its affairs;
  - (iii) ceases to carry on business in relation to its activities as an investment manager;
  - (iv) materially breaches or fails to observe or perform any duty, obligation, representation, warranty or undertaking required of it under the New IMA that, in the opinion of either the Manager or the Responsible Entity (as applicable), materially and adversely affects the rights of unitholders, and fails to rectify the breach or failure to rectify the breach to the reasonable satisfaction of either the Manager or the Responsible Entity (as applicable) within a reasonable period specified by the relevant party in a notice to do so;
- (c) either the Responsible Entity or the Manager (as applicable) considers it reasonably necessary to do so in order to ensure compliance with its duties and obligations under the relevant law and in any circumstances by the relevant law, trust law or any other law or by any court of competent jurisdiction.

***Limitations on removal of Manager***

The Responsible Entity must not change the Manager or appoint a new investment manager for MAAT unless the Manager consents.

The Manager may request that the Responsible Entity enter into an agreement in which the New IMA is novated to an incoming investment manager which is a related body corporate of the Manager.

**3.2 Appointment of Market Maker Agent**

The Responsible Entity has appointed Macquarie Securities (Australia) Limited as its market maker agent for MAAT to provide liquidity to investors on the ASX AQUA market by acting as a buyer and seller of Units as required in the ordinary course of investment and management of assets of MAAT (**Market Maker Agent**). Pursuant to the terms of its appointment, the Market Maker Agent is required to:

- (a) comply with all applicable law and policies of either ASIC, ASX, APRA or AUSTRAC;
- (b) act in accordance with the instructions provided by the Manager;
- (c) deal in a financial product by issuing, applying for, acquiring, varying or disposing financial products including securities on behalf of MAAT;
- (d) receive all instructions including maximum number of Units the Manager is willing to create in any given day (subject to certain thresholds); and
- (e) post daily bids and offers subject to parameters agreed with the Responsible Entity.



### 3.3 MAAT's investment strategy

MAAT's investment strategy is to invest in Australian quoted equities (long and short). MAAT may also invest in exchange traded derivatives, cash and cash equivalent investments.

The investment strategy is Benchmark Unaware and there is no predetermined asset allocation; rather, MAAT only invests when suitable opportunities are identified. As such, asset exposures may vary significantly over time and without notice.

MAAT seeks to only invest in compelling opportunities to produce the targeted returns. To identify these investment ideas, the Manager primarily employs fundamental, bottom-up company research and the judgement of its experienced portfolio managers.

A key strategy of MAAT is to use short-selling which is a process designed to deliver enhanced relative and risk-adjusted returns by increasing the gross market exposure of MAAT.

From time to time, MAAT may borrow cash from an overdraft facility or use derivatives to amplify its exposure to an asset or asset class.

MAAT's ability to produce investment returns will depend on the availability of assets that meet MAAT's investment guidelines, the Australian equity market conditions and the effect of the key risks identified in section 9 of the MAAT PDS.

All assets of MAAT will be located in Australia and denominated in Australian dollars.

The Manager has implemented a risk management framework with daily monitoring to manage MAAT's exposures within the asset classes and market exposure limits of MAAT.

The Manager may, by obtaining consent from the Responsible Entity, change MAAT's investment strategy, benchmark, and asset allocation ranges and limits, and in some cases may do this without prior notice to unitholders of MAAT.

### 3.4 Quarterly distributions

The Responsible Entity intends to make quarterly distributions rather than annual dividend payments, as are currently made by the Company. It is intended that MAAT unitholders will be able to reinvest their distribution automatically into MAAT or have it paid directly to their bank account.

### 3.5 Capital structure

As at the Implementation Date, MAAT's capital structure is proposed to be:

Units
44,956,003

As noted above, the number of Units on issue will not change by virtue of the Transaction, however the number of unitholders of MAAT will increase (as per the number of Shareholders, excluding Overseas Shareholders).

### 3.6 Rights attaching to Units

The rights attaching to Units will not be affected by the Transaction. A summary of the rights attaching to the Units is included in the comparison table set out in Section 2.7.

Full details of the rights attaching to the Units are set out in the MAAT Constitution, a copy of which may be obtained by contacting the Responsible Entity's office during normal business hours.

Section 1 of the MAAT PDS contains a broad summary of the rights, privileges and restrictions attaching to all Units.

### 3.7 Risk factors

Section 9 of the MAAT PDS contains a summary of the key risks associated with MAAT.

## 4. Additional information relating to the Company

### 4.1 Issued capital of the Company

There will be no change to the capital structure of the Company as a result of the Transaction.

As at the date of this Shareholder Booklet, the Company's capital structure is as follows:

Shares	Options <sup>1</sup>
44,956,003	435,369

**Note 1:** Each Option is exercisable at \$1.15 per Option, expiring on 15 November 2021.

As noted above, the number of Shares and Options on issue will not change by virtue of the Transaction. As required under ASX Listing Rule 7.22.3, the terms of the Options will be reorganised such that the exercise price of each Option will be reduced by the same amount as the capital amount returned in relation to each MA1 Share.

### 4.2 Rights attaching to Shares

The rights attaching to Shares will not be affected by the Transaction. A summary of the rights attaching to the Shares is included in the comparison table set out in Section 2.7.

Full details of the rights attaching to the Shares are set out in the Company Constitution, a copy of which may be obtained by contacting the Company's office during normal business hours.

### 4.3 Board of the Company

The Board currently comprises:

- (a) Mr Paul Clitheroe - Independent Non-Executive Chairman;
- (b) Mr Simon Shields - Non-Independent Non-Executive Director and an executive of the Manager;
- (c) Mr Suvan de Soysa - Independent Non-Executive Director; and
- (d) Mr Paul Jensen - Independent Non-Executive Director.

### 4.4 Director's relevant interests in the Company

The table below indicates the securities in which the Directors have an interest prior to the Transaction and the number of MAAT Units that they will receive if the Transaction completes:

Pre-Transaction			
Director	Shares	Options <sup>1</sup>	MAAT Units
Mr Paul Clitheroe	500,000	Nil	Nil
Mr Simon Shields	400,001	200,000	Nil
Mr Suvan de Soysa	500,000	Nil	Nil
Mr Paul Jensen	Nil	Nil	Nil
Post- Transaction			
Director	Shares	Options <sup>1</sup>	MAAT Units
Mr Paul Clitheroe	500,000	Nil	500,000
Mr Simon Shields	400,001	200,000	400,001
Mr Suvan de Soysa	500,000	Nil	500,000
Mr Paul Jensen	Nil	Nil	Nil

**Note 1:** Each Option is exercisable at \$1.15 per Option, expiring on 15 November 2021.

It is the intention of Mr Simon Shield to exercise all of the Options he holds prior to the Record Date.

#### 4.5 Information concerning Shares

The highest and lowest recorded sale prices of Shares as traded on ASX during the 4 months prior to the date of this Shareholder Booklet, and the respective dates of those sales were:

Date	Highest price	Date	Lowest price
17.03.2021	\$1.46	30.11.2020	\$1.28

#### 4.6 Pro-forma financial position on completion of the Transaction

A copy of the Company's post-transaction pro-forma balance sheet is set out in Annexure A. The pro-forma balance sheet assumes completion of the First Distribution (In-Specie) and is based on the financial accounts of the Company as at 31 January 2021.

#### 4.7 Changes to the obligations of the Company

If the Transaction successfully completes, MA1 will continue to operate as an unlisted company and will remain subject to the Corporations Act, including the range of protections afforded to shareholders under the Corporations Act.

In particular, the Company will fall into the definition of an "unlisted disclosing entity" for the purposes of the Corporations Act. As such, the Company will continue to be required to maintain a continuous disclosure regime. The statutory duty of disclosure for an unlisted disclosing entity is similar in content to the disclosure obligations of a listed entity, however disclosure will be made by uploading the information to the Company's website (in place of lodging a document with ASIC) instead of the Company's ASX platform. Any information required to be released as continuous disclosure will be available at

<http://monashinvestors.com/>.

## 5. Resolution 1 - Amendment to the Company Constitution

### 5.1 Summary of Resolution 1

Resolution 1 seeks Shareholder approval to amend the Company Constitution to allow implementation of the Transaction.

If Resolution 1 is passed, the Company Constitution will be amended as set out in Section 5.3 below with immediate effect.

Resolution 1 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### 5.2 General

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

While the Company considers that the current general provisions in the Company Constitution are sufficient for the implementation of the Transaction, the Board considers that the following amendments of the Company Constitutional should be made:

- (a) inclusion of a specific reference to a reduction of capital effected by the in specie distribution of units in a trust;
- (b) inclusion of a statement that, on occurrence of an in-specie distribution, the Shareholders are deemed to have agreed to become unitholders of the relevant trust and to be bound by the relevant trust deed (in the case of the Transaction, being, respectively, the MAAT Units and the MAAT Constitution); and
- (c) inclusion of provisions that will, in the case of the Transaction, empower the Company or any of the Directors as the agent of each Shareholder to execute any transfer of Units, or any other document required to give effect to the distribution of Units to that Shareholder.

As such, Resolution 1 seeks the approval of Shareholders to modify the Company Constitution by inserting a new Rule 2.8 as set out in Section 5.3 below.

A copy of the amended constitution is available for review by Shareholders at the office of the Company and can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

The Board recommends that Shareholders vote in favour of Resolution 1.

### 5.3 Proposed amendments to the Company Constitution

Currently, the Company Constitution does not expressly state that the Company may reduce its share capital by a reduction of capital in accordance with Division 1 of Part 2J.1 of the Corporations Act. Nevertheless, the provisions of the Corporations Act apply.

To clarify the powers of the Company, the Directors consider it beneficial to amend the Company Constitution to specifically provide for both a reduction in capital and profits reserve, and the method of the reduction, being by way of distribution of shares or securities in another entity, in this case MAAT.

In addition to above, the proposed amendments will state that should the Company complete an in-specie distribution and, as consideration, distribute securities in another entity (in this case MAAT) to the Shareholders:

- (a) those Shareholders agree to become unitholders of MAAT and to be bound by the MAAT Constitution; and
- (b) each of the Shareholders appoints the Company or any of the Directors as its agent to execute any transfer of Units, or any other document required to give effect to the distribution of Units to that unitholder.

Accordingly, the Company is seeking Shareholder approval to the amendment of the Company Constitution to clarify the Company's powers by the insertion of new Rule 2.8 as follows:

**Insert a new Rule 2.8:**

**"2.8 Reductions of capital and buy-backs**

- (a) *Subject to the Applicable Law, the Company may:*
  - (i) *reduce its capital; and*
  - (ii) *buy-back shares in itself,*

*on any terms and at any time.*
- (b) *The Company may reduce its capital in any way, including without limitation by any or all of the payment of cash, the issue of Shares, the grant of options or other securities, the transfer of shares or any other securities in any other body corporate or the transfer of units or any other securities in any trust or the transfer of any other assets.*
- (c) *If a reduction of capital of the Company includes an issue or transfer of shares in a body corporate or units in a trust, each member:*
  - (i) *agrees to become a member of that body corporate or trust; and*
  - (ii) *in the case of a transfer, appoints the Company and each Director as its agent to execute an instrument of transfer or other document required to transfer those shares in a body corporate or units in the trust to that member."*

**6. Resolution 2 - Approval for an equal reduction of capital and First Distribution (In-Specie)**

**6.1 Summary of Resolution**

Resolution 2 seeks Shareholder approval to enable the Company to reduce its capital by the transfer of the Listed Assets and Cash Transfer Amount to MAAT and the subsequent distribution of specific assets to Shareholders, being MAAT Units.

Resolution 2 is conditional on the approval of all other Resolutions in the Notice. If all of the Resolutions are passed, the Company's capital will be reduced by way of the First Distribution (In-Specie) described in Section 6.2 below.

Resolution 2 is an ordinary resolution.

## 6.2 **Section 256C of the Corporations Act**

The proposed reduction of capital by way of the First Distribution (In-Specie) is an equal capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- (a) is fair and reasonable to Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders in accordance with section 256C of the Corporations Act.

The Independent Directors believe that the Transaction is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors.

Under the proposed reduction of capital, each Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Shareholder. The First Distribution (In-Specie) is on a pro rata basis, and the proportionate ownership interest of each Shareholder in the Company remains the same before and after the Transaction. They will also have the same proportionate unitholding in MAAT after the Transaction.

Further, the Independent Directors consider that the Transaction will not result in the Company being insolvent at the time of or after the First Distribution (In-Specie).

The Directors have commissioned the Independent Expert to prepare a report on whether the Transaction (including the First Distribution (In-Specie)) is, on balance, collectively fair and reasonable to the Shareholders. The Independent Expert Report is attached to this Shareholder Booklet at **Annexure B**.

The Independent Expert concludes that the Transaction is fair and reasonable to Shareholders.

In accordance with the Corporations Act:

- (a) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Shareholders;
- (b) this Shareholder Booklet and previous ASX announcements set out all information known to the Company that is material to the decision on how to vote on Resolution 2; and
- (c) the Company has lodged with ASIC a copy of this Shareholder Booklet.

## 6.3 **Product disclosure statement pursuant to the offer to transfer MAAT Units**

Under the Corporations Act, an offer of securities generally requires disclosure to investors through a disclosure document, typically in the form of a prospectus or product disclosure statement.

The Corporations Act restricts:

- (a) the Company from disposing of the MAAT Units to its Shareholders by way of an in-specie distribution without issuing a disclosure document; and

- (b) the Shareholders from on-selling their MAAT Units within the first 12 months after receiving them under an in-specie distribution where a disclosure document has not accompanied the original offer.

The invitation to Shareholders to vote on this Resolution constitutes an offer to transfer MAAT Units to Shareholders pursuant to an in-specie distribution.

The Company has obtained ASIC relief from the requirement to issue a disclosure document in conjunction with this Shareholder Booklet on the basis that each Shareholder will be sent a copy of the MAAT PDS.

#### 6.4 **Capital Reduction – General**

The Corporations Act and the ASX Listing Rules set out the procedure and timing for a capital reduction. Refer to the Important Dates section on page 4 for an indicative timetable in respect of the Transaction. The alteration to the Company's capital and the First Distribution (In-Specie) will become effective from the Effective Date. The Record Date for the First Distribution (In-Specie) is proposed to be 2 June 2021, subject to the Resolutions being approved and satisfaction of the In-Specie Conditions.

If the capital reduction proceeds, Shareholders will receive a pro rata entitlement to MAAT Units and each Shareholder's name will be entered on the register of unitholders of MAAT with each Shareholder having deemed to have consented to becoming a MAAT unitholder and being bound by the MAAT Constitution (refer to Section 5). A Shareholder's entitlement to the number of MAAT Units to be distributed to it is to be based on the number of Shares held at the Record Date.

Due to the outstanding Options on issue in the Company, it is not clear at the date of this Shareholder Booklet how many Shares will be on issue at the Record Date nor therefore the number of MAAT Units which will be distributed under the First Distribution (In-Specie). If no Options are exercised prior to the Record Date, a total of 44,956,003 MAAT Units will be distributed to the Shareholders on a 1:1 ratio (one Unit for one Share).

#### 6.5 **ASX Announcements**

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations, which requires the Company to disclose to the ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the Company.

These documents are available for viewing and download on the Company's website on <http://monashinvestors.com/> or the ASX website on [www.asx.com.au/](http://www.asx.com.au/) under the ASX code "MA1".

The Company will provide updates on the Transaction to Shareholders at the time the First Distribution (In-Specie) takes place via lodgement of an ASX market announcement and in the despatch of holding statements to Shareholders.

#### 6.6 **Other material information**

There is no information known to the Company that is material to the making of a decision by a Shareholder on how to vote on Resolution 2 other than as disclosed in this Shareholder Booklet (including annexures) and information that the Company has announced on the ASX's platform or previously otherwise disclosed to Shareholders.

## 6.7 Lodgement

The Company has lodged a copy of this Shareholder Booklet with ASIC in accordance with section 256C(5) of the Corporations Act.

## 6.8 Independent Directors' recommendation

The Independent Directors believe that the Transaction is in the best interests of Shareholders and recommend that the Shareholders vote in favour of Resolution 2 as, in the opinion of the Independent Directors, the benefits of the proposed Transaction outweigh the disadvantages (see Section 2.2 of this Explanatory Memorandum).

The Independent Expert has opined that the Transaction is fair and reasonable to Shareholders.

## 7. Resolution 3 - Amendment to the Existing IMA

### 7.1 Summary of Resolution 3

Resolution 3 seeks Shareholder approval to amend the Existing IMA to allow the Transaction.

Resolution 3 is conditional on the approval of all other Resolutions in the Notice. If all of the Resolutions are passed, the Existing IMA will be amended as set out in Section 7.2 below.

Resolution 3 is an ordinary resolution.

### 7.2 Proposed amendment

On 23 February 2016, the Company and the Manager entered into the Existing IMA with respect to the management of the Company's portfolio.

The initial term of the agreement was ten years, with automatic five year extensions, unless terminated earlier in accordance with its provisions. On its admission to the Official List of the ASX, the Company was granted a waiver from ASX Listing Rule 15.16(b) to allow the 10 year term of the Existing IMA. A condition of this waiver was that any variation to the Existing IMA would need to be approved by Shareholders.

The Company and the Manager propose to vary the Existing IMA to allow for the transfer of the Listed Assets from the Company to MAAT, on the basis that the Responsible Entity enters into the New IMA with the Manager. Management of the Listed Assets will then take place under the New IMA. A summary of the key terms of the New IMA is set out in Section 3.1. The 30 June 2021 financial statements of the Company will be audited and subsequent to the audit, the Manager's performance fee (if any) will be paid in accordance with the Existing IMA.

Management of the Unlisted Assets held in the Company will continue under the Existing IMA, as varied to:

- (a) allow for the transfer of the Listed Assets to MAAT; and
- (b) change the investment strategy for the Company given that, if the Transaction is successful, the investment strategy will be amended to reflect the Company's intention that it will only hold the Unlisted Assets until such time as the value from these assets has been realised.

Resolution 3 seeks approval from Shareholders to enable the Company to enter into a variation to the Existing IMA, as set out above.



## 8. Resolution 4 - Removal from the Official List of the ASX

### 8.1 Summary

The Company has applied to ASX requesting that, subject to the successful implementation of the Transaction, ASX remove the Company from the Official List under ASX Listing Rule 17.11. As is its usual practice, ASX has imposed a requirement under ASX Listing Rule 17.11 and Guidance Note 33 *Removal of Entities from the ASX Official List*, that the Company obtain Shareholder approval to the proposed delisting.

Resolution 4 seeks Shareholder approval under ASX Listing Rule 17.11 for the Company's removal from the Official List.

Resolution 4 is conditional on the approval of all other Resolutions in the Notice. If all of the Resolutions are passed, and subject to the successful completion of the Transaction and fulfilment of the conditions imposed by ASX, the Company will be removed from the Official List and the Company's Shares will cease to be traded on ASX. If any of the Resolutions are not passed, the Company will retain its holding of the Listed Assets, the Transaction will not proceed, the Shareholders will not be issued Units, the Company will not be delisted from the Official List of the ASX and MAAT will not proceed with its application to be admitted to Trading Status on the ASX.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

If Resolution 4 is passed and a Shareholder considers the removal of the Company from the Official List to be contrary to the interests of Shareholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, a Shareholder or Shareholders, it may apply to the Court for relief. The Court may then make any order that it considers appropriate in relation to the Company, including but not limited to orders regulating the conduct of the Company's affairs in the future, requiring the Company to be wound up or requiring that the Company's constitution be modified or repealed.

The Company has not implemented a buy-back or other facility to allow Shareholders to sell or redeem their Shares, however Shareholders will be able to sell their Shares as usual on-market on ASX prior to the removal of the Company from the Official List.

