DMX ASSET MANAGEMENT

DMX Capital Partners Limited

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

DMX Capital Partners Limited

March 2018 – Shareholder Update

An investment company managed by:
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Opening NAV (1 March 2018) (1,2) **Closing NAV (31 March 2018)** (1,2)	**$1.6939** **$1.6940**	Fund size % cash held - month end (4)	~$6m 25%
NAV Return (March)	+0.008%	Gearing	nil

*DMXCP Share price = Closing NAV ($**1.6940**), 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										**-1.18**	**-4.84**

Dear Shareholder,

DMXCP returned +0.008% after all accrued fees and expenses for March 2018. The ASX All Ordinaries Index fell 4.09% during the month. DMXCP's NAV as at 29 March was **$1.6940**, up from $1.6939 in February. For the 2018 financial year to date (July – March), DMXCP has returned +5.22% after all accrued fees and fund expenses. The fund has returned +81.64% after fees (including dividends) in the 3 years 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, 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 March flat against the back drop of weak equity conditions, with Australian markets now approximately 6% off their January highs after a poor start to 2018. After accounting for dividends, most of our core positions recorded small increases over the month (PNC +3%, GAP +10%, ENN +7%, BWF +5%, ATL +1%, JYC +3%, KKT +4%) with gains offset by the main detractor ZNT (-14%).

During March we caught up with the management teams of most of our portfolio positions as well as a large number of potential new opportunities. These meetings provide us with a great opportunity to question management in detail on their recent results and to obtain further insights into how their business is performing. Following these meetings, three new positions have been initiated.

We are pleased to share with our investors a summary of our notes and insights taken from meetings with management of a selection of previously disclosed portfolio positions. Whilst acknowledging that management teams are generally inclined to present a positive view of their business prospects, we share these insights to showcase the potential of the unique portfolio of investments owned by DMXCP.

Company	Comment
Pioneer Credit Limited (ASX:PNC) (March return: +3%)	*Meeting with Keith John (Managing Director) and Leslie Crocket (Chief Financial Officer).* As long-term holders of PNC, we've had a number of meetings with Keith and Leslie over the years - they continue to present well and do a good job explaining the potential of the business whilst at the same time ensuring expectations do not get out of hand. In FY13, PNC's net profit was $3.9m. Profit for FY18 will have more than quadrupled over the five-year period to greater than $17m. PNC have a number of initiatives that should continue to drive growth: - New revenue opportunities within its core business – i.e. a new market in collecting Lenders Mortgage Insurance residuals – see below. - Building out its suite of personal lending products. - Entering adjacent markets such as financial planning: PNC's new app https://www.pioneercreditconnect.com.au/pioneerpath provides budgeting tools. - Acquisition opportunities – whilst PNC have yet to make an acquisition in its 5-year history as a listed company, management continues to investigate suitable opportunities. - Management also believe consolidation opportunities may emerge as financially weaker participants come under pressure. Management is comfortable with the current economic conditions for their business. The key external driver of the business is consumer sentiment, which in most geographies remains low but stable. Given only a small amount of its customer base own their own homes, the PNC business model is relatively insensitive to interest rate movements. Cash collections (liquidations) have been growing strongly (+47% for H118) because of additional staff being onboarded and better-quality data analytics being generated. Additional hiring in the coming half will support further collections in future periods. While PNC are reluctant to provide productivity metrics per employee, they point to an expanding EBITDA margin as evidence that the enlarged employee cost base is more than offset by the increasing collections. The new market that PNC has created in LMI residuals looks like an attractive opportunity with the size of the market worth ~$50m. Initial results indicate performance is slightly ahead of expectations. This opportunity took almost two years of discussions to secure an agreement. PNC continues to target a $30m loan book through its new personal loan division, Credit Connect, (https://www.pioneercreditconnect.com.au/) by December 2018. PNC has a significant data-base of consumers which have completed their payment arrangements and therefore PNC understands their financial history and risk profile. New business written is expected to be evenly split between those customers known to PNC and the public. Management is targeting to have Credit Connect contribute the same level of earnings as the existing business in five years, which will see PNC emerge as a significant diversified financial services business. If management continue to execute on the growth initiatives outlined above, it is not unreasonable to expect its profit to triple again over the next five years. Despite this strong growth outlook, the stock currently trades only on ~10x FY19 earnings – a 40% discount to the market. After a strong run, PNC is currently our largest holding.

