DMX ASSET MANAGEMENT

DMX Capital Partners Limited

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

DMX Capital Partners Limited

April 2018 – Shareholder Update

An investment company managed by:
DMX Asset Management Limited
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Opening NAV (1 April 2018) [1,2]	**$1.6940**	Fund size	~$6m
Closing NAV (30 April 2018) [1,2]	**$1.6741**	% cash held - month end [4]	22%
NAV Return (April)	-1.173%	Gearing	nil

*DMXCP Share price = Closing NAV ($**1.6741**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
**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	-1.625	+0.008	-1.173									**-2.34**	**-1.56**

Dear Shareholder,

DMXCP returned -1.17% after all accrued fees and expenses for April 2018. The ASX All Ordinaries Index rose 3.44% during the month. DMXCP's NAV as at 30 April was **$1.6741**, down from $1.6940 in March. For the 2018 financial year to date (July – April), DMXCP has returned +3.84% after all accrued fees and fund expenses, whilst the fund has returned +79.66% after fees (including dividends) since inception (April 2015).

DMXCP remains invested in the most compelling ASX listed micro-cap opportunities which are in our opinion both high quality and under-valued. The fund provides exposure to a genuinely differentiated portfolio of profitable companies, with bright prospects, and at attractive valuations. Correlation with the broader market remains low, and thus an investment in DMXCP is expected to bring diversification benefits to our shareholders' broader portfolios.

Portfolio Review

The portfolio finished April weaker, with the key detractors being:

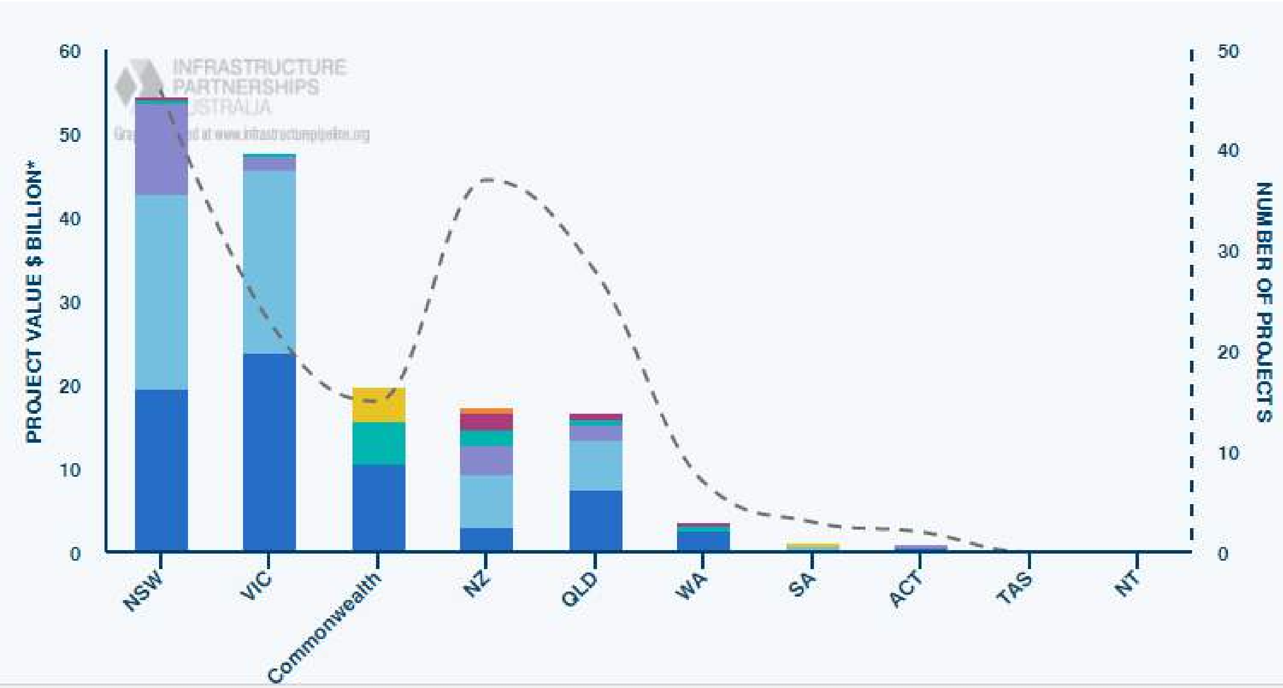
- Zenitas Healthcare (ZNT) – ZNT's share price continued to weaken during the month despite it confirming its FY18 expected EBITDA of $13m to $13.5m and announcing two accretive acquisitions. Management continue to deliver on their strategy and at month end, ZNT was trading on less than 9x FY19 earnings while the forward PE for healthcare stocks is currently approximately 29x earnings.
- Konekt (KKT) – during the month KKT advised it expected FY18 EBITDA of between $8.5m to $9.5m (previously expected $10m, FY17: $5.5m) with weaker workers compensation markets in NSW and South Australia impacting performance. KKT has forecast strong FY19 growth and is trading on less than 6x FY19 earnings and less than 4x pre-tax free cash flows. At these levels, given recent private equity and corporate activity in the sector, it represents an attractive takeover candidate.