### 8.2 Conditions to removal

ASX has granted the Company's request to be removed from the Official List pursuant to ASX Listing Rule 17.11, subject to compliance with the following conditions:

- (a) the Responsible Entity in its capacity as responsible entity of MAAT makes an application and is conditionally approved for the MAAT Units to be admitted to Trading Status as an AQUA Product Series under ASX Operating Rules Schedule 10A.3.1;
- (b) the Shareholders approve the following:
  - (i) a resolution by the necessary majority (excluding any votes cast by the Responsible Entity and its associates) to convert the quotation of its securities admitted under the ASX Listing Rules to admission as an AQUA Product Series admitted to Trading Status in accordance with ASX Operating Rule 10A.3.1(ca);
  - (ii) an ordinary resolution to carry out the First Distribution (In-Specie) on a pro rata basis of 1 MAAT Unit for 1 Share held on a prescribed record date (being the Record Date);

- (iii) a special resolution to remove the Company from the Official List of ASX as an ASX Listing;
- (c) the Notice includes a statement, in a form and substance satisfactory to ASX, setting out:
- (i) the relevant timetable, which is acceptable to ASX, and which will be followed for the removal of MA1 from the Official List and the admission of MAAT to Trading Status as an AQUA Product Series under the AQUA rules;
  - (ii) the removal from the Official List will not take place any earlier than one month after Shareholders have approved the removal;
  - (iii) the relevant information, to ASX's satisfaction, prescribed in section 2.11 of ASX Guidance Note 33;
  - (iv) the proposed outcome for Shares of the conversion of Shares held by them in an ASX Listing admitted under the ASX Listing Rules to units in an AQUA Product Series admitted to Trading Status;
  - (v) the differences between the AQUA market and the listing regime application to MA1 as an ASX listing; and
  - (vi) where further information about the AQUA market can be found on ASX's website.
- (d) the Company provides ASX with a legal opinion from its external legal counsel, in a form satisfactory to ASX, that the proposed First Distribution (In-Specie) as identified in this Shareholder Booklet will be legally effective, including being in accordance with the Constitution and the MAAT Constitution.

### 8.3 Reasons for seeking removal from the Official List

The proposed Transaction, and subsequent de-listing of the Company from ASX, is considered by the Board to be in the best interests of the Company in light of the low level of trading of the Shares on ASX (both in frequency and overall volume) and the Board's view that the current market capitalisation of the Company does not reflect the underlying asset value of the Company.

The Responsible Entity intends to lodge the MAAT PDS with ASIC on or around 6 April 2021. The Company notes that it is not guaranteed that ASX will approve the Admission Application.

## 9. Resolution 5 - Admission of MAAT Units to Trading Status

### 9.1 Summary of Resolution 5

Resolution 5 seeks Shareholder approval for the Responsible Entity to seek admission of MAAT's Units to Trading Status.

Resolution 5 is conditional on the approval of all other Resolutions in the Notice. If all of the Resolutions are passed, and subject to the successful completion of the Transaction and fulfilment of any listing conditions imposed by ASX, MAAT 's Units will be admitted to Trading Status.

Resolution 5 is an ordinary resolution.

## 9.2 **Reasons for MAAT to seek admission to Trading Status**

As noted in Section 8.3 above, the proposed Transaction and subsequent admission of MAAT to Trading Status, is considered by the Board to be in the best interests of the Company in light of the low level of trading of the Shares on ASX (both in frequency and overall volume) and the Board's view that the current market capitalisation of the Company does not reflect the underlying asset value of the business. The Board believes that the admission of MAAT Units to Trading Status on ASX will provide better liquidity for unitholders, given the differences in structure of the entity.

The Responsible Entity intends to lodge the MAAT PDS with ASIC and ASX on or around 6 April 2021. The Company notes that it is not guaranteed that ASX will approve the Admission Application.

## 10. Definitions

In this Shareholder Booklet, words importing the singular include the plural and vice versa.

<b>\$</b>	means Australian Dollars.
<b>AEST</b>	means Australian Eastern Standard Time, being the time in Sydney, New South Wales.
<b>AQUA Rules</b>	means the rules issued by the ASX which apply to AQUA products, as supplemented, amended, varied, or replaced from time to time.
<b>ASX</b>	means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
<b>Benchmark Unaware</b>	means an investment strategy that is applied without regard to the composition of a market benchmark index, such as the S&P ASX300.
<b>Board</b>	means the board of Directors.
<b>Cash Reserve</b>	has the meaning given in Section 1.3 being a cash amount retained by the Company comprised of estimates of the Second Distribution (Special Dividend) and the tax liabilities, operating costs (for the 2021 and 2022 financial years) and winding up costs of the Company plus a contingency amount for unforeseen costs.
<b>Cash Transfer Amount</b>	has the meaning given in Section 1.3.
<b>Chair</b>	means the person appointed to chair the Meeting of the Company convened by the Notice.
<b>Company</b>	means Monash Absolute Investment Company Limited (ACN 610 290 143).
<b>Company Constitution</b>	means the constitution of the Company as at the date of the Meeting.
<b>Company Liabilities</b>	means the outstanding liabilities of the Company on the Implementation Date (including, for the avoidance of doubt, the performance fee to be paid to the Manager for the performance fee period up to 30 June 2021) and an estimate of the tax liability to be paid by the Company for the financial year ending 30 June 2021 and including an estimate of the liabilities to be paid by the Company for the 2021 and 2022 financial years including wind up costs.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Costs</b>	means any cost, charge, disbursement, expense, outgoing, fee, tax or commission.
<b>Director</b>	means a director of the Company.

<b>Effective Date</b>	means 28 May 2021, as set out in the timetable in the Important Dates section of this Shareholder Booklet on page 4.
<b>Existing IMA</b>	means the investment management agreement between the Company and the Manager dated 23 February 2016.
<b>Explanatory Memorandum</b>	means the explanatory memorandum which forms part of this Shareholder Booklet.
<b>First Distribution (In-Specie)</b>	has the meaning given in Section 1.4(f).
<b>Implementation Date</b>	means 31 May 2021, as set out in the timetable in the Important Dates section of this Shareholder Booklet on page 4, being the date of completion of acquisition of the Listed Assets and Cash Transfer Amount and the First Distribution (In-Specie).
<b>In-Specie Conditions</b>	has the meaning given in Section 2.1(b).
<b>Independent Directors</b>	means the independent non-executive directors of the Company being Paul Clitheroe, Suvan de Soysa and Paul Jensen.
<b>Independent Expert</b>	means BDO Corporate Finance (East Coast) Pty Ltd ACN 050 038 170.
<b>Listed Assets</b>	has the meaning given in Section 1.3.
<b>Listing Rules</b>	means the listing rules of ASX.
<b>MAAT Assets</b>	means all investments, assets, capital, income, property and rights of MAAT, including proceeds of redemption of Units which have not yet been paid and any unpaid distributions.
<b>MAAT Constitution</b>	means the constitution of MAAT as at the date of the Meeting.
<b>MAAT Liabilities</b>	means all liabilities of MAAT, including liabilities accrued and unpaid and provisions which the Responsible Entity reasonably believes, in accordance with generally accepted accounting principles and applicable accounting standards, should be made when determining the liabilities of MAAT, but excluding all liabilities of the Responsible Entity to any unitholder (other than an unpaid distribution amount) and all amounts representing the value of the rights of a unitholder (other than an unpaid distribution amount) payable in respect of any redemption of Units not then requested and accepted by the Responsible Entity and regardless of whether the Units are characterised as equity or debt in the accounts of MAAT.
<b>MAAT PDS</b>	has the meaning given in Section 2.1(e).
<b>Manager</b>	means Monash Investors Pty Ltd (ABN 67 153 180 333).
<b>Market Maker Agent</b>	means Macquarie Securities (Australia) Limited.
<b>Meeting</b>	means the meeting of Shareholders convened by the Notice.

<b>NAV</b>	means the value of the MAAT Assets less the MAAT Liabilities excluding application money in respect of applications that have not been accepted by the Responsible Entity.
<b>New IMA</b>	means the agreement to be entered into by the Manager and the Responsible Entity in its capacity as responsible entity of MAAT for management of the Listed Assets.
<b>Notice</b>	means the Notice of General Meeting of Shareholders which forms part of this Shareholder Booklet.
<b>Option</b>	means an option to acquire a Share.
<b>Overseas Shareholders</b>	means a Shareholder with a registered address outside of Australia.
<b>Proxy Form</b>	means the proxy form accompanying this Shareholder Booklet.
<b>Resolution</b>	means a resolution referred to in the Notice.
<b>Rule</b>	means a rule of the Company Constitution.
<b>Schedule</b>	means a schedule to this Shareholder Booklet.
<b>Second Distribution (Special Dividend)</b>	has the meaning given in Section 1.4(g).
<b>Section</b>	means a section of this Shareholder Booklet.
<b>Securities</b>	means any equity securities of the Company (including Shares and/or Options).
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means the holder of a Share.
<b>Shareholder Booklet</b>	means the Notice and the Explanatory Memorandum.
<b>Third Distribution (Capital Return)</b>	has the meaning given in Section 1.4.
<b>Trading Day</b>	has the meaning given in the Listing Rules.
<b>Trading Status</b>	means authorisation by ASX for the Units (being the AQUA Products, as that term is defined in the ASX Operating Rules) to be traded on the market operated by ASX.
<b>Transaction</b>	means the proposed restructure of the Company by way of transfer of the Listed Assets and Cash Transfer Amount to MAAT and First Distribution (In-Specie) and Second Distribution (Special Dividend) to the Shareholders.
<b>Transaction Costs</b>	means, when calculating, as at any date: <ul style="list-style-type: none"> <li>(a) the application price of MAAT Units, the amount (which may be calculated as a percentage of the value of the MAAT Assets)</li> </ul>

calculated and fixed by the Responsible Entity from time to time to represent the Responsible Entity's estimate of the total Costs that would be incurred to buy the entire investments of MAAT on that date (excluding the purchase price of the investments); and

- (b) the withdrawal price, the amount (which may be calculated as a percentage of the value of the MAAT Assets) calculated and fixed by the Responsible Entity from time to time to represent the Responsible Entity's estimate of the total Costs that would be incurred to sell the entire investments of MAAT on that date,

provided that subject to the Corporations Act the Responsible Entity may in connection with any particular application or request for redemption of Units deem these costs to be a lesser sum or zero.

**Unlisted Assets**

has the meaning given in Section 1.3.

## 11. Notice of general meeting and voting and attendance information

**Monash Absolute Investment Company Limited**  
**ACN 610 290 143**  
**(Company)**

### **Notice of General Meeting**

Notice is hereby given that a General Meeting of Shareholders of Monash Absolute Investment Company Limited ACN 610 290 143 will be held virtually on Monday, 10 May 2021 at 10:00am (AEST) (**Meeting**).

The Explanatory Memorandum provides additional information on the matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form comprise part of this Notice (together, called the **Shareholder Booklet**).

Terms and abbreviations used in this Shareholder Booklet are defined in Section 11.

### **Agenda**

#### **1 Resolution 1 – Amendment to the Company Constitution**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That pursuant to and in accordance with section 136(2) of the Corporations Act and for all other purposes, the Company Constitution is amended with immediate effect by making the amendments specified in the Explanatory Memorandum which accompanied the Notice of Meeting."*

#### **2 Resolution 2 - Approval for an equal reduction of capital and First Distribution (In-Specie)**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to and conditional on all other Resolutions being passed, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by the Company making a pro rata distribution in specie of fully paid ordinary units in MAAT to all holders of ordinary shares in the Company at the Record Date and on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of Meeting."*

#### **3 Resolution 3 – Amendment to the Existing IMA**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:



*'That, subject to and conditional on all other Resolutions being approved, approval is given for the Company to amend the Existing IMA to allow the Transaction on the terms and conditions in the Explanatory Memorandum.'*

#### **4 Resolution 4 – Removal from the Official List of the ASX**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, subject to and conditional on all other Resolutions being approved and completion of the First Distribution (In-Specie), pursuant to ASX Listing Rule 17.11 and for all other purposes approval is given for the Company to be removed from the Official List of the ASX on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of Meeting."*

#### **5 Resolution 5 – Admission of MAAT Units to Trading Status**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to and conditional on all other Resolutions being approved and completion of the First Distribution (In-Specie), pursuant to ASX Operating Rule 10A.3.1(ca), approval is given for the conversion of MA1 Shares admitted under the ASX Listing Rules to admission of MAAT Units to Trading Status on the terms and conditions set out in the Explanatory Memorandum which accompanied the Notice of Meeting."*

### **Voting exclusions**

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of Resolution 2 by or on behalf of the acquirer of the asset or any person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares in the Company) or an associate of that person or persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- (a) a person as proxy or attorney for a person who is entitled to vote, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The Company will disregard any votes cast in favour of Resolutions 5 by or on behalf of the Responsible Entity (or any of its associates).

## BY ORDER OF THE BOARD

**Mr Paul Clitheroe AM**  
**Non-Executive Chairman**  
**Monash Absolute Investment Company Limited**  
Dated: 31 March 2021

### Information required under Guidance Note 33

In accordance with section 2.11 of Guidance Note 33, Shareholders can find the following information with respect to the proposed delisting of the Company from the Official List:

- the reasons why the approval is being sought and what will happen if the approval is given or not given is set out in Section 8.1 of this Shareholder Booklet;
- details of any other conditions that ASX requires to be satisfied before it will act on the request for removal from the Official List are set out in Section 8.2 of this Shareholder Booklet;
- details of any voting exclusions applied by ASX are set out in this Notice on page 45;
- the Company's reasons for seeking removal from the Official List are set out in Section 8.3 of this Shareholder Booklet;
- the consequences for the Company and its Shareholders if the Company is removed from the Official List, including whether or not it will become an unlisted disclosing entity under the Corporations Act following its removal are set out in Section 4 of this Shareholder Booklet (refer to Section 4.7 for information relating to the Company becoming an unlisted disclosing entity);
- the advantages and disadvantages of removal from the Official List compared to the advantages and disadvantages of remaining listed on ASX are set out in Section 2.2 of this Shareholder Booklet;
- as noted in Section 8.1 of this Shareholder Booklet, the Company does not propose to implement a buy-back or other facility to allow Shareholders to sell or redeem their Shares;
- an explanation of the remedies that Shareholder may pursue under Part 2F.1 of the Corporations Act is set out in Section 8.1 of this Shareholder Booklet.

### Voting rights

#### Explanatory Memorandum

The Explanatory Memorandum and the annexures accompanying this Notice are incorporated in and comprise part of this Notice and should be read in conjunction with this Notice.

### Who may vote

In accordance with Regulation 7.11.37 of the Corporations Regulations the Company (as convenor of the Meeting) has determined that persons entitled to attend and vote at the Meeting will be those persons set out in the register of Shareholders as at 7:00pm (AEST) on 8 May 2021.

### Proxies

A Shareholder entitled to attend the Meeting and vote, is entitled to appoint a proxy to attend and vote on behalf of that Shareholder at the Meeting.

- (d) A proxy need not be a Shareholder.
- (e) If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of the votes which each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes held by that Shareholder.
- (f) If the Shareholder appoints only one proxy, that proxy is entitled to vote on a show of hands. If a Shareholder appoints two proxies, only one proxy is entitled to vote on a show of hands.
- (g) Where two proxies are appointed, any fractions of votes resulting from the appointment of two proxies will be disregarded.
- (h) A Proxy Form accompanies this Notice.
- (i) Unless the Shareholder specifically directs the proxy how to vote, the proxy vote as he or she thinks fit, or abstain from voting.
- (j) If a Shareholder wishes to appoint a proxy, the Shareholder should complete the Proxy Form and comply with the instructions set out in that form relating to lodgement of the form with the Company.
- (k) The Proxy Form must be signed by the Shareholder or his or her attorney duly authorised in writing or, if the Shareholder is a corporation, either signed by an authorised office or attorney of the corporation or otherwise signed in accordance with the Corporations Act.
- (l) If any attorney or authorised officer signs the Proxy Form on behalf of a Shareholder, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the Proxy Form.
- (m) The Proxy Form (together with any relevant authority) must be received by no later than 10:00am (AEST) on 8 May 2021).
- (n) The completed Proxy Form may be:

- Mailed to the address on the Proxy Form; or
- Faxed to Monash Absolute Investment Company Limited, Attention Company Secretary, on facsimile +61 2 9290 9655.

### **Virtual participation**

In accordance with Corporations (Coronavirus Economic Response) Determination (No. 1) 2020 and to facilitate Shareholder participation, the Chairman has determined that Shareholders will have the opportunity to participate in the Meeting through an online platform.

Shareholders who wish to join the Meeting may do so from their computer or their mobile device, by entering the URL in their browser: <https://web.lumiagm.com>; or

If you choose to participate in the Meeting online, you can log in to the meeting by entering:

- the meeting ID for the online Meeting which is 341-400-670;
- your username is your Voting Access Code (VAC), which is located the first page of your Proxy Form; and
- your password, which is the postcode registered to your holding if you are an Australian Shareholder. Overseas Shareholders will need to enter the three-character country code e.g. New Zealand - NZL of their registered holding address. A full list of country codes can be found at the end of the user guide.

You will be able to view the Meeting live, lodge a direct vote in real time and ask questions online.

Shareholders participating in the Meeting will be able to cast direct votes between the commencement of the Meeting (10:00am AEST on 10 May 2021) and the closure of voting as announced by the Chairman during the Meeting.

More information regarding online participation at the Meeting (including how to vote) and ask questions online during the Meeting) is available in the User Guide. The User Guide is attached to this Notice and will be lodged with the ASX and will also be available from our website.

### **Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority must be sent to the Company and/or registry at least 24 hours in advance of the Meeting.

## Annexure A – Pro-forma balance sheet of the Company (post-Transaction)

### Pro-forma Balance Sheet

This Pro-forma Balance Sheet has been prepared to demonstrate the impact of the steps that will be undertaken to complete the restructure. The final figures are not available at this time, as a number of key items are unknown as they are dependent on the value of the investment portfolio on the day of the restructure.

This Pro-forma is based on the 31 January 2021 Balance sheet, and all calculations are based on the value of the investment portfolio as at 31 January 2021.

The known items are:

- Payment of the 2020 Income Tax, \$2.3m (paid in February 2021)
- Payment of the 13c dividend declared with the Half Year Result, \$5.8m (to be paid in April 2021)
- The net impact of the current receivables and payables as at 31 January 2021, \$1.3m (consisting mainly of unsettled trades as at 31 January).

The unknown items are:

Future Tax Liability – this will only be known on the day of the restructure when the final value of the investment portfolio and therefore the size of the investment gains are known

Second Distribution – the second distribution will be a dividend and is being paid to fully attach all available franking credits and is therefore dependent on the size of the Future Tax Liability

Performance Fee to the Manager – this is the performance fee due to be paid to the manager on the portfolio up until the time of the restructure. This is accrued in the NTA but will only be known based on the value of the investment portfolio on the day of the restructure.

The final item is the level of cash that will be left behind to cover the running costs of MA1 for the next 2 years. An amount of \$850,000 has been provided. Upon the realisation of the Unlisted Assets it is anticipated there will be a final dividend to Shareholders on the wind up of the Company (Third Distribution (Capital Return)), which is expected to occur by no later than 30 June 2022.

