DMX
ASSET MANAGEMENT

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

DMX Capital Partners Limited
September 2017 – Shareholder Update

An investment company managed by:
DMX Asset Management Limited
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Opening NAV (1 Sept 2017) (1)	**$1.6987**	**Closing NAV (30 Sept 2017)** (1)	**$1. 6617**	**Fund size**	**~$4m**
Performance – Sept 2017		*Performance – last 3 months*			
DMXCP GAV return (Sept)	+0.851%	DMXCP GAV return (3 m'th)	+3.432%(4)	% cash held - month end(6)	30%
Period end 30 day BBSW	+0.136%(2)	Average 30 day BBSW	+0.395%(5)	Gearing	nil
Out (under) performance	+0.615%(3)	Out (under) performance	+3.037%	No. of positions	18
All Ords return	-0.468%	All Ords return	-0.347%	Franking credits / Share(7)	-

*DMXCP Share price = Closing NAV ($**1.6617**), 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 (o 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) (9) (%):

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**				**+2.40**	**+0.44**

Dear Shareholder,

DMXCP returned +0.851% before all fees, expenses and tax; and +0.822% after all accrued fees and expenses for September 2017. The ASX All Ordinaries Index decreased -0.468% during the month. On 30 September 2017 DMXCP's NAV was 'ex' a 3.70c dividend and 1.40c franking credit, as a result, DMXCP's NAV as at 30 September was $1.6617 ($1.7127 before dividend), down from $1.6987 in August.

The fund has returned +78.41% after fees (including dividends) in the 30 months since inception (April 2015), compared to the All Ordinaries Index, which has fallen -5.67% over the period. For the first three months of the 2018 financial year, DMXCP has returned +3.00% after all accrued fees.

Portfolio Review

The period between year-end reporting (which concludes at the end of August) and AGM season (which commences in October) provides an opportunity to attend post reporting road shows and company meetings with existing portfolio holdings and prospective portfolio inclusions. Following these meetings, and our review of year end results, two new positions were initiated.

September was a relatively quiet month in terms of fund news flow. Material announcements across the portfolio included:

- Workplace health and productivity company, Konekt Limited (ASX: KKT) received Department of Employment consent (being the sole condition precedent) to acquire Mission Providence Pty Ltd, and proceeded to complete the transaction on 29 September 2017. The acquisition is expected to approximately double KKT's revenue and EBITDA and deliver EPS before amortisation (EPSA) accretion of c.20% in FY18 – KKT is currently trading on a single digit multiple, with a strong earnings growth outlook.

- Healthcare supplies company Paragon Care (ASX:PGC) announced that its long time CEO, Mark Simari, was transitioning to a new role in the company focused on mergers and acquisitions, with a new CEO commencing. The market reacted negatively to this news. Having spoken to the company about this development, we understand that the change was initiated by Mark Simari (as opposed to the board) following a period of 10 years in the role, and that the move plays to his strengths (M&A) and also to the incoming CEO's management style. We do not anticipate a change in the existing Board's strategy. While this may result in some short term weakness in PGC, we remain very confident in the outlook for the company.

- Elanor Investors Group (ASX:ENN), consistent with management's expectations of a more active 6 months to December 2017, announced the formation of a new property syndicate as well as commencing a marketing campaign for the sale of one its larger funds (Bell City Fund). Further details on ENN are set out in the profile below:

Portfolio holding profile – Elanor Investors Group (ASX:ENN)

Elanor Investors Group

Property and hotel/tourism fund manager and investment company, Elanor Investors Group (ASX:ENN), is a core long term holding of the fund that we believe represents compelling value at current prices. We have been adding to our position in ENN recently.

ENN ticks a large number of boxes for a high quality business including:

- Strong management with a proven history of operational out-performance;
- High levels of recurring income;
- A strong track record of buying assets well, adding value and then realising the asset value;
- Favourable tailwinds in the form of growing long term investment demand for high quality, high yield, tourism and property assets; and
- An exceptionally strong balance sheet.

In terms of value, ENN is currently trading broadly equal to the market value of the various real estate, tourism and investment assets that it owns. In addition to the 'hard' assets that it owns, ENN is building a very successful and profitable funds management division that the market is attributing limited value to. In our experience, this is an unusually attractive opportunity for a high quality, well run business.

