DMX
ASSET MANAGEMENT

DMX Capital Partners Limited
Investing in the most compelling small and micro-cap value opportunities

DMX Capital Partners Limited

January 2018 – Shareholder Update

An investment company managed by:
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Opening NAV (1 January 2018) [1,2]	**$1.7142**	Fund size	~$5m
Closing NAV (31 January 2018) [1,2]	**$1.7218**	% cash held - month end [4]	17%
NAV Return (January)	+0.45%	Gearing	nil

*DMXCP Share price = Closing NAV ($**1.7218**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*

**On 30 September 2017 DMXCP's Share price was 'ex' a 3.7c dividend and 1.4c franking credit (paid on 10 November)*
**References to All Ords are for illustrative purposes only*

Monthly DMXCP Net asset value (share-price) returns (after fees) since inception (April 2015) [3] (%):

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	All Ords
2015	n/a	n/a	n/a	+0.201	+9.448	+1.104	+6.524	+1.971	+9.711	+0.958	+3.568	+2.470	**+41.62**	**-8.83**
2016	-3.590	+1.323	+2.049	+2.045	+2.143	+0.020	+5.389	+7.056	+2.156	+1.058	+1.520	+0.321	**+23.10**	**+7.01**
2017	+0.885	-0.816	+1.790	-0.741	-1.990	+0.210	+1.071	+1.208	+0.822	+3.494	**-0.267**	**-0.055**	**+5.54**	**+7.83**
2 018	+0.445													**-0.33**

Dear Shareholder,

DMXCP returned +0.45% after all accrued fees and expenses for January 2018. The ASX All Ordinaries Index decreased -0.33% during the month. DMXCP's NAV as at 31 January was **$1.7218**, up from $1.7142 in December.

For the first seven months of the 2018 financial year (July – January), DMXCP has returned +6.62% after all accrued fees and fund expenses.

The fund has returned +84.42% after fees (including dividends) in the 34 months since inception (April 2015), compared to the 5.20% increase in the All Ordinaries Index over the same period.

Portfolio Review

The portfolio finished January slightly up, against the back drop of a generally flat broader market. Key contributors to the result were Money3 (MNY) (+9%), Dreamscape (DN8), (+7%) and Blackwall Limited (BWF) (+6%). Detractors included Elanor Investors (ENN) (-7%), Joyce Corp (JYC) (-5%) and Paragon Care (PGC) (-4%).

Newsflow across the portfolio during the month was somewhat limited as the half year reporting season approaches, commencing in early February.

Key portfolio news during the month included:

- Gale Pacific (GAP) upgrading its half year guidance due to better than anticipated trading during November and December, particularly in its Australian retail business. GAP confirmed it is on track to exceed its FY17 earnings. A strong global business, it is currently trading on 10x FY18 earnings and exhibiting pleasing growth in its American operations.

- Paragon Care (PGC) announced the acquisition of its South Australian distributor as it looks to grow its presence in that state to consolidate its national coverage. PGC is currently trading on 10x FY19 earnings, with a strong outlook. Recent broker coverage of the stock highlighted the "deep value" opportunity that PGC now represents.

- Dreamscape Networks (DN8), Australia's largest domain name provider, continued the expansion of its hosting business with the bolt on acquisition of a Gold Coast based hosting provider. The acquisition multiple is expected to equate to approximately 2.7x FY17 EBITDA, post-synergies.

In the latter part of 2017, we subscribed for small positions in two new, interesting, micro-cap listings, which we are pleased to detail below:

- People Infrastructure Limited (PPE) – PPE listed on the ASX in late November priced at a very attractive 8.6x FY18 PE ($64m market cap), and despite trading up strongly post listing, continues to trade on around 10x FY19 earnings. The company provides flexible workplace solutions (contractors) to employers operating in a number of high growth industries including childcare, infrastructure, food processing, and hospitality across Australia and New Zealand. Significantly, PPE is the largest workforce management provider to the high growth community care/disability sector. PPE expects the upcoming large increase in government funding for disability services to underpin a significant increase in demand for contracted staffing in this sector. More generally, the company is well placed to benefit from the continued casualisation of the workforce.