A\$000's	MA1 Unaudited 31-01-2021	Adjustments	MAAT	MA1 Proforma
Cash and cash equivalents	19,871	-16,930	2,091	850
LISTED Financial Assets	53,070	-7,724	45,346	0
UNLISTED Financial Assets	1,527	0	0	1,527
Deferred tax assets	29	-14	0	15
Other current assets	56	-31	0	24
<b>Total assets</b>	<b>74,553</b>	<b>-24,699</b>	<b>47,438</b>	<b>2,417</b>
LISTED Financial Assets	4,022	0	4,022	0
Tax Liabilities	5,660	-5,688	0	-29

Other payables	5,498	-5,498	0	0
<b>Total Liabilities</b>	<b>15,181</b>	<b>-11,187</b>	<b>4,022</b>	<b>-29</b>
<b>Net Assets</b>	<b>59,372</b>	<b>-13,512</b>	<b>43,415</b>	<b>2,445</b>
<b>Shareholders Funds'</b>	<b>59,372</b>	<b>-13,569</b>	<b>43,415</b>	<b>2,388</b>

#### Adjustments to the Balance sheet at 31 January 2021

The value of the Listed Financial Assets declines by the size of the Second Distribution in order to raise the required cash to fund the distribution.

Tax Liabilities decline by the amount of the 2020 income tax and the payment of the Future Income Tax Liability.

Other Payables decline from the payment of the performance fee and the discharge of all outstanding current liabilities as at 31 January 2021.

Shareholders' funds decline due to the payment of the 13c dividend declared with the Half Year Result and the future Payment of the Second Distribution.

The net effect of all of these items is a reduction in Cash. The result is that MAAT is left holding all of the listed investments and an amount of cash, and MA1 is left with \$850,000 to cover operating expenses and the unlisted investments.

**Annexure B - Independent Expert's Report**

For personal use only

# INDEPENDENT EXPERT REPORT

## Monash Absolute Investment Company Limited

In relation to the proposed restructure of Monash Absolute Investment Company Limited  
into an Exchange Traded Managed Fund

31 March 2021



## FINANCIAL SERVICES GUIDE

Dated: 31 March 2021

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us approximately \$55,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

**SUMMARY OF FINDINGS**



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Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret Street  
Sydney NSW 2000  
Australia

The Directors

Monash Absolute Investment Company Limited  
Level 5, 139 Macquarie Street  
SYDNEY NSW 2000

31 March 2021

Dear Directors

## INDEPENDENT EXPERT REPORT IN RELATION TO THE PROPOSED RESTRUCTURE OF MONASH ABSOLUTE INVESTMENT COMPANY LIMITED INTO AN EXCHANGE TRADED MANAGED FUND

### INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we**, **us** or **our**) has been engaged by the directors (**Directors**) of Monash Absolute Investment Company Limited (**Monash** or **the Company**) to prepare an independent expert report (**Report** or **IER**) setting out our opinion as to whether the proposed restructure of Monash from a public company listed on the Australian Securities Exchange (**ASX**) to a newly established exchange traded managed fund, Monash Absolute Active Trust (Hedge Fund) (**MAAT**), with MAAT's units to be traded on the market operated by ASX known as **AQUA (Proposed Transaction)**, is fair and reasonable to the shareholders of Monash (**the Shareholders**).

### Proposed Transaction

On 5 May 2020, the Company announced to the ASX the proposal by the Board of Directors to restructure Monash into an Exchange Traded Managed Fund (**ETMF**).

Subject to Shareholder approval, the Proposed Transaction will involve the following:

- ▶ MAAT will seek admission to AQUA Trading Status.
- ▶ The Company will transfer the listed securities of Monash's funds under management (**Listed Assets**) and an amount of cash (**Cash Transfer Amount**) to MAAT, a newly established registered managed investment trust that is wholly owned by the Company.
  - The Trust Company (RE Services) Limited will act as responsible entity of MAAT (**Responsible Entity**).
  - In return for the transfer of the Listed Assets, the Responsible Entity will issue the same number of fully paid ordinary units in MAAT as issued shares in the Company. The units will be distributed in-specie to the Shareholders on a 1 unit: 1 share basis (**First Distribution (In-Specie)**). Each investor will continue to hold the same percentage interest of units in MAAT as they have in shares in the Company.
  - The investment portfolio will continue to be managed by the existing fund manager using the same investment strategies currently used for the Company.
- ▶ The Company will be delisted from the ASX and will remain an unlisted public company (**MA1-Unlisted**). MA1-Unlisted will retain the unlisted securities (**Unlisted Assets**) and a cash reserve equal to the future dividends and forecast operating and winding up costs of MA1-Unlisted until liquidation.
  - MA1-Unlisted will pay a fully-franked dividend per share to the Company's Shareholders for the period ending 30 June 2021 (**Second Distribution (Special Dividend)**).
  - MA1-Unlisted will continue to operate as an unlisted company until realisation of the Unlisted Assets and be wound up by no later than 30 June 2022 when MA1-Unlisted intends to pay a final dividend to Shareholders (**Third Distribution (Capital Return)**).

Further details of the Proposed Transaction are provided in the Shareholder Booklet.

The Directors' rationale in pursuing the Proposed Transaction is to address the historically significant discount of the traded market capitalisation to the value of the Company's underlying net tangible assets (NTA). An ETMF structure has been chosen as it may provide liquidity to unitholders through the actions undertaken by market maker agents, allowing unitholders to potentially trade their units at a value that is closer to the company's NTA. Macquarie Securities (Australia) Limited (MSAL) has been appointed as the market maker for MAAT (Market Maker). MAAT aims to make distributions of a least 1.50% each quarter.

If the Proposed Transaction proceeds, Monash Shareholders will hold the following securities (for each Monash share currently held):

- ▶ One unit in MAAT, which will include the NTA of the transferred Listed Assets and Cash Transfer Amount; and
- ▶ One share in MA1-Unlisted, which will include the Unlisted Assets, deferred tax assets and liabilities and cash.

hereinafter collectively referred to as the Post Transaction Securities (**Post Transaction Securities**).

## APPROACH

Under section 256B of the Corporations Act, the Company may only reduce its capital if it is fair and reasonable to Shareholders as a whole. The Directors have requested that BDOCF prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable for the Shareholders, and the reasons for that opinion.

In preparing our IER, we have considered the requirements of:

- ▶ ASIC Regulatory Guide 111 Content of expert reports (RG 111);
- ▶ ASIC Regulatory Guide 112 Independence of experts (RG 112); and
- ▶ Accounting Professional & Ethical Standards Board (APESB) professional standard APES 225 'Valuation Services' (APES 225).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

This engagement is a Valuation Engagement as defined by APES 225.

## Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities, the subject of the offer. The comparison must be made assuming:

- ▶ a knowledgeable and willing but not anxious buyer, and a knowledgeable and willing but not anxious seller acting at arm's length; and
- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In accordance with RG 111, an expert should focus on the substance of the transaction rather than the legal mechanism used to achieve that purpose. As the percentage interest held by each Shareholder will not change as a result of the Proposed Transaction, we have undertaken our fairness assessment pre and post transaction on a minority interest basis.

Based on our interpretation of RG 111.11, we have compared:

- ▶ The fair market value (FMV) of a Monash share pre transaction on a minority basis (being the value of the securities the subject of the offer, per RG 111.11; and
- ▶ The FMV of the Post Transaction Securities on a minority basis (being the offer price or consideration per RG111.11).

The Proposed Transaction will be fair if the FMV of the Post Transaction Securities is equal to or greater than the FMV of a Monash share pre transaction on a minority basis.

## Reasonableness

In accordance with paragraph 12 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a transaction is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;

- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position; and
- ▶ whether there is selective treatment of any shareholder.

## SUMMARY OF OPINION

We have concluded that the Proposed Transaction is fair and reasonable to the Shareholders.

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In undertaking our assessment of fairness, we have had regard to the ASIC's RG 111.

The Proposed Transaction will be fair if the FMV of the Proposed Transaction Securities (on a minority basis) is equal to or greater than the FMV of a Monash share prior to the Proposed Transaction (on a minority basis).

We have assessed the FMV of a Monash share and the Post Transaction Securities using the quoted market price (QMP) method and the net asset value (NAV) method.

### Fairness Assessment

Our conclusion is based on the valuation date of 31 January 2021 (Valuation Date), the most recent month end date and ASX released NTA valuation as at the date of our Report. Our analysis has been performed by comparing the value of:

- ▶ a Monash share pre transaction on a minority basis; and
- ▶ the Post Transaction Securities on a minority basis.

The Proposed Transaction will be fair if the FMV of the Proposed Transaction Securities (on a minority basis) is equal to or greater than the FMV of a Monash share prior to the Proposed Transaction on a minority basis.

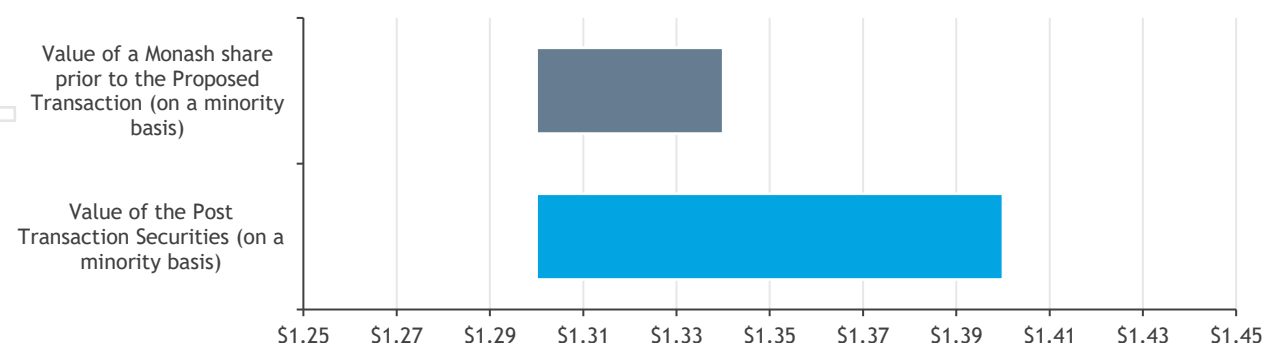
The result of our fairness analysis is summarised below.

Table 1: Fairness summary

Fairness assessment	Ref	Low	High
Preferred value of a Monash share, pre transaction (on a minority basis)	7.3	1.30	1.34
Preferred value of the Post Transaction Securities (on a minority basis)	8.3	1.30	1.40

Source: BDOCF analysis

Figure 1: Fairness assessment



Source: BDOCF analysis

As set out above, the total value of the Post Transaction Securities is above the assessed FMV range per Monash share prior to the Proposed Transaction. Therefore, we have concluded that the Proposed Transaction is fair to Shareholders.

## Reasonableness assessment

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to the Monash Shareholders.

Nevertheless, we have set out below a summary of reasonableness factors we consider relevant in assisting Monash Shareholders in deciding whether or not to vote in favour of the Proposed Transaction.

**Table 2: Summary of factors considered in the reasonableness assessment**

Advantages	
Potential for the share price to trade at a value that is closer to the NTA	It is observed that comparable Australian ETMFs which are of a similar size and scale to MAAT trade at a smaller discount to NTA than comparable Australian LICs. The observed median (discount)/premium to NTA for comparable Australian ETMFs as noted in Section 4.4 is -0.3%. As at 31 January 2021, Monash traded at a discount to pre-tax NTA of -8.8% and post-tax NTA of -0.2%.
Potential for greater liquidity	Through the ETMF structure, the Market Maker can introduce liquidity by creating and redeeming ETMF units relative to demand exhibited in the ETMF's units.
Disadvantages	
Tax consequences	<p>The transfer of Monash's listed assets to MAAT will result in an immediate crystallisation of that part of Monash's deferred tax liability.</p> <p>Any tax paid by MA1-Unlisted on its taxable income should generate franking credits which can be attached to franked dividends paid by MA1-Unlisted. Any unused franking credits will be trapped in MA1-Unlisted if it is unable to pay franked dividends in future years.</p> <p>Management have structured the Proposed Transaction with the intention to distribute all available franking credits to Shareholders.</p> <p>Shareholders should seek independent income tax advice in relation to the tax consequences of the Proposed Transaction.</p>
Reduction in total value of assets held in the liquid MAAT entity	<p>MAAT will have a smaller total asset value than the Company pre transaction due to the realisation of the Unlisted Assets, the realisation of a portion of the Listed Assets to fund the fully-franked distributions, the payment of associated tax liability upon the realisation of those assets, payment of the fully-franked dividends, and associated transaction costs.</p> <p>As noted in Section 3.7 listed investment vehicles with smaller capitalisations may trade at a higher discount than larger scale investment vehicles.</p>
Other factors	
The Directors recommendation	The Directors believe that the Proposed Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of the Proposed Transaction.
Consistent investment strategy	Shareholder investments will continue to be managed according to the same investment strategy in MAAT.
Reduced management operating costs	<p>The management costs of MAAT following the Proposed Transaction may be lower than Monash's management fees due to factors including:</p> <ul style="list-style-type: none"> <li>a reduction in management fee from 1.5% to 1.25%</li> <li>a reduction in performance fees due to an increase in the performance hurdle.</li> </ul> <p>We do note that MAAT will incur additional costs of at least \$120k per annum in relation to the Market Maker, and until the winding up of MA1-Unlisted, investors will be indirectly subject to the operating costs of two entities.</p>

Source: BDOCF analysis

## OTHER MATTERS

### Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Shareholder Booklet. The Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

### General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Proposed Transaction. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDOCF and any of the parties to the Proposed Transaction;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ we have been appointed as independent expert for the purposes of providing an IER in relation to the Proposed Transaction for the Directors;
- ▶ that we have relied on information provided by Management and that we have not carried out any form of audit or independent verification of the information; and
- ▶ that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

### Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

### Sources of information

**Appendix 2** to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Monash.

Under the terms of our engagement, Monash has agreed to indemnify BDOCF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

### Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and the Shareholders to assist them in their decision to approve or reject the Proposed Transaction. This IER is to accompany the Shareholder Booklet to be sent to the Shareholders to consider the Proposed Transaction and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.



We have consented to the inclusion of the IER within the Shareholder Booklet. Apart from this IER, we are not responsible for the contents of the Shareholder Booklet or any other document associated with the Shareholder Booklet. We acknowledge that this IER may be lodged with regulatory authorities.

#### Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

#### Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**



**David McCourt**  
Director



**Daniel Coote**  
Director



For personal use only

**INDEPENDENT EXPERT REPORT**



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## 1. PURPOSE AND BACKGROUND

### 1.1. Purpose

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDOCF, we, us or our) has been engaged by the directors (Directors) of Monash Absolute Investment Company Limited (Monash or the Company) to prepare an independent expert report (Report or IER) setting out our opinion as to whether the proposed restructure of Monash from a public company listed on the Australian Securities Exchange (ASX) to a newly established exchange traded managed fund, Monash Absolute Active Trust (Hedge Fund) (MAAT), with MAAT's units to be traded on the market operated by ASX known as AQUA (Proposed Transaction), is fair and reasonable to the shareholders of Monash (the Shareholders).

This IER is to accompany the Shareholder Booklet to be provided to the Shareholders. It has been prepared to assist and enable the Shareholders to assess the proposal and to decide whether to approve the Proposed Transaction.

A summary of key terms of the Proposed Transaction are set out below.

### 1.2. Background of the Proposed Transaction

On 5 May 2020, the Company announced to the ASX the proposal by the Board of Directors to restructure Monash into an Exchange Traded Managed Fund (ETMF).

Subject to Shareholder approval, the Proposed Transaction will involve the following:

- ▶ MAAT will seek admission to AQUA Trading Status.
- ▶ The Company will transfer the listed securities of Monash's funds under management (Listed Assets) and an amount of cash (Cash Transfer Amount) to MAAT, a newly established registered managed investment trust that is wholly owned by the Company.
  - The Trust Company (RE Services) Limited will act as responsible entity of MAAT (Responsible Entity).
  - In return for the transfer of the Listed Assets, the Responsible Entity will issue the same number of fully paid ordinary units in MAAT as issued shares in the Company. The units will be distributed in-specie to the Shareholders on a 1 unit: 1 share basis (First Distribution (In-Specie)). Each investor will continue to hold the same percentage interest of units in MAAT as they have in shares in the Company.
  - The investment portfolio will continue to be managed by the existing fund manager using the same investment strategies currently used for the Company.
- ▶ The Company will be delisted from the ASX and will remain an unlisted public company (MA1-Unlisted). MA1-Unlisted will retain the unlisted securities (Unlisted Assets) and a cash reserve equal to the future dividends and forecast operating and winding up costs of MA1-Unlisted until liquidation.
  - MA1-Unlisted will pay a fully-franked dividend per share to the Company's Shareholders for the period ending 30 June 2021 (Second Distribution (Special Dividend)).
  - MA1-Unlisted will continue to operate as an unlisted company until realisation of the Unlisted Assets and be wound up by no later than 30 June 2022 when MA1-Unlisted intends to pay a final dividend to Shareholders (Third Distribution (Capital Return)).

Further details of the Proposed Transaction are provided in the Shareholder Booklet.

The Directors' rationale in pursuing the Proposed Transaction is to address the historically significant discount of the traded market capitalisation to the value of the Company's underlying net tangible assets (NTA). An ETMF structure has been chosen as it may provide liquidity to unitholders through the actions undertaken by market maker agents, allowing unitholders to potentially trade their units at a value that is closer to the company's NTA. Macquarie Securities (Australia) Limited (MSAL) has been appointed as the market maker for MAAT (Market Maker). MAAT aims to make distributions of a least 1.50% each quarter.

If the Proposed Transaction proceeds, Monash Shareholders will hold the following securities (for each Monash share currently held):

- ▶ One unit in MAAT, which will include the NTA of the transferred Listed Assets and Cash Transfer Amount; and
- ▶ One share in MA1-Unlisted, which will include the Unlisted Assets, deferred tax assets and liabilities and cash.

hereinafter collectively referred to as the Post Transaction Securities (Post Transaction Securities).

### Conditions precedent

The Proposed Transaction is subject to a number of conditions precedents including:

- ▶ all regulatory approvals or consents necessary to implement the Proposed Transaction (including conditional approval for MAAT to be admitted to Trading Status) have been granted, given, made or obtained on an unconditional basis and remain in full force and effect in all respects;
- ▶ each of the resolutions noted in the Shareholder Booklet being approved by the Shareholders;
- ▶ the subscription agreement between the Company and the Responsible Entity being unconditional (other than any condition precedent relating to the satisfaction of the conditions precedent under the implementation agreement between the Company and the Responsible Entity);
- ▶ the Company and Monash Investors Pty Limited (the Fund Manager) entering into a deed of variation to amend the existing investment management agreement and entering into a new investment management agreement;
- ▶ the Company being satisfied with the contents of the opinions provided by Ernst & Young setting out the tax implications of the Proposed Transaction; and
- ▶ neither the Company nor Responsible Entity breach any material provision of the Implementation Agreement that remains un-remedied, nor any prescribed occurrence occurring prior to the effective date.

Please refer to the Shareholder Booklet for further information.

## 2. SCOPE AND LIMITATIONS

### 2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value (FMV) of various securities, assets and liabilities. For the purposes of our opinion, the term FMV is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

### 2.2. Summary of regulatory requirements

Under section 256B of the Corporations Act, the Company may only reduce its capital if it is fair and reasonable to Shareholders as a whole. The Directors have requested that BDOCF prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable for the Shareholders, and the reasons for that opinion.

### 2.3. Basis of assessment

In determining whether the Proposed Transaction is fair and reasonable to the Shareholders, we have had regard to:

- ▶ RG 111 'Content of expert reports'
- ▶ RG 112 'Independence of experts'

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- ▶ Is the offer 'fair'?
- ▶ Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

#### 2.3.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- ▶ A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In accordance with RG 111, an expert should focus on the substance of the transaction rather than the legal mechanism used to achieve that purpose. As the percentage interest held by each Shareholder will not change as a result of the Proposed Transaction, we have undertaken our fairness assessment pre and post transaction on a minority interest basis.

