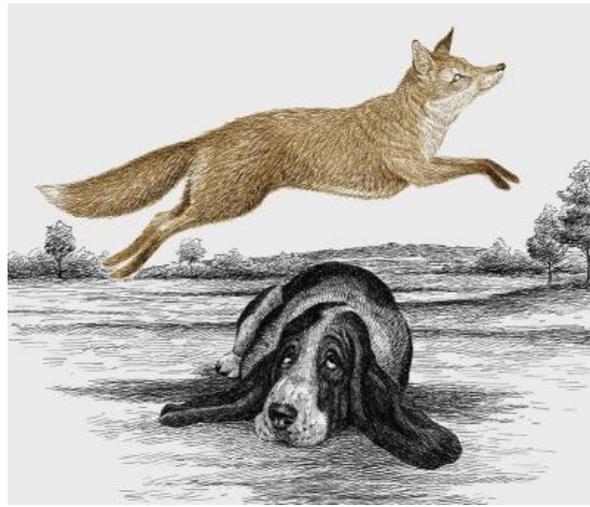


Quick Brown Fox Asset Management

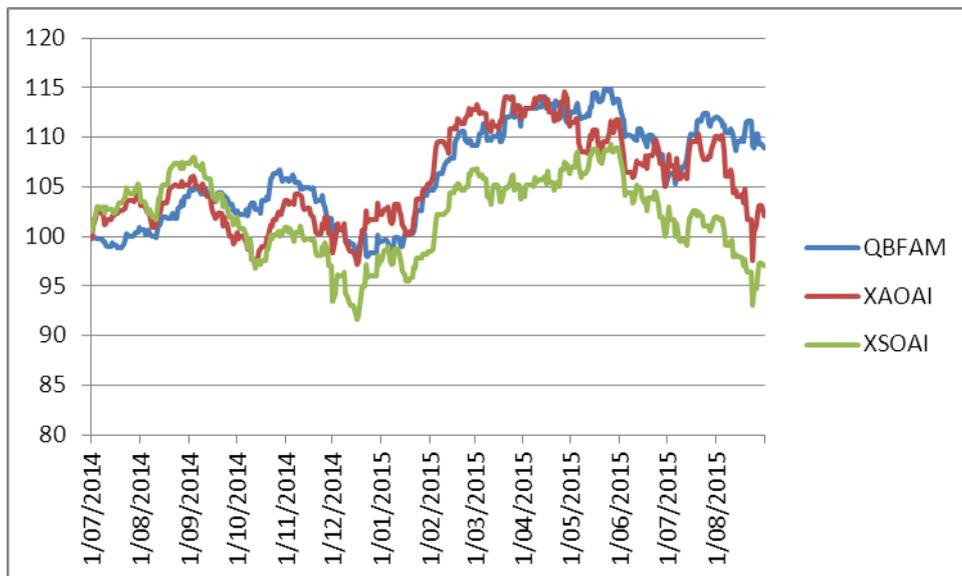


Monthly Report – August 2015

August was a difficult month right across the board with the broader market down 7.3%. The fund managed to outperform significantly finishing down 2.8%. The fund has outperformed across all time periods and has protected capital during this volatile time.

	1 month	3 months	6 months	1 year	Since Inception
QBFAM	-2.82%	-4.26%	-0.31%	4.66%	8.88%
XAOAI	-7.30%	-8.59%	-9.44%	-2.98%	2.11%
XSOAI	-4.87%	-10.90%	-9.08%	-9.62%	-2.96%

After a strong start to the year the fund has held onto its returns whilst the broader market has sold off.



Trade Me Group

Our largest position currently is Trade Me Group, an online company from New Zealand. Trade Me is a household name in the country with great brand recognition. The company began life as the Ebay of New Zealand and has expanded into other online businesses. The key advantage it has is its brand recognition and that enables the company to expand in a low risk way. This strategy differs from other online plays that typically have to expand offshore to grow. The key reasons we like the company are:

- Its dominant market position through its “Ebay” style general items business
- The growth in that division has slowed as they have reached market saturation however the cashflow is used to fund growth initiatives
- They have expanded into Jobs, Real Estate, Cars, Peer to Peer lending and Insurance (as an online aggregator not underwriting)
- Their growth revolves around rolling out new products/websites combined with the advantage that they already have people looking at them
- Profit has been flat for 2 years now but revenue growth has been double digit – Fairfax owned the company until 2011 and really underinvested in people and technology, they have made up for this over the last few years and next year should see a slowing of expense growth and better profit growth
- The market doesn’t really appreciate the growth story at the moment and the stock trades well below peers at 16.8x FY16 earnings (CAR: 20.3x, REA: 23.7x, SEK: 21.9x) with a 6.5% gross yield

We purchased our initial stake in July last year. The position rallied initially but then sold off with the NZ dollar early this year. We took advantage of the selloff and slowly increased our position, eventually making it the largest position in the fund. Post the full year result the stock has rallied strongly as everything we saw in the company has been recognised by the market.



The Portfolio

The fund is currently invested in 10 positions and retains a cash balance of 33.7%. The fund took advantage of the volatility to increase its positions in TME, HFA and GEG. We trimmed our position in OFX and sold out of SKT.

