

**Quick Brown Fox Asset Management**

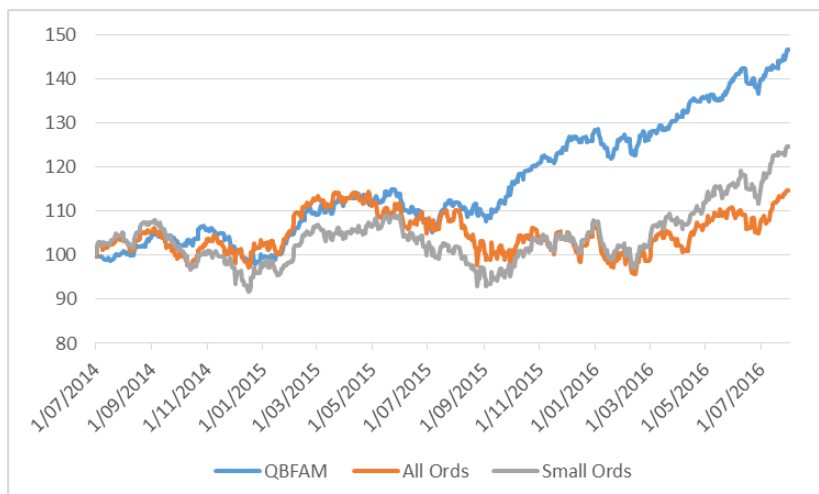


**Monthly Report – July 2016**

Global markets rebounded strongly in July post the Brexit scare in June. This was helped by hopes of central bank easing and rumours of “Helicopter Money” out of Japan. Bond yields globally fell which forced investors into riskier assets classes. It has been a familiar theme in recent years but a few things feel different this time. Profit margins in the US appear to have peaked (outside of some tech giants), economic growth globally is struggling, the credit cycle appears to be turning and the European banking system (particularly Italy) is in serious trouble. So unlike 2013 when risk assets saw a significant rally on the back of central bank easing, we don't believe the fundamentals behind this rally are ultimately sustainable. Despite that we did find some good opportunities during the month.

	1 month	3 months	6 months	1 year	Inception
<b>QBFAM</b>	4.85%	8.03%	15.68%	30.83%	46.89%
<b>All Ords</b>	6.29%	7.07%	14.08%	4.02%	14.56%
<b>Small Ord</b>	8.57%	11.52%	22.34%	22.30%	24.76%

The fund continues to trend upwards and maintain a strong lead over the market.