Based on our interpretation of RG111.11, we have compared:

- ▶ The fair market value (FMV) of a Monash share pre transaction on a minority basis (being the value of the securities the subject of the offer, per RG 111.11; and
- ▶ The FMV of the Post Transaction Securities on a minority basis (being the offer price or consideration per RG111.11).

The Proposed Transaction will be fair if the FMV of the Post Transaction Securities is equal to or greater than the FMV of a Monash share pre transaction on a minority basis.

### 2.3.2. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

When deciding whether a transaction is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;
- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position; and
- ▶ whether there is selective treatment of any shareholder.

### 2.3.3. General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Groups Holdings Limited or BDOCF and any of the parties to the Proposed Transaction;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and management of Monash (**Management**) and that we have not carried out any form of audit or independent verification of the information; and
- ▶ that we have received representations from the Directors and Management of Monash in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### 2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

### 2.5. Reliance on information

This IER is based upon financial and other information provided by the Directors, Management and other representatives of Monash. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Monash has agreed to indemnify BDOCF, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance

on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

## 2.6. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Shareholder Booklet to be sent to the Monash Shareholders. The Directors acknowledges that our IER has been prepared solely for the purposes noted in the Shareholder Booklet and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Monash. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of the Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable. An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Shareholder Booklet or any other document. We have provided consent for inclusion of the IER in the Shareholder Booklet. Our consent and the Shareholder Booklet acknowledge that we have not been involved with the issue of the Shareholder Booklet and that we accept no responsibility for the Shareholder Booklet apart from the IER.

## 2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- ▶ assumptions outlined in the valuation sections;
- ▶ that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ information sent out in relation to the Proposed Transaction to the Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- ▶ publicly available information relied on by us is accurate, complete and not misleading;
- ▶ if the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- ▶ the legal mechanisms to implement the Proposed Transaction are correct and effective; and
- ▶ there are no undue changes to the terms and conditions of the Proposed Transaction or material issues unknown to us.

### 3. PROFILE OF MONASH

#### 3.1. Overview

Monash is a Sydney based Listed Investment Company (LIC). Since its admission to the official list of the ASX on 11 April 2016 as an LIC, the Company's investment strategy has been to invest in a portfolio of predominantly Australian listed securities, as well as some pre-IPO securities. In order to achieve a targeted positive return Monash has adopted various investment techniques including the use of long and short positions, price targets, stop loss levels, cash holdings and derivatives. Monash's investment objective is to achieve returns 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. The investment strategy is Benchmark Unaware and there is no predetermined asset allocation.

As at 31 January 2021 Monash had a market capitalisation of \$59.2m with approximately 97.2% of the Company's investments in listed securities and cash and the remaining 2.6% of the investments in unlisted securities.

##### 3.1.1. Existing Investment Management Agreement

On 23 February 2016, the Company and the Fund Manager, Monash Investors Pty Limited entered into the existing Investment Management Agreement (IMA). Under the existing IMA, the Fund Manager is paid a monthly management fee of 1.50% per annum (excluding GST) of the NTA before all taxes, calculated on the last business day of each month. In addition, the Manager is also entitled to a performance fee of 20.0% (exclusive of GST) where:

- ▶ NTA before all taxes and corporate expenses (after the payment of Management fees) is above the high water mark;
- ▶ Portfolio performance is a positive number; and
- ▶ Portfolio performance exceeds the Reserve Bank of Australia (RBA) Cash Rate hurdle.

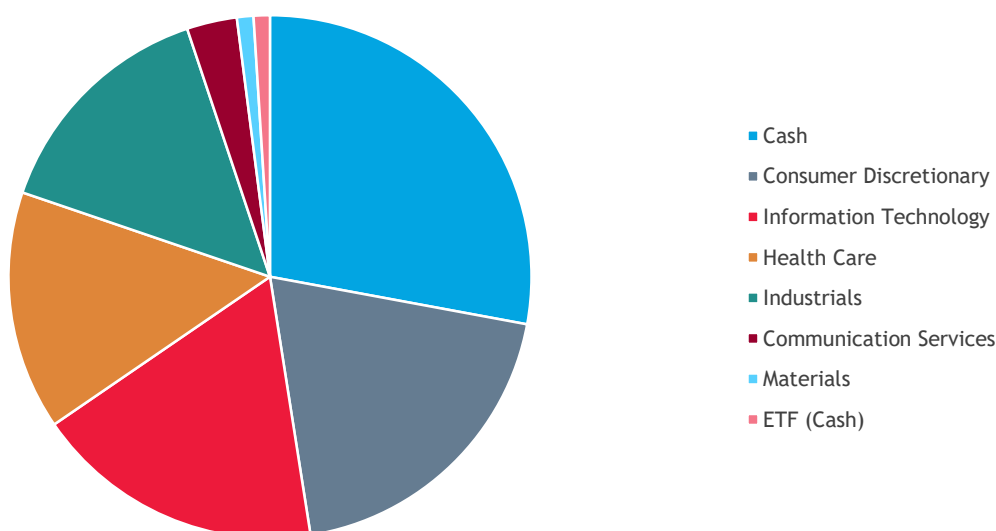
For the financial year ending 30 June 2020 (FY20), management fees of \$763.9k and performance fees of \$674.7k were paid to the Fund Manager. For the prior financial year ending 30 June 2019 (FY19), management fees of \$687.0k and performance fees of \$928.3k were paid.

The term of the existing IMA is for an initial period of ten years, with automatic five year extensions unless terminated earlier. The existing IMA can be terminated by the Fund Manager at any time after the initial term by giving Monash six months' notice.

##### 3.1.2. Investment Portfolio

Monash's investment allocation as at 31 January 2021 is summarised below.

**Figure 2: Monash Investment Allocation by Sector**



Source: Monash Management, BDOCF analysis

As at 31 January 2021, Monash's investment portfolio was comprised of 35 companies, of which four companies are unlisted investments and three are short positions. Monash's investment are in the following industries: Consumer Discretionary, Information Technology, Health Care, Industrials, Communication Services, Materials and Consumer Staples. Consumer Discretionary represents the largest portfolio allocation by value at 28.2%, followed by Information Technology at 18.1% and Health Care at 14.9%.

The top 10 equity holdings of Monash's portfolio as at 31 January 2021 are shown on the following table.



**Table 3: Monash top 10 equity positions as at 31 January 2021**

Ticker	Company
ASX:KGN	KOGAN.COM LIMITED
ASX:PPE	PEOPLE INFRASTRUCTURE LIMITED
ASX:EML	EML PAYMENTS LIMITED
ASX:LOV	LOVISA HOLDINGS LIMITED
ASX:TLX	TELEX PHARMACEUTICALS LIMITED
ASX:APT	AFTERPAY LIMITED
ASX:UWL	UNITI GROUP LIMITED
ASX:EOS	ELECTRO OPTIC SYSTEMS HOLDINGS LTD
ASX:HLA	HEALTHIA LIMITED
ASX:JIN	JUMBO INTERACTIVE LIMITED

Source: Monash Management

### 3.1.3. Unlisted investments

Monash's unlisted equity investments in aggregate are valued at \$1.5m as at 31 January 2021 per their financial statements. Monash's unlisted investment portfolio comprises the following four private companies:

#### a) Kayla Technologies Pty Ltd, trading as Hometime (Hometime)

Hometime is a property management services company which provides an offering for Airbnb hosts.

Monash first invested in Hometime Group in July 2016 and has partially sold down in a subsequent share issue. As at 31 December 2020 Monash holds 35,921 shares. Per Hometime's FY19 financial statements, revenue is \$5.3m, Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) was \$2.9m and net assets were \$3.2m.

Management intend to sell 100% of their holding in Hometime.

#### b) Lumitron Holdings Inc. (Lumitron)

Lumitron develops and commercialises x-ray and gamma-ray technology systems. Their technology aims to enable new capabilities to the radiography industry. Monash holds 28,750 shares. Lumitron recently completed a capital raise of US\$34.0m in January 2020 at a capital raise price of US\$10.0.

#### c) Moboom Limited (Moboom)

Moboom is an online publishing platform which has developed a patented solution that enables the creation of websites that are compatible across multiple devices. Monash invested in Moboom in FY14 and participated in subsequent share issues. Monash holds 3,625,714 shares in Moboom. In FY20, Moboom generated \$2.1m in revenue (FY19: \$1.7m) and a loss of -\$3.2m (FY19: -\$2.3m).

Monash Management are intending to realise their investment in Moboom on their intended Initial Public Offering (IPO) on NASDAQ in 2021.

#### d) Nexidus Pty Ltd, trading as Solar D (Solar D)

Solar D manufactures and distributes broad-spectrum sunscreen products that protect against UV rays and promote the intake of Vitamin D. Monash holds 2,983,350 shares.

In FY19 Solar D generated revenue of \$0.2m, an EBITDA loss of \$1.2m and had net liabilities of \$1.5m.

Solar D has not made any announcements regarding future capital raisings or a timeline to profitability.

### 3.1.4. Investment Performance

The performance of Monash's portfolio against benchmark indices as at 31 January 2021 is summarised below.

**Table 4: Performance comparison**

Performance at 31 Jan 2021 (p.a.)	YTD21	3 months	1 year	Since inception (p.a.)
Monash NTA (pre-tax)	32.19%	18.10%	23.89%	9.68%
MA1 share price	35.17%	13.79%	30.53%	6.87%
ASX 200	13.55%	11.89%	(3.11%)	10.28%
Small Ords	19.98%	13.03%	5.38%	10.88%
<b>NTA outperformance vs ASX 200</b>	<b>18.64%</b>	<b>6.21%</b>	<b>27.00%</b>	<b>(0.60%)</b>
<b>NTA outperformance vs Small Ords</b>	<b>12.21%</b>	<b>5.07%</b>	<b>18.51%</b>	<b>(1.21%)</b>

Note: Since inception relates to the performance period p.a. from 12 April 2016.

Source: ASX Announcements, Monash Management



Monash's 1-year NTA (pre-tax) was up 23.89% (after fees) compared to the S&P/ASX200 which was down -3.11% and the Small Ords, which was up 5.38%. This portfolio outperformance occurred in light of the market downturn caused by the outbreak of COVID-19. In response to the COVID-19 outbreak, Monash sold out of positions to increase their cash weighting up to 50% and took short positions in companies negatively impacted such as those within the airline, travel, casino, education and aged care industries. Monash subsequently purchased growth stocks without COVID-19 exposure, closed their short positions and decreased their cash position to 2%.

In the year to 31 January 2021 (YTD21) the Monash NTA (pre-tax) outperformed the S&P/ASX200 Benchmark by 18.64% and the Small Order benchmark by 12.21%. Monash's outperformance has been attributed to holdings in a number of stocks which performed well in this period including: Afterpay (ASX:APT), Kogan (ASX:KGN), People Infrastructure (ASX:PPE), Telix (ASX:TLX), Lovisa (ASX:LOV) and Webjet (ASX:WEB). Over the same period Monash also increased its cash position to c. 28%.

### 3.1.5. Directors and Management

The Directors and key Management personnel are listed below.

**Table 5: Directors and Key Management**

Name	Position	Brief resume
Paul Clitheroe	Independent Non-executive Chairman	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. Paul Clitheroe holds the Chair of Financial Literacy at Macquarie University and is a Professor in the School of Business and Economics.
Suvan de Soysa	Independent Non-executive Director, Chairman of Audit and Risk Committee	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. 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 clients business, AXA Life Subsidiary in the UK. Suvan has consulted extensively to the financial services industry and held a range of government roles. He has served on audit and compliance committees and been a nominated responsible officer on behalf of the trustee of superannuation funds in Australia.
Simon Shields	Non-Independent Executive Director	Simon Shields is one of Australia's leading fund managers with over 29 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.
Paul Jensen	Independent Non-executive Director	Paul Jensen is a qualified and accomplished director, having served as an executive and non-executive director for over 20 years on both ASX listed and unlisted boards, with extensive experience in the listed investment company sector. Mr Jensen has a Bachelor of Commerce and Administration (Accounting and Commercial Law) from Victoria University Wellington and he is a Fellow of the Australian Institute of Company Directors.

Source: Monash's reviewed financial statements for 1H21, ASX Announcements

### 3.2. Historical Statements of Profit or Loss

The Historical Statements of Profit or Loss for Monash based on the audited financial statements for FY19 and FY20, and the unaudited financial year to 31 January 2021 are set out in the table below.

**Table 6: Monash's Historical Statement of Profit or Loss**

\$'000		FY19	FY20	YTD21
<b>Investment income from ordinary activities</b>				
Net realised gains on investments	1	2,098	(9,674)	6,903
Net unrealised gains on investments	2	3,621	14,680	13,811
Dividend income		486	331	434
Other income		-	-	5
Interest income		75	14	0
Net foreign exchange gain		1	(9)	(102)
<b>Total investment income</b>		<b>6,282</b>	<b>5,343</b>	<b>21,052</b>
<b>Expenses</b>				
Management fees		(687)	(764)	(554)
Performance fees	3	(928)	(675)	(4,140)
Short dividend expense		(147)	(144)	17
Brokerage expense	4	(107)	(148)	-
Interest expense		-	-	(15)
Stock loan fees		(29)	(14)	(18)
Share registry fees		(27)	(28)	(27)
Company secretarial fees		(51)	(52)	(27)
Tax fees		(21)	(14)	(12)
Legal fees		(1)	(95)	(99)
Directors' fees		(90)	(90)	(65)
ASX fees		(46)	(44)	(29)
Audit fees		(42)	(45)	(28)
Other expenses		(323)	(300)	(177)
<b>Total expenses</b>		<b>(2,501)</b>	<b>(2,413)</b>	<b>(5,175)</b>
<b>Profit before income tax</b>		<b>3,781</b>	<b>2,930</b>	<b>15,877</b>
Income tax expense		(1,004)	(802)	(4,631)
<b>Profit for the year after tax</b>		<b>2,777</b>	<b>2,128</b>	<b>11,247</b>

Source: Monash's audited financial statements for FY19 and FY20 and unaudited management accounts for YTD21

#### Notes:

1	Net realised gains on investments in YTD21 of \$6.9m relate to the sale of part of Monash's holdings on favourable positions held in the period such as Afterpay (ASX:APT) and Kogan (ASX:KGN).
2	Reported net unrealised gains on investments in YTD21 were \$13.8m. The significant net unrealised gains in this period are the result of Monash adapting its portfolio in response to the outbreak of COVID-19 by holding a number of growth stocks positioned for a correction in valuations observed in the market. Monash's holdings which contributed to the net unrealised gains on investment in YTD21 include Afterpay (ASX:APT), Kogan (ASX:KGN), People Infrastructure (ASX:PPE), Telix (ASX:TLX), Lovisa (ASX:LOV) and Webjact (ASX:WEB).
3	Performance fees were earned in YTD21 following outperformance of the high water mark and the benchmark by 40.85% and 40.74%, respectively.
4	Management has confirmed that brokerage expenses are separately itemised for statutory accounting purposes. For the YTD21 period, brokerage expenses are included within net unrealised gains on investment.

### 3.3. Historical Statements of Financial Position

The Historical Statements of Financial Position for Monash as at 30 June 2019, 30 June 2020 and 31 December 2020 are set out below. The information for 30 June 2019 and 30 June 2020 is based on audited financial statements, 31 December 2020 is based on reviewed financial statements and 31 January 2021 is based on unaudited management accounts.

Table 7: Monash's Historical Statement of Financial Position

\$'000	Jun-19	Jun-20	Dec-20	Jan-21
<b>Current assets</b>				
Cash and cash equivalents	5,649	8,186	16,472	19,871
Other receivables	95	108	340	31
Financial assets at fair value through profit or loss	1	44,559	44,381	56,326
Other current assets	50	41	23	24
<b>Total current assets</b>	<b>50,353</b>	<b>52,716</b>	<b>73,161</b>	<b>74,524</b>
<b>Non-current assets</b>				
Deferred tax assets	1,469	1,320	94	29
<b>Total non-current assets</b>	<b>1,469</b>	<b>1,320</b>	<b>94</b>	<b>29</b>
<b>Total assets</b>	<b>51,822</b>	<b>54,036</b>	<b>73,255</b>	<b>74,553</b>
<b>Current liabilities</b>				
Other payables	(1,238)	(910)	(5,338)	(5,498)
Financial liabilities at fair value through profit or loss	2	(2,151)	(2,233)	(2,452)
Current tax liabilities	3	-	(2,321)	(2,827)
<b>Total current liabilities</b>	<b>(3,389)</b>	<b>(5,464)</b>	<b>(10,111)</b>	<b>(12,348)</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	3	(1,668)	-	(3,515)
<b>Total non-current liabilities</b>	<b>(1,668)</b>	<b>-</b>	<b>(3,515)</b>	<b>(2,833)</b>
<b>Total liabilities</b>	<b>(5,057)</b>	<b>(5,464)</b>	<b>(13,626)</b>	<b>(15,181)</b>
<b>Net assets</b>	<b>46,765</b>	<b>48,572</b>	<b>59,630</b>	<b>59,372</b>
<b>Equity</b>				
Issued capital	43,656	44,221	44,224	44,224
Profits reserve	10,428	13,918	(21,072)	24,973
Accumulated losses	(7,319)	(9,568)	36,478	(9,825)
<b>Total equity</b>	<b>46,765</b>	<b>48,572</b>	<b>59,630</b>	<b>59,372</b>
<i>Shares Outstanding ('000)</i>	<i>44,315</i>	<i>44,853</i>	<i>44,855</i>	<i>44,855</i>
<b>NTA per financial statements</b>				
Tangible assets	51,822	54,036	73,255	74,553
Total liabilities	(5,057)	(5,464)	(13,626)	(15,181)
<i>Net Tangible Assets (Post-Tax)</i>	<i>46,765</i>	<i>48,572</i>	<i>59,630</i>	<i>59,372</i>
<i>Net Tangible Assets per share (Post-Tax)</i>	<i>1.0553</i>	<i>1.0829</i>	<i>1.3294</i>	<i>1.3236</i>
Tangible assets (excl. deferred tax assets)	50,353	52,716	73,161	74,524
Total liabilities (excl. Current and deferred tax liabilities)	(3,389)	(3,143)	(7,790)	(9,521)
<i>Net Tangible Assets (Pre-Tax)</i>	<i>46,964</i>	<i>49,572</i>	<i>65,371</i>	<i>65,004</i>
<i>Net Tangible Assets per share (Pre-Tax)</i>	<i>1.0598</i>	<i>1.1052</i>	<i>1.4574</i>	<i>1.4492</i>

Source: Monash's audited financial statements for FY19 and FY20, reviewed financial statements for 1H21, YTD21 unaudited management accounts

#### Notes:

1	Financial assets reflect Monash's long investment portfolio across Australian and International securities which are both listed and unlisted.
2	Financial liabilities reflect Monash's short investment portfolio. As at January 2021, Monash had three short investments.
3	Current tax and deferred tax liabilities as at January 2021 are \$2.8m (June 2020: \$2.3m) and \$2.8m (June 2020: nil), respectively. Monash carries these tax liabilities given the large unrealised gains that resulted from their outperformance in the YTD21 period.

### 3.4. Capital structure

A summary of Monash's ordinary shares and options on issue as at 31 January 2020 is shown below.

**Table 8: Monash's ordinary shares and options on issue**

	No. of securities
Fully Paid Ordinary Shares	44,855,003
Unlisted loyalty options	536,369

Source: Monash's share and options register as at 31 January 2021

Each loyalty option is exercisable at \$1.15 per option, expiring on 15 November 2021.

The top 20 Monash shareholders collectively own c. 60% of the shares in Monash. The top 20 shareholders as at 31 January 2021 are shown below.