Gale Pacific Ltd (ASX:GAP) (March return: +10%)	*Meeting with Nick Pritchard (Managing Director) and Matt Parker (Chief Financial Officer).* GAP's core business is the development and manufacturing of high performance technical textiles, which are exported globally. The GAP management team remains positive on their US business, which has now become a bigger revenue contributor than the Australian operations, and GAP expect double digit revenue growth out of the US over the next few years. The US business currently is solely retail focused, with GAP selling approximately 20% of their product online as well as having distribution in all major US hardware chains. This season, GAP will be the key window shade supplier to Lowes Home Improvement, with distribution in all Lowes stores. GAP sees the outdoor shade sail market in the US as being several years behind where it is in Australia, so they see real opportunity to become the market leader in that market as it develops. There is not yet any commercial business in the US – so there is potential for GAP to accelerate this part of the business organically or through acquisition. In Australia, the retail market (currently approximately 70% of sales – the majority of which are through Bunnings) is somewhat mature, with GAP focused upon innovative new products to drive growth here. Commercial customers (buyers of products as diverse as cricket pitch covers, school playground and carpark covers and scaffold screening) currently contribute 30% of GAP's Australian sales and are expected to be the key driver of future Australian growth. GrainCorp is GAP's largest commercial customer (grain covers) - its buying was down 50% this year due to drought and a weak grain season on the East Coast this year but FY19 is expected to be an improved season. GAP expects to deliver EBITDA for FY18 more than $20m and strong operating cash flows in the high teens. Longer term, GAP is targeting EBITDA margins of 15% (versus 12% in FY17) with revenue growth driven by increasing commercial and export revenues.
Joyce Corp Limited (ASX:JYC) (March return: +3%)	*Meeting with Anthony Mankarios (Managing Director).* JYC continues to see good growth across its three business units: online auctions, kitchen renovations and its Bed Shed franchise business. Management continues to see a particularly significant opportunity in the online auction market, where Lloyds (https://www.lloydsauctions.com.au/) currently has market leadership positions in a number of categories including classic cars, fine arts and portable buildings. Key recent developments in the online auction business include: • Recently undertaking an online auction of 90 new and used boats. Lloyds sees the boat transaction market as a new opportunity with significant potential to consolidate and capture market share in what is currently a very unstructured market. • Securing a multi-million agreement to sell major branded electronic equipment sourced from a leading national electronics retailer. • Lloyds is also seeing significant opportunity within the yellow equipment segment (graders/diggers/ dump trucks) as roading, infrastructure and mining contracts come to an end and contractors start to offload used equipment. • Lloyds recently purchased the Macquarie Auction group which adds another 3 sites in Bathurst, Dubbo and Orange and an expected $5m of additional auction revenue. One of the key reasons for the purchase of this regional NSW operation was to capitalise on the large infrastructure, roading and mining activity in that area. Lloyds now offer online auctions from a total of 11 sites nationally.