Given their respective multiples, both stocks continue to offer meaningful upside so we will continue to focus on the long term opportunity.

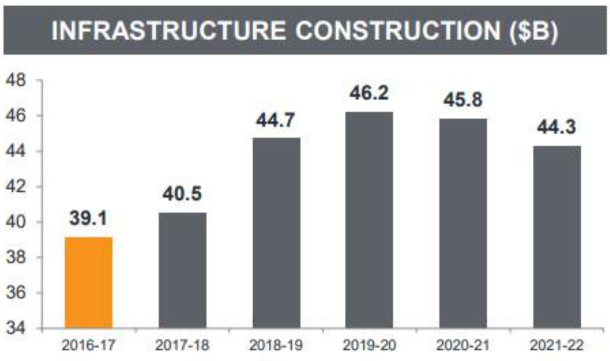
We continue to assess placements, capital raisings and sub-underwriting opportunities for the portfolio. We highlight two such opportunities in the infrastructure sector that we participated in below.

AUSTRALIA AND NEW ZEALAND INFRASTRUCUTRE EXPOSURE

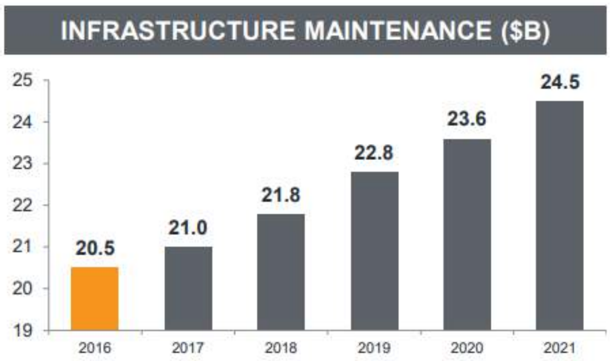
The term "infrastructure boom" is often referenced in media commentary. While a "boom" may be somewhat overstating the significance, there is clearly an increasing amount of investment moving into infrastructure projects. Deloitte Access Economics notes that engineering and commercial construction activity increased by 12% in 2017, with a pipeline of over 150 major projects valued at over $200 billion anticipated to come on line over the coming years.



This pipeline of new projects will support significant new construction and ongoing maintenance spend as outlined below for Australia.



Source: ACIF Report (November 2017). Excludes heavy industry and telecommunication.



Source: IBISWorld Report: Infrastructure Maintenance Services in Australia November 2016

Our challenge has been in identifying companies that have unique, market leading product/service offerings, that are well positioned to capture a meaningful portion of this spend, at attractive margins, while at the same time having a diversified customer base so they are not exposed to any significant single contract risk. As always, we also require the investment to offer compelling valuation metrics. Over the last month we have increased our exposure to the infrastructure sector through further investments in two such companies that meet our strict criteria:

1) SRG Limited

ASX: SRG

Diversified international engineering and complex services provider

Market cap = $144m

SRG is an engineering services company founded in 1961 to supply and install rock anchors for the Snowy Mountains scheme. Today it offers a diversified range of infrastructure, civil, building and mining services to a global customer base.