**Table 9: Monash Top 20 shareholders**

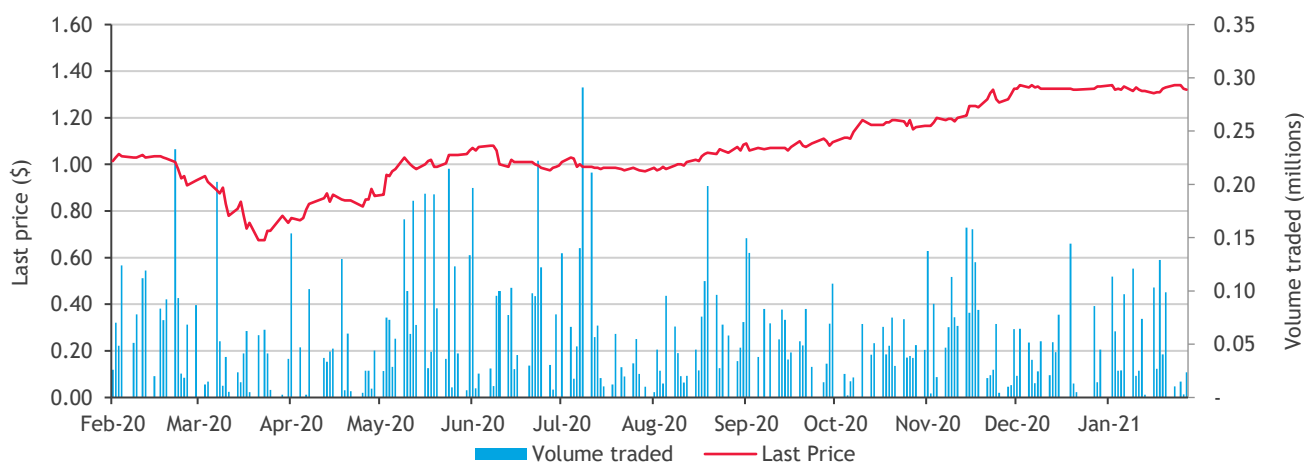
Rank	Shareholder	No. of shares	% shareholding
1	Cs Third Nominees Pty Limited	7,033,879	15.7%
2	National Nominees Limited	3,052,051	6.8%
3	J P Morgan Nominees Australia	2,670,139	6.0%
4	One Managed Invst Funds Ltd	2,603,005	5.8%
5	BNP Paribas Noms Pty Ltd	2,112,623	4.7%
6	Picko Pty Ltd	1,447,023	3.2%
7	Bond Street Custodians Limited	1,134,234	2.5%
8	BT Portfolio Services Limited	1,103,929	2.5%
9	Mr Barry Martin Lambert & Mrs Joy Wilma Lillian Lambert	1,000,000	2.2%
10	BNP Paribas Nominees Pty Ltd	996,007	2.2%
11	HSBC Custody Nominees	547,616	1.2%
12	Morgcam Pty Ltd	540,953	1.2%
13	Mr Alan William Blow	512,289	1.1%
14	Mr Paul Hugh Clitheroe & Mrs Vicki Clitheroe	500,000	1.1%
15	De Soysa Super Management	500,000	1.1%
16	Anisam Pty Ltd	418,861	0.9%
17	Benjamin Hornigold Ltd	413,609	0.9%
18	Shields Nominees Pty Ltd	400,000	0.9%
19	Abbawood Nominees Pty Ltd	367,000	0.8%
20	Gaseous Pty Ltd	323,366	0.7%
<b>Total Top 20</b>		<b>27,676,584</b>	<b>61.7%</b>
Other security holders		17,178,419	38.3%
<b>Total Fully Paid Ordinary Shares outstanding</b>		<b>44,855,003</b>	<b>100.0%</b>

Source: Monash share registry at 31 January 2021

### 3.5. Historical share trading analysis

Monash's share price movement over the 12 month period to 31 January 2021 is shown below.

**Figure 3: Daily closing share price and trading volume (1 February 2020 to 31 January 2021)**



Source: S&P Capital IQ

We note the following key movements from the chart above:

- ▶ The outbreak of the COVID-19 pandemic from February to March 2020 resulted in a significant sell down in global equity markets with the ASX entering a bear market. Over this period, Monash's share price saw a reduction of 35.4% from their peak in February of \$1.05.
- ▶ Following investment decisions made by Management during the COVID-19 outbreak, Monash adjusted their portfolio position by reducing cash to 2% in April 2020 and becoming fully invested in stocks poised for a rebound in the equity markets. Monash's share price has increased 102% from its March low of \$0.66 to \$1.32 at 31 January 2021.

The following table summarises the movement in Monash's share price following selected ASX announcements over the 12 month period to 31 January 2021.

**Table 10: Selected Monash ASX announcements from 1 February 2020 to 31 January 2021**

Date	Headline	Share price following announcement (\$)	Change (%)
3/09/2020	Webinar Presentation - Post reporting season update opens new window	1.06	-2.5%
3/09/2020	Update on the proposed ETMF restructure opens new window	1.06	-2.5%
19/08/2020	2020 Annual Report to shareholders & Appendix 4E	1.05	3.0%
11/06/2020	Webinar Presentation - Monash Investors Performance Update opens new window	1.00	-8.0%
11/05/2020	Information of expiry of Listed Options	1.02	3.5%
5/05/2020	Execution of Implementation Agreement for ETMF restructure	0.95	8.0%
5/05/2020	Webinar Presentation - Update from Monash Investors	0.95	8.0%
13/02/2020	Half Yearly Report and Accounts	1.03	0.0%

Source: ASX Announcements, S&P Capital IQ and BDO analysis

### 3.6. Volume weighted average price analysis

The following table summarises an analysis of the Volume Weighted Average Price (VWAP) for Monash.

**Table 11: Volume weighted average price analysis to 31 January 2021**

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	1.32	1.33	1.32	0.03	0.02	0.1%
1 week	1.32	1.34	1.33	0.07	0.05	0.1%
1 month	1.30	1.34	1.32	1.34	1.02	2.3%
3 months	1.15	1.36	1.28	4.18	3.27	7.3%
6 months	0.97	1.36	1.18	7.55	6.39	14.2%
12 months	0.66	1.36	1.04	18.48	17.77	39.8%

Source: S&P Capital IQ

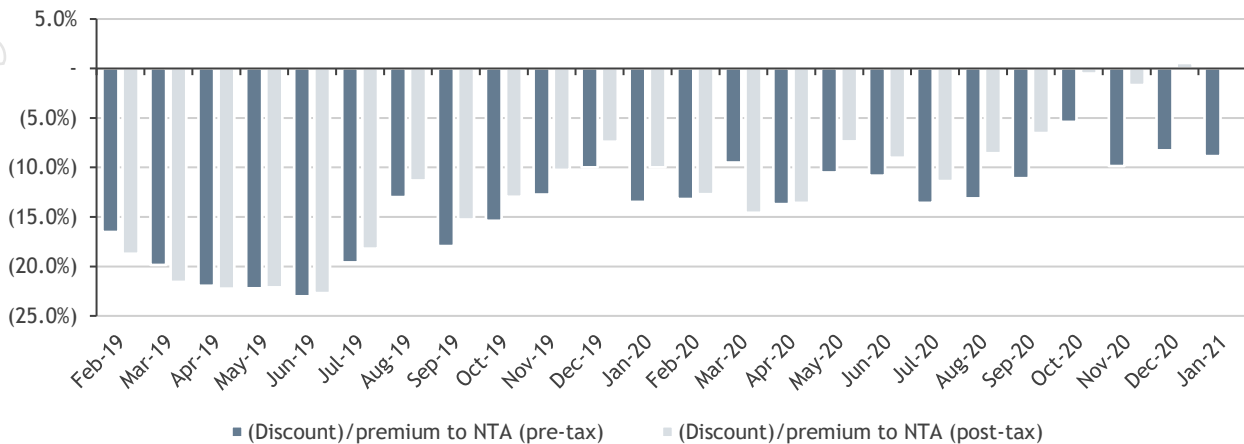
We note the following with respect to the VWAP analysis displayed above:

- ▶ Monash's share price has been subject to significant volatility in the preceding 12 months due to the outbreak of COVID-19, exhibited by the share price range of \$0.66 to \$1.36.
- ▶ Over the 12-month period preceding 31 January 2021, the cumulative value of Monash shares traded was \$18.5m, with the 12-month volume traded equivalent to 39.8% of total issued capital.
- ▶ Monash is considered to have relatively low levels of liquidity as less than 1.0% of total issued capital is traded on a weekly basis.

### 3.7. Discount to NTA

As evidenced in Figure 4 below, Monash's share price has historically traded at a discount to the pre-tax and post-tax NTA.

Figure 4: Monash share price discount to NTA



Source: S&P Capital IQ, ASX announcements, BDOCF analysis

The observed pre-tax discount as at January 2021 was 8.8% and the post-tax discount was 0.2%. We note that share price discounts to NTA for LICs primarily exist due to multiple reasons. Two factors that may contribute to the discount are:

- ▶ Liquidity: As the pricing of an LIC is driven by the demand and supply of market forces as opposed to the fund's NTA, low levels of liquidity in a closed-end fund can contribute to a divergence in price to NTA.
- ▶ Operating costs: High levels of operating costs as a percentage of an LIC's NTA, particularly for small-to-mid capitalisation sized funds, can contribute to the divergence in share price to NTA.

## 4. INDUSTRY ANALYSIS

### 4.1. Overview of LICs

An LIC is a listed company which invests in a portfolio of assets, generally using either an actively traded or index based investment strategy. LICs operate as closed-ended funds with a fixed number of shares that can be traded. The number of shares available is set by the number of shares issued on IPO and can be increased or decreased further through capital raisings or share buy-backs.

Through investment in an LIC structure, shareholders have the opportunity to gain access to a share in a managed diversified portfolio.

LICs are subject to company tax on earnings and have the ability to pay distributions to investors which may have franking credits attached. The company has discretion as to when distributions are made.

### 4.2. Overview of ETMFs

An ETMF is a listed fund operating in the form of an open-ended unit trust where the investment manager employs an actively managed investment strategy. Under an ETMF structure, an investor's unit holding in the fund is determined by the unit price and the dollar value of the investment at the date of acquisition.

Through the open-ended unit structure, the ETMF has an unlimited in-flow and out-flow of unit purchases as managed through a market maker arrangement. The market maker is an intermediary between the ETMF and investors and can introduce liquidity through their ability to create and redeem ETMF units relative to demand exhibited in the ETMF's units.

The liquidity introduced by the market maker may provide an equilibrium in demand and the ability for the ETMF's traded share price to closely reflect the ETMF's NTA.

An ETMF structure also enables dual registry whereby investors are able to enter or exit either directly through the responsible entity or by trading units on the ASX.

ETMFs are not taxed, and pre-tax income is distributed to unitholders. Income that is not distributed to individual unitholders may be assessed for tax at the highest marginal tax rate.

#### 4.3. Comparison of LICs and ETMFs

Table 12: Comparison of LICs and ETMFs

Criteria	ETMF	LIC
Legal structure	Unit trust	Company
Tax implications	As a unit trusts, all tax obligations are passed on to investors.	As LICs are companies, they pay company tax on income and realised capital gains. Distributions to shareholders are subject to the LIC's franking credit policy. Shareholders are then liable for tax at their marginal rate.
Liquidity	Liquidity of ETMFs is facilitated through a market maker through their ability to sell units to investors and purchase units when investors sell.	Liquidity of LICs is determined by the volume of shares traded in the LIC.
Shares on issue	Open-ended structure where the fund can create or redeem units according to investor demand through actions undertaken by a market maker. Under an open-ended structure, the market maker's activities does not have share price implications.	Closed-ended structure with a fixed number of shares on issue.
Distributions	All earnings and capital gains are distributed to individual unit holders. Distributions are classified as trust income and any franking credits of the underlying assets held are passed to unit holders. Unit holders are then liable for tax at their marginal tax rate.	The board of the LIC has the discretion to pay dividends. Dividends may be accompanied by franking credits.

Source: BDO CF analysis

#### 4.4. Trading analysis of LICs and ETMFs

For comparative purposes, presented below is a summary of the industry peer group of LICs currently trading on the ASX which exhibit a market cap size below \$250m as at 31 January 2021 and have an investment style similar to Monash.

Table 13: Peer group of LICs

Ticker	Name	Market Cap (\$'000s)	Last Price \$	Pre-Tax NTA \$	Prem/Disc Pre-Tax NTA %	Post-Tax NTA \$	Prem/Disc Post-Tax NTA %
ASX:QVE	QV Equities Limited	223,493	0.91	1.00	(9.0%)	1.02	(10.8%)
ASX:WIC	Westoz Investment Company Limited	171,810	1.29	1.37	(6.0%)	1.30	(0.8%)
ASX:FOR	Forager Australian Shares Fund	152,526	1.37	1.64	(16.5%)	1.64	(16.5%)
ASX:SEC	Spheria Emerging Companies Limited	117,884	1.93	2.30	(16.0%)	2.27	(15.0%)
ASX:NSC	NAOS Small Cap Opportunities Company Limited	115,081	0.74	0.81	(8.6%)	0.82	(9.8%)
ASX:RYD	Ryder Capital Limited	104,124	1.69	1.89	(10.8%)	1.73	(2.1%)
ASX:CAM	Clime Capital Limited	99,650	0.85	0.88	(3.4%)	0.88	(3.4%)
ASX:OZG	Ozgrowth Limited	80,710	0.23	0.27	(15.8%)	0.26	(9.8%)
ASX:CLF	Concentrated Leaders Fund Limited	74,505	1.26	1.17	7.3%	1.12	12.1%
ASX:NCC	Naos Emerging Opportunities Company Limited	64,183	1.03	1.09	(6.0%)	1.08	(5.1%)
ASX:FSI	Flagship Investments Limited	63,045	2.47	2.56	(3.5%)	2.34	5.7%
ASX:MA1	Monash Absolute Investment Company Limited	59,209	1.32	1.45	(8.8%)	1.32	(0.2%)
ASX:NAC	Naos Absolute Opportunities Company Limited	47,173	1.04	1.23	(15.9%)	1.18	(12.3%)
ASX:GC1	Glennon Small Companies Limited	32,146	0.71	0.97	(26.8%)	0.93	(23.7%)
Mean		100,396	1.20	1.33	(10.0%)	1.28	(6.5%)
Median		90,180	1.15	1.20	(8.9%)	1.15	(7.4%)

Source: Morningstar ASX LIC NTA Report as at 31 January 2021, S&P Capital IQ, ASX announcements, BDOCF analysis

Based on the analysis presented above, it is observed that the LIC peer group predominantly trades at discounts to pre-tax and post-tax NTA. The median discount to pre-tax and post-tax NTA for the group is -8.9% and -7.4% respectively.

The following table summarises the trading as at 31 January 2021 for a peer group of ETMFs trading on the ASX. We have included ETMFs which exhibit a market cap size below \$250m at 31 January 2021 and have an investment style similar to Monash.



Table 14: Peer group of ETMFs

Ticker	Name of entity	Net fund assets (\$'000s)	Last Price \$	NTA	(Discount)/premium to NTA
ASX:WCMQ	WCM Quality Global Growth Fund (Quoted Managed Fund)	223,573	7.46	7.44	(0.2%)
ASX:LPGD	Loftus Peak Global Disruption Fund (Managed Fund)	166,957	2.95	3.04	2.8%
ASX:MOGL	Montgomery Global Equities (Managed Fund)	82,256	3.37	3.33	(1.1%)
ASX:SWTZ	Switzer Dividend Growth Fund (Managed Fund)	79,176	2.40	2.39	(0.5%)
ASX:IIGF	Intelligent Investor Australian Equity Growth Fund (Managed Fund)	53,242	2.70	2.70	(0.1%)
ASX:AASF	Airlie Australian Share Fund (Managed Fund) <sup>1</sup>	46,044	2.92	2.91	(0.2%)
ASX:INIF	Intelligent Investor Australian Equity Income Fund	42,223	2.49	2.48	(0.3%)
ASX:KSM	K2 Australian Small Cap Fund (Hedge Fund)	10,000	2.58	2.57	(0.4%)
<b>Average</b>		<b>87,934</b>	<b>3.36</b>	<b>3.36</b>	<b>(0.0%)</b>
<b>Median</b>		<b>66,209</b>	<b>2.81</b>	<b>2.81</b>	<b>(0.3%)</b>

Source: S&P Capital IQ, ASX announcements, BDOCF analysis

<sup>1</sup> Airlie Australian Share Fund (Managed Fund) is a wholly owned subsidiary of Magellan Asset Management Limited.

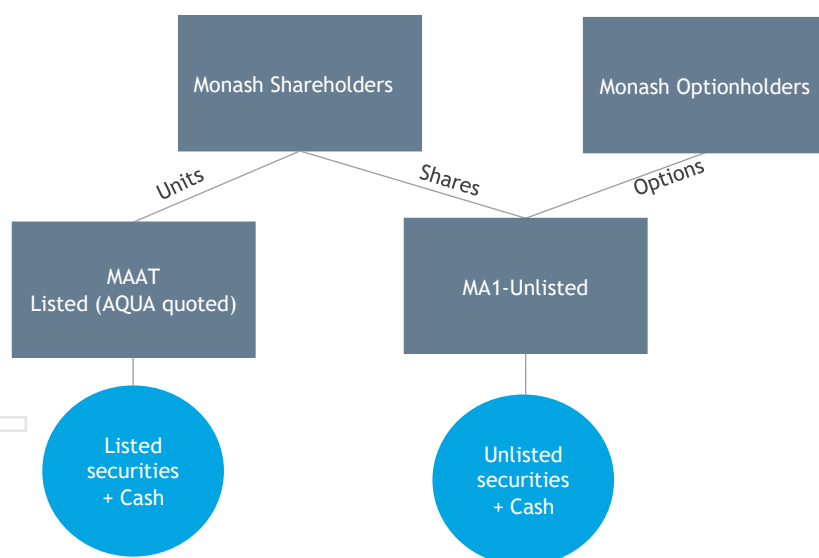
The median discount to NTA for this ETMF peer group is -0.3% as at 31 January 2021. The NTA for ETMFs is a pre-tax NTA as the entity is not liable for tax. The median pre-tax NTA for LICs observed above is -8.9%. Increased liquidity and creation of an equilibrium in demand by the market maker may contribute towards ETMFs having a lower discount.

## 5. OVERVIEW OF MONASH SECURITIES UNDER THE PROPOSED TRANSACTION

### 5.1. Proposed Structure

The following chart illustrates the new structure of Monash under the Proposed Transaction.

Figure 5: Monash structure under the Proposed Transaction



Source: Shareholder Booklet

### 5.2. Effect on Shareholders

Under the Proposed Transaction, Shareholders will hold a direct interest in MAAT following the First Distribution (In-Specie) of units proportionate to their existing indirect interest in the Listed Assets and Cash Transfer Amount transferred, and continue to hold the same number of shares in the existing but subsequently delisted Monash structure, MA1-Unlisted, comprising the Unlisted Assets, deferred tax and cash reserve.

AQUA Rules prohibit the inclusion of unlisted investments in an ETMF, therefore the Unlisted Assets will remain within MA1-Unlisted. The Director's intend to provide fully-franked distributions to Shareholders from MA1-Unlisted for the Unlisted Assets and remaining surplus cash following liquidation of the Unlisted Assets and ultimately MA1-Unlisted by 30 June 2022.



Shareholders are not required to contribute any payment for the MAAT units. There will be no change to the number of shares of the Company on issue as a result of the Proposed Transaction, and the rights attached to the shares will not be affected by the Proposed Transaction.

### 5.3. Effect on Optionholders

If the Proposed Transaction proceeds, ASX Listing Rule 7.22.3 requires that the terms of the outstanding options be reorganised such that the exercise price of each option will be reduced by the amount returned as capital in relation to each share.