- Janison Education Limited (JAN) – in early November, we participated in the re-capitalisation of HJB Corporation which acquired the business of Janison Education and re-listed on the ASX in late December with a $40m market cap. JAN is a profitable, growing, largely self-funded, global digital learning and digital assessment business, developing large scale digital assessment platforms in order to transition education oganisations away from traditional pen and paper based exam testing to online testing. Customers include government departments, higher education providers and organisations in Australia, New Zealand, Asia and the UK, including the Australian Federal government, which has contracted JAN to lead the development of Australia's NAPLAN exams onto an online platform. JAN is well positioned to benefit from a move to increasing acceptance of digitalisation in the education sector.

The share prices of both companies have performed well since listing.

We recently had a profile on one of our core portfolio holdings, Joyce Corporation, published in The Australian newspaper. This article is reproduced below.

JOYCE CORPORATION - GROWING RAPIDLY

· At a time when so many investors are focused on technology and growth, it is understandable why the market is less interested in a seemingly old-economy company like Joyce Corporation. Joyce's origins go back over 130 years, and at one point was Australia's largest foam and furniture manufacturer, before morphing into an investment holding company in recent years.

One of the beauties of investing, however, is that sometimes the most interesting investment opportunities are hidden in obscure places.

In this case, it may come as a surprise to many that Joyce has a controlling interest in one of the fastest growing businesses on the ASX — Lloyds Online Auctions. Every day, Lloyds auctions hundreds of diverse items ranging from classic cars to high end jewellery to multi-million-dollar major electronic brand clearances.

Lloyds offers powerful distribution and logistic capabilities to enable its clients to efficiently dispose of surplus or unwanted products and stock throughout Australia. Clients include leading manufacturers and distributors disposing of seconds, damaged or end-of-line stock, insurance companies, leasing companies and financiers and government agencies.

Lloyds has the infrastructure to quickly set up auctions for these clients and then market the opportunity to a wide national and sometimes international audience. A genuine network effect is at play here, as the larger the audience that Lloyds can attract, the more attractive it becomes to clients looking for an efficient distribution service at scale. With many of the auctions unreserved, Lloyds' clients can quickly dispose of stock and avoid ongoing holdings costs.

Lloyds' strong growth is evidenced in its 56 per cent revenue growth in 2016-17, which has been followed by an equally impressive 62 per cent growth in the first three months of 2017-18. Total auction turnover was $48m in 2015-16, which increased by 83 per cent to $88m in 2016-17, with turnover likely to be close to $150m in 2017-18. To put this into perspective, high-profile online retailer Kogan is expected to turn over about $400m (~40% growth) in 2017-18, and has a market cap close to $700m.

Lloyds is the largest seller of classic cars in the southern hemisphere, regularly achieving sale prices in excess of $200,000 per car, and also achieves strong results in yellow equipment (mining/earthmoving) and portable buildings. Lloyds also has an emerging arts and collectables division.

Having recorded three million registered views of its auctions, Lloyds is very well placed to capitalise on its unique distribution capabilities as it becomes a leading online retail business.

Joyce's other investment interests are holding their own as well. Kitchen Connection, one of Australia's largest premium kitchen renovation companies, is also exhibiting strong growth. This business has experienced average annualised revenue growth in excess of 20 per cent over the past five years, with orders for 2017-18 expected to be in excess of $60m.

The company's smallest business unit, the national Bedshed franchise, continues to take market share and offers unique bedding technology. Bedshed has recorded like-for-like sales growth of 5 per cent for the first quarter of 2017-18 across its 32 outlets.

Total Joyce network turnover will be close to $300m in 2017-18.

Like most true old-economy businesses, Joyce also has real assets on its balance sheet — mainly in the form of two substantial industrial properties.

The value of Joyce's interests in the Lloyd's business, the Kitchen Connection business, the Bed Shed business and its industrial properties is well in excess of its current $40m market capitalisation.

While it may not be the sexiest company on the ASX, a company that pays a healthy 8 per cent fully franked dividend, has a strong balance sheet and interests in growing, profitable businesses is an attractive investment — particularly when compared with many of the flavour-of-the-month tech stocks valued over $100m despite being many years away from turning a profit.

