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

DMX Capital Partners Limited
October 2018 – Shareholder Update

An investment company managed by:
DMX Asset Management Limited
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Opening NAV (1 October 2018) [1,2] **Closing NAV (31 October 2018)** [1,2]	**$1.7382** **$1.6784**	Fund size % cash held - month end [4]	$7m 19%
NAV Return (October)	-3.438%	Gearing	nil

*DMXCP Share price = Closing NAV ($**1.6784**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
***Closing NAV excludes 3.8c dividend and 1.4c franking credit, *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**
2018	+0.445	-1.625	+0.008	-1.173	+0.310	-0.211	+1.017	+4.112	+1.604	-3.438			**+0.90**	**-4.11**

Dear Shareholder,

DMXCP declined 3.44% after all accrued fees and expenses for October 2018. DMXCP's NAV as at 31 October was **$1.6784**, down from **$1.7382** as at 30 September. The ASX All Ordinaries Index experienced its worst month in over three years, declining 6.53% during the month. Smaller companies fell more than the broader indices, with the XEC (Emerging Companies Index) down 11.0% and the XSO (Smaller Companies Index) down 9.7%.

Within our portfolio, some of our more illiquid holdings were impacted by the negative market sentiment:

- Key detractors included Blackwall (-10% on no news), Janison Education (-12% on no significant news) and Legend Corporation (-8%, see below);

- Kip McGrath (+29%, see below) generated a material positive contribution for the portfolio.

For the first four months of the 2019 financial year, DMXCP's net asset value has increased +3.29%.

AGM Updates

During October a number of portfolio holdings held their annual general meetings. The trading updates delivered at these meetings were overall positive and supportive of the investment thesis.

We are absolutely focussed on ensuring that the portfolio is exposed to well run businesses that are growing organically and that represent attractive long-term investments (and buying such businesses at compelling valuations). We believe that the AGM updates highlight this.

In the current uncertain market, we believe our diversified portfolio of solid, growing companies, paying good dividends and trading on undemanding multiples, is well placed to perform.

Sealink Travel Limited (ASX:SLK) – AGM 17 October 2018; -2% for month

Leading tourism and travel operator Sealink announced that it expected strong profit growth in FY19. Key drivers of profit growth in FY19 include the anticipated reversal of trading losses from new ferry routes in Sydney and Western Australia and the contribution from a new service to Bruny Island (Tasmania); the full year contribution of its Fraser Island acquisition, together with continued organic growth in existing businesses in SA, NSW, Qld and NT. Sealink noted that inbound tourist numbers out of Europe and US remained very strong, and that fuel, a key operating cost, has been approximately 50% hedged. While it did not provide formal guidance, Sealink noted that it was positioned to substantially improve upon its FY18 result, assuming average seasonal and current business conditions remain stable.

Kip McGrath Education Centres Limited (ASX:KME) – AGM 26 October 2018; +29% for month

At its AGM, leading tutoring company Kip McGrath noted that its FY18 result (41% increase in profit) was the seventh consecutive year of increased profits, and said that based on results to date, FY19 will likely continue that trend.

The increase in profit has been (and should continue to be) driven by an increase in the number of students taught. Students being tutored are increasing because of:

1. The global market has shown an annual growth rate in excess of 10% in recent years;
2. The company's initiative in doing national advertising has yielded significant student growth; and
3. KME's products and service have improved with the new software that has been written.

We continue to expect strong revenue growth and margin expansion to deliver an EPS increase of 20% in FY19.

Gale Pacific (ASX:GAP) - AGM 26 October 2018; no change for month

Gale Pacific reported a pleasing trading update – noting that it expected growth in first half earnings for FY19 and was confident in achieving earnings per share growth in FY19.

Growth is underpinned by the roll out of product into the United States, where GAP see a large opportunity given sun protection awareness is building and there is presently no clear market leader in the category. GAP has an impressive distribution capacity through national retailers such as Home Depot as well as a strong Amazon presence.

The company continues to focus on becoming a faster growing, more profitable, innovative, global fabrics technology business, and while progress to date has been slower than expected, at 10x NPAT, there is compelling value on offer here. We recently spent time with management where they demonstrated some new innovative fire-resistant coverings for the commercial market. We continue to believe that GAP has significant earnings upside.

Apollo Tourism and Leisure (ASX: ATL) - AGM 24 October 2018; no change for month

ATL manufactures, rents and sells campervans, and bullishly noted that increased market activity was generating a wealth of opportunities. ATL highlighted that the global rental business outlook is positive, with tourism industries performing strongly in all operating regions, however did note that geo-political risks are an area of focus, and in particular, Brexit and US trade tariffs have the potential to impact confidence in those geographies. Recent feedback from tourism operator Sealink was that inbound tourist numbers from Europe and United States remain very strong, which is positive for Apollo's Australasian high season.