There will be no change to the number of options on issue as a result of the Proposed Transaction. The exact value of the reduction in the exercise price will be known following the implementation of the Proposed Transaction, when the value of the Listed Assets has been ascertained.

### 5.4. Changes to the Investment Management Agreement

Under the Proposed Transaction, Monash and the Fund Manager will enter into a deed of variation to amend the existing IMA entered into on 23 February 2016 to allow the transfer of the Listed Assets and Cash Transfer Amount to the Responsible Entity and to allow the Proposed Transaction.

The Fund Manager and Responsible Entity entered into a new IMA on 9 November 2020, under which the rights and obligations of each party are conditional upon the successful admission of MAAT units to the ASX.

Under the new IMA, it is the Fund Manager's responsibility to manage the assets of MAAT and reviewing the portfolio, liquidity and trading levels at regular intervals to ensure it complies and is managed in accordance with the investment strategy for MAAT. The Fund Manager will also provide instructions to Morgan Stanley & Co International plc as Custodian for MAAT, and the Market Maker in relation to transactions concerning the assets of MAAT.

Key variances with between the existing, amended and new IMA are summarised in the following table.

**Table 15: Changes to the IMA**

Term	Existing IMA	Amended IMA (MA1-Unlisted)	New IMA (MAAT)
Investment strategy	Benchmark Unaware (without regard to the composition of a market index).	Realise the value from the Unlisted Assets until MA1-Unlisted is wound up.	Consistent with the Existing IMA.
Management fee	1.50%	1.50%	1.25%
Performance fee	20%	20%	20%
Performance fee hurdle	RBA Cash Rate	RBA Cash Rate	RBA + 5%
Initial term	10 years	10 years	10 years
Automatic extension	5 years	5 years	10 years
Notice period	6 months	6 months	3 months

Source: Monash Management Agreement dated 23 February 2016, the Shareholder Booklet and Management information

### 5.5. Overview of Market Maker agreement

The Responsible Entity in connection with Monash has appointed Macquarie Securities (Australia) Limited as its market maker agent for MAAT. Under the market making services agreement, MSAL will act as Market Maker for the Fund Manager to provide liquidity to investors on the ASX AQUA market by acting as a buyer and seller of units as required in the ordinary course of investment and management of assets of MAAT. The Market Maker is required to:

- ▶ comply with all applicable law and policies of either ASIC, ASX, APRA or AUSTRAC;
- ▶ act in accordance with the instructions provided by the Fund Manager;
- ▶ deal in a financial product by issuing, applying for, acquiring, varying or disposing financial products including securities on behalf of MAAT;
- ▶ receive all instructions including maximum number of units the Fund Manager is willing to create in any given day (subject to certain thresholds); and
- ▶ post daily bids and offers subject to parameters agreed with the Responsible Entity.

In connection with MSAL's market making activities, the Responsible Entity, in connection with MAAT, will pay MSAL a monthly fee during the term of the market making services agreement of AUD\$10k per month plus GST (\$120k per annum) for a maximum of two listed funds. Brokerage/commission is charged at a rate of 5 basis points plus GST of the gross dollar value executed, this includes execution in relation to market making and hedging equities. For other asset classes such as futures and foreign exchange contracts, brokerage/commission is determined from time to time.

## 5.6. Pro-forma financial position following the Proposed Transaction

For the purposes of our analysis we have assumed that the Proposed Transaction occurred on 31 January 2021, being the most recent month end date prior to this Report. We have assumed that the following transactions occurred as at 31 January 2021:

1. A portion of the listed equity investments has been liquidated to fund future cash distributions to be paid by MA1-Unlisted. These distributions are expected to utilise all available franking credits.
2. The remaining Listed Assets and Cash Transfer Amount have been transferred to MAAT.
3. The Unlisted Assets and remaining balance sheet items remain in MA1-Unlisted.

The pro forma financial position reflecting the above adjustments to the financial position as at 31 January 2021 is summarised below.

**Table 16: Pro forma balance sheet**

\$'000	Monash 31-Jan-21		Adjustments	Adjusted Monash 31-Jan-21	MAAT	MA1- Unlisted
<b>Current assets</b>						
Cash	19,871	1, 3	7,724	27,595	2,091	25,504
Other receivables	31		-	31	-	31
Financial assets at fair value	54,597	1, 2, 3	(7,724)	46,873	45,346	1,527
Other current assets	24		-	24	-	24
<b>Total current assets</b>	<b>74,524</b>		<b>-</b>	<b>74,524</b>	<b>47,438</b>	<b>27,087</b>
<b>Non-current assets</b>						
Deferred tax assets	29	3	(14)	29	-	15
<b>Total non-current assets</b>	<b>29</b>		<b>(14)</b>	<b>29</b>	<b>-</b>	<b>15</b>
<b>Total assets</b>	<b>74,553</b>		<b>(14)</b>	<b>74,553</b>	<b>47,438</b>	<b>27,101</b>
<b>Current liabilities</b>						
Other payables	(5,498)		-	(5,498)	-	(5,498)
Financial liabilities at fair value	(4,022)		-	(4,022)	(4,022)	-
Current tax liabilities	(2,827)		-	(2,827)	-	(2,827)
<b>Total current liabilities</b>	<b>(12,348)</b>		<b>-</b>	<b>(12,348)</b>	<b>(4,022)</b>	<b>(8,326)</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	(2,833)		-	(2,833)	-	(2,833)
<b>Total non-current liabilities</b>	<b>(2,833)</b>		<b>-</b>	<b>(2,833)</b>	<b>-</b>	<b>(2,833)</b>
<b>Total liabilities</b>	<b>(15,181)</b>		<b>-</b>	<b>(15,181)</b>	<b>(4,022)</b>	<b>(11,158)</b>
<b>Net assets</b>	<b>59,372</b>		<b>(14)</b>	<b>59,372</b>	<b>43,415</b>	<b>15,943</b>

Source: Monash's YTD21 unaudited management accounts, Management information and BDOCF analysis

### Notes:

#### 1 Cash for the Second Distribution (Special Dividend)

In order to utilise Monash's existing franking credits, Management are proposing to declare a cash dividend to Shareholders to be paid in FY22. This cash dividend will be funded through the liquidation of \$7.7m of the listed equity investments. Shareholders will be offered the opportunity to reinvest this cash dividend in MAAT.

The liquidation of financial assets to fund the Second Distribution (Special Dividend) will result in a capital gains tax event. A gain or loss will arise on the disposal of each asset equal to the difference between the consideration received on disposal and the cost of the asset. Realised gains and losses on the disposal of the listed assets will be required to be included in the calculation of the Company's taxable income. This transfer will result in a crystallisation of the Company's deferred tax liability. Management have advised that the expected tax liability associated with the liquidation of all of Monash's financial assets, including this \$7.7m, is reflected in the total current and deferred tax liabilities balance of \$5.6m.

#### 2 Transfer of Listed Assets and Cash Transfer Amount to MAAT

Under the Proposed Transaction, Listed Assets with an estimated fair value of \$45.3m in long positions and \$4.0m in short positions will be transferred to MAAT. An estimated Cash Transfer Amount of \$2.1m will also be transferred.

The transfer of the Listed Assets to MAAT will result in a capital gains tax event for Monash. Management have advised that the expected tax liability associated with the transfer of these assets is included in the total current and deferred tax liabilities balance of \$5.6m.

### Assets and liabilities retained in MA1-Unlisted

3

Monash's unlisted equity security assets of \$1.5m will be retained in MA1-Unlisted following the Proposed Transaction, together with cash to fund the proposed dividends (including the declared 13c dividend to be paid in April 2021), other receivables (GST), other current assets, deferred tax assets, current and deferred tax liabilities, and other payables. Management estimate a \$14k adjustment to deferred tax assets for potential gains on realisation of the unlisted assets in MA1-Unlisted, reducing the balance to \$15k.

## 5.7. Cost structure post transaction

The ongoing running costs of MAAT and MA1-Unlisted are expected to change following the Proposed Transaction.

The ongoing running costs associated with the ETMF structure total \$1.0m per annum. These costs are shown in the following table.

**Table 17: Estimated MAAT running costs**

\$'000	Estimated annual amount
Management fee (at 1.25% of NTA per annum, excluding GST)	559
Market maker costs (refer to Section 4.3 for details)	120
Administrator costs	100
Other running costs (Responsible Entity fees, compliance, registry fees, iNAV services, audit, ASIC fees, ASX chess fees)	222
<b>Estimated total</b>	<b>1,001</b>

Source: Market Making Agency Agreement dated 25 November 2020, Draft Investment Management Agreement, the Shareholder Booklet and Management information

The ongoing running costs associated with the MAAT imply a Management Expense Ratio (MER) of 2.3% on the pro forma MAAT net assets of \$43.6m as per Section 5.6.

The remaining costs associated with MA1-Unlisted until liquidation have been determined by Management to total c. \$0.6m. These costs are shown in the following table.

**Table 18: Estimated MA1-Unlisted running costs until liquidation**

\$'000	Estimated costs
Directors Fees	200
Management fees (at 1.50% of NTA per annum excluding GST)	134
Accounting fees	90
Company secretary fees	50
Other running costs (Unlisted registry costs, ASIC filing and other regulatory costs, tax and sundry costs)	139
<b>Estimated total</b>	<b>613</b>

Source: Management information

## 6. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

### 6.1. Fairness assessment overview

The Proposed Transaction will be fair if the FMV of the Proposed Transaction Securities on a minority basis is equal to or greater than the FMV of a Monash share prior to the Proposed Transaction on a minority basis.

We have utilised a calculation date of 31 January 2021 (**Valuation Date**) as it is the most recent month end date and ASX released NTA valuation as at the date of our Report.

The valuation methods commonly used for the above analyses are considered below.

### 6.2. Common valuation methodologies

Details of common methodologies for valuing businesses and assets are included at **Appendix 3**. The principal methodologies which can be used are as follows:

- ▶ Discounted cash flow (DCF)
- ▶ Capitalisation of maintainable earnings (COE)
- ▶ Net asset value (NAV)
- ▶ Net tangible assets on a realisation basis (NRV)
- ▶ Quoted market price basis (QMP).

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of the Monash Shares.

### 6.3. Selected valuation methods for Monash Shares

In accordance with RG 111.15, we have considered the FMV of Monash on the basis of “a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid”. This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

As summarised below, we consider the NAV and QMP approaches to be the most appropriate valuation methods for Monash in relation to the Proposed Transaction.

We have chosen these methodologies for the following reasons:

**Table 19: Selection of valuation methodology**

Methodology	Appropriate	Explanation
NAV	✓	The NAV approach is an appropriate method for the valuation of LICs and ETMFs. All LICs and ETMFs release information related to NTA to the market on a monthly basis. The portfolio investments for each LIC and ETMF are marked-to-market each month based upon the trading price on their relevant securities exchange for each security held (with the exception of unlisted investments). As such, Monash’s reported NTA per share effectively reflects the FMV of the NTA of the Company. Adjustments are made to the reported NTA to reflect the discount or premia the LIC/ETMF trade at, and to account for the existence of options and other securities on issue.
QMP	✓	The QMP method represents the value that a Monash Shareholder can receive for a share if sold on the ASX market.  The QMP basis is a relevant methodology to consider because Monash shares are listed on the ASX and this reflects the value that a Monash Shareholder will receive when selling to a willing but not anxious buyer. This price means that there is a regulated and observable market where Monash shares can be traded. However, in order for the QMP to be considered appropriate, the Company’s shares should be sufficiently liquid and the market should be fully informed of the Company’s activities.
FME	x	The future maintainable earnings method is most commonly applicable to profitable businesses with steady growth history and forecasts. We do not consider the FME methodology to be appropriate for LICs or ETMFs as their earnings are volatile in line with market movements.
DCF	x	We have not applied the DCF method to value Monash due to the lack of suitably reliable long term forecast financial information.

Source: BDOCF analysis

## 6.4. Other valuation considerations

### 6.4.1. Future events

The business of Monash assumed in this valuation, is that which exists at the date of this IER. Growth potential which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

### 6.4.2. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

## 7. VALUATION OF A MONASH SHARE PRIOR TO THE PROPOSED TRANSACTION

Our valuation assessment of Monash shares pre transaction is based upon the QMP method and the NAV method. This section does not reflect Management's Proposed Transaction, rather outlines the scenarios available to Shareholders to realise value from Monash under the current LIC structure as well as enable a comparison to the likely value to Shareholders as a result of the Proposed Transaction.

### 7.1. FMV of a Monash share using the QMP method

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology, there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- ▶ regular trading in a company's securities;
- ▶ approximately 1% of a company's securities are traded on a weekly basis;
- ▶ the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- ▶ there are no significant and unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active'. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

As seen in Section 3.6 the shares of Monash are not liquid, however, the traded price is the highest observable price negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchasers and sellers on an arm's length basis.

**Table 20: VWAP Share price analysis at 31 January 2021**

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	1.32	1.33	1.32	0.03	0.02	0.1%
1 week	1.32	1.34	1.33	0.07	0.05	0.1%
1 month	1.30	1.34	1.32	1.34	1.02	2.3%
3 months	1.15	1.36	1.28	4.18	3.27	7.3%
6 months	0.97	1.36	1.18	7.55	6.39	14.2%
12 months	0.66	1.36	1.04	18.48	17.77	39.8%

Source: Capital IQ, BDOCF analysis

Our share price analysis has been performed to align with the latest financial information available and most recent month end date and ASX released NTA valuation as at the date of our Report. On the basis of the VWAP analysis for Monash as at 31 January 2021, we consider the FMV of Monash to be in the range of \$1.30 to \$1.34 on a minority basis, with a midpoint of \$1.32, based on the preceding 1 month of trading to 31 January 2021.

**Table 21: FMV of a Monash share prior to the Proposed Transaction using the QMP approach**

\$	Low	High
FMV per Monash share using the QMP approach	1.30	1.34

Source: BDOCF analysis

## 7.2. FMV of a Monash share using the NAV method

We have also assessed the FMV range of Monash using the NAV methodology. The total net asset value represents 100% of the equity value and typically represents a controlling interest value, however as Monash is an LIC managed by a Fund Manager, no shareholder can exert significant control over the assets of the Company. We therefore consider the NAV per share to reflect a minority interest comparable with the QMP per share.

The NAV valuation has been performed using the 31 January 2021 unaudited management accounts and is summarised in the following table.

**Table 22: FMV of a Monash share prior to the Proposed Transaction using the NAV approach**

\$'000	Ref	Note	Jan-21 (post-tax)	Jan-21 (pre-tax)
<b>Net assets</b>	3.3	1	<b>59,372</b>	<b>65,004</b>
Adjustment for the intrinsic value of outstanding loyalty options		2	(91)	(91)
<b>Adjusted net assets</b>			<b>59,281</b>	<b>64,912</b>
Shares outstanding ('000)	3.4		44,855	44,855
<b>FMV per share (\$)</b>			<b>1.32</b>	<b>1.45</b>

Source: Monash's unaudited management accounts for YTD21, BDOCF analysis

Notes:

<b>1</b>	<b>Market value of net assets</b> Monash have reported pre- and post-tax NTAs as at 31 January 2021. All listed assets are reported at market value as at this date. Therefore, the NTA of Monash materially reflects the market value of its assets and liabilities as at 31 January 2021.
<b>2</b>	<b>Adjustment for the intrinsic value of outstanding loyalty options</b> As at 31 January 2021, there were 536,369 outstanding unlisted loyalty options. For the purposes of our pre transaction valuation, we assume that the options will continue to be held, therefore we have adjusted the NTA to reflect the intrinsic value of these options. We estimate an intrinsic value of \$0.17 per option, based on the difference between the midpoint QMP valuation of \$1.32 and the option exercise price of \$1.15. The total intrinsic value for all outstanding options of \$91k has been deducted from the NTA.

On the basis of unaudited management accounts as at 31 January 2021 and our adjustment for outstanding options, we consider the NAV per share of Monash pre transaction to range between \$1.32 and \$1.45 on a post-tax and pre-tax basis respectively.

## 7.3. Conclusion on the FMV of a Monash share prior to the Proposed Transaction

Our preferred valuation approach for Monash is the QMP methodology as the traded price is theoretically the highest observable price negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchasers and sellers on an arm's length basis.

The QMP approach however reflects a value for a Monash share that is lower than the value assessed under the NAV approach. Based on the midpoint of our assessed value ranges above, we note a discount of share price to NAV of -8.8% to pre-tax NTA and -0.1% to post-tax NTA.

On a pre-tax basis, a c. -9% discount does not appear unreasonable when compared against the average discount to pre-tax NTA exhibited by the industry peer group of LICs noted in Section 4.4 of -10.0%.

On a post-tax basis, we note that Monash has a greater differential between pre-tax NTA and post-tax NTA than the majority of the industry peer group. When compared against a refined group of LICs displaying similar tax differentials, in particular Westoz Investment Company Limited, Ryder Capital Limited and Flagship Investments Limited, the observed discount to post tax NTA for Monash of -0.1% appears within the range of this refined group of between a discount of -2.1% and premium of 5.65%.

Based on the consistency in discounts exhibited to NAV by Monash with the comparable LIC industry, we consider the share price to be a reliable indicator of the FMV of Monash, pre transaction.

As a result we consider the QMP valuation range to be the preferred value range as set out below.

**Table 23: Preferred valuation range for a Monash share prior to the Proposed Transaction**

\$	Low	High
Preferred valuation range for a Monash share pre transaction	1.30	1.34

Source: BDOCF analysis

## 8. VALUATION OF THE POST TRANSACTION SECURITIES

As a result of the Proposed Transaction, the NTA of the assets of the Company will be divided between the following entities:

- ▶ MAAT, which will include the NTA of the transferred Listed Assets and Cash Transfer Amount, and
- ▶ MA1-Unlisted, which will include the Unlisted Assets, deferred tax assets and liabilities and cash to fund the planned fully-franked dividends as part of the Second Distribution (Special Dividend) and Third Distribution (Capital Return).

Under the Proposed Transaction, Shareholders will hold a direct interest in MAAT following the First Distribution (In-Specie) of units proportionate to their existing indirect interest in the Listed Assets and Cash Transfer Amount, and continue to hold the same number of shares in the existing but subsequently delisted Monash structure, MA1-Unlisted. Shareholders are not required to contribute any payment for the MAAT units and the rights attached to the shares will not be affected by the Proposed Transaction.

Under the Proposed Transaction, Optionholders will only have an interest in MA1-Unlisted. We note that Mr Simon Shields (the non-independent director) has announced his intention to exercise all 200,000 options held prior to the record date in order to participate in the Proposed Transaction with an additional 200,000 shares. As the outstanding loyalty options are currently in-the-money, we assume for the purposes of our post transaction valuation that all optionholders will choose to exercise their options prior to the Proposed Transaction.

The Posts Transaction Securities that each Monash Shareholder will be entitled to per Monash share held will include:

- ▶ One unit in MAAT, and
- ▶ One share in MA1-Unlisted, which will include the cash and the entitlement to receive fully-franked dividends.

Our valuation assessment of the Post Transaction Securities is based upon the NAV method, applied to both MAAT and MA1-Unlisted adjusted for the assumed exercise of all outstanding loyalty options.

### 8.1. FMV of a MAAT unit

In assessing the FMV of a MAAT unit we have considered the NAV per unit, adjusted by the likely trading discount or premium to NTA as observed for peer ETMFs.

#### 8.1.1. Net assets transferred to MAAT

As a result of the Proposed Transaction, MAAT will hold the net assets shown in the following table.