A SELECTION OF DMXCP'S TOP POSITIONS AS AT 31 JANUARY 2018 (IN NO PARTICULAR ORDER):

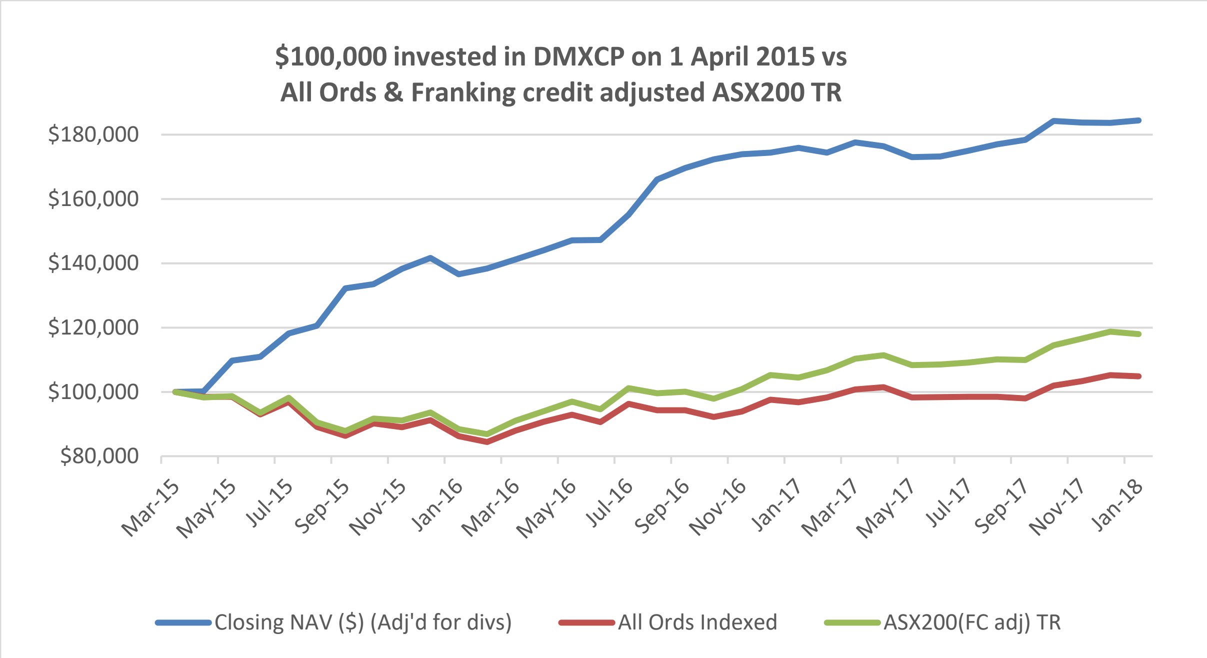
ASX:**ZNT**	ASX**: PNC**	ASX:**JYC**	ASX:**KKT**	ASX:**PGC**
Zenitas	**Pioneer Credit**	**JoyceCorp**	**Konekt**	**Paragon Care**
m/c: $91m	m/c: $183m	m/c: $40m	m/c: $50m	m/c: $129m
FY18 Outlook:	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*
"EBITDA of between $13m to $13.5m"(pre acquisitions (FY17:$7.0m)	"48% increase in earnings expected"	"business units are forecasting solid performance gains"	"70% increase in revenue and EBITDA"	"strong growth in FY18 across all key metrics"

Please feel free to follow us on twitter to keep up to date with our articles and commentary: https://twitter.com/DMXAsset

Fund Monitors have recently started maintaining an analysis of DMX Capital Partners available at:

https://www.fundmonitors.com/fund-factsheet.php?FundID=1265&AccCode=fsoljcoh0

The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (April 2015). DMXCP is an absolute return fund, focused on generating positive (absolute) returns over the medium to long term. The fund is benchmark unaware, however for illustrative purposes, also presented below is 1) the corresponding indexed returns of the ASX All Ordinaries Index and 2) the S&P/ASX 200 Franking Credit Adjusted Annual Total Return (TR) Index (that adjusts for dividends and the tax effect of franking credits).



We look forward to updating you again in early March.

Kind regards

Roger Collison

Chairman

Steven McCarthy

Portfolio Manager

Simon Turner

Head of Client Services

Note 1: Net asset value (NAV) is after all tax accruals but includes an estimate of franking credits available. Refer note 5
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Includes cash received during the month for the application of new DMXCP shares to be issued
Note 5: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gains