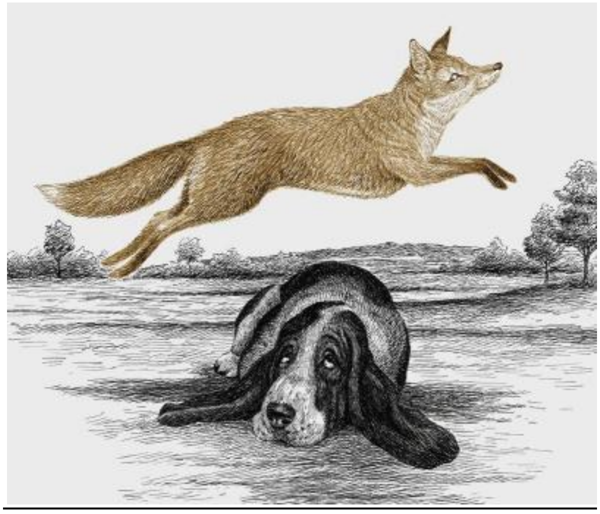
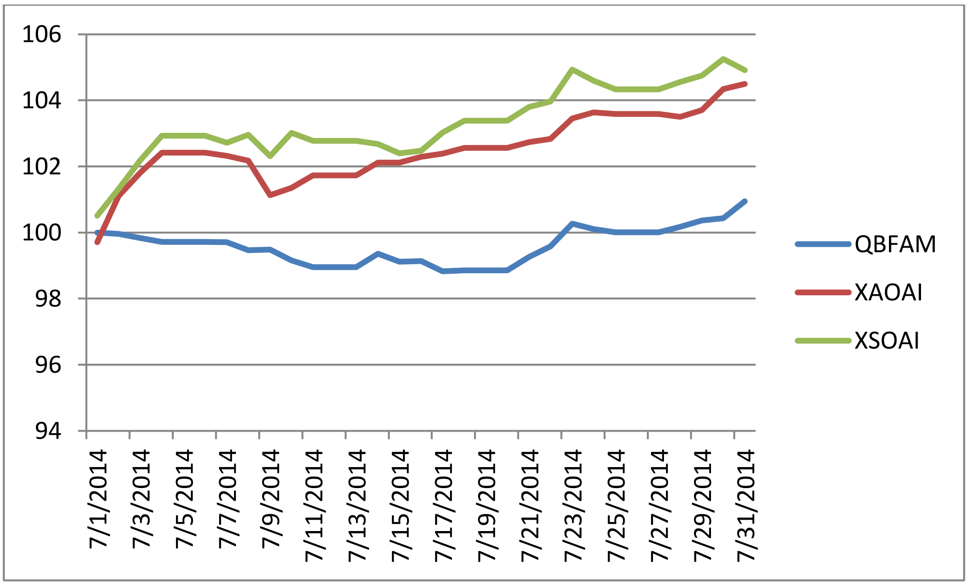
Quick Brown Fox Asset Management



July 2014

	1 month
QBFAM	0.95%
XAOAI	4.49%
XSOAI	4.91%

July was a difficult month to launch a fund with the All Ords Accumulation +4.49% and the Small Ords Accumulation +4.91%.When an investor is trying to buy stocks it is more favourable to do it in an environment where prices are falling, this gives investors an opportunity to buy them at a cheaper level. As a result of the surging market in July the fund remains largely in cash (67%), as a result it underperformed the market but finished up 0.95%. We will remain largely in cash and wait for opportunities whilst the market is buoyant. It is our philosophy not to chase prices but to wait for value.



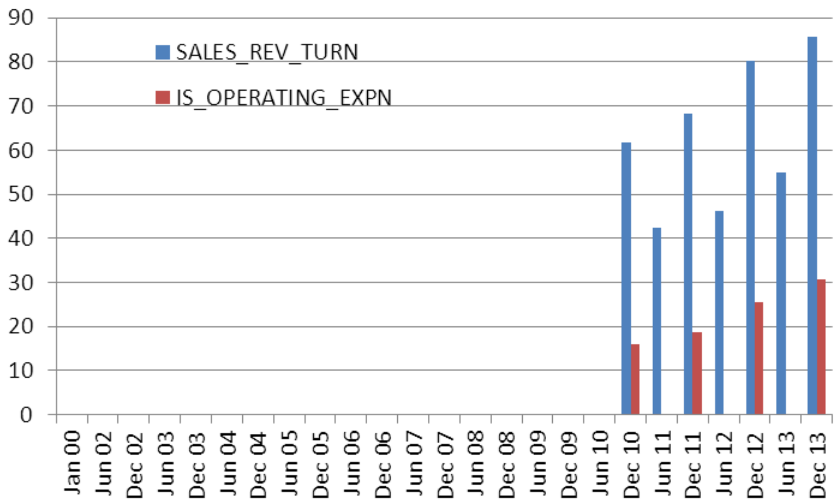
Affintiy Education Group

The fund did experience a drawdown during the month primarily due to the position acquired in Affinity Education, a childcare operator with an expanding footprint. After buying an initial position in the company at $1.25, the price fell to hit a low of $1.07. The fund took the opportunity to buy a further stake at $1.11. This shows a key point of our philosophy in action – if I'm happy to invest in Affinity at $1.25, I should be very happy to buy them at $1.11 provided nothing has changed. Affinity is a 2015 story, it is in the process of consolidating multiple acquisitions and maintains an undrawn $100m bank facility for future acquisitions. Right now we estimate it trades on around 8x CY15 earnings with potential acquisition upside.

Trade Me Group

Another opportunity that appeared later in the month for the fund was Trade Me. Trade Me shares have traded down over the course of the year and hit $3.06 on July 30, down 4.1% on the day as the company announced changes to its pricing structure for property agents. Whilst this is a negative, the property division makes up just 15% of the revenue base so the overall implications to the value of the company is minimal.

