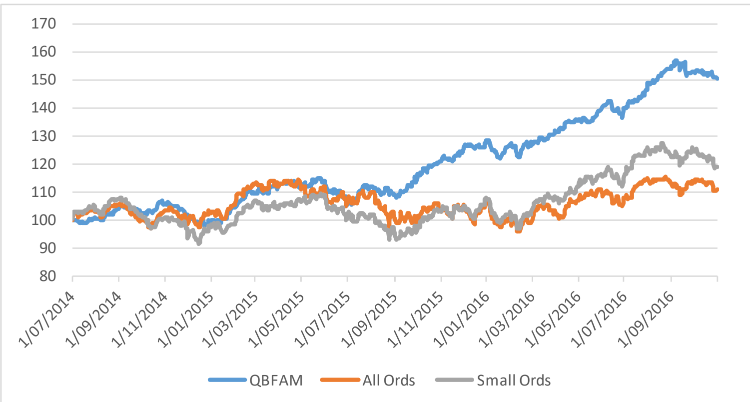
=Quick Brown Fox Asset Management

Monthly Report – October 2016

October was a volatile month for equities two key concerns weighing on sentiment: 1) rising bond yields ahead of an expected December rate rise in the US and 2) the upcoming US election with the prospect of a Donald Trump presidency. The Australian equity market finished the month down over 2%. The fall was led by segments of the market that had been previously strong performers. The Small Ords after a strong 12 months fell 4.7% whilst on a sector basis Healthcare (-8.3%) and IT (-6.5%) were amongst the worst performers. Despite being overweight all three of these segments, the portfolio outperformed the market, falling 1.41%. The portfolio was aided by strong returns from our two largest position, SDI (+10.5%) and Gentrack (+6.5%).

	1 month	3 months	6 months	1 year	Inception
					1-Jul-14
QBFAM	-1.41%	2.84%	11.10%	24.68%	51.06%
All Ords	-2.18%	-3.09%	3.77%	6.63%	11.03%
Small Ords	-4.72%	-4.77%	6.20%	14.90%	18.80%

Over the longer term, the fund maintains a strong lead over the market.



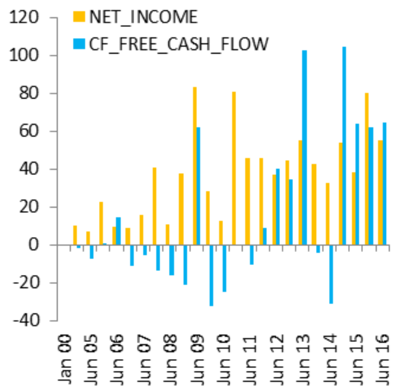
<u>United Overseas Australia</u>

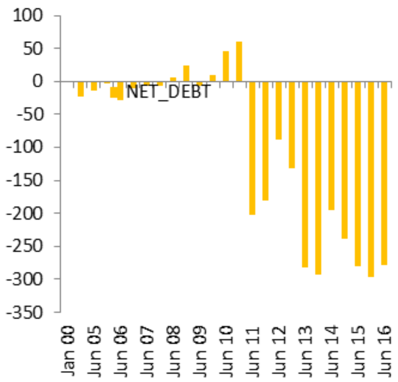
In recent times we have found new investment ideas difficult to come by. The high quality stocks that we typically covet are trading on high valuations. These companies typically have"

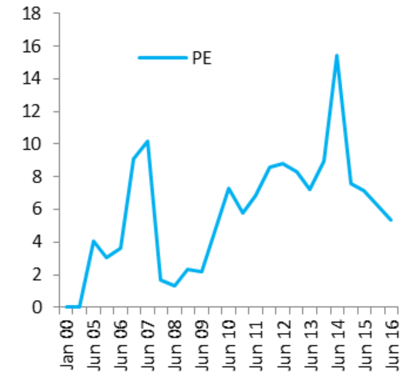
- Earnings growth;
- Profits backed by cashflow;
- High margins;
- High returns on capital; and
- Strong balance sheets.

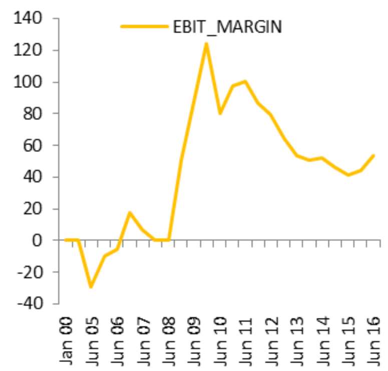
Over the course of this year, we have at times moved to reduce in our positions in a number of these quality companies (Altium, Trade Me, Hansen Technologies, Webjet) as valuations became stretched. As a result, cash has built up. In searching the market for new ideas we have come across stocks that whilst they don't tick all the boxes, they still stack up as compelling investment opportunities. We have also noted a shift in the market away towards a more deep value friendly market. As a result of a all this, we added one position during the month, United Overseas Australia.

United Overseas Australia was listed in 1988 by two Australian educated, Malaysian born engineers. They raised just under $3m of equity after having attended university in Perth. At the time they bought a small manufacturing, which they were to sell later. In 1990 they started in property development in their home city of Kuala Lumpur. Over the last 26 years, the company has grown that capital base significantly. The most important aspect of the company to us though is its recent track record with regards to cashflow. With developments being realised, free cash flow has increased. The cash balance has built up leading to increased shareholder payouts through both dividends and more recently a buyback. The company trades at a very cheap multiple relative to earnings and cashflow as well as trading well below its net asset backing. This suggests to us either a lack of understanding amongst market participants or an unwillingness to invest in a Malaysian company listed in Australia.









The Portfolio

The fund is currently invested in 15 positions and retains a cash balance of 31.8% (up from 30.2% last month). In addition to purchasing the position in UOS, we exited our position in PRO.