DMX ASSET MANAGEMENT

DMX Capital Partners Limited

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

DMX Capital Partners Limited
October 2017 – Shareholder Update

An investment company managed by:
DMX Asset Management Limited
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Opening NAV (1 Oct 2017) [1,2]	**$1.6617**	Fund size	~$5m	No. of positions	19
Closing NAV (31 Oct 2017) [1,2]	**$1.7197**	% cash held - month end [4]	24%	Earnings based positions	17
NAV Return (October)	+3.494%	Gearing	nil	Asset based positions	2

*DMXCP Share price = Closing NAV ($**1.7197**), 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 (to be 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**			**+6.67**	**+4.49**

Dear Shareholder,

DMXCP returned +3.939% before all fees, expenses and tax; and +3.494% after all accrued fees and expenses for October 2017. The ASX All Ordinaries Index increased +4.039% during the month. DMXCP's NAV as at 31 October was $1.7197, up from $1.6617 in September.

For the first four months of the 2018 financial year, DMXCP has returned +6.495% after all accrued fees and fund expenses.

The fund has returned +84.21% after fees (including dividends) in the 31 months since inception (April 2015), compared to the All Ordinaries Index, which has increased 1.95% over the period.

Portfolio Review

October was a busy month for our portfolio companies with around half our holdings conducting their Annual General Meetings - below we report on some of the updates provided at these AGMs.

A number of new investment opportunities were reviewed during the month, with two new positions being initiated. As confidence returns to the small cap universe and the broader market, corporate activity, capital raisings and IPO opportunities have increased which we continue to cautiously assess.

We believe the DMX Capital Partners' portfolio continues to represent compelling value with a blended portfolio FY18 price earnings multiple of less than 11x (excluding cash), versus the market average of approximately 17x, underpinned by key holdings such as Pioneer Credit, Zenitas and Konekt which continue to trade on relatively low multiples, despite their strong earnings growth outlooks.

DMXCP investment	AGM update (for companies with October AGMs)
Zenitas Healthcare Limited Market cap $61m AGM date 27 October 2017	Allied healthcare company Zenitas (ASX:ZNT) reported a strong trading and operational update, and advised it is on track to pay its maiden dividend. FY18 EBITDA guidance of between $13m to $13.5m (up from $7m) was re-affirmed. During the month, ZNT also released its cash flow statement for the first quarter of FY18 ($2.75m), highlighting the powerful cash generation of the business, notwithstanding only partial contributions from its recent acquisitions. ZNT reiterated its organic growth expectations of 7.5% to 10% and noted that it was pleased with the progress to date on the integration of recent key acquisitions and other strategic initiatives. The Dimple integration plan is ahead of schedule and the Nextt Care integration plan is on schedule, with no material issues to date. ZNT has delivered on a number of organic growth opportunities that it had previously flagged as opportunities, including provision of additional services at the existing locations, consolidation into co-located sites and tendering for corporate health service contracts. We believe ZNT continues to trade on a low multiple for a defensive, diversified (by geography and funding source) business with a large runway of organic and acquisitive growth opportunities. Management are executing with diligence and confidence. The expanding depth of the management team and its operational systems is particularly encouraging, Towards the end of the month, ZNT announced a capital raising to fund the roll out of its national clinic expansion. Upon completion of the raising, ZNT's market cap will be ~$90m, generating EBITDA approaching $18m (annualised run-rate post expected acquisitions, pre minorities). We first invested in ZNT when it had a market cap of $4m, and this raising represents our third round of funding for ZNT. It is pleasing to have been part of the ZNT journey as it progresses into a significant and profitable, national healthcare player. With a market cap post raising approaching $100m and a compelling investment case, still very much under the radar, we remain very positive on the prospects for ZNT.
Pioneer Credit Limited Market cap $179m AGM date 27 October 2017	Financial services company Pioneer Credit (ASX:PNC) provided a trading update at its AGM where it noted that cash liquidations (revenue), EBIT, EBITDA and NPAT were all tracking to expectations. FY18 NPAT is expected to be at least $16m as previously guided. PNC has spent many years developing new financial products and services that it intends to offer in part to its significant (rehabilitated) customer book as well as other consumers. The AGM focused on the progress of this emerging business segment. PNC have an inherent advantage in this area as, through its debt collection business, it has accumulated significant data and learnings on consumer borrowing and repayment behaviour, which it can use when undertaking risk assessments for its new financial products. This segment will also strengthen PNC's relationships with its PDP vendor partners (banks and financiers), as PNC is now both an acquirer of assets from, and a distributor of products for vendor partners.