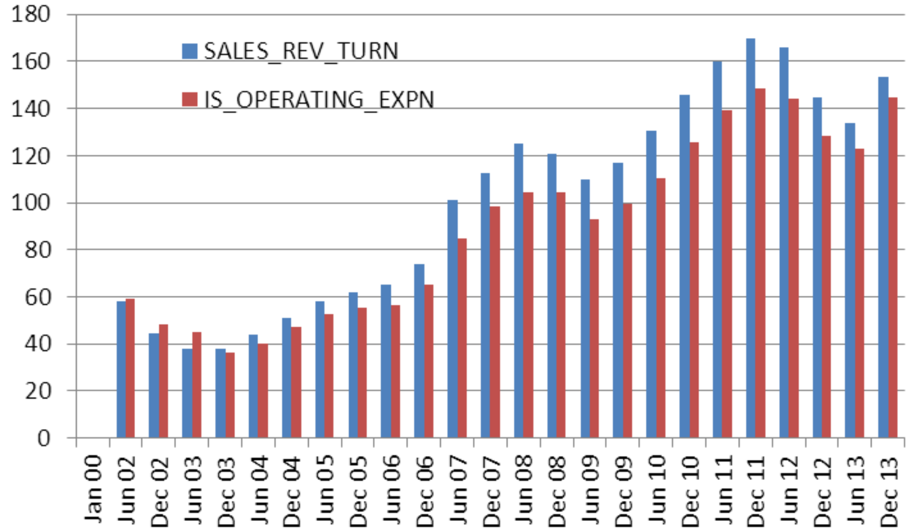
In the greater scheme of things investors have been disappointed by the companies FY14 earnings growth which is essentially going to be zero. The company currently trades at 16.5x FY14 earnings, a very full valuation for a company with no growth. In buying the company at these prices we are essentially saying that the FY14 year is a one-off and that growth will resume in FY15. Two things give us comfort that this is the case. Firstly, the Trade Me brand is a very strong one and they are the dominant player in the NZ online classified space with multiple growth channels. For the second reason we need to look at why earnings are flat this year.



If we look at the first half result, Revenue grew 6.6% y/y but NPAT only grew 1.7%. The company has increased costs primarily through increased headcount to support growth initiatives and acquisitions. This expense growth will moderate in FY15 which should result in better NPAT performance even if the increased costs provide no benefit. We are confident that FY15 will see a return to growth and as a result we are happy to pay 16.5x for a company with a strong brand and dominant market position.

IT Consulting

One industry that is of particular interest right now is the IT consulting industry. Valuations are attractive as investors have exited the sector over the course of a few lean years. As a whole the industry has struggled in recent years on the back of 3 factors: 1) large corporates have focused on cost cutting as revenue growth has been hard to fund; 2) the global market place has meant access to cheaper offshore alternatives and 3) the technological change in this time has been huge with cloud and mobile technology becoming more prevalent. The struggle is well illustrated by looking at SMS Management and Technology's (SMX) revenue:

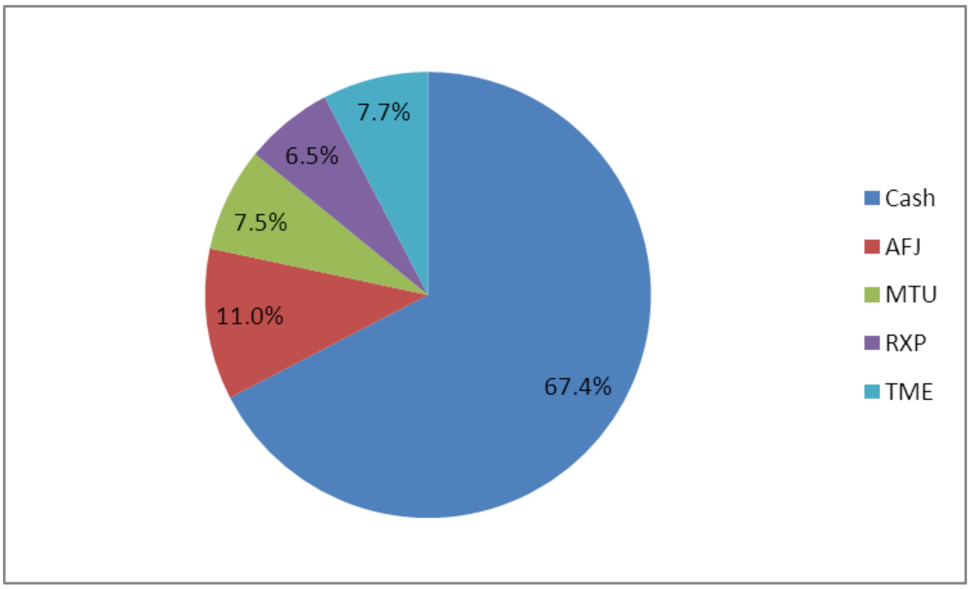


After peaking in 2011, revenues fell for 2 years. The company managed this well by reducing costs and headcount to stay profitable but it was clearly a difficult operating environment. In the first half of this year the first signs of a better operating environment started to emerge and signs in the last month have been promising with UXC Limited putting out a strong trading update and DWS Limited initiating a share buyback. This all paints a picture of a better operating environment.

The fund initiated a position in one company in the sector (RXP services) and 2 others are on the watchlist subject to pricing. We were attracted to RXP due to the growth profile, balance sheet and, due to the young nature of the company, the expertise in the shifting nature of the IT industry.

The Fund

The fund initiated 4 positions during the month (AFJ, MTU, RXP & TME) but remains largely in cash.



Note: Performance is taken from the Guy Carson Superfund