DMX ASSET MANAGEMENT

DMX Capital Partners Limited

Investing in the most compelling small and micro-cap value opportunities

DMX Capital Partners Limited

November 2017 – Shareholder Update

An investment company managed by:
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Opening NAV (1 Nov 2017) [1,2]	**$1.7197**	Fund size	~$5m	No. of positions	18
Closing NAV (30 Nov 2017) [1,2]	**$1.7152**	% cash held - month end [4]	20%	Earnings based positions	16
NAV Return (November)	-0.267%	Gearing	nil	Asset based positions	2

*DMXCP Share price = Closing NAV ($**1.7152**), 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**		**+5.79**	**+5.91**

Dear Shareholder,

DMXCP returned -0.267% after all accrued fees and expenses for November 2017. The ASX All Ordinaries Index increased +1.35% during the month. DMXCP's NAV as at 30 November was **$1.7152**, down from $1.7197 in September.

For the first five months of the 2018 financial year (July – November), DMXCP has returned +6.29% after all accrued fees and fund expenses.

The fund has returned +83.76% after fees (including dividends) in the 32 months since inception (April 2015), compared to the 3.33% increase in the All Ordinaries Index over the same period.

Portfolio Review

A major portfolio development during the month was Zenitas Healthcare's (ZNT) significant capital raising undertaken to fund the expansion of its clinic network. The $35m capital raising was well supported by investors and partly underwritten by an Asian healthcare investor with strong ties to Australia (which now has a 11% holding in ZNT). However, given the size of the raising, it will take some time for the market to digest the new shares on issue. ZNT finished the month down 11% and was the key detractor from performance for the month. Our investment thesis for ZNT has been well documented in previous monthly updates, and we remain well positioned for a re-rate of this stock.

With the broader market buoyant in recent times, there have been some significant gains experienced by some technology, mining and other high growth and China focused companies in the small cap market as investors chase growth with an increased appetite for risk. Our focus continues to be on those companies where values can be reasonably supported by earnings, cashflow and/or assets. These companies are not generally flavor of the month 'sexy' types of stocks. We believe that our investors' long-term interests are best served by us staying focused on the fundamentals of a company, as opposed to buying into a 'story' that may have good momentum, but has a high probability of a poor outcome over time.

Last month we reported on some Annual General Meetings of our portfolio companies. November saw the balance of our holdings conduct their AGMs - below we report on some of the trading updates provided at these AGMs. We note that in each case, despite very strong operational progress and growth throughout the year, the share prices of each company are little changed from where they started the year – this is a good indicator of the upside potential for these stocks.

In a market where there is often commentary on how difficult it is to find value, we believe the following four stocks offer exceptional value given their growth outlooks.

DMXCP investment	**AGM update (for companies with November AGMs)**
Konekt Limited Market cap $52m AGM date 16 November 2017	Workplace services provider Konekt (KKT) held its AGM during November. At the AGM, KKT confirmed forecast revenue growth of more than 70% and underlying EBITDA growth (excluding one-off items) of greater than 70%. A key focus of the AGM was therefore on updating the market on its recent Mission Providence acquisition – pleasingly, KKT noted that there have been no surprises following completion and that the business was tracking to expectations. The acquisition diversifies KKT's existing revenue streams, and enhances its ability to provide return-to-work (RTW) employment services, to complement its existing core offering of delivering RTW injury management programs (essentially managing the process of rehabilitating injured workers and getting them back into jobs – and where it is the current national market leader). KKT noted the acquisition also provides KKT the capacity to enter new or underserviced markets. The logical potential new market here is providing RTW disability employment services – an attractive opportunity with the Federal Government's 2017 budget highlighting an additional investment of over $3 billion in disability employment services to help people with disabilities get and keep long-term jobs. A private equity fund has recently bought a majority shareholding in one of KKT's key competitors – APM (the largest provider of disability employment services to the Federal Government) (https://thewest.com.au/business/mergers-and-acquisitions/big-wynne-bonus-in-400m-apm-sale-ng-b88565352z). Apart from this transaction, there has been growing private equity interest in the sector – possibly driven by the potential to capture some of the increasing amount of government funding committed to the disability sector. KKT continues to trade on a PE multiple of less than 10x, with EPS growth (excluding amortization, abnormals and potential cost synergies) of 15% - 20% forecast over the next two years – a powerful combination of value and growth. There would also appear to be little upside priced into KKT's current share price to reflect the further growth available to KKT from the larger scale opportunities it is looking to capture, as the business transitions from its injury management focus to a larger, diverse, more integrated employment services company, operating in multi-billion dollar markets. For a more detailed article on KKT, please refer to our Livewire article: https://www.livewiremarkets.com/wires/konekting-the-dots-value-growth-opportunity

