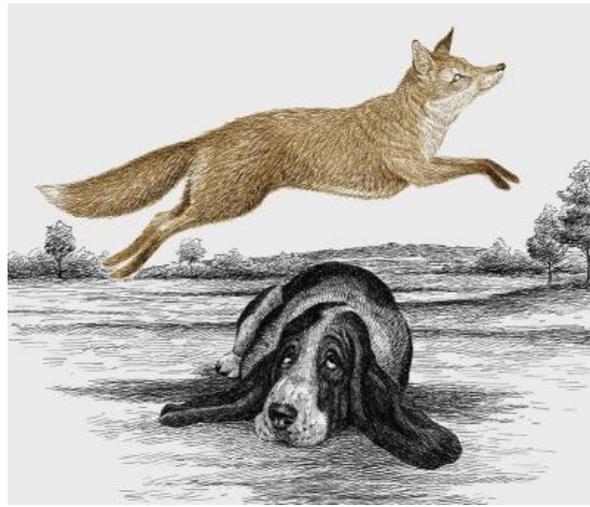


Quick Brown Fox Asset Management

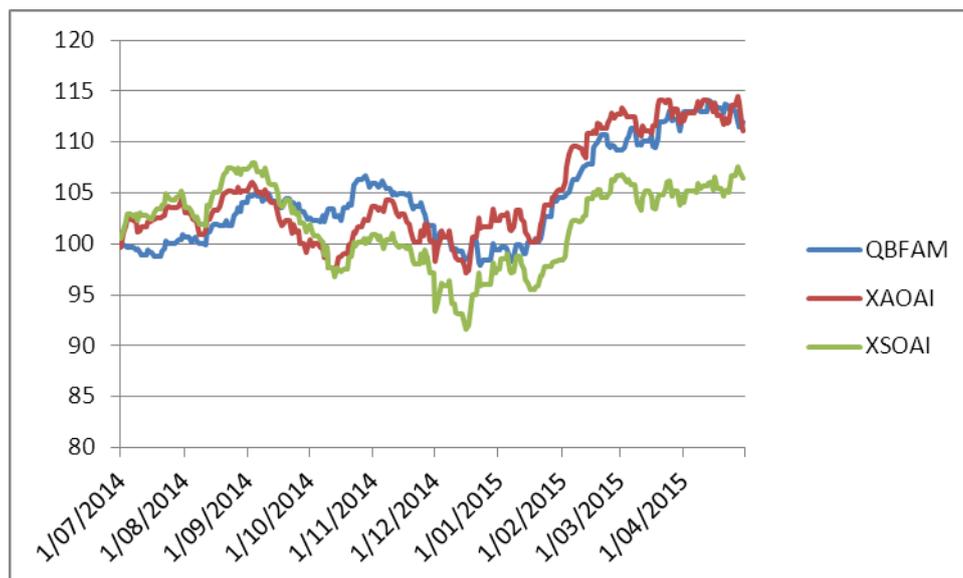


Monthly Report – April 2015

The fund had a positive month in April amidst difficult market conditions. The fund was up 0.21% This was ahead of the broader market (-1.47%) whilst the Small Ords had a very strong month driven by resources (+1.66%). The fund has outperformed both indices since inception.

	1 month	3 months	6 months	Since Inception
QBFAM	0.21%	7.80%	6.49%	11.96%
XAOAI	-1.47%	5.39%	7.14%	11.06%
XSOAI	1.66%	8.10%	5.41%	6.40%

After a strong start to the year the fund has held onto its returns.



New Positions

The fund added one new position during the month in Grays Ecommerce group (GEG). Grays was formed through the recent merger of GraysOnline and Mnemom Limited. It was effectively a “backdoor listing” of Grays. Grays is an online auction site which primarily services the “B2B” market.

The lack of historical information makes GEG a little hard to value with any conviction but we can make some interesting observations from its first result as a listed entity.

A\$'000	H1 FY15	H1 FY14	CHG	H1 FY15 Excl MNZ	CHG
Gross Sales*	273,993	189,843	+44%	256,610	+35%
Revenue [†]	100,372	77,872	+29%	82,989	+7%
EBITDA <small>(pre-business combination costs)</small>	5,723	3,393	+69%	5,663	+67%
Business combination costs	(2,988)	(792)			
D&A	(1,161)	(1,767)			
Net interest income	217	128			
Tax	(555)	(452)			
NPAT	1,235	510	+142%		

NPAT of \$1.2m on EBITDA of \$5.7m for a low capex business isn't reflective

Merger costs of \$2.988m need to be added back in

Above is a high level snapshot of the result. The company makes \$100m revenue and \$5.7m EBITDA. Like most online businesses, capex is minimal so the only charge below this should be tax. In this instance there are costs associated with the merger – these are one off so we can add back the \$2.988m (or \$2.09m after tax). The 2nd half is expected to be softer than the first but FY16 is expected to be stronger on the back of \$3m of synergy benefits.

The balance sheet of the company is in good shape with over \$13m of cash.

The other issue in valuing the company is the large amount of bonus shares to be issued to the vendors of Grays (provided they retain 75% of their initial shares). These options represent 36.65m shares to be issued. The market cap of the company has to be diluted for these.

We've taken all these factors into account within our modelling and believe the company presents good value at current levels. The business is highly cash generative and downside earnings risk appears minimal. As a result we initiated a position.

The Portfolio

The fund is currently invested in 11 positions and retains a cash balance of 22.2%.

