



TAMIM

PORTFOLIO UPDATE

April 2017

TAMIM Asset Management

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From the Directors

Global and Australian equity markets rose over the month of April. The removal of political risk was a key driver behind asset performance globally, with European equities the main beneficiary. The housing market continued to dominate news headlines in Australia. Macro-prudential pressure on the banks and the bank tax in the budget will continue to keep a downward bias on the Australian banks share prices. Taken together with falls in commodity prices we don't see the large end of the Australian market performing over the next 2 quarters.

While we continue to see ongoing weakness in the smaller end of the Australian market, we believe this is an opportunity for clients to set portfolios. This allows for investments to take advantage of continued growth in strong underlying businesses over the next 12 to 18 months. Globally stocks continue to rally in both the US and Europe, while we see valuations rising there is still strong momentum driving these markets. The AUD has weakened over the last month benefiting client portfolios.

We are always open to discussion and we wish you successful investing.

Yours Sincerely,

A handwritten signature in black ink that reads "Darren Katz".

Darren Katz,
Joint Managing Director

A handwritten signature in black ink that reads "Jeffrey Taitz".

Jeff Taitz,
Joint Managing Director





TAMIM Australian Equity All Cap Value IMA

The early part of April saw global markets selloff as the Trump reflation trade started to falter. Commodity prices fell as did bond yields with the US Treasury curve retracing back to pre-election levels. The second half of the month however saw a rebound in equity markets with a relief rally on the back of round one in the French elections. After a victory for Emmanuel Macron, it appears France has bucked the trend with regards to the rise of populism for now. The underlying portfolio performed well during the month, finishing up 3% driven by strong performance from Gentrack Group (+14.3%) and Adacel Technologies (+10.3%).

Portfolio News

The major news for the fund once again came from our largest position in **Gentrack Group**. After announcing a major acquisition in the UK in March (Junifer Systems), the company announced two smaller acquisitions. Both are “bolt-ons” to their existing Airport software division.

- 79.8% of Blip Systems for NZ\$8.4m. Blip is a Denmark based company which has software specialising in passenger flow, queue prediction and capacity forecasting. The solutions use video cameras as well as mobile phone wifi and Bluetooth sensors to track passenger movement.
- 75% of CA Plus for \$11.4m. CA Plus is based in Malta and has software specialising in the management, optimisation and auditing of airport retail concession revenue.

Both acquisitions are funded from debt and will add incrementally to EBITDA with the Airports division expected to deliver over \$5m of EBITDA in FY19 up from \$2.7m in FY16. The acquisition of both companies will also provide cross sell opportunities across existing airport relationships.

The other news during the month came from **TPG Telecom** which announced a capital raising to build its own mobile network. TPG has bought \$1.26bn of mobile spectrum and has announced plans to spend \$600m to roll out a mobile network over the next 3 years that will cover 80% of the population. This sent a shock to the share price of Telstra due to the entry of a new competitor. TPG now has its hands full over the coming

years with this build in addition to the move into Singapore. If the company executes well we believe there is significant value to be realised over the next 3-5 years but we also acknowledge the significant risk. Hence, we continue to hold a small 2% position in the company.

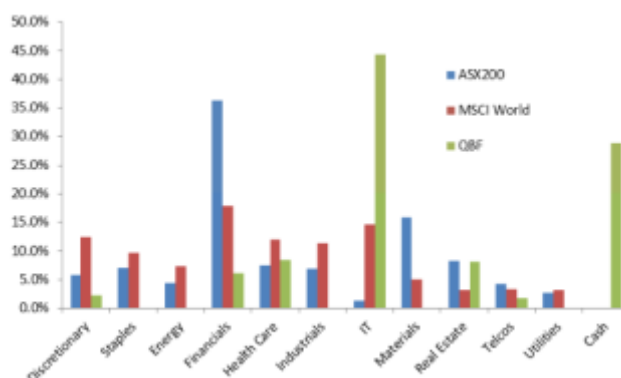
The Portfolio

The portfolio is currently invested in 17 companies. The cash level is currently 28.9%. The positions above 5% are shown below.

Gentrack Group	8.6%
IMF Bentham	6.1%
Data#3	6.0%
Altium	5.1%
Other Positions	40.2%
Cash	28.9%

Sector Positioning

The portfolio maintains a strong overweight to the IT sector with other exposures in Healthcare, REITs, Financials and Telcos.



Guy Carson,
Portfolio Manager



TAMIM Australian Equity Small Cap IMA

The Portfolio

The ASX All Ordinaries Index increased 0.74% during the month, the Small Ordinaries Index was down 0.32% however the Emerging Companies Index (which tracks 200 ASX listed micro-cap companies) was down 5.85% for the month, reflecting continued weakness amongst the smallest ASX companies.