**Table 24: Net assets transferred to MAAT under the Proposed Transaction**

\$'000	MAAT
<b>Current assets</b>	
Cash	2,091
Other receivables	-
Financial assets at fair value through profit and loss	45,346
Other current assets	-
<b>Total current assets</b>	<b>47,438</b>
<b>Non-current assets</b>	
Deferred tax assets	-
<b>Total non-current assets</b>	<b>-</b>
<b>Total assets</b>	<b>47,438</b>
<b>Current liabilities</b>	
Other payables	-
Financial liabilities at fair value through profit and loss	(4,022)
Current tax liabilities	-
<b>Total current liabilities</b>	<b>(4,022)</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	-
<b>Total non-current liabilities</b>	<b>-</b>
<b>Total liabilities</b>	<b>(4,022)</b>
<b>Net assets</b>	<b>43,415</b>

Source: Management information, BDOCF analysis



### 8.1.2. Assessment of applicable trading discount

Our review of ASX listed ETMF's of a comparable fund size and style to MAAT as at 31 January 2021 is summarised in the table below. In addition to the analysis provided in Section 4.4, we note here the operating cost structure of the other ETMF's relative to MAAT.

**Table 25: Comparable Australian ETMFs total operating costs as a percentage of average NTA**

Ticker	Name of entity	Net fund assets (\$'000s)	Last Price \$	NAV	(Discount)/premium to NTA	MER % (incl. performance fees)	MER % (excl. performance fees) <sup>2</sup>
ASX:WCMQ	WCM Quality Global Growth Fund (Quoted Managed Fund)	223,573	7.46	7.44	(0.2%)	2.0%	1.5%
ASX:LPGD	Loftus Peak Global Disruption Fund (Managed Fund)	166,957	2.95	3.04	2.8%	N/A	N/A
ASX:MOGL	Montgomery Global Equities (Managed Fund)	82,256	3.37	3.33	(1.1%)	2.1%	2.1%
ASX:SWTZ	Switzer Dividend Growth Fund (Managed Fund)	79,176	2.40	2.39	(0.5%)	1.3%	1.3%
ASX:IIIGF	Intelligent Investor Australian Equity Growth Fund (Managed Fund)	53,242	2.70	2.70	(0.1%)	N/A	N/A
ASX:AASF	Airlie Australian Share Fund (Managed Fund) <sup>1</sup>	46,044	2.92	2.91	(0.2%)	0.9%	0.8%
ASX:INIF	Intelligent Investor Australian Equity Income Fund	42,223	2.49	2.48	(0.3%)	1.2%	1.2%
ASX:KSM	K2 Australian Small Cap Fund (Hedge Fund)	10,000	2.58	2.57	(0.4%)	3.7%	3.2%
<b>Average</b>		<b>87,934</b>	<b>3.36</b>	<b>3.36</b>	<b>(0.0%)</b>	<b>1.9%</b>	<b>1.3%</b>
<b>Median</b>		<b>66,209</b>	<b>2.81</b>	<b>2.81</b>	<b>(0.3%)</b>	<b>1.7%</b>	<b>1.2%</b>
<b>MAAT Pro forma</b>							<b>2.3%</b>

Source: S&P Capital IQ, ASX announcements, BDOCF analysis

<sup>1</sup> Airlie Australian Share Fund (Managed Fund) is a wholly owned subsidiary of Magellan Asset Management Limited.

<sup>2</sup> Discretionary transaction expenses (brokerage and short selling cost) have been removed from each respective comparable ETMF.

Note: The MERs have been calculated as the percentage of total FY20 (latest annual period) operating expenses to each comparable ETMF's average NTA.

Our research indicates that the variance to NTA for the peer group of Australian ETMFs ranges between a discount of -0.5% and a premium of 2.8%, with a median discount to NTA of -0.3%.

The MER for the group ranges between 0.8% and 3.2% with a median of 1.2%, excluding performance fees and transaction expenses. As discussed in Section 5.7, the pro forma MER for MAAT is at the higher end of this observed range, with an expected MER of 2.3%.

We note that there does not appear to be a significant correlation between the observed discount to NTA and the size of the fund assets, nor between the observed discount to NTA and the ETMF's MER. However, MAAT will likely be the 3rd smallest and have the highest MER of the peer group. Therefore we consider a discount at the higher end of the observed range to be appropriate for MAAT.

Based on the identified peers of Australian ETMFs and Monash's higher operating cost structure relative to the comparable company set, we deem a discount to NAV range for the ETMF of 0.5% to 1.0% to be appropriate for MAAT.

### 8.1.3. FMV of a MAAT unit following the Proposed Transaction using the NAV method

We have assessed the FMV range of a MAAT unit using the NAV methodology, including an adjustment for a trading discount as observed in comparable Australian ETMFs.

**Table 26: FMV of a MAAT unit using the NAV approach**

	Ref	Note	MAAT	
			Low value	High value
<b>Net assets (\$'000)</b>	<b>8.1.1</b>		<b>43,415</b>	<b>43,415</b>
Units for shares outstanding as at 31 January 2021 ('000)	3.4		44,855	44,855
Units for additional shares upon exercise of outstanding loyalty options ('000)	3.4		536	536
<b>Units outstanding ('000)</b>	<b>5.2</b>	<b>1</b>	<b>45,391</b>	<b>45,391</b>
<b>NAV per share (pre-discount) (\$)</b>			<b>0.96</b>	<b>0.96</b>
Adjustment for likely trading discount to NAV (%)	8.1.2	2	1.0%	0.5%
<b>FMV per share (\$)</b>			<b>0.95</b>	<b>0.95</b>

Source: Monash's unaudited management accounts for YTD21, BDOCF analysis



Notes:

1	<p><b>Units outstanding</b></p> <p>As discussed in Section 5.2, units will be distributed to Monash Shareholders in the First Distribution (In-Specie) in proportion to their existing interest at a ratio of 1:1 (one Unit for one Share). We assume all 536,369 outstanding options as at 31 January 2021 will be exercised prior to the distribution and have therefore applied a total of 45,391,372 MAAT units in our analysis.</p>
2	<p><b>Discount to trading NAV (%)</b></p> <p>As discussed in Section 8.1.2, we deem a discount of 0.5% to 1.0% to be appropriate to reflect the likely trading discount observed in MAAT relative to NTA, based on the observed discounts noted in comparable Australian ETMFs.</p>

Due to the narrow trading discount range applied to the NAV, there is an immaterial variance between the assessed low and high NAV per share of MAAT post transaction of \$0.95.

## 8.2. FMV of a MA1-Unlisted share

In assessing the FMV of a MA1-Unlisted share we have considered the NAV per unit, adjusted for the assumed exercise of options held, additional running costs and the potential value attributable to available franking credits.

### 8.2.1. Net assets retained in MA1-Unlisted

As a result of the Proposed Transaction, MA1-Unlisted will hold the net assets shown in the following table.

**Table 27: Net assets retained in MA1-Unlisted under the Proposed Transaction**

\$'000	MA1-Unlisted
<b>Current assets</b>	
Cash	25,504
Other receivables	31
Financial assets at fair value through profit and loss	1,527
Other current assets	24
<b>Total current assets</b>	<b>27,087</b>
<b>Non-current assets</b>	
Deferred tax assets	15
<b>Total non-current assets</b>	<b>15</b>
<b>Total assets</b>	<b>27,101</b>
<b>Current liabilities</b>	
Other payables	(5,498)
Financial liabilities at fair value through profit and loss	-
Current tax liabilities	(2,827)
<b>Total current liabilities</b>	<b>(8,326)</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	(2,833)
<b>Total non-current liabilities</b>	<b>(2,833)</b>
<b>Total liabilities</b>	<b>(11,158)</b>
<b>Net assets</b>	<b>15,943</b>

Source: Management information, BDOCF analysis

### 8.2.2. Assessment of potential value attributable to franking credits

Any tax paid should generate franking credits. Management intend to leave sufficient cash in the Company to pay the tax liability to the Australian Taxation Office and also ensure the franking generated by this transaction is streamed to Shareholders by the payment of fully franked dividends.

The actual amount of franking credits is dependent upon the actual gains realised upon the liquidation and transfer of Monash investments, we have therefore estimated the likely available franking credit balance on the basis of the tax balances as at 31 January 2021.

There is uncertainty regarding the value shareholders attribute to franking credits. We assume that shareholders value franking credits at between 0% and 80% of their face value.

Our analysis of likely available franking credits is shown in the following table.

**Table 28: Franking credit analysis**

\$'000	Ref	MA1-Unlisted	
		Low value	High value
Deferred tax assets	8.2.1	15	15
Current tax liabilities	8.2.1	(2,827)	(2,827)
Deferred tax liabilities	8.1.1	(2,833)	(2,833)
<b>Net tax liabilities</b>		<b>(5,645)</b>	<b>(5,645)</b>
<b>Potential franking credit balance</b>		<b>5,645</b>	<b>5,645</b>
Adjustment for value attributed to franking credits		0%	80%
<b>Estimated value of franking credits</b>		<b>0</b>	<b>4,516</b>

Source: BDOCF analysis

On the basis of the above analysis, we estimate the value of franking credits in MA1-Unlisted that may be available to Shareholders to range between \$0 and \$4.5m.

### 8.2.3. FMV of a MA1-Unlisted share following the Proposed Transaction using the NAV method

We have assessed the FMV range of a share in MA1-Unlisted using the NAV methodology. We applied adjustments to the NAV, as discussed in more detail below.

**Table 29: FMV of a MA1-Unlisted share from the Proposed Transaction using NAV approach**

\$'000	Ref	Note	MA1 (unlisted)	
			Low value	High value
<b>Net assets (post-tax)</b>			<b>15,943</b>	<b>15,943</b>
Adjustments:				
Cash received upon exercise of outstanding loyalty options		1	617	617
MA1-Unlisted running costs	5.7	2	(613)	(613)
Value of available franking credits	8.2.2	3	-	4,516
<b>Total adjustments</b>			<b>4</b>	<b>4,520</b>
<b>Adjusted NAV (post-tax)</b>			<b>15,947</b>	<b>20,463</b>
Shares outstanding as at 31 January 2021 ('000)	3.4		44,855	44,855
Additional shares upon exercise of outstanding loyalty options ('000)	3.4		536	536
<b>Shares outstanding ('000)</b>		4	<b>45,391</b>	<b>45,391</b>
<b>Value per share (post-tax) \$</b>			<b>0.35</b>	<b>0.45</b>

Source: Monash's unaudited management accounts for YTD21, BDOCF analysis

Notes:

1	<b>Cash received upon exercise of outstanding loyalty options</b>
	As at 31 January 2021, there were 536,369 outstanding unlisted loyalty options. As noted above in Section 8, for the purposes of our post transaction valuation, we assume that all outstanding unlisted loyalty options will be exercised at the exercise price of \$1.15, resulting in a cash inflow from optionholders of \$617k.
2	<b>MA1-Unlisted running costs</b>
	As discussed in section 5.2, the running costs associated with MA1-Unlisted until being wound up by 30 June 2022 have been determined by Management to total \$613k. These costs include: <ul style="list-style-type: none"> <li>• Directors fees: \$200k</li> <li>• Management fees (1.5% of Funds Under Management): \$134k</li> <li>• Accounting fees: \$90k</li> <li>• Company secretarial fees: \$50k</li> <li>• Other running costs such as unlisted registry costs, ASIC filing fees, other regulatory costs, tax and sundry costs: \$139k.</li> </ul>
3	<b>Available franking credits</b>
	As discussed in Section 8.2.2 we estimate the potential value of available franking credits to range between \$0 and \$4.5m.
4	<b>Shares outstanding</b>
	As discussed in Section 5.2, there will be no change to the number of shares of the Company on issue as a result of the Proposed Transaction. We have however assumed that all 536,369 outstanding options as at 31 January 2021 will be exercised prior to the distribution and have therefore applied a total of 45,391,372 MA1-Unlisted shares outstanding in our analysis.

On the basis of the above analysis, we consider the NAV per share of MA1-Unlisted post transaction to range between \$0.35 and \$0.45.

### 8.3. Conclusion on the FMV of the Post Transaction Securities

The total value of the Post Transaction Securities attributable to Shareholders per existing Monash share held is the sum of the value of a MA1 share and a MAAT share. The calculation of the assessed FMV of the Post Transaction Securities is summarised in the following table.

**Table 30: Value of the Proposed Transaction Summary**

\$	Ref	Low	High
Value of one MAAT unit using the NAV method	8.1.3	0.95	0.95
Value of one MA1- Unlisted share using the NAV method	8.2.3	0.35	0.45
<b>Value of the Post Transaction Securities (on a minority basis)</b>		<b>1.30</b>	<b>1.40</b>

Source: BDOCF analysis

We therefore consider the FMV range of the Post Transaction Securities to be between \$1.30 and \$1.40.

## 9. FAIRNESS ASSESSMENT

Our analysis has been performed by comparing the value of:

- ▶ a Monash share pre transaction on a minority basis; and
- ▶ the Post Transaction Securities on a minority basis.

The Proposed Transaction will be fair if the FMV of the Proposed Transaction Securities on a minority basis is equal to or greater than the FMV of a Monash share prior to the Proposed Transaction on a minority basis.

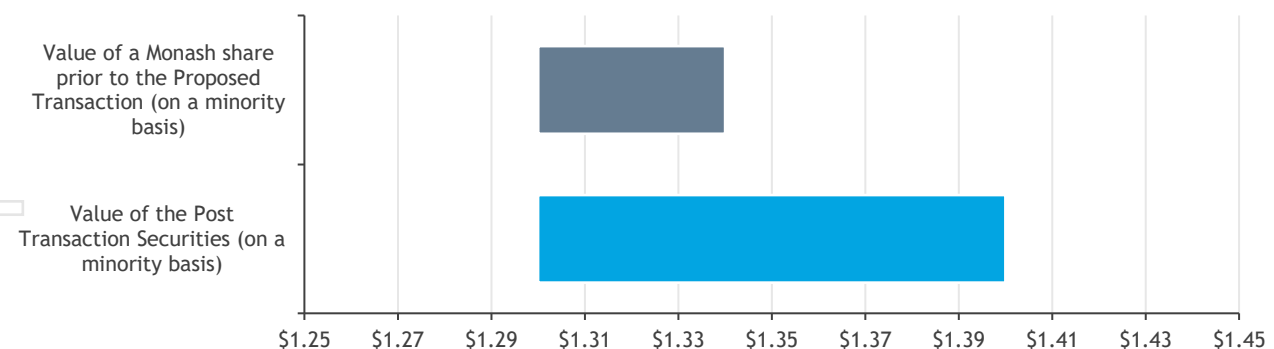
The result of our fairness analysis is summarised below.

**Table 31: Fairness summary**

Fairness assessment	Ref	Low	High
Preferred value of a Monash share prior to the Proposed Transaction (on a minority basis)	7.3	1.30	1.34
Preferred value of the Post Transaction Securities (on a minority basis)	8.3	1.30	1.40

Source: BDOCF analysis

**Figure 6: Fairness assessment**



Source: BDOCF analysis

As set out above, the assessed FMV of the Post Transaction Securities is above the assessed FMV range of a Monash share prior to the Proposed Transaction. Therefore, we have concluded that the Proposed Transaction is fair to Shareholders.

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

## 10. REASONABLENESS ASSESSMENT

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to Monash Shareholders.

Nevertheless, we have set out below a summary of other factors we consider relevant in assisting Monash Shareholders in deciding whether or not to vote in favour of the Proposed Transaction.

**Table 32: Summary of factors considered in the reasonableness assessment**

Advantages	
Potential for the share price to trade at a value that is closer to the NTA	It is observed that comparable Australian ETMFs which are of a similar size and scale to MAAT trade at a smaller discount to NTA than comparable Australian LICs. The observed median (discount)/premium to NTA for comparable Australian ETMFs as noted in Section 4.4 is -0.3%. As at 31 January 2021, Monash traded at a discount to pre-tax NTA of -8.8% and post-tax NTA of -0.2%.
Potential for greater liquidity	Through the ETMF structure, the Market Maker can introduce liquidity by creating and redeeming ETMF units relative to demand exhibited in the ETMF's units.
Disadvantages	
Tax consequences	<p>The transfer of Monash's listed assets to MAAT will result in an immediate crystallisation of that part of Monash's deferred tax liability.</p> <p>Any tax paid by MA1-Unlisted on its taxable income should generate franking credits which can be attached to franked dividends paid by MA1-Unlisted. Any unused franking credits will be trapped in MA1-Unlisted if it is unable to pay franked dividends in future years.</p> <p>Management have structured the Proposed Transaction with the intention to distribute all available franking credits to Shareholders.</p> <p>Shareholders should seek independent income tax advice in relation to the tax consequences of the Proposed Transaction.</p>
Reduction in total value of assets held in the liquid MAAT entity	<p>MAAT will have a smaller total asset value than the Company pre transaction due to the realisation of the Unlisted Assets, the realisation of a portion of the Listed Assets to fund the fully-franked distributions, the payment of associated tax liability upon the realisation of those assets, payment of the fully-franked dividends, and associated transaction costs.</p> <p>As noted in Section 3.7 listed investment vehicles with smaller capitalisations may trade at a higher discount than larger scale investment vehicles.</p>
Other factors	
The Directors recommendation	The Directors believe that the Proposed Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of the Proposed Transaction.
Consistent investment strategy	Shareholder investments will continue to be managed according to the same investment strategy in MAAT.
Reduced management operating costs	<p>The management costs of MAAT following the Proposed Transaction may be lower than Monash's management fees due to factors including:</p> <ul style="list-style-type: none"> <li>a reduction in management fee from 1.5% to 1.25%</li> <li>a reduction in performance fees due to an increase in the performance hurdle.</li> </ul> <p>We do note that MAAT will incur additional costs of at least \$120k per annum in relation to the Market Maker, and until the winding up of MA1-Unlisted, investors will be indirectly subject to the operating costs of two entities.</p>

Source: BDOCF analysis

## 11. OVERALL OPINION

We have considered the terms of the Proposed Transaction, as outlined in this Report, and have concluded that it is fair and reasonable to Shareholders.

## 12. QUALIFICATIONS, DECLARATIONS AND CONSENTS

### 12.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO Group Holdings Limited, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDOCF and a CA certified Business Valuations Specialist. Mr McCourt is also a partner of BDO Group Holdings Limited. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 20 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Daniel Coote, B. Comm, CA, MAppFin is a director of BDOCF and a CA certified Business Valuations Specialist. Mr Coote is also a partner of BDO Group Holdings Limited.

Mr Coote has over 15 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparing and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr Coote is considered to have the appropriate experience and professional qualifications to provide the advice offered.

#### **12.2. Independence**

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Monash in relation to the Proposed Transaction. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Monash that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF will receive a fee of approximately \$57,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Monash Shareholders as a result of issuing the draft IER.

#### **12.3. Disclaimer**

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and the Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of the Company.