	Lloyds is expecting a strong second half after H1 profitability was impacted by significant one-off spending on TV advertising campaign and other marketing efforts to generate revenue opportunities. Lloyds are also expecting to receive a license to sell vehicles in Victoria this half (approval expected in April), which will enable its new Essendon, Melbourne site to be more efficiently utilized. Each of JYC's business units are growing revenues strongly and each has their own strategic plan to expand their footprint nationally. KWB Group has opened 3 new stores in 1H18, which will contribute to earnings in 2H18. KWB continue to rollout improvements funded by suppliers' contributions. Bedshed is expected to have one new franchisee open a store in H2 and 5 new franchised stores planned for FY19.
Blackwall Ltd (ASX:BWF) (March return: +5%)	*Meeting with Stuart Brown (Managing Director) and Tim Brown (Chief Financial Officer).* BWF provided a comprehensive update on its various initiatives. BWF's flexible workspace business WOTSO continues to grow quickly in a fast-growing market. New locations in Chermside, Bondi Junction and Sippy Downs take the total WOTSO footprint to 13 sites – the next largest flexible workspace businesses by sites are Wework and Hub Australia which both have 5 sites. WOTSO's annualized turnover is now at $8.4m while the current network has the potential to generate ~$19m in turnover. BWF are targeting EBITDA margins in the business of 25% (with rent at ~50% and operating expenses at ~25%). It takes around 3 years to reach these margins - the more mature WOTSO sites are now delivering operating profit margins at these levels. WOTSO's South East Asian roll-out is continuing with new locations set for Kuala Lumpur and Johor in Malaysia through its joint venture with its Malaysian partner property developer UEM Group (owned by the Malaysian Government). BWF is re-locating a manager to Kuala Lumpur to lead the design and roll out of the Malaysian sites. UEM Group, in addition to its Malaysian operations, has properties under development in South Africa, Canada and Melbourne, with a WOTSO site likely to be co-located with one of these Melbourne sites in the near future. There is also an opportunity for WOTSO to build on its relationship with Westfield which it has recently teamed up with to take flexible workspaces into shopping centres. In the case of Chermside, WOTSO was able to opportunistically secure a site on acceptable terms after a site originally intended for a major national retailer became available. With the likes of Myer and David Jones relinquishing large areas in shopping centres, there is the opportunity for WOTSO to secure additional space on competitive terms and bring a new dynamic into shopping centres. - destinations where people can shop, eat and now work. BWF continues to have approximately half its market capitalisation supported by its on-balance sheet investments, with the implied total value of its profitable WOTSO, funds management and property management businesses currently sitting at around $30m.
Janison Education Ltd (ASX:JAN) (March return: +12%)	*Meeting with Tom Richardson (Managing Director) and Diane Fuscaldo (Chief Financial Officer).* Global education services provider Janison is celebrating its 20th anniversary this year, however as it only listed on the ASX late last year, this was the first set of numbers presented by Tom and Diane. Janison is a compelling story - it is capitalizing on some key trends towards digital learning, and education institutions moving from paper-based assessments to online assessments globally.

	The business is head-quartered in Coffs Harbour, NSW while an outsourced development team in Vietnam comprising ~50 people, assists JAN's Australian and Singapore technical team. JAN now has sales resources in UK and North America, and is now focused on selling its leading capabilities to a wider global market. JAN's international income has grown from ~16% of revenue last year to 22% this year. Janison's directors and founders control 69% of the company - founder Wayne Holden has recently moved to the UK to set up an office to pursue the opportunities in the UK and Europe, leveraging JAN's close relationship with the British Council. Janison is also building out its presence in North America (Canada) and in Singapore. Singapore is a leading global adopter of online education and JAN has a team of 8 in Singapore, as well as several high-profile Singapore education institutions as clients. In Australia, JAN has been working to deliver an online assessment platform for the NAPLAN examinations which, after several years of development, goes online in May. It is a 5-year contract worth $1.7m in revenue per annum, plus peak hosting revenue worth around $500k per annum. The Australian government contributed $10m to build the platform and Janison now owns the platform and the IP. This assessment platform can be utilized in a wide variety of other assessment opportunities (i.e. driver's license, workplace licenses) that can be transitioned online. Janison is well positioned to take advantage of the online global education disruption, has a high level of sticky/recurring revenues, is highly profitable and has a long runway of global growth.
Zenitas Healthcare Ltd (ASX:ZNT) (March return: -14%)	*Meeting with Justin Walter (Managing Director) and Glen Dymond (Chief Financial Officer).* We met ZNT following the release of their solid half year results, where strong organic growth (7.5%) and the two major acquisitions completed in the second half of 2017 (the Nextt homecare business and the Dimple mobile podiatry business) contributed to a strong uplift in earnings for the period (1H18 EBITDA: $5.5m +67%). ZNT noted that both the acquisitions were performing well. Nextt was now trading ahead of expectations, benefitting from a new Department of Veteran Affairs contract. Dimple is planning for its integration with Agewell – the national mobile physiotherapy business. ZNT see real potential here for revenue synergies and cross-selling services as there is minimal customer overlap, as well as cost synergies available. ZNT continue to focus on the development of a comprehensive mobile health strategy across several modalities including physiotherapy, podiatry and GP services. While a key focus for ZNT is acquisitive growth, Management seemed most pleased about the organic growth coming through from the initiatives they have put in place over the past year, particularly from cross-referrals and the clear benefits of group marketing strategies. ZNT has confirmed expectations of 7.5% to 10% organic growth for FY18. With strong coverage in Victoria across each of ZNT's three key pillars Home care, GP and Allied health (20 sites and over 500 staff), we expect ZNT to move its focus to building out other geographies. We would expect Perth/WA (currently 17 locations and 200+ staff) to be a key near term focus. The ZNT share price was weak during the month on no news. We suspect some of the selling may be related to impatience around the completion of new acquisitions. ZNT is also likely to be still feeling the impact of the large placement it undertook in late 2017, which has meant a lot of natural buyers of ZNT stock have already secured their positions in the placement, so are not buyers on market. We are long term ZNT holders and view the current share price as a particularly compelling opportunity.