Key services

SRG has a market leading position in bridge works and bridge construction systems and has been designing, constructing, repairing and strengthening bridges since the 1960's. As a recent example, SRG was part of a joint venture that in late March was awarded a project to build 2.1km of new roads and a new 320m long bridge in regional NSW by the NSW Roads and Maritime Services. SRG will provide the experience and systems to the joint venture project team for the construction of the balanced cantilever bridge.

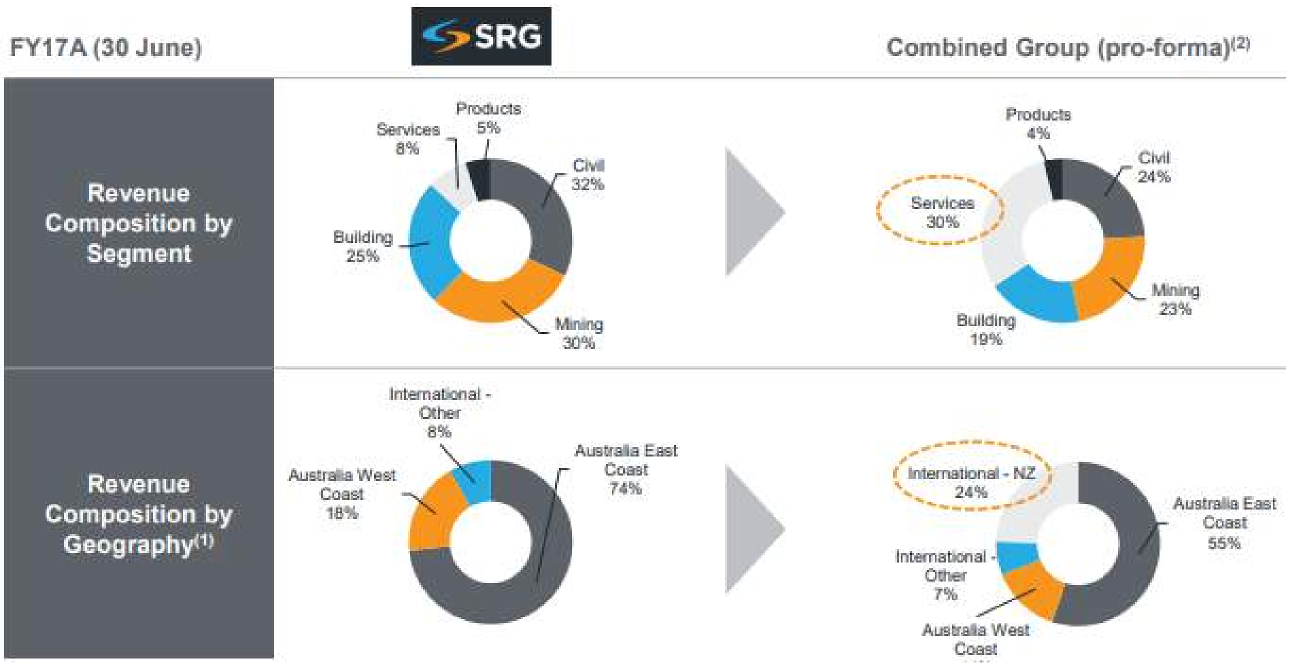
SRG's other key competency is dam construction where it is a global leader in permanent ground anchor design and installation. SRG recently formed a US joint venture which is targeting the estimated USD22b required to repair over 15,000 high hazard dams in the US.

NZ Acquisition

During the month SRG undertook a capital raising to fund the acquisition of TBS Group (Farnsworth), a leading NZ based specialist industrial contractor in asset and infrastructure maintenance services. The acquisition expands SRG's recurring service and maintenance exposure and provides a platform for further expansion in New Zealand.

It is a member of Total Bridge Services JV with Fulton Hogan and WSP Opus NZ which provides maintenance activities on the iconic Auckland Harbour Bridge.

The acquisition diversifies its service offering and will result in over 30% of its revenue being generated from outside Australia.



Value Proposition

SRG acquired TBS at the attractive multiple of 4.2x FY18F EV/EBITDA and 3.8x FY19F EV/EBITDA resulting in a transaction that is highly EPS accretive (~30%). At the placement price of $1.60, SRG was trading on a FY19 PE multiple of less than 10x.

