BROADVIEW
Capital Management Inc.

March 15th, 2016

February saw the Dark Horse return to the plus column with a small gain for the month. Markets once again see-sawed – starting with a plunge followed by another frantic rally. A simple comparison of month-end to month-end belies the volatility that once again was inflicted on investors. So far this quarter seems like one of those cruises with a Norwalk outbreak. The ship calmly drifts out to sea, a while later it calmly steams back into port. The friendly staff members guide all the passengers off, thank them for choosing their cruise line and express their sincerest hopes they see them again soon. From the docks everything looks fine…just don't go looking in the bathrooms.

We write this month's letter as our kids enjoy the start of March break. Sadly, we do not come to you live from a Caribbean beach or a Grapefruit league grandstand but rather from our desks on a dreary Leslieville day. Through the cloudy malaise of our less than picturesque view we strain for some glimpse of light – some sign that stock picking may still matter and that there is some value to us actually showing up to work. Why are we here toiling away digging for specific inefficiencies if the market is simply going to rocket or crash based on the ebbs and flows of QE-driven speculation, short-covering and whatever the algorithms point to that day? It is a very human lament and something that even the most steadfast fundamental investors are occasionally prone to, whether they admit it or not.

Last week, thankfully, brought us one of those validating reminders that all of us, for a lack of a better term, "value guys" need every now and again. While Anthony groggily sat through yet another 7:00 AM tyke hockey practice he noticed an almost ethereal beacon emanating from his Blackberry[1]. Lee had just forwarded him the announcement that Axia Netmedia Corporation (AXX:TSX) was being acquired at a 49% premium to the previous day's close. Axia, a Calgary-based owner and operator of fibre optic networks, has been an investment in the Dark Horse for the past three years.

The Acquisition of Axia Netmedia: The Value Investor and the Hipster Redux

We wrote a letter back in early 2012 where we discussed the limits of successful contrarian investing. To make our point we used what was most abundant. In the case of *our* neighbourhood, it was hipsters. Hipsters seek out the weird and wonderful (and often stupid) just because it's different. If whatever they have glommed on to – be it an artisanal ginger beer, a ridiculously ill-fitting sweater or a frigging unicycle – becomes popular, the hipsters immediately flee in disgust. The hipster's crowning achievement is discovering something that is previously undiscovered by all but them. Upon discovery, this *thing* becomes theirs and theirs alone for eternity - a deserted oasis that will receive just one ironically mustachioed inhabitant. True hipsterism is being contrarian for contrarian's sake.

Conversely, the value investor looks for the undiscovered gem with the hopes that others will find it soon afterwards – the more popular this investment becomes after its initial discovery, the better. There is no tangible benefit from simply being the first to discover the weirdest and most obscure

[1] A "Blackberry" is a smartphone-like mobile device that runs a couple of the same apps available on iPhones and Android devices. It also can send and receive emails.

investment out there. The tangible benefit (i.e. making money) only occurs when others agree with you and pay more for the security than you did. It is contrarianism with a profit motive, not just a quest to be the only one who knows about that one band or happens to own a handmade light bulb.

So why are we relying on the crutch of re-hashing old letters? Well, if we don't take every opportunity we have to make fun of hipsters then we really aren't doing our jobs, are we? More importantly, we bring this concept back to our readers given the relevance it has to our Axia experience. Back in early 2013 when we were first considering an investment, we were uncertain where on the value investment/Hipster spectrum the company should be placed. The worry was that it was possibly so obscure and complex that we would be the only ones who could ever appreciate it. While that may be the hipster's Holy Grail, in investing parlance, such an investment is usually referred to as a "value trap".

Don't get us wrong, we like complexity and actively seek it out. We do this because we know others are reflexively turned off by situations that can't be boiled down to a simple "play" or handy metric. That being said, when we first looked at it, Axia was pushing the boundaries of what we would be willing to dissect and evaluate. Our attempts to map out Axia's operations, both current and prospective, on our white board resulted in a chaotic jumble that made the Beautiful Mind calculations look like a kindergarten math test. If it was too cumbersome for us than what hope did it ever have to find a broader audience?

After much work and discussion with the company, we became comfortable in our belief that the elaborate structure of Axia's various public-private partnerships, minority investments and foreign JVs would eventually find some clarity. Our thesis was that the unwinding and eventual disposition of these varied investments should yield a more straightforward and easy to understand operating business. This newly-simplified company would find a broader audience, more buyers would emerge and the stock would gradually appreciate. If, for whatever reason, the stock was never properly appreciated by public equity investors then a private transaction would be pursued.

Over the years, that thesis has played out pretty much to script. Starting with the 2013 divestments of the company's stake in Singapore's OpenNet and Spain's Xarxa Oberta and continuing with the re-negotiation of the Alberta SuperNet contract in early 2015, Axia managed to detangle the company's byzantine web of businesses. This resulted in an entity with just two major operations, the Alberta Supernet and a 50% stake in France's Covage.

Despite the successful efforts towards simplification, Axia remained a somewhat complicated file and as such, was not likely to receive a full and proper valuation as a standalone public company. We commend the Board of Directors for coming to this realization and engaging in a process that yielded a fair price from a private equity buyer. Too often we see companies do nothing as they assume that eventually the equity markets will fully realize the value of the businesses regardless of how challenging the analysis may be.

We acquired our first shares just over three years ago at $1.31[2]. The company's announced acquisition price was $4.25 cash, representing a compound annual growth rate of around 45%[3] on our initial investment. This investment was clearly a big winner for the Dark Horse and could not have been more timely given our mounting frustration with the flow-driven market we've experienced in the first quarter of 2016. After all, while it's great for hipster cred to say "we knew all about that company before they became mainstream", the reason we actually show up to work is to make money for our

[2] Our average cost is $1.66 as we added to the position as recently as six weeks ago.
[3] We have marginally added to and trimmed the position over the life of the investment with the weight approximating 3.0-3.5% of the fund on average.

partners. With Axia we made enough to buy all the unicycles and handmade light bulbs we could ever want.

Until next month,

Anthony Hammill

Lee Matheson

Series	Jan 31, 2016	Feb 29, 2016	Monthly Return	YTD Return	Annualized Return Since Inception (April 3, 2009)
Master – Class A	$230.1350	$231.6825	0.67%	-3.69%	12.9%
Series 5 - June 2015 – Class A	$229.8964	$231.4423	0.67%	-3.69%	
Series 2 - Feb 2016 – Class A	$231.4628	$230.1350	0.58%	0.58%	

**From inception return used for series launched during the year*

All numbers reported after fees and expenses. See subscription confirmations for your Series.

About Broadview Capital Management Inc. and the Broadview Dark Horse LP:

Broadview is the manager of the Broadview Dark Horse LP ("The Dark Horse"), a fundamental-based long/short investment partnership. Broadview utilizes its relatively small size, contrarian nature and willingness to perform extensive due diligence to deliver strong risk-adjusted returns for its investors. The managers concentrate on going where others can't or won't to find investment opportunities.

The firm is run with the philosophy that it will manage "as much money as it deserves to manage" and that a dedication to working hard for existing clients is the best way to grow the business in a sustainable fashion. It is not Broadview's intention to take on additional investment mandates for the foreseeable future beyond the Dark Horse LP. Broadview was founded in October of 2008 and the Dark Horse was launched in April of 2009.

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