Outlook

DMXCP's NAV per share has been relatively stable in recent months with no major moves in either direction, however this masks the significant positive developments across most of the portfolio. We remain wholly focused upon what is within our control: executing on a well-considered, time-tested, value-conscious investment philosophy.

As detailed in the notes above, we are enthused by the medium to long-term prospects across our current portfolio holdings. These are good 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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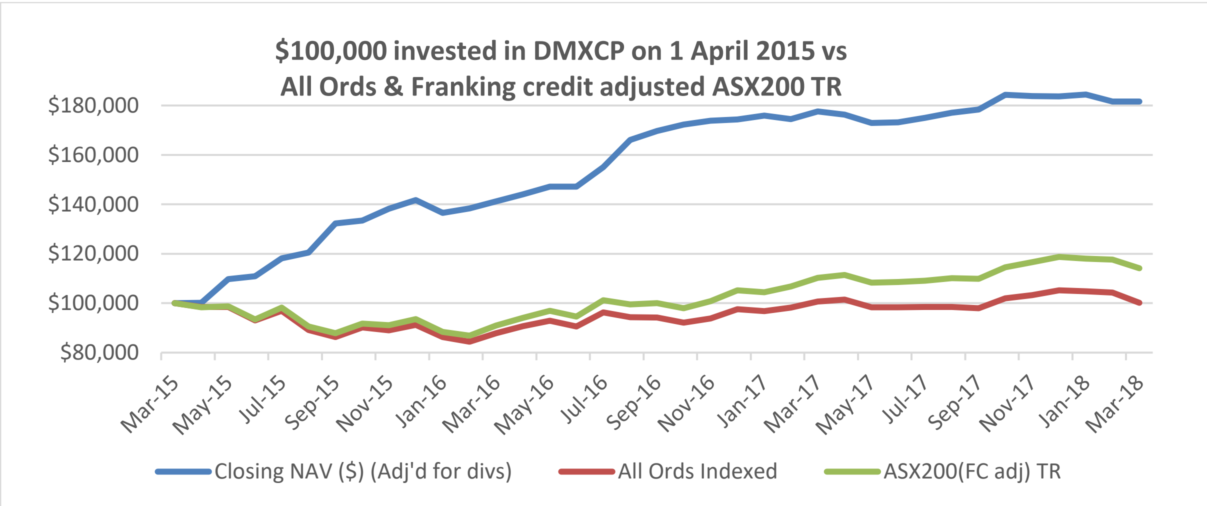
The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (April 2015). DMXCP is an absolute return fund, focused on generating positive (absolute) returns over the medium to long term. The fund is benchmark unaware, 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 May.

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