

## Quick Brown Fox Asset Management

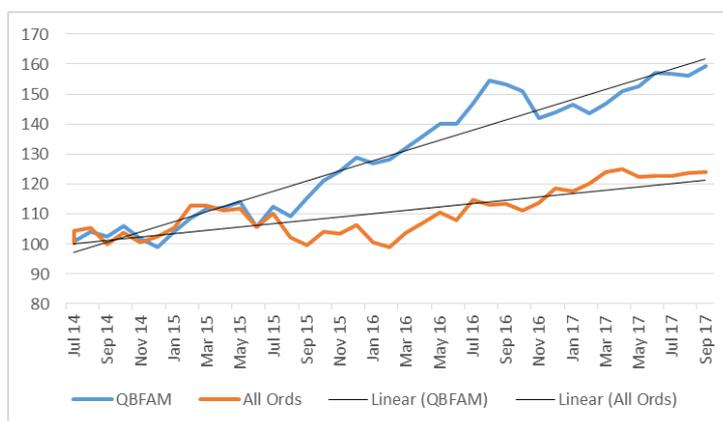


### Monthly Report – September 2017

The Australian Equity market continued its sideways march in September. The market has barely moved since mid-May with the ASX 200 ranging between 5660 and 5830. Over the last six months the market is in actually in negative territory with the top twenty companies underperforming the broader market. The portfolio had a strong month in September returning 1.9%. Whilst several stocks performed well, one of the key drivers was a profit upgrade from our largest position Gentrack which finished the month up 14.0%. In addition, Altium continued its strong run post its result, adding 9.6% for the month.

	1 month	3 months	6 months	1 year	2 year (annualised)	Since Inception (1-Jul-14)
<b>QBFAM</b>	1.9%	1.4%	8.5%	3.9%	17.4%	15.4%
<b>All Ords</b>	0.1%	1.0%	-0.5%	8.5%	11.2%	7.0%
<b>Small Ords</b>	1.3%	4.4%	3.5%	2.4%	15.0%	8.3%

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

September is a time for reflection. After the chaos of reporting season we get a chance to take stock of what we have learnt. As a result of this, our portfolio has seen some movement with five new positions introduced over the course of the last month. On the other side we exited two positions and trimmed another.

The new positions were diverse in both market capitalisation and sector. A brief description of each is provided below.

- 1) For the first time in our three and a bit year history we bought into a resource company, **Beach Petroleum** (BPT). The oil market globally is showing signs of gradually rebalancing and the price of oil appears to be showing signs of support; however the major attraction here was the potential for M&A activity. Subsequent to our purchase, the company announced the acquisition of Lattice Energy and a corresponding rights issue in order to fund it. The acquisition cements the company as the leading mid-tier Oil and Gas and the largest listed player in Australia with a pure domestic focus and without the complication of a large LNG project at a time when local gas is needed.
- 2) We added a small position in Telco platform provider **Inabox** (IAB). The company enables anyone to become a Telco reseller across both the National Broadband Network as well as mobile. The company has 450 out of the approximately 1200 NBN providers utilising their platform and as a result 76% of their revenue is recurring. The company is well positioned to benefit from the increase in the number of non-traditional Telco providers. Whilst the company is a microcap, it has a solid recurring earnings base and the potential to grow over the coming years.
- 3) **Global Construction Services** (GCS) is a company that provides onsite services to the construction industry across mining, residential and commercial. Traditionally a Western Australia company, they have expanded aggressively via acquisition into Victoria. As a provider of scaffolding solutions, the company is well placed to benefit from any cladding that needs to be replaced due to fire risk. Even without this potential upside, the shares offer good value, a net cash balance sheet and solid dividend prospects.
- 4) **Paragon Care** (PGC) is a healthcare distribution business that has spent the last few years consolidating a fragmented industry. The company trades on around 13x next year's earnings with growth potential from acquisitions.
- 5) **AxessToday** (AXL) is a finance company that provides equipment funding solutions for small to medium enterprises. The company is growing rapidly and trades on 12x their FY18 guidance. The company is a recent listing after being founded in 2012. It has carved out significant market share in a short amount of time due to a focus on its IT platform which allows it to approve loans in less than 15 minutes whilst competitors can take up to 4 hours. In addition, the company is able white label finance solutions for its customers which their competitors cannot do.

On the other side, we sold out of two positions.

- 1) **Asia Pacific Data Centres** (AJD) is currently subject to competing takeover bids from NextDC and 360 Capital. Both companies have now acquired enough of a stake to block the other party from making a full takeover. Whilst some sort of negotiation could end with a higher

takeover price, we took the view the upside was limited and exited our position above the \$1.95 highest bid. We first acquired our stake at c. \$1.25 and have been paid some attractive dividends as well.

- 2) **TPG Telecom** (TPM) was one of our smallest positions in the fund. With the company due to report towards the end of September, we began to reduce our exposure prior to the result due to concerns we had on the outlook for the year ahead. We exited the remainder of the position on the result. Whilst we have a lot of respect for the management team and what they have achieved, we believe that any positive catalysts from the mobile business are at least two years away. The mobile venture is largely an unknown and despite the uncertainty, the company is embarking on a substantial capital expenditure program. Whilst we believe they will be well positioned to take market share and disrupt the industry, the uncertainties at this point are too great.

### The Portfolio

The fund is currently invested in 20 companies. The cash level is currently 41.9%. The top five positions are shown below. In addition to the exits above, we trimmed our position in Altium following its strong run. Cash levels were down slightly over the course of the month. We would expect the cash level to drop further as we deploy further capital into the new positions over the coming months.

GTK	7.6%
DTL	5.5%
MLB	4.3%
DDR	4.1%
CSL	3.6%
Other Positions	32.9%
Cash	41.9%

### Sector Positioning

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

