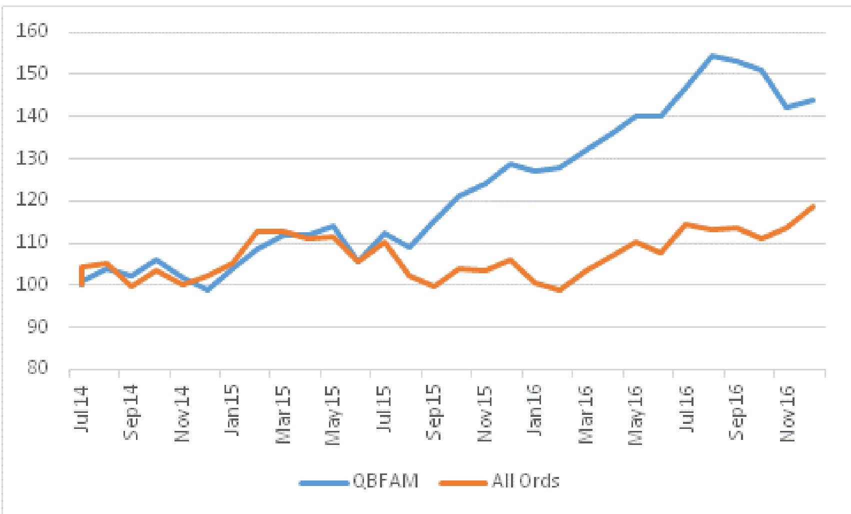
Quick Brown Fox Asset Management

Monthly Report – December 2016

December saw the continuation of the "Trump Rally" across global markets. The Australian market finished up 4.17% with all sectors ending the month in positive territory. Yield stocks recovered from their November selloff with Utilities and REITs the top performing sectors whilst Banks and resources continued to rally. The fund started the month softly as quality companies continued to drift lower but recovered to finish the month up 1.33%. The decline in quality companies over November and the first half of December provided opportunities for the fund. We introduced five new positions whilst rotating out of some companies that are experiencing headwinds.

	1 month	3 months	6 months	1 year	Since Inception (annualised)
					1-Jul-14
QBFAM	1.33%	-6.03%	2.77%	11.90%	15.70%
All Ords	4.17%	4.41%	9.94%	11.65%	7.28%
Small Ords	3.61%	-2.45%	5.84%	13.18%	8.44%

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

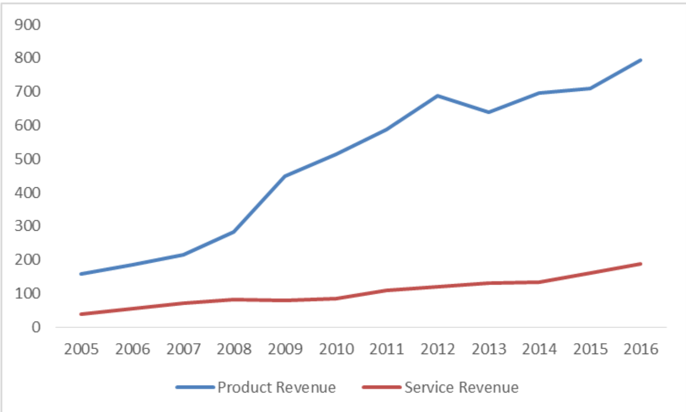


Data #3

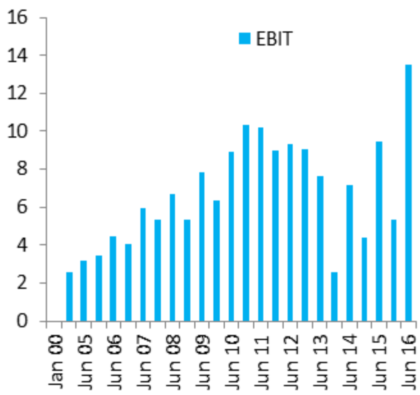
The fund introduced four new positions during the month. One that we are really excited about is Data #3.

Data #3 is a company with a long track record. The company was founded in 1977 and first listed on the ASX in 1997. Through most of its history it was purely a software distributor. With no competitive advantage of its own, apart from exclusivity agreement on products from manufacturers, the business historically has been one of very low margins. More recently the company has sort to diversify their revenue base and has expanded into Services. Their service offering has become focused on assisting Small and Medium sized enterprises with their Cloud network needs.

The advantage this style of business provides is recurring revenue (as opposed to the billable hours model that is common in the IT services industry) .Through their existing customer base they have managed to grow their services division consistently in recent years with a particular acceleration in the last 18 months.



A decline in product revenue in 2013 saw EBIT fall 9% and NPAT fall 11%. However, since then the growth in the services division has meant that the product revenue is of declining importance. In fact, due to the significantly higher margins, the gross profit from the services division is now the same as that from the product division.



The company has net cash, pays a fully franked dividend that places it on a yield of 5.3%, trades on 16.9x historical earnings and has issued guidance for the first half that represents earnings growth of between 15 and 39%. Overall, the business is performing strongly.

The Portfolio

The fund is currently the most diversified it has been with 17 investments. The cash balance fell slightly over the month as we added positions in DTL, CSL, ADA, MLB and APX whilst greatly reducing our exposure to the Telco sector.