Sentiment towards ASX small cap stocks remains generally challenging, with many small cap stocks still very much out of favour. In particular, we have noticed smaller companies without regular news-flow are struggling to attract and maintain buying interest. This poor sentiment is reflected in the performance of the ASX Emerging Companies Index of micro-cap stocks (the XEC) which is down over 10% over the past 3 months, and is currently trading at its low for the past year.

Positive contributors to the fund's performance over the month included ASX:ENN and ASX:JYC, while the major negative contribution came from one of the fund's larger holding ASX:ZNT. ZNT was discussed in a [stock review](#) on the TAMIM website.

We closed the month with a cash weighting of ~32%, which is at a level higher than preferred. We continue to assess a number of new potential investment opportunities, but remain disciplined and cautious in the current environment. Our cash holding puts us in a strong position to take advantage of opportunities that do meet our investment criteria.

Below is a summary of our views on a key portfolio holding, Pioneer Credit (ASX:PNC).

Pioneer Credit Limited

Pioneer Credit Limited (ASX:PNC), a financial services business specialising in the purchase of debt ledgers, in early April 2017 announced a \$20m capital raising, comprising a \$15m placement and a \$5m rights issue at \$2.00 per share. \$14m of the raising is to be used to fund an investment in a "significant discrete" Purchased Debt Portfolio from an ASX200 company (face value of

\$94m) which was characterized by having a significant proportion of *non*-defaulted consumers.

Proceeds of the raising would also be used to secure an additional \$3m to \$5m investment in PDPs from existing vendors "on attractive terms".

PNC reaffirmed its FY17 guidance of at least \$10.5m statutory NPAT, while it also guided to an additional 12% increase in earnings for FY18 based on pre-announcement FY18 EPS consensus of 24 cents (i.e. an increase to approximately 27 cents or \$16m NPAT).

KEY PNC FINANCIAL METRICS: FY12 to FY17



Source: PNC presentation

We first invested in PNC in mid-2015, and have increased our investment in the company over time as we have become more comfortable with management, the business model and its long term potential. Over that time PNC has also grown from being the minnow of the ASX listed debt collectors (after Credit Corp and Collection House) to being the second largest acquirers of ledgers in FY17.

Market awareness has increased over this time, as has broker coverage. Four brokers now cover PNC with price targets of between \$2.00 and \$3.05. FY18 earnings estimates are generally in line with PNC's guidance (ranging from 27 cents to 28 cents) which puts PNC on a PE multiple of approximately 7x to 8x earnings at current prices. These price targets and earnings estimates however do not incorporate potential upside from additional initiatives (discussed below), that PNC has been developing over a number of years.

PNC has spent many years developing new financial products that it intends to offer in part to its significant (rehabilitated) customer book as well as other consumers. PNC have an inherent advantage in this area



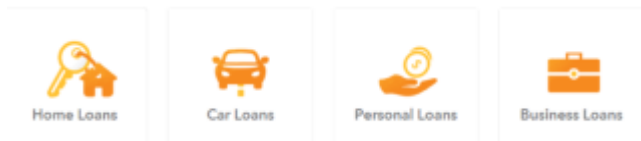
Portfolio Update: April 2017

as, through its debt collection business, it has accumulated significant data and learnings on consumer borrowing and repayment behaviour, which it can use when undertaking risk assessments for its new financial products.

Financial product offerings that PNC have developed to date (with development costs internally funded) include:

1. Pioneer branded personal loans
2. A wide range of home loans (brokered back through partners including PNC's PDP vendors)
3. Car loans and
4. Small business loans.

How can we connect you?



Source: www.pioneercreditconnect.com.au

PNC also recently announced a strategic arrangement with rewards card provider Rewardle Limited (ASX:RXH), which will see Pioneer exclusively market its financial products to Rewardle's customer base of ~2.3m people. This represents an additional platform for PNC to use to acquire information on consumer habits, convert leads and build brand awareness. Pioneer will take an equity position in Rewardle as part of the relationship. Management have stated that this represents a "significant step in growing new financial services products".

As a result, PNC will have a database of almost 2.5m people (2.3m from Rewardle's digital consumer base and 160k internal customers) to market its products. After several years of development, it is expected that these products will begin to contribute meaningful revenues in FY18 and profitability from FY19.

Financial services products will represent an increasing focus for PNC over the next several years, and, if executed well, provides revenue diversification and upside to the company's valuation.

