

## Quick Brown Fox Asset Management

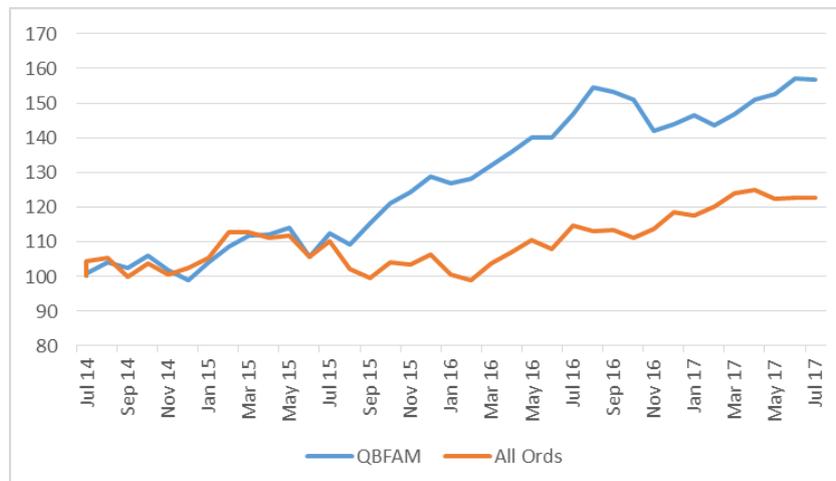


### Monthly Report – July 2017

July was yet another month without clear direction from the Australian equity market. The All Ords finished up 0.2%. Healthcare was the biggest drag on the market as a rising Australian dollar impacted some of the leading companies, meanwhile materials rose as commodity prices rallied. The portfolio had a mixed month, ending slightly in negative territory. Positive updates from Data #3 and Integrated Research as well as a takeover bid for Asia Pacific Data Centres were offset by a downgrade from Mitula Group.

	1 month	3 months	6 months	1 year	2 year (annualised)	Since Inception (1-Jul-14)
<b>QBFAM</b>	-0.2%	3.7%	6.9%	6.6%	18.1%	15.7%
<b>All Ords</b>	0.2%	-2.1%	3.9%	6.6%	5.3%	6.7%
<b>Small Ords</b>	0.3%	0.2%	3.4%	-1.6%	9.7%	6.9%

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 period leading up to reporting season is commonly known as confession season. It's the time of year that companies that are failing to meet guidance confess to the market. On the flip side, companies which are performing ahead of expectations give upgrades.

We received two positive announcements from the portfolio during the month, one from **Integrated Research** and one from **Data #3**.

**Integrated Research (+4.2)** put out their traditional June update. The company's largest quarters are the 2<sup>nd</sup> and 4<sup>th</sup> quarter so once the year finishes and they have a greater idea where they stand, they put out an update. The company this year has guided to 14-18% growth in licence sales and 13-19% growth in Net Profit. Clearly the company continues to perform well, however we did take the opportunity to trim our position as the price did rally as much as 12.9% during the month.

**Data #3 (+4.7%)** released a solid update with Net Profit before tax expected to be up 15% and Net Profit after tax expected to be up 10%. Whilst the full details are yet to be released, the company continues to grow strongly in the services division. As a result, investors have continued to receive strong returns.

The one downgrade for the portfolio came from **Mitula Group (-29.9%)**. Mitula revised down their earnings expectations for the year on the back of a configuration error with their outsourced data centre. The error caused a slowdown in the delivery of pages resulting in Google penalising the sites and hence they received lower traffic. The loss of revenue as a result flowed straight to the bottom line given the lack of variable costs. We choose the exit the position and note that further downgrades are possible if the company's expectations around a rebound in traffic do not occur.

The other major news for the portfolio was the ongoing battle for control of **Asia Pacific Data Centres (+7.8%)**. 360 Capital Group, who was trying to gain management control, cancelled their scheduled shareholder vote and instead put in a \$1.80 takeover bid for the company. This prompted the tenant of the data centres, NextDC to put in a bid of \$1.85 and then subsequently raise the offer to \$1.87.

## The Portfolio

The fund is currently invested in 17 companies. The cash level is currently 41.2%. The top five positions are shown below. Cash levels moved higher over the month as we exited Mitula as well as trimming Integrated Research and Asia Pacific Data Centres on the back of strength. It is worth noting that part of the cash weighting is committed to a placement and hence will fall in the early part of August.

GTK	7.5%
DTL	5.8%
ALU	5.1%
IMF	4.8%
MLB	4.4%
Other Positions	31.1%
Cash	41.2%

## Sector Positioning

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

