

## Quick Brown Fox Asset Management

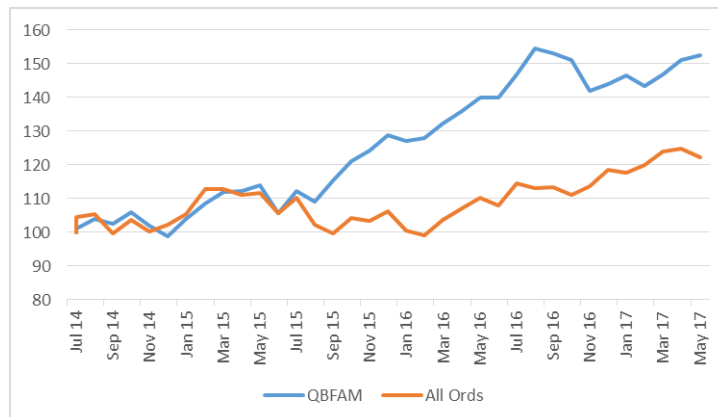


### Monthly Report – May 2017

The Australian equity market sold off during May lagging major markets around the globe. The main driver was the federal budget and the announcement of the bank levy. This saw the share prices of the big four banks down significantly with returns of between -8.6% and -12.2% for the month. Whilst we didn't expect the bank levy, we had written recently about the risk of greater regulation in our article "[Australian Banks: The death of a 25 year bull market](#)". This is part of a greater trend and we expect further changes from APRA in the months ahead. Elsewhere, commodity prices weighed on the Small Ords with Iron Ore down 19% for the month. Weak retail conditions also persist with downgrades from AP Eagers and Automotive Holdings Group. Despite all the challenges, the fund managed a solid month up close to 1% against the backdrop of a market down over 2.5%. The performance was primarily due to contributions from Melbourne IT (+18%) and Gentrack (+7%).

|                   | 1 month | 3 months | 6 months | 1 year | 2 year<br>(annualised) | Since<br>Inception<br>(annualised)<br>1-Jul-14 |
|-------------------|---------|----------|----------|--------|------------------------|--|
| <b>QBFAM</b>      | 1.0%    | 6.3%     | 7.4%     | 9.0%   | 15.7%                  | 15.6%  |
| <b>All Ords</b>   | -2.6%   | 1.3%     | 6.9%     | 10.2%  | 4.3%                   | 6.9%   |
| <b>Small Ords</b> | -2.1%   | -0.2%    | 2.2%     | 3.0%   | 4.9%                   | 6.4%   |

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



*Note: All returns are pre fees and unaudited. The fund is not currently available for external investment. To access our investment strategy please contact [Tamim Asset Management](#).*

## Portfolio News

The best performing stock in the portfolio over the month was **Melbourne IT (+18%)**. This was on the back of the capital raising and the acquisition of WME Group. The acquisition is earnings positive and continues what has been a successful turnaround strategy from the company. Three years ago the company saw its core domain business in decline and needed to diversify. In response to this the company expanded its more diversified services division through acquisition. The domain business now represents c. 20% of its earnings and the services division is showing strong growth both organically and through further acquisition.

Another company that continues to perform well is **Gentrack (+7%)** and later in the month the company reported its first half result. The result was very strong with Revenue up 24% and NPAT up 46%. Guidance for the full year was a little below market expectations primarily due to the timing of earnings within the recently acquired Junifer Systems which had been running to a different financial year. This ultimately sets Gentrack up for a strong FY18 in addition to the growth seen this year.

One of the laggards in the portfolio was **Adacel Technologies (-8%)**. The company downgraded FY17 earnings due to the award of several projects being delayed. The company remains profitable, has a net cash balance sheet and in response to the downgrade announced a share buyback to show conviction in its strong future. We continue to hold the company albeit it at a reduced position.

## The Portfolio

The fund is currently invested in 17 companies. The cash level is currently 33.1%. The positions above 5% are shown below. Of the larger positions, we reduced our exposure to Gentrack and IMF Bentham due to recent rallies. We continue to hold both companies

|                 |       |
|-----------------|-------|
| GTK             | 7.3%  |
| MLB             | 6.4%  |
| DTL             | 5.6%  |
| ALU             | 5.2%  |
| IMF             | 5.1%  |
| MUA             | 5.1%  |
|                 |       |
| Other Positions | 32.2% |
| Cash            | 33.1% |

## Sector Positioning

The fund maintains a strong overweight to the IT sector with other exposures in Healthcare, REITs, Financials, Consumer Discretionary and Telcos.