	Pioneer is targeting $30m in lending by end of 2018, at which point this segment is expected to reach break-even. Financial services products will represent an increasing focus for PNC over the next several years, and, if executed well, will provide significant revenue diversification and upside to the company's valuation. The market is not currently assigning any value to this segment of the PNC business.
Gale Pacific Limited Market cap $114m AGM date 27 October 2017	Shade cloth manufacturer and retailer Gale Pacific (ASX:GAP) reported that trading during the first quarter of FY18 had been adversely affected by a poor grain season in Australia as a result of a very dry winter, leading to reduced demand for grain cover fabrics, and hurricanes affecting key retail markets in the south of the USA (Florida and Texas). This was a negative update and will mean that earnings in the first half will be well below the prior corresponding period. GAP, however, are confident of a strong second half performance, driven by strong momentum in the Americas where GAP have already secured significant product ranging commitments in its core window shade and shade sail categories. As a result, GAP's guidance for the full year is for earnings to be in line, or slightly above FY17's underlying pre-tax profit of $13.5 million. This would see GAP generate a remarkable 3.4c of earnings in the second half of FY18 (current share price is 37c). Whilst there is certainly risk around GAP meeting this forecast, it does highlight the earnings power of the business in the absence of some of the external factors that the business has experienced in FY17 and the early part of FY18.
Apollo Tourism and Leisure Ltd Market cap $307m AGM date 25 October 2017	Apollo Tourism and Leisure (ASX:ATL), a leading integrated, global player in the RV (recreational vehicle market) – manufacturing, importing, retailing and renting RVs in Australia, NZ, United States and Canada, reported a positive update, with growth in international visitor numbers forecast for all geographic regions that it operates in. Management has advised that forward rental bookings are tracking well across all geographies as guided, with NZ and Canada emerging as key growth regions. Sales of RV vehicles remain strong, with ATL well placed to drive market share growth from its recent purchase of RV dealerships. Growth into FY18 for ATL will be supported by earnings contributions from its recently acquired Australian caravan and motorhome retail operations and its new wholly-owned Canadian RV subsidiary, CanaDream Corporation - one of the largest RV rental and sales companies in Canada. FY18 results will benefit from 12 months of SydneyRV & Kratzmann, 11 months of CanaDream & 10 months of George Day, and Apollo noted it has confidence in the quality of its recent acquisitions, all of which have been accretive and at least tracking in line with expectations. During FY18, to support growth in its Australian retail RV footprint, management expects to relocate it Brisbane manufacturing facility to larger premises, resulting in an incremental ~$1m operating cost in FY18, but this will provide long term operational benefits. ATL is a growing international business, supported by encouraging thematics, and well led by experienced industry operators who continue to own the majority of the company.

Fiducian Group Limited
Market cap $174m
AGM date 19 October 2017

Integrated financial services company Fiducian Group Limited (ASX:FID) at its AGM reported that profit for the first quarter of FY18 was ahead of budget, driven by an increase in funds under administration from inflows and strong fund performance.

We expect Management to deliver another year of double digit earnings per share growth in line with their guidance.

The company also announced at the AGM that founder and current Managing Director, Indy Singh, was being positioned to become chairman, initially taking on the role of executive deputy chairman. As a result, he will be relinquishing some operational responsibilities. A large part of the FID success has been driven by Indy's passion and drive, and while we support a succession planning strategy, we believe there is increased operational risk as Indy steps back from his day to day involvement in the business.

