

Quick Brown Fox Asset Management

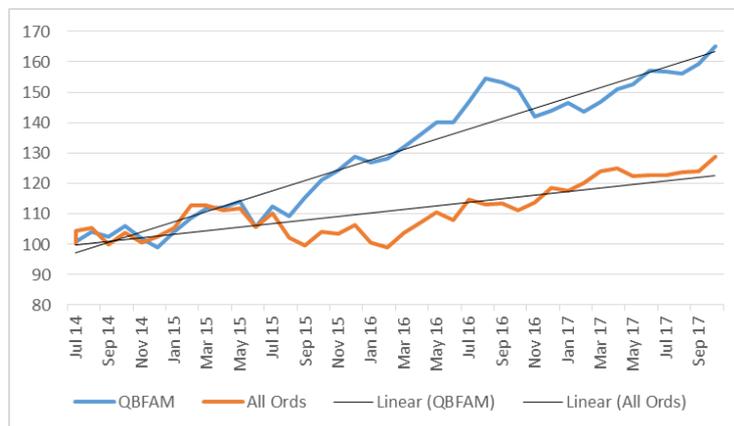


Monthly Report – October 2017

The Australian Equity market broke out of its sideways march and ended October significantly higher. The strong showing was broad-based with every sector finishing in positive territory. In fact, all sectors with the exception of Real Estate were up over 2% led by Information Technology and Energy. On an individual stock basis, falls were rare as well. Amongst well-known names, Lendlease and Fletcher Building issued downgrades whilst Fortescue fell on a falling iron ore price and an increasing low grade discount. On the other side, Milk and Agricultural stocks saw significant gains as did Lithium companies. The portfolio returned a healthy 3.7% for the month, slightly below the broader market.

	1 month	3 months	6 months	1 year	2 year (annualised)	Since Inception (annualised) 1-Jul-14
QBFAM	3.7%	5.4%	9.3%	9.3%	16.7%	16.2%
All Ords	4.1%	4.9%	2.7%	15.5%	11.0%	7.7%
Small Ords	6.0%	10.3%	10.6%	14.0%	14.4%	9.5%

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

Following reporting season back in August, we added five new positions to the portfolio. Of those five positions, four have provided gains with two up over 20% from our purchase. This is highly unusual and we'd caution against expecting those types of quick returns going forward. In fact across the portfolio last month, 18 of our 20 positions finished in positive territory and 8 stocks had double digit returns.

Some of the more significant moves in the portfolio were:

- 1) **Beach Petroleum (+18.2%)**. In late September, 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) **Global Construction Services (+19.3%)** continued to rally as the recent tragedy of the Grenfell Tower in London has thrown to light significant oversight in the building industry within Australia. The potential replacement of cladding could lead to a multi-year boom for GCS. The company's recent move into Victoria via acquisition
- 3) **Resmed (+11.2%)** rallied on the back of its quarterly result. Revenue increased 13% over the prior corresponding period and margins increased. The acquisition of Brightree continues to track well and the company is using excess cashflow to pay down debt.
- 4) **IMF Bentham (+14.2%)** has gained some attention over the last few months on the back of their move to fund a class action against Commonwealth Bank of Australia. The case has brought IMF to the attention of the market. The attention on the company has led to a rerating as the market has come to appreciate the potential value in the company's case book.

The Portfolio

The fund is currently invested in 20 companies. The cash level is currently 38.9%. We added to three existing positions whilst continuing to trim 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 existing positions over the coming months. Part of the cash balance at the end of the month will be deployed into a capital raising.

GTK	7.5%
DTL	5.9%
MLB	4.6%
DDR	4.1%
CSL	3.6%
Other Positions	35.7%
Cash	38.6%

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.