The funds management business

ENN's funds management business currently has around $800m in external funds under management, and generated segment EBITDA of $8m in FY16 and $11m in FY17.

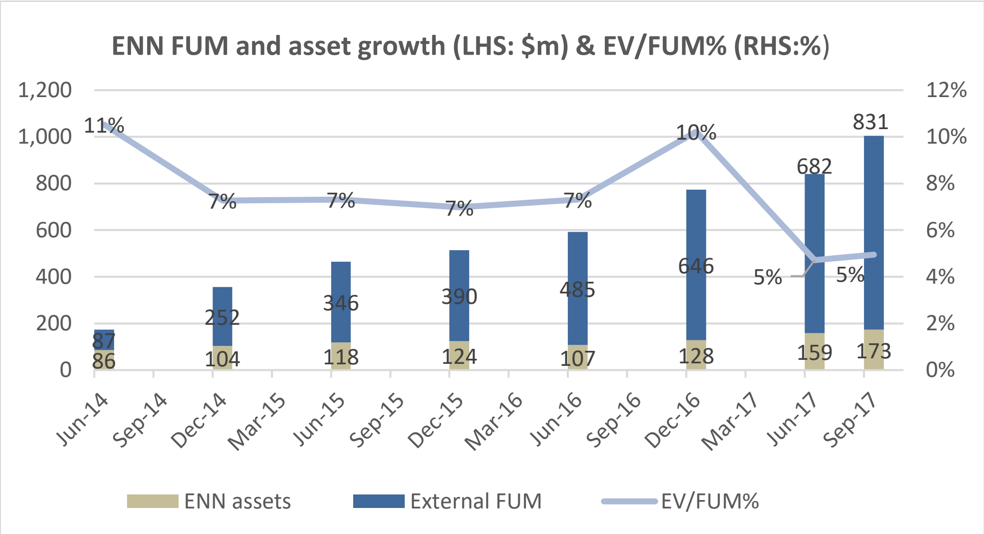
The business has powerful leverage to ongoing funds under management (FUM) revenue growth and significant potential performance fees. ENN's management are optimistic about converting their strong pipeline of new fund initiatives which should support good growth into FY18, following a significantly increased origination and capital raising capability.

Management's ability to purchase assets well, and to add value to assets through active and astute management has also resulted in significant embedded performance fees (off balance sheet) that will accrue to ENN as assets are realized over the coming years.

The key funds that ENN currently manage include:

- Elanor Retail Fund (ASX:ERF) – listed on the ASX in 2016 with gross assets of over $250m
- Elanor Hospitality and Accommodation Fund – unlisted fund formed in March 2016 with gross assets of over $100m
- Elanor Metro and Prime Regional Hotel Fund – recently announced unlisted fund with gross assets of $73m.

As illustrated below, the growth in FUM over the past several years has been impressive, however the emerging funds management business being developed by ENN has yet to be properly recognised by the market.



Source: Company reports and DMXAM estimates

The chart above sets out the growth in assets both owned by ENN and externally managed by ENN, together with our calculation of the business value (enterprise value) as a proportion of external funds under management - a metric that highlights the relative value the market is applying to ENN's fund management business.

When ENN listed on the ASX in 2014, its funds management business was valued at 10% of its FUM at the time. This metric has been reducing and sits at c. 5% today, which indicates the business is cheaper now relative to any other time in its trading history. Further, if we were to adopt our estimates of the market values of ENN's investment assets, rather than the audited book values (with some key assets recorded at cost) used in the analysis above, then the business would appear even cheaper, at less than 2% of its FUM.

The market has been attributing less and less relative value to ENN's funds management business, over a time when the business has been generating increasing profits and scale and a track record of strong performance outcomes – this represents a compelling opportunity for us. ENN's underlying funds continue to mature and provide potential for ENN to capture material performance fees.

Valuation

As value investors we are focused upon identifying the most compelling under-valued high quality smaller companies on the ASX. ENN currently stands out as a particularly compelling value opportunity based upon its asset and earnings base.