DMXCP Position

DMXCP has held a position in SRG since mid 2017. We have increased our holding through our participation in the institutional placement used to fund the TBS acquisition.

2) **Traffic Technologies Limited**

ASX:TTI

Australia's largest traffic software and solutions company

Market cap: $16m

Key products

Traffic lights: TTI a leading supplier of LED road lights to the Australian market. It is the largest supplier of lights for major roads (Category V) in Australia. TTI's latest release of LED lights has proven to be very popular, with cost savings of 60 per cent in power, and 80 per cent in maintenance. TTI's new smart street lights also monitor vehicles and are used to feed into the controller to improve traffic light efficiency from 80% to 98%.

An example of TTI capitalizing on the infrastructure spend is a contract awarded to it by Fulton Hogan to supply LED road lights for the M80 Ring Road Upgrade in Victoria - a $300 million jointly-funded project of the Victorian and Australian Governments.

Traffic signals: TTI continues to be the dominant supplier of traffic signals to the Australian market.

Traffic controllers: TTI is also one of 3 licensees able to work within the SCATS (Sydney Coordinated Adaptive Traffic System) framework which is used also and operated in 27 countries and 37,000 intersections worldwide - regulating the sequencing and timing of traffic signals. 80 per cent of TTI's revenue from this division now comes from offshore, across the Middle East, Asia, and the Americas – for example TTI controls 40% of Singapore traffic flows.

Smart City platform

TTI has been successful in commercialising its "Smart City" platform "TST" - a wireless solution to monitor lighting and associated assets. TST's intelligent remote sensors can gather information on a wide range of inputs which currently the environment, waste functions, pole tilt or damage, plus the management of asset maintenance.

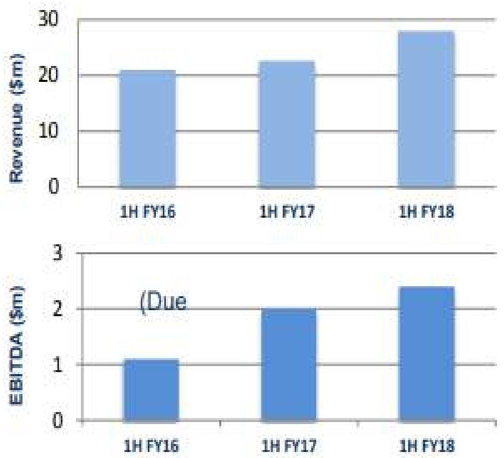
The smart city platform is also able to communicate "V to X" (vehicle to infrastructure), which will become increasing relevant as new generation vehicles become more popular. V to X is emerging technology that enables vehicles to automatically pass along messages regarding road conditions, traffic flow, and obstacles before these appear in the driver's visual range. Vehicles are 'connected to' and receive signals from intelligent road infrastructure such as TTI's.

In 2016, the Australian government launched its Smart Cities plan which sets out a national vision to enhance cities through smart policy, investment and technologies, and to manage the impact of growth on such things as congestion and traffic. A $50m Smart Cities and Suburbs program has been established to fund various Smart City initiatives.

Being able to control the technology in a key city asset such as street lights, places TTI in a very strong position as cities become more "connected" as per below.

Value Proposition

TTI is likely to generate revenue in excess of $60m for FY18. At a 10% EBITDA margin, and adjusting for the interest savings following the recent capital raising, this is likely to result in a pro-forma NPAT well in excess of $2m. The market cap of TTI at the 3c issue price was $14m, implying a mid-single digit PE multiple.



Earnings Summary			
Half Year, $m unless stated	H1 FY18	H1 FY17	% Chg
Revenue	28.1	22.6	25%
EBITDA	2.4	2.0	19%
D&A	(0.9)	(1.0)	-12%
EBIT	1.5	1.0	50%
Interest	(0.8)	(0.7)	0%
Tax	(0.0)	(0.1)	-71%
NPAT	0.7	0.2	372%
EPS (cents)	0.26	0.06	372%

This would suggest there is significant upside if TTI Management can demonstrate it can continue TTI's recent growth. TTI's growth is expected to be driven by increasing export revenue, and installation and maintenance revenue from:

- Smart City opportunities – TTI's Software Platform "TST"
- Internet of Things (IOT) applications for road authorities and municipalities
- LED street and road lighting.