Our average entry price into FID was under $2.00 and with the share price now over $5.00 (and the FY18 PE multiple approaching 18x versus the 10x when we purchased FID) we have been reducing our holdings in FID.

A SELECTION OF DMXCP'S TOP POSITIONS AS AT 31 OCTOBER 2017 (IN NO PARTICULAR ORDER):

ASX:**ZNT**	ASX: **PNC**	ASX:**JYC**	ASX:**KKT**	ASX:**PGC**
Zenitas	**Pioneer Credit**	**JoyceCorp**	**Konekt**	**Paragon Care**
m/c: $61m	m/c: $179m	m/c: $44m	m/c: $52m	m/c: $135m
FY18 Outlook:	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*	*FY18 Outlook:*
"EBITDA of between $13m to $13.5m" (FY17:$7.0m)	"48% increase in earnings expected"	"group is poised for further growth"	"double revenue and EBITDA" (on pro-forma basis)	"continue to grow earnings and dividends"

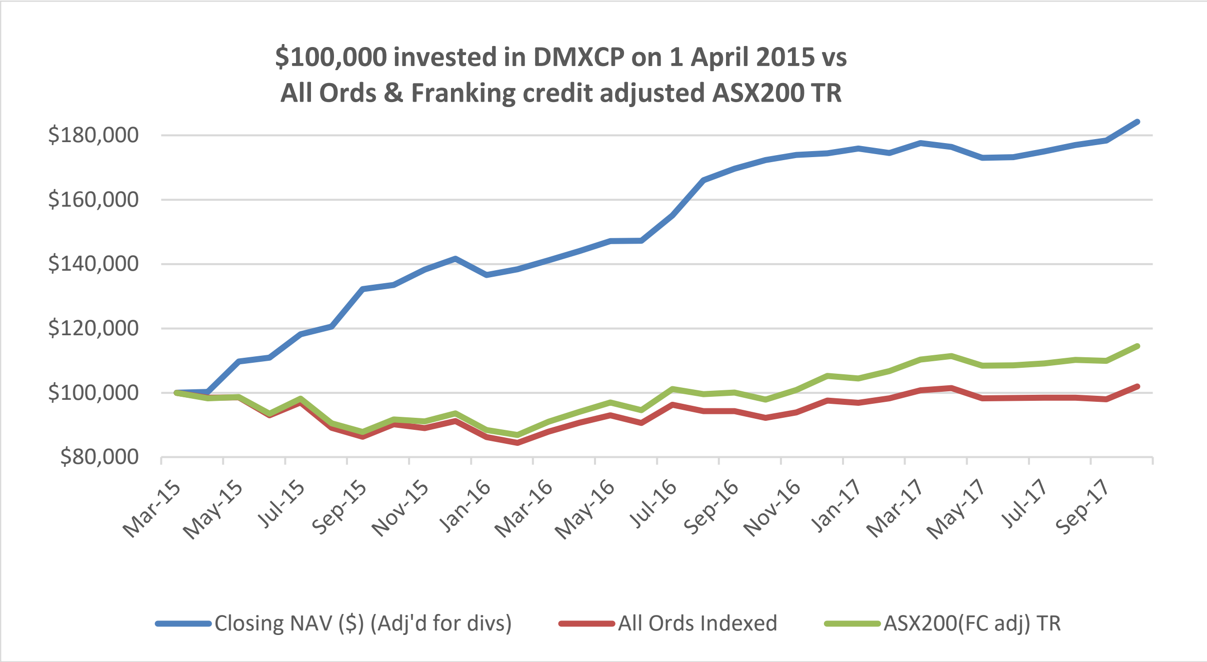
Please feel free to follow us on twitter to keep up to date with our articles and commentary:

https://twitter.com/DMXAsset

Attached is a link to a recent interview with DMXAM's Steven McCarthy by Alan Kohler's The Constant Investor.

http://www.dmxam.com.au/files/Constant%20Investor%20Steve%20McCarthy%20Interview.pdf

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 DMXCP Shareholders in early December with further portfolio developments.

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