As a result of recent valuation uplifts to its Hotel and Tourism assets, and forecast mark to market values of its real estate (e.g. ENN's Merrylands property) and co-investment assets (e.g. ENN's Belly City fund investment) we estimate ENN's underlying NAV is now approximately $2.00. With its current share price at around $2.10, this implies very limited value is being applied to ENN's funds management business. We view the current opportunity to buy a share of a high quality funds management business with a top class management team for next to nothing (and where the share price is supported by the value of its assets) as unusually attractive. Catalysts to potentially unlock this value include the sale of non-core assets, new fund initiatives and asset realization / generation of performance fees. We remain committed long term investors and look forward to seeing this value being unlocked over time.

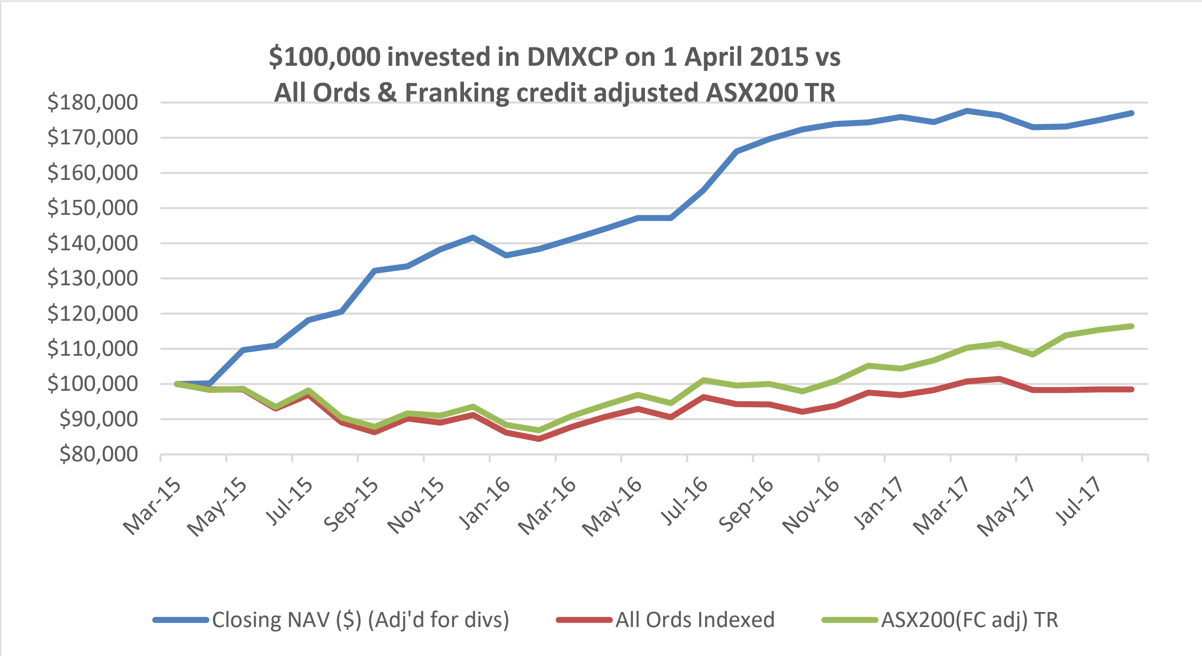
A SELECTION OF DMXCP'S TOP POSITIONS AS AT 30 SEPTEMBER 2017 (IN NO PARTICULAR ORDER):

ASX:**ZNT**	ASX: **PNC**	ASX:**JYC**	ASX:**KKT**	ASX:**PGC**
Zenitas	**Pioneer Credit**	**JoyceCorp**	**Konekt**	**Paragon Care**
m/c: $60m	m/c: $148m	m/c: $46m	m/c: $49m	m/c: $153m
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

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 November 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 8
Note 2: 30 day BBSW rate at 30 Sept 2017 (mid-rate) was 1.60% per annum, which is calculated as 0.132% on a monthly basis
Note 3: Out (under) performance is with reference to the 30 day BBSW rate and calculated as: DMXCP GAV monthly return less 30 day BBSW (monthly basis)
Note 4: Unaudited result
Note 5: 30 day BBSW rate chain linked for 3 months to 30 Sept 2017 (mid-rate) was 0.395%
Note 6: Includes cash received during the month for the application of new DMXCP shares to be issued
Note 7: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gains
Note 8: All DMXCP disclosed returns include the payment of dividends and franking credits