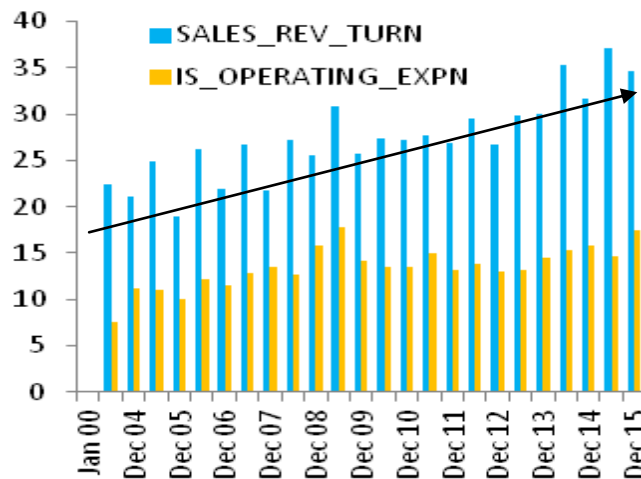
## New Positions

### SDI Limited

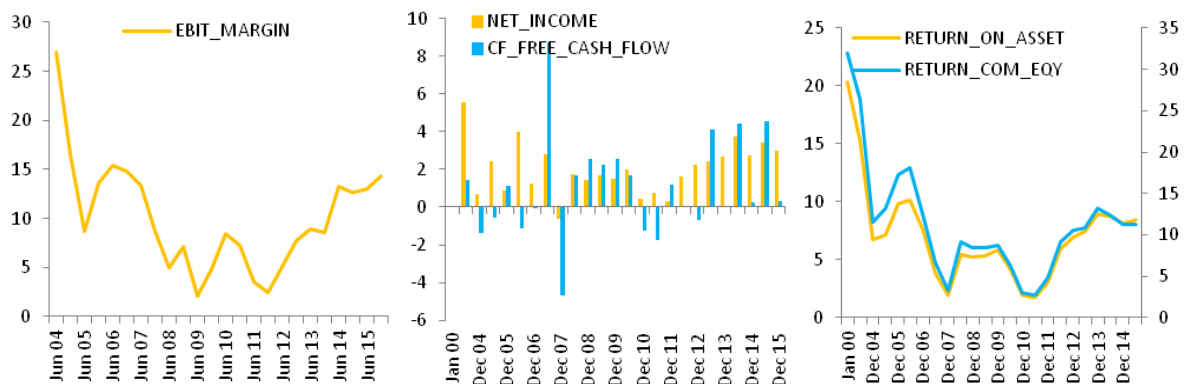
SDI is a manufacturer of dental products. The company is diversified across equipment, aesthetics, whitening, amalgam. However, the key growth currently is through the manufacturer of Glass Ionomer, which is a product used in fillings. The company is also diversified by customer with sales into over 110 countries, as well as distribution warehouses in Germany, US, Brazil and Australia

The company currently estimates they have approximately 2% of the global market share in dental products but they are growing. R&D into new products also provides upside and recently they have entered into a study into composites for posterior teeth with UNSW.

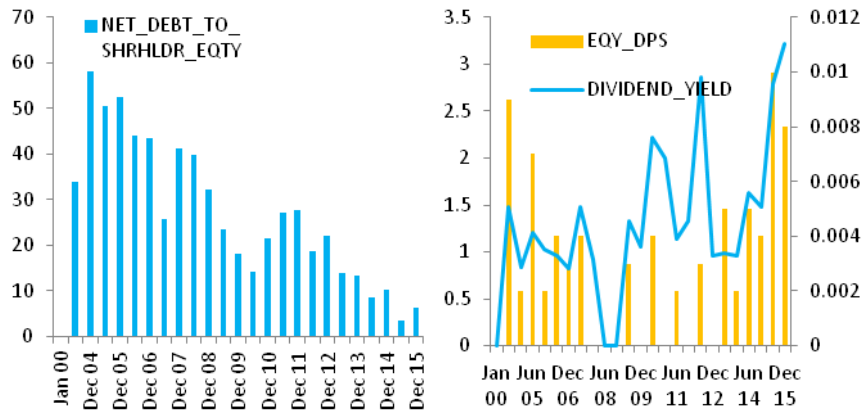
Over the last 10 years SDI does have an impressive track record of growing the top line. More recently this has been driven by Glass Ionomer sales which are growing at 35% pa. The overall growth isn't as impressive as the Glass Ionomer sales are cannibalising part of the amalgam business. Nevertheless the company is growing sales.



The Glass Ionomer products have higher margins and this combined with operational improvements this has seen a significant improvement in the both the profit and profitability of the business.



As a result the company has been able to pay down debt and increase dividends.