We participated in the recent PNC capital raising, and will subscribe for our entitlement in the current rights issue. As is often the case, the share price has retreated to close to the capital raising price, as the market absorbs the increase in stock available. Given the attractive valuation metrics, we expect PNC's share price to recover once the capital raising has been completed and excess supply absorbed.

A selection of top portfolio positions as at 31 March 2017 (in no particular order):

ASX: **JYC**
m/c: \$47m
Outlook: "substantial growth opportunities"

ASX: **FID**
m/c: \$131m
Outlook: "double digit earnings growth"

ASX: **PGC**
m/c: \$121m
Outlook: "double digit earnings growth"

ASX: **PNC**
m/c: \$119m
Outlook: "high quality, cautious and disciplined growth"

ASX: **ZNT**
m/c: \$45m
Outlook: "confirm prospectus guidance"



TAMIM Australian Equity Income IMA

Market Commentary

In April, the S&P/ASX 200 Accumulation Index rose 1.0%. While drifting lower earlier in the month, the market saw positives in the initial French presidential election result and Trump's US tax reform proposals to finish the month solidly.

Industrials performed well led by Brambles (BXB) and Transurban (TCL) which both delivered reassuring trading updates while interest rate sensitive stocks were generally well supported by a rally in 10-year bonds. Companies with offshore revenues generally performed well despite concerns over various political risks during the month (eg North Korea, Syria, French elections).

Conversely, Materials underperformed as commodity prices fell sharply with iron ore down 17% for the month and oil down 2%. Reflecting exposure to commodity prices, the AUD declined 2% against the USD in the month to finish at 74.8c.

In the Australian equity market the strongest sectors were Industrials (+4.4%), IT (+3.9%), Health Care (+3.2%), Utilities (+3.1%), REITs (+2.6%), Financials (+1.9%) and Consumer Discretionary (+1.3%), while Telecommunications (-10%), Consumer Staples (-2.6%), Energy (-0.6%) and Materials (-0.2%) lagged the market. Across the globe, the S&P500 gained +1.0%, the German Dax was +1.0%, Shanghai Composite -2.1%, FTSE -1.3%, NZX50G +2.5% and the Nikkei 225 +1.5%.

Portfolio Commentary

	Total Return%	Comment
Duet Group	8.63	Takeover of Duet by Cheung Kong Infrastructure approved
Speedcast Int Ltd	8.55	Positive news from the company's investor information day - oil and gas industry recovery driving revenue
Spark New Zealand	7.28	Bond yields fell and NZ network announcements were taken favourably
Industria REIT	5.14	Bond yields fell and IDR's attractive yield was recognised by investors
S&P/ASX 200 Acc	0.50	
Aventus Retail Fund	-2.87	We remain positively disposed to the stock. No news to change our view and performing well post last weeks meeting with company
Aurizon Holdings Ltd	-3.74	Cyclone Debbie caused a modest earnings downgrade
Telstra Corporation.	-8.66	TPG's entry into the Mobile market caused weakness across the sector
Automotive Holdings.	-9.25	Lower car sales figures reduced expectations for H2 earnings. We feel that expected cost savings support the position

Scott Maddock,
Portfolio Manager



TAMIM Global Equity High Conviction IMA

Market and Portfolio Review

- Equity markets were stronger in April with the MSCI World index rising around 3.5% in AUD terms.
- The market during the period was largely driven by growth and quality which on a relative basis hurt our value oriented strategy. We continue to believe that value will win out in the long run as many growth stocks are expensive.
- The French 1st round election result avoided the market's most feared outcome - a run off between Le Pen and Melenchon - and European markets surged, especially France.
- Exposure to high quality banks and financial service providers continues to provide strong portfolio return support. In USD terms for April, Julius Baer +6.1%, BNP Paribas +5.6%, A ac +3.4% and AXA +2.9%.

Most equity markets have performed well so far this year and a pullback is possible. For us, this would be an opportunity to increase equity holdings in a multi asset portfolio.

Robert Swift,
Portfolio Manager

Market Outlook

- More evidence of a synchronised global growth improvement continues to emerge - particularly in Europe - an area we have been overweight in for some time. This should continue.
- Most equity markets have performed well so far this year and a pullback is possible. For us, this would be an opportunity to increase equity holdings in a multi asset portfolio. We do not see much attraction in most other asset classes like bonds for example.
- Geopolitical tensions in North Korea and trade tensions between USA and China (still on Trump's "to do list") could also provide reasons for a market sell-off.
- A snap UK election announcement to provide Theresa May with a clear Brexit strategy mandate will continue to drive European return differences. EU-UK relations are becoming increasingly strained as EU realises how much impact the loss of UK's contribution will put on strains between relations of the remaining 27 members.
- We remain fully invested in the model portfolio and unhedged for AUD based investors.



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