



TAMIM

PORTFOLIO UPDATE

August 2017

TAMIM Asset Management

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From the Directors

The Australian reporting season was clearly split between winners and losers. Overall the large cap stocks - represented by the ASX 20 - were down 2.8% while the smaller end of the market performed well overall with the Small Ordinaries up 2.7%. Within these broader index results there were clear splits between winners and losers with the Telcos, Banks and Insurance companies having a tough time while the materials and energy sectors performed well. As we have discussed for months now, it has been a good time to be underinvested or not invested in the financial and telco sectors.

The TAMIM portfolios had a mixed month with the small cap and global equity portfolios up and the value and income portfolios having slightly down months. As you will read further in this report, these returns were largely impacted at a bottom up stock level with very little direction coming from a top down or macro perspective except in the global portfolio. In the global portfolio underlying stock selection has continued to deliver strong returns. The strengthening Australian dollar has continued to be a drag on the portfolio's performance though.

During August we successfully closed the first TAMIM Income Fund as well as the first TAMIM Property offering. We are currently busy investing the income fund into pools of loans and would envisage this to be completed over the next 6 weeks. The property fund is now in the process of preparing to settle on the purchase. Both the income and property offerings are likely to have further offers over the next few years so if you would like to understand more about these then please let us know.

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

August brings reporting season in Australia with a majority of ASX companies announcing their