### Integrated Research

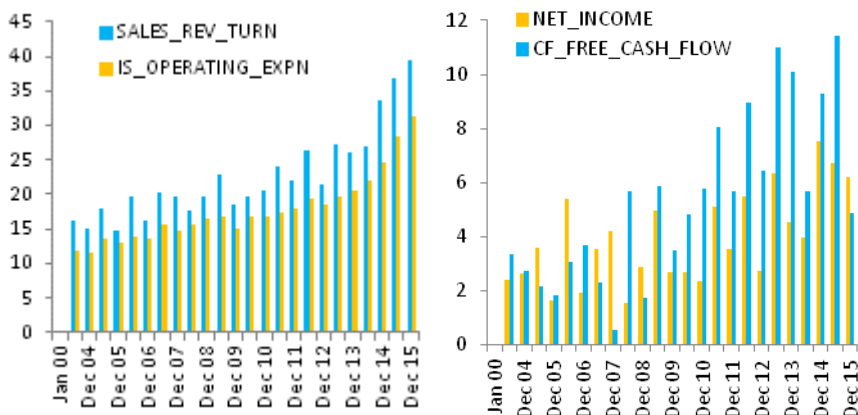
Integrated Research is a software company. It provides performance monitoring and diagnostic software solutions across networks and contact centres. The company is diversified with multiple products and with multiple customers.

In fact, the list of customers is quite impressive with the following on the books:

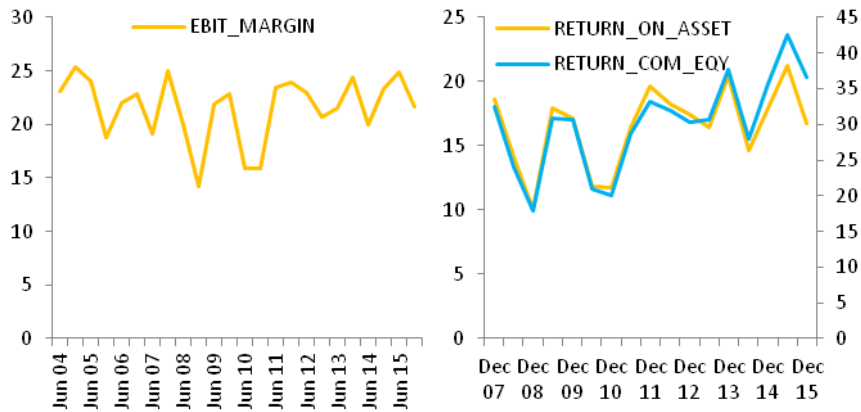
- 9 of the top 10 US banks
- 4 of the 10 largest companies in the world
- 7 of the 10 biggest Telcos in the world
- 6 of the 10 biggest stock exchanges in the world

More recently the company has looked to acquisitions to boost growth. If they can acquire good products, the cross sell opportunities through their current client base are significant.

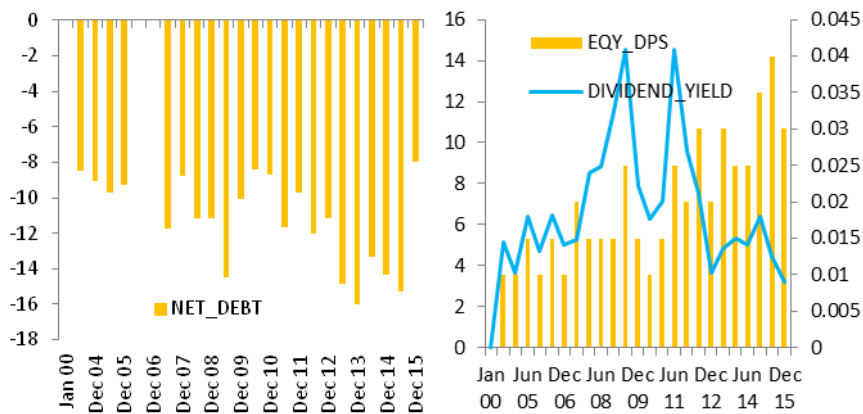
As you can see, revenue growth has been impressive and has led to profit growth.



Margins have been stable and returns on capital have been high.



The company has built up and maintained a healthy cash balance whilst increasing returns to shareholders through dividends. With the founder maintaining over 50% of the shares we would expect these returns to be maintained.



## The Portfolio

The fund is currently invested in 15 positions and retains a cash balance of 27.6% (down from 36.6% last month). We reduced our position in TME further during the month whilst adding the two positions above.