DMXCP Position

Prior to the recent rights issue, we avoided TTI due to its high debt levels. As part of the equity raising, the company secured funding from a new financier and achieved a substantial debt forgiveness from their old banking partner. The company now trades on reasonable debt levels and has working capital to grow its business.

DMXCP acquired a holding in TTI through participating in TTI's recent rights issue. Directors and associated parties contributed ~$1.2m of the $6m raised, the proceeds of which were used to significantly improve TTI's balance sheet. As a sub-underwriter of the TTI rights offer, our effective entry price was 2.9c.

Outlook

We continue to remain wholly focused upon what is within our control: executing on a well-considered, time-tested, value-conscious investment philosophy.

We are enthused by the medium to long-term prospects across our current portfolio holdings. These are high quality businesses, with great management teams with whom we've built strong relationships. Importantly, pricing remains attractive; and ultimately will drive returns over time. We're working diligently to identify new holdings for the portfolio and are excited about the prospects of some names added to the portfolio in recent times. This constant renewal in the portfolio is important, with newly identified ideas being an important driver of long-term outcomes.

We invite you to follow us on twitter to keep up to date with our articles and commentary: https://twitter.com/DMXAsset

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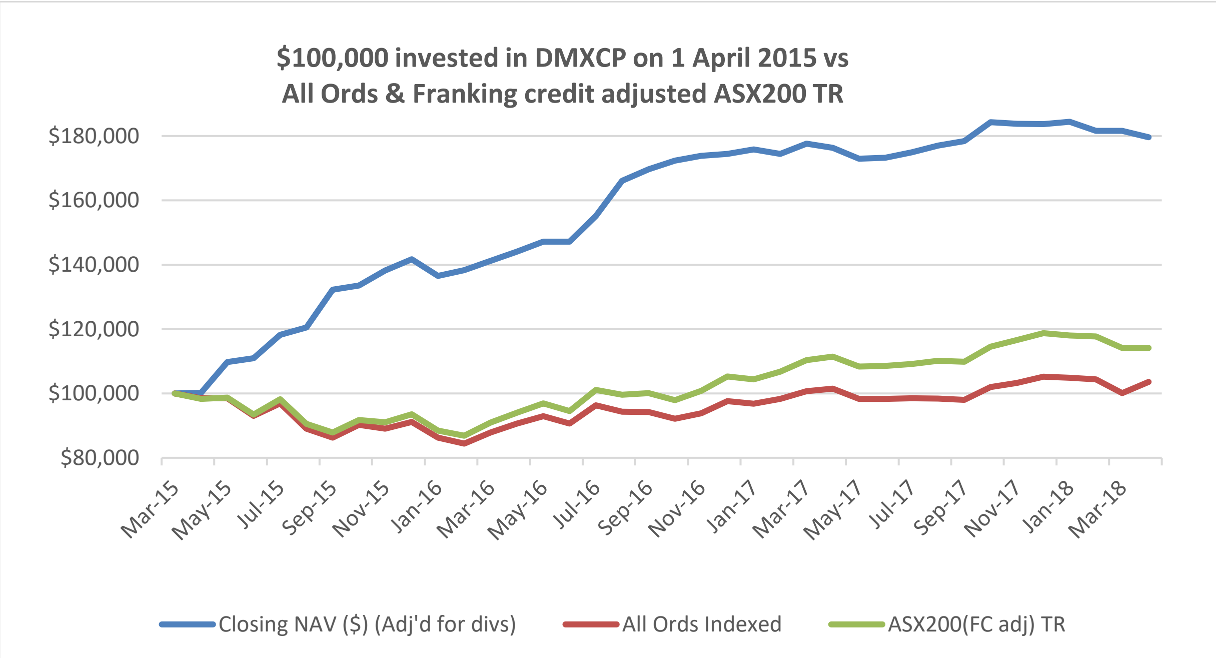
The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (April 2015). DMXCP is an absolute return fund, focused on generating positive (absolute) returns over the medium to long term. The fund is benchmark unaware, 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 June.

Kind regards

Roger Collison	Steven McCarthy	Simon Turner
Chairman	*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