JOYCE CORPORATION LTD SINCE 1886 Joyce Corporation Limited Market cap $48m AGM date 30 November 2017	Diversified investment company Joyce Corporation reported a strong trading update at its AGM in respect of each of its businesses lines: • Lloyds online auctions – revenue growth for Q1 of FY18 of 61% • KWB Kitchens - revenue growth for Q1 of FY18 of 13% • Bedshed network - revenue growth for Q1 of FY18 of 5% • Investment properties – both now generating external rent with re-valuation gains expected. JYC continues to invest in the intellectual property and development of each business unit to ensure long term sustainable growth. JYC reiterated that on the whole, its businesses are resilient to economic cycles and are unlikely to face any significant threat from Amazon. To summarise our investment case here, JYC has interests in: • The fastest growing, and one of the largest, online auction sites in Australia (FY17 revenue growth of 56%, and YTD growth of 61%); • The largest specialist kitchen renovation business in Australia; • A large bedding and furniture franchise business; and • Approximately $20m of recently refurbished real estate. We view the sum of each of these equity interests to be significantly higher than JYC's current $48m market cap.
BLACKWALL Blackwall Limited Market cap $52m AGM date 17 November 2017	Blackwall Limited (BWF) - fund manager, property manager and manager/developer of the Wotso shared workspace business, held its AGM during November. BWF highlighted that by locating its Wotso workspaces in city fringe and suburban sites, it is able to achieve industry leading margins of 25% to 30%. This is because it incurs significantly lower rental expenses but is still able to charge similar rates for its spaces as city-based co-working spaces. Wotso is a very fast growing business - during FY17, Wotso grew its revenue by 84% and operating profit by 93%. It manages the largest number of co-working sites in Australia, together with a Singaporean business, and is currently looking at New Zealand opportunities. At the end of November, BWF confirmed that following the uplift in value of a fund that it manages, it had generated performance fees of approximately $11m. This fee will be converted into units in the fund – providing BWF with an ongoing income stream and the potential to benefit from further capital gains in the fund. This is an $11m asset that BWF did not have this time last year – and is quite material in the context of a $52m market cap company. In addition to this 'new' asset, BWF has a number of other 'surplus' investment assets on its balance sheet – we estimate BWF's net assets to be worth approximately $35m in total. Deducting the value of these net assets from BWF's market cap of $52m implies that BWF's three operating businesses (the fast growing Wotso business, and BWF's fund and property management businesses) are being valued at just $17m. The fund management business has generated performance fees of $14m in the last 6 months alone! To provide an indication of sector values for larger co-working companies, we note that WeWork, the world's largest co-working company and Wotso's largest Australian competitor, is currently valued at an incredible 20x its forecast annual sales. (Wotso's annual sales are currently tracking at approximately $8m).

ParagonCare Health. Covered. Paragon Care Limited Market cap $138m AGM date 22 November 2017	Healthcare equipment and consumables supplier, Paragon provided revenue and EBITDA guidance at its AGM which was in-line with market expectations and translates to ~10% organic EPS growth for the year (pre any acquisitions). A number of growth drivers for PGC were articulated in the AGM presentation: - A growing demand for the provision of preventative equipment service and maintenance throughout the medical, scientific and allied health industries, with these recurring service revenues now expected to contribute ~10% of PGC's FY18 revenues; - Extending PGC's geographic footprint – i.e. the rolling out of a new South Australian warehouse and logistics site in January 2018. Queensland and New Zealand are areas that remain underserviced by PGC; - PGC continues to benefit from increasing demand in the aged care sector with these revenues increasing 20% to $14m for FY17 - PGC's e-health offering Midas, a web reporting software platform, is making strong progress towards contributing profit; and - Strong pipeline of value accretive M&A to add to PGC's product range, service and maintenance offering and geographical footprint are being reviewed. Despite these positive developments the PGC share price continues to be weak. We believe the weakness can be explained by the following: - An upcoming CEO transition – short term in nature; - The market expecting a capital raise at some point to fund a potential large acquisition – again short term in nature if it happens; - Seasonality of the business becoming more pronounced as hospitals buying increasingly trends to the third and fourth quarters of the financial year (structural – but can be mitigated through increased service and maintenance and consumable revenues). Whilst the current share price is disappointing, we expect the PGC share price to be materially higher this time next year. PGC have stated some aggressive financial targets (revenue of $250m and EBITDA of $37.5m) - and have an excellent track record in achieving its targets.