Apollo continues to invest in digital initiatives to provide industry leading guest experiences while adding new retail sales sites and leveraging of distribution network synergies is expected to boost RV sales revenues. Ancillary revenue streams such as finance and insurance and servicing remain a focus for growth.

Apollo reaffirmed its NPAT guidance of $22m – $24m (representing ~20% growth), and with a market cap of $255m, puts it on a PE of ~11x.

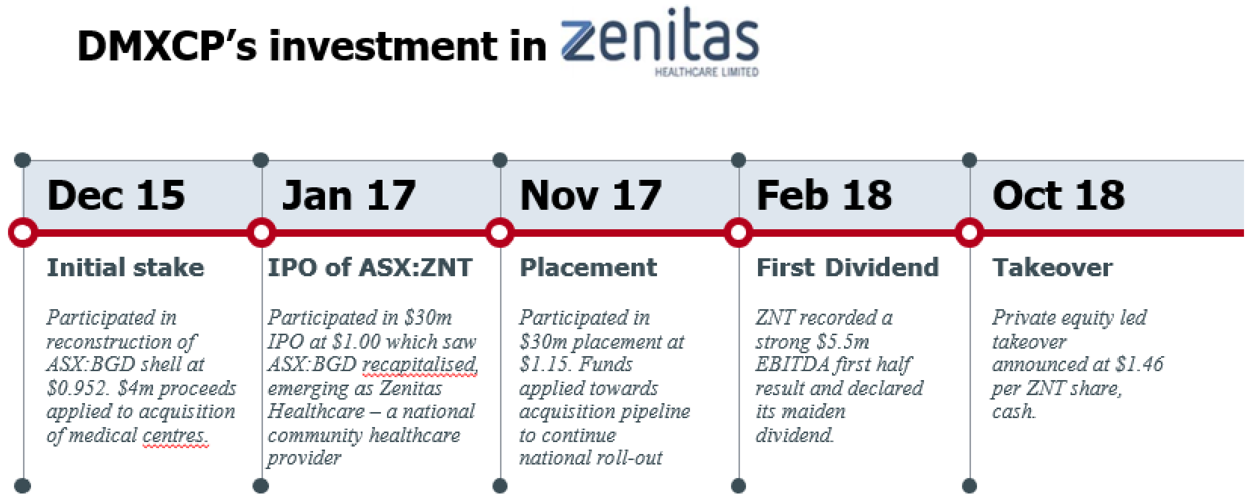
Legend Corporation (ASX: LGD) - AGM 26 October 2018; -8% for month

Electrical component manufacturer and distributor Legend advised that it expected its FY19 half year EBITDA to be in the range of $7.3m to $7.6m, an increase of 32% to 37%. NPAT is expected to be in the range of $3.6m to $3.8m versus $2.8m last financial year. This follows an increase in NPAT of 60% in FY18.

Ordinarily, such an announcement would have been greeted very positively by the market. However, in September the company had announced that profit was up 70% for the first 2 months of the year. This raised expectations and attracted plenty of 'hot' money into the stock, which was disappointed by the news that (not unexpectedly) the previously highlighted initial level of growth had not been maintained and profit is likely to be *only* ~40% up. LGD remains very attractively priced (~9x) and provides strong growth in a buoyant sector. We continue to hold for the long term.

Zenitas update

During the month, allied health care operator Zenitas (ASX:ZNT) released its Scheme Booklet in relation to its takeover by a private equity consortium. The Scheme Booklet noted that the Directors believed the offer was in the best interests of shareholders to accept it.
Accordingly, Zenitas is now set to delist from the ASX in December 2018, concluding our involvement in the stock that commenced in December 2015, as set out below:



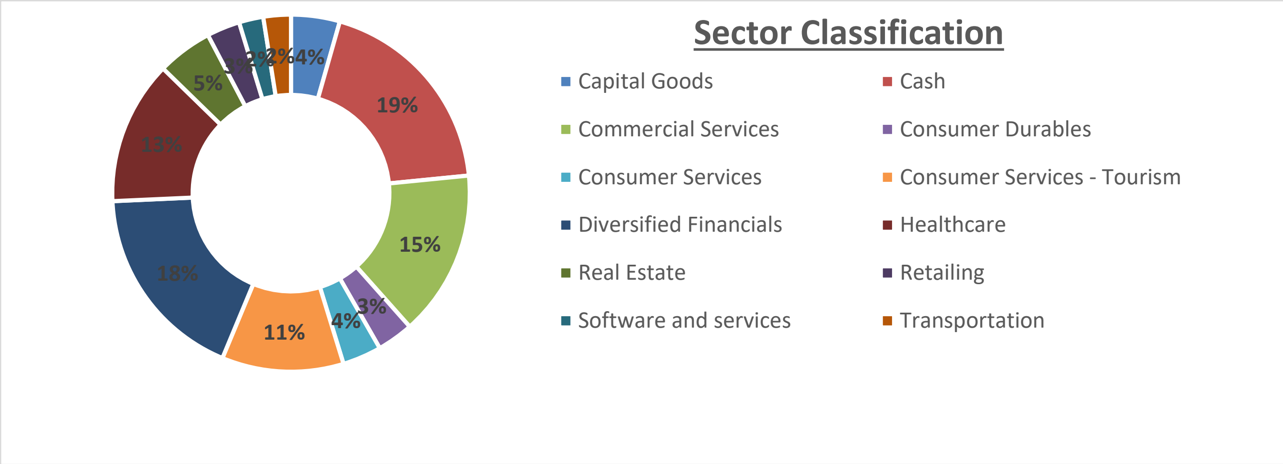
Over those three years, ZNT has grown from four medical centres, to operating 77 allied health centres with over 3,000 clinicians, nurses and support workers.