## APPENDIX 1: GLOSSARY

Term	Definition
1H21	6 months ended 31 December 2021
AFCA	Australian Financial Complaints Authority
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
APESB	Accounting Professional & Ethical Standards Board Limited
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUSTRAC	Australian Transaction Reports and Analysis Centre
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Benchmark Unaware	An investment strategy that is applied without regard to the composition of a market benchmark index, such as the S&P ASX300.
Cash Transfer Amount	The amount of cash from the Company's existing cash reserves to be transferred to MAAT
CFS	Colonial First State Limited
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
Directors	Directors of Monash
EBITDA	Earnings before interest, tax, depreciation and amortisation
ETMF	Exchange Traded Managed Fund
First Distribution (In-Specie)	The distribution of units from MAAT to Monash Shareholders on a 1 unit: 1 share basis.
FME	Maintainable earnings method
FMV	Fair market value
FSG	Financial Services Guide
Fund Manager	Monash Investors Pty Limited
FYXX	Financial year ended/ending 30 June 20XX
Hometime	Hometime Group Pty Limited
LIC	Listed Investment Company
Licence	Australian Financial Services Licence No: 247420
Listed Assets	The listed securities of Monash's funds under management to be transferred to MAAT.
Lumitron	Lumitron Holdings Inc.
MA1-Unlisted	The delisted Monash entity following the Proposed Transaction
MAAT	Monash Absolute Active Trust (Hedge Fund)
Management	Management of Monash
Market Maker	MSAL acting in its capacity as market maker
MER	Management expense ratio
Moboom	Moboom Limited
Monash, the Company	Monash Absolute Investment Company Limited
MSAL	Macquarie Securities (Australia) Limited
NAV	Net asset value
Shareholder Booklet	Shareholder Booklet dated 31 March 2021
NRV	Orderly realisation
Proposed Transaction	The proposed restructure of Monash Absolute Investment Company Limited into an Exchange Traded Managed Fund
QMP	Quoted market price basis
RBA	Reserve Bank of Australia
Report or IER	Independent expert's report
Responsible Entity	The Trust Company (RE Services) Limited
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Second Distribution (Special Dividend)	MA1-Unlisted intend to pay a further dividend to Shareholders for the period ending 30 June 2021.

Term	Definition
Shareholders	Shareholders of Monash
Solar D	Nexidus Pty Ltd (trading as Solar D)
Third Distribution (Capital Return)	MA1-Unlisted intends to pay a final dividend to Shareholders when MA1-Unlisted is wound up by no later than 30 June 2022.
UBS	UBS Asset Management (Australia) Limited
Unlisted Assets	The unlisted equity securities to be retained in MA1-Unlisted Post Transaction.
VWAP	Volume Weighted Average Price
YTDXX	Year to date period for the financial year ended/ending 30 June 20XX

Source: BDOCF

## APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- ▶ Monash Annual Reports for the years ended 30 June 2019 and 30 June 2020
- ▶ Monash December 2019 and December 2020 Half Yearly Report
- ▶ Monash unaudited management accounts for the financial year to date period to 31 January 2021
- ▶ ASX announcements
- ▶ Morningstar ASX LIC NTA Report as at 31 January 2021
- ▶ Management Agreement dated 23 February 2016
- ▶ Market Making Agency Agreement dated 25 November 2020
- ▶ Responsible Entity Implementation Agreement dated 5 May 2020
- ▶ Draft Investment Management Agreement between the Responsible Entity and the Manager
- ▶ Discussions with the Management of Monash
- ▶ Shareholder Booklet dated 31 March 2021
- ▶ Information sourced from Capital IQ
- ▶ ASIC guidance notes and regulatory guides as applicable
- ▶ Other generally available public information



## APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of Monash, the following commonly used business valuation methods have been considered:

### Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- ▶ the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- ▶ the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- ▶ the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- ▶ earnings or cash flows are expected to fluctuate significantly from year to year;
- ▶ the business or asset has a finite life;
- ▶ the business is in a 'start up' or in early stages of development;
- ▶ the business has irregular capital expenditure requirements;
- ▶ the business involves infrastructure projects with major capital expenditure requirements; or
- ▶ the business is currently making losses but is expected to recover.

### Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

### Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- ▶ separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ▶ ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- ▶ orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- ▶ liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- ▶ continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

#### **Quoted Market Prices**

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- ▶ the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- ▶ the market for the entity's security is active and liquid.

#### **Other Valuation Considerations**

##### **Future events**

The business of Monash to be considered in this valuation is that which exists as at the current date.

Future growth which arises from the commercialisation of the prospective resources has been considered in this valuation through our consideration of the fair market value of the tenements.

Other growth potentials, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

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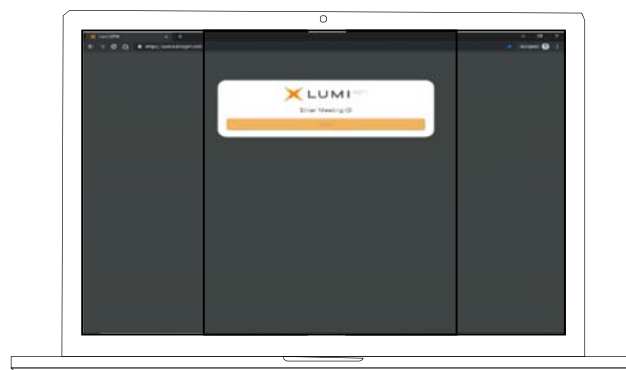
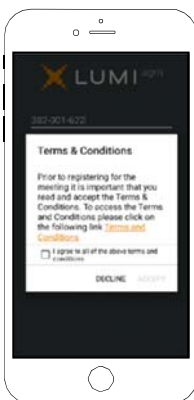
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<b>Australian Residents</b>	<b>Username - Voting Access Code (VAC*)</b> and <b>Password</b> (postcode of your registered address) *Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email.
<b>Overseas Residents</b>	<b>Username - Voting Access Code (VAC*)</b> and <b>Password</b> (three character country code e.g. New Zealand – NZL. A full list of country codes can be found at the end of this guide.) *Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email. A full list of country codes can be found at the end of this guide.
<b>Appointed Proxy</b>	To receive your Username and Password, please contact our share registry, Boardroom Pty Ltd on <b>1300 737 760</b> or <b>+61 2 9290 9600</b> between 8:30am to 5:30pm (Sydney time) Monday to Friday the day before the meeting.

To join the meeting, you will be required to enter the above unique 9 digit meeting ID and select 'Join'. To proceed to registration, you will be asked to read and accept the terms and conditions.



If you are a Shareholder, select 'I have a login' and enter your Username VAC (Voting Access Code) and Password (postcode or country code). If you are a Proxyholder you will need to enter the unique Username and Password provided by Boardroom and select 'Login'.

If you are not a Shareholder, select 'I am a guest'. You will be asked to enter your name and email details, then select 'Enter'. Please note, guests are not able to ask questions at the meeting.



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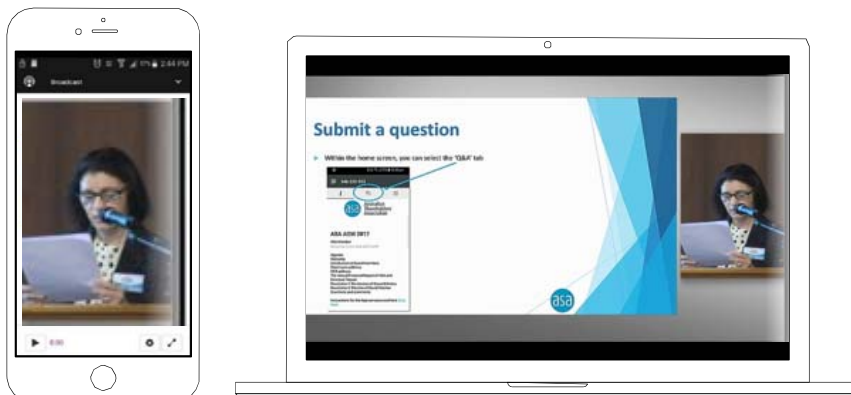
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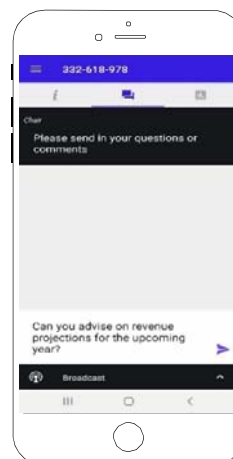
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3. Select the send icon 
4. You will receive confirmation that your question has been received.

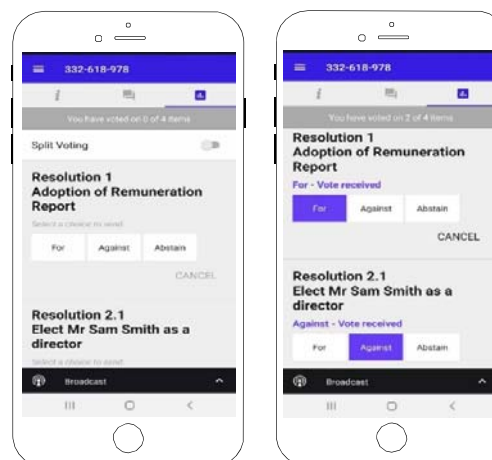
The Chair will give all Shareholders a reasonable opportunity to ask questions and will endeavor to answer all questions at the Meeting.



## To Vote

If you would like to cast a vote:

1. When the Chair declares the polls open, the resolutions and voting choices will appear.
2. Press the option corresponding with the way in which you wish to vote.
3. Once the option has been selected, the vote will appear in blue.
4. If you change your mind and wish to change your vote, you can simply press the new vote or cancel your vote at any time before the Chair closes the polls.
5. Upon conclusion of the meeting the home screen will be updated to state that the meeting is now closed.



**Need help?** If you require any help using this system prior to or during the Meeting, please call **1300 737 760** or **+61 2 9290 9600** so we can assist you

# Country Codes

For overseas shareholders, select your country code from the list below and enter it into the password field.

<b>ABW</b>	Aruba
<b>AFG</b>	Afghanistan
<b>AGO</b>	Angola
<b>AIA</b>	Anguilla
<b>ALA</b>	Aland Islands
<b>ALB</b>	Albania
<b>AND</b>	Andorra
<b>ANT</b>	Netherlands Antilles
<b>ARE</b>	United Arab Emirates
<b>ARG</b>	Argentina
<b>ARM</b>	Armenia
<b>ASM</b>	American Samoa
<b>ATA</b>	Antarctica
<b>ATF</b>	French Southern
<b>ATG</b>	Antigua & Barbuda
<b>AUS</b>	Australia
<b>AUT</b>	Austria
<b>AZE</b>	Azerbaijan
<b>BDI</b>	Burundi
<b>BEL</b>	Belgium
<b>BEN</b>	Benin
<b>BFA</b>	Burkina Faso
<b>BGD</b>	Bangladesh
<b>BGR</b>	Bulgaria
<b>BHR</b>	Bahrain
<b>BHS</b>	Bahamas
<b>BIH</b>	Bosnia & Herzegovina
<b>BLM</b>	St Barthelemy
<b>BLR</b>	Belarus
<b>BLZ</b>	Belize
<b>BMU</b>	Bermuda
<b>BOL</b>	Bolivia
<b>BRA</b>	Brazil
<b>BRB</b>	Barbados
<b>BRN</b>	Brunei Darussalam
<b>BTN</b>	Bhutan
<b>BUR</b>	Burma
<b>BVT</b>	Bouvet Island
<b>BWA</b>	Botswana
<b>CAF</b>	Central African Republic
<b>CAN</b>	Canada
<b>CCK</b>	Cocos (Keeling) Islands
<b>CHE</b>	Switzerland
<b>CHL</b>	Chile
<b>CHN</b>	China
<b>CIV</b>	Cote D'ivoire
<b>CMR</b>	Cameroon
<b>COD</b>	Democratic Republic of Congo
<b>COK</b>	Cook Islands
<b>COL</b>	Colombia
<b>COM</b>	Comoros
<b>CPV</b>	Cape Verde
<b>CRI</b>	Costa Rica
<b>CUB</b>	Cuba
<b>CYM</b>	Cayman Islands
<b>CYP</b>	Cyprus
<b>CXR</b>	Christmas Island
<b>CZE</b>	Czech Republic
<b>DEU</b>	Germany
<b>DJI</b>	Djibouti
<b>DMA</b>	Dominica
<b>DNK</b>	Denmark
<b>DOM</b>	Dominican Republic

<b>DZA</b>	Algeria
<b>ECU</b>	Ecuador
<b>EGY</b>	Egypt
<b>ERI</b>	Eritrea
<b>ESH</b>	Western Sahara
<b>ESP</b>	Spain
<b>EST</b>	Estonia
<b>ETH</b>	Ethiopia
<b>FIN</b>	Finland
<b>FJI</b>	Fiji
<b>FLK</b>	Falkland Islands (Malvinas)
<b>FRA</b>	France
<b>FRO</b>	Faroe Islands
<b>FSM</b>	Micronesia
<b>GAB</b>	Gabon
<b>GBR</b>	United Kingdom
<b>GEO</b>	Georgia
<b>GGY</b>	Guernsey
<b>GHA</b>	Ghana
<b>GIB</b>	Gibraltar
<b>GIN</b>	Guinea
<b>GLP</b>	Guadeloupe
<b>GMB</b>	Gambia
<b>GNB</b>	Guinea-Bissau
<b>GNQ</b>	Equatorial Guinea
<b>GRC</b>	Greece
<b>GRD</b>	Grenada
<b>GRL</b>	Greenland
<b>GTM</b>	Guatemala
<b>GUF</b>	French Guiana
<b>GUM</b>	Guam
<b>GUY</b>	Guyana
<b>HKG</b>	Hong Kong
<b>HMD</b>	Heard & Mcdonald Islands
<b>HND</b>	Honduras
<b>HRV</b>	Croatia
<b>HTI</b>	Haiti
<b>HUN</b>	Hungary
<b>IDN</b>	Indonesia
<b>IMN</b>	Isle Of Man
<b>IND</b>	India
<b>IOT</b>	British Indian Ocean Territory
<b>IRL</b>	Ireland
<b>IRN</b>	Iran Islamic Republic of
<b>IRQ</b>	Iraq
<b>ISM</b>	Isle of Man
<b>ISL</b>	Iceland
<b>ISR</b>	Israel
<b>ITA</b>	Italy
<b>JAM</b>	Jamaica
<b>JEY</b>	Jersey
<b>JOR</b>	Jordan
<b>JPN</b>	Japan
<b>KAZ</b>	Kazakhstan
<b>KEN</b>	Kenya
<b>KGZ</b>	Kyrgyzstan
<b>KHM</b>	Cambodia
<b>KIR</b>	Kiribati
<b>KNA</b>	St Kitts And Nevis
<b>KOR</b>	Korea Republic of
<b>KWT</b>	Kuwait
<b>LAO</b>	Laos
<b>LBN</b>	Lebanon

<b>LBR</b>	Liberia
<b>LBY</b>	Libyan Arab Jamahiriya
<b>LCA</b>	St Lucia
<b>LIE</b>	Liechtenstein
<b>LKA</b>	Sri Lanka
<b>LSO</b>	Lesotho
<b>LTU</b>	Lithuania
<b>LUX</b>	Luxembourg
<b>LVA</b>	Latvia
<b>MAC</b>	Macao
<b>MAF</b>	St Martin
<b>MAR</b>	Morocco
<b>MCO</b>	Monaco
<b>MDA</b>	Republic Of Moldova
<b>MDG</b>	Madagascar
<b>MDV</b>	Maldives
<b>MEX</b>	Mexico
<b>MHL</b>	Marshall Islands
<b>MKD</b>	Macedonia Former Yugoslav Rep
<b>MLI</b>	Mali
<b>MLT</b>	Mauritania
<b>MMR</b>	Myanmar
<b>MNE</b>	Montenegro
<b>MNG</b>	Mongolia
<b>MNP</b>	Northern Mariana Islands
<b>MOZ</b>	Mozambique
<b>MRT</b>	Mauritania
<b>MSR</b>	Montserrat
<b>MTQ</b>	Martinique
<b>MUS</b>	Mauritius
<b>MWI</b>	Malawi
<b>MYS</b>	Malaysia
<b>MYT</b>	Mayotte
<b>NAM</b>	Namibia
<b>NCL</b>	New Caledonia
<b>NER</b>	Niger
<b>NFK</b>	Norfolk Island
<b>NGA</b>	Nigeria
<b>NIC</b>	Nicaragua
<b>NIU</b>	Niue
<b>NLD</b>	Netherlands
<b>NOR</b>	Norway Montenegro
<b>NPL</b>	Nepal
<b>NRU</b>	Nauru
<b>NZL</b>	New Zealand
<b>OMN</b>	Oman
<b>PAK</b>	Pakistan
<b>PAN</b>	Panama
<b>PCN</b>	Pitcairn Islands
<b>PER</b>	Peru
<b>PHL</b>	Philippines
<b>PLW</b>	Palau
<b>PNG</b>	Papua New Guinea
<b>POL</b>	Poland
<b>PRI</b>	Puerto Rico
<b>PRK</b>	Korea Dem Peoples Republic of
<b>PRT</b>	Portugal
<b>PRY</b>	Paraguay
<b>PSE</b>	Palestinian Territory Occupied
<b>PYF</b>	French Polynesia
<b>QAT</b>	Qatar
<b>REU</b>	Reunion

<b>ROU</b>	Romania
<b>RUS</b>	Russian Federation
<b>RWA</b>	Rwanda
<b>SAU</b>	Saudi Arabia Kingdom Of
<b>SDN</b>	Sudan
<b>SEN</b>	Senegal
<b>SGP</b>	Singapore
<b>SGS</b>	Sth Georgia & Sth Sandwich Isl
<b>SHN</b>	St Helena
<b>SJM</b>	Svalbard & Jan Mayen
<b>SLB</b>	Solomon Islands
<b>SCG</b>	Serbia & Outlying
<b>SLE</b>	Sierra Leone
<b>SLV</b>	El Salvador
<b>SMR</b>	San Marino
<b>SOM</b>	Somalia
<b>SPM</b>	St Pierre And Miquelon
<b>SRB</b>	Serbia
<b>STP</b>	Sao Tome And Principe
<b>SUR</b>	Suriname
<b>SVK</b>	Slovakia
<b>SVN</b>	Slovenia
<b>SWE</b>	Sweden
<b>SWZ</b>	Swaziland
<b>SYC</b>	Seychelles
<b>SYR</b>	Syrian Arab Republic
<b>TCA</b>	Turks & Caicos Islands
<b>TCO</b>	Chad
<b>TGO</b>	Togo
<b>THA</b>	Thailand
<b>TJK</b>	Tajikistan
<b>TKL</b>	Tokelau
<b>TKM</b>	Turkmenistan
<b>TLS</b>	Timor-Leste
<b>TMP</b>	East Timor
<b>TON</b>	Tonga
<b>TTO</b>	Trinidad & Tobago
<b>TUN</b>	Tunisia
<b>TUR</b>	Turkey
<b>TUV</b>	Tuvalu
<b>TWN</b>	Taiwan
<b>TZA</b>	Tanzania United Republic of
<b>UGA</b>	Uganda
<b>UKR</b>	Ukraine
<b>UMI</b>	United States Minor
<b>URY</b>	Uruguay
<b>USA</b>	United States of America
<b>UZB</b>	Uzbekistan
<b>VNM</b>	Vietnam
<b>VUT</b>	Vanuatu
<b>WLF</b>	Wallis & Futuna
<b>WSM</b>	Samoa
<b>YEM</b>	Yemen
<b>YMD</b>	Yemen Democratic
<b>YUG</b>	Yugoslavia Socialist Fed Rep
<b>ZAF</b>	South Africa
<b>ZAR</b>	Zaire
<b>ZMB</b>	Zambia
<b>ZWE</b>	Zimbabwe

**All Correspondence to:**

- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)
- ☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEST on Saturday 8 May 2021.**

### 🖥 TO VOTE ONLINE

**STEP 1:** VISIT <https://www.votingonline.com.au/ma1gm2021>

**STEP 2:** Enter your Postcode OR Country of Residence (if outside Australia)

**STEP 3:** Enter your Voting Access Code (VAC):

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am AEST on Saturday, 8 May 2021.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** <https://www.votingonline.com.au/ma1gm2021>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia



# Monash Absolute Investment Company Limited

ACN 610 290 143

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Monash Absolute Investment Company Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the **General Meeting** of the Company to be held as a **virtual meeting on Monday, 10 May 2021 at 10:00am AEST** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1 Special	Amendment to the Company Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for an equal reduction of capital and First In-Specie Distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Amendment to the Existing IMA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Special	Removal of the Official List of the ASX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Admission of MAAT's units to the Trading Status	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2021