A SELECTION OF DMXCP'S TOP POSITIONS AS AT 30 NOVEMBER 2017 (IN NO PARTICULAR ORDER):

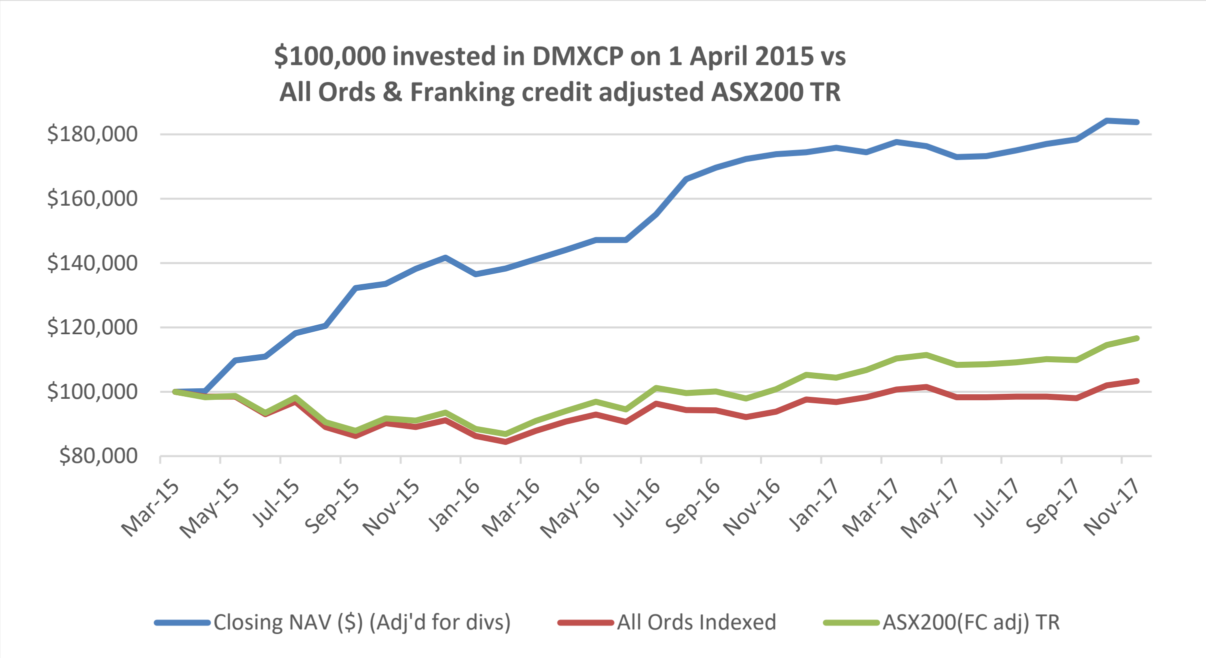
ASX:**ZNT**	ASX: **PNC**	ASX:**JYC**	ASX:**KKT**	ASX:**PGC**
Zenitas	**Pioneer Credit**	**JoyceCorp**	**Konekt**	**Paragon Care**
m/c: $87m	m/c: $179m	m/c: $48m	m/c: $52m	m/c: $138m
FY18 Outlook:	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*
"EBITDA of between $13m to $13.5m"(pre acquisitions (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).



Christmas Wishes

As this is the last newsletter before Christmas we would like to take this opportunity to wish you and your family a safe and merry Christmas and an enjoyable new year.

We thank all DMXCP shareholders for their support, and for the confidence you have shown in us and our strategy.

We look forward to 2018, where we will again continue to remain focussed on identifying interesting, undervalued, not widely known opportunities that have the potential to add meaningful value to DMXCP and its shareholders.

Kind regards

Roger Collison	Steven McCarthy	Simon Turner
Chairman and Chief Investment Officer	*Portfolio Manager*	*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

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