Whilst it is disappointing that ZNT has been taken over at what we consider to be a price below fair value, we do believe this situation provides a great example of the opportunity that DMXCP is trying to capture: *providing long term growth capital to profitable, small, under-the-radar businesses that are well priced and have attractive growth profiles.*

Sector Exposure

DMXCP provides exposure to a genuinely differentiated portfolio of profitable smaller 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 investors' broader portfolios.

As set out below, the portfolio is exposed to sectors with some encouraging tailwinds, including above average weightings to healthcare, diversified financials, education and tourism.



In addition to highlighting the sheer breadth of sector exposure in the portfolio, this is a pertinent time to reiterate the benefits of diversity an exposure to DMXCP brings to investors' broad asset allocation. With the market being shaky of late, and much chatter surrounding the potential for a prolonged housing market and potentially economic downturn, we highlight the differences many of our stocks bring to a broader portfolio. In the event of any potential downturn, companies such as the above-profiled Sealink, Kip McGrath, Gale Pacific and Apollo are beneficiaries of a weaker Australian dollar which we would expect to accompany any major downturn. Tourism operators benefit from greater inbound tourism in these situations, as well as local travelers preferring to vacation domestically. Education providers benefit from foreign students taking advantage of a lower currency. While highly differentiated businesses like Gale are earning an increasing portion of their revenues abroad. What all this means for investors is greater diversity, lower overall risk profiles when blended with lowly, uncorrelated or negatively correlated assets, as well as the potential for strong returns through the full market cycle.

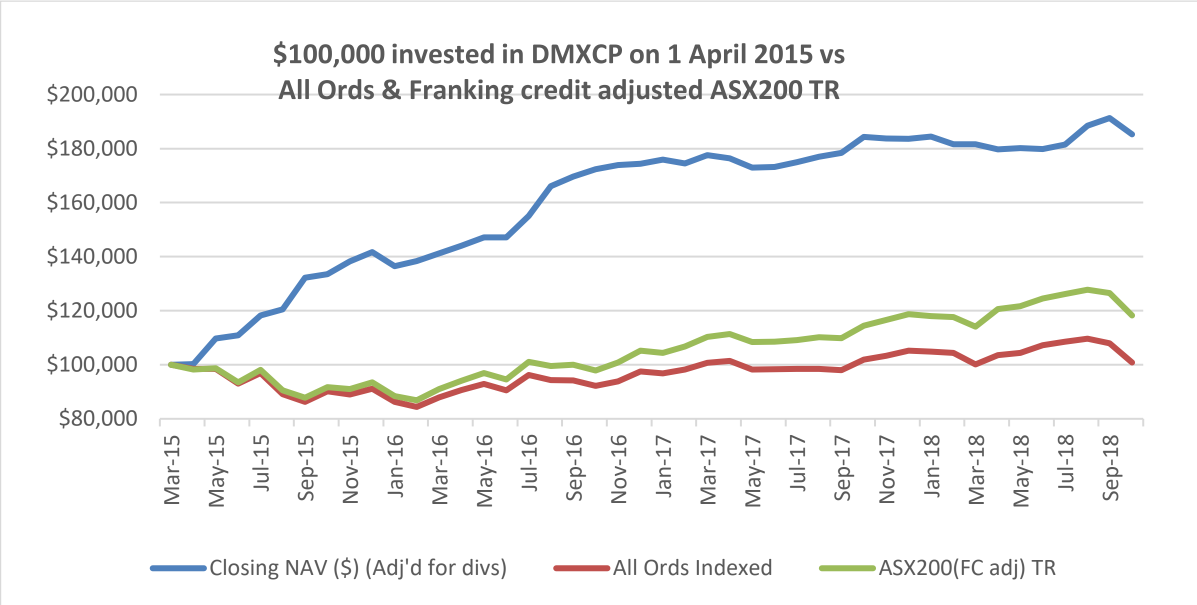
Outlook

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, valuations remain attractive and ultimately will drive returns over time. We continue to add new holdings to the portfolio that have significant medium to long term upside.

We invite you 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 you again in early December.

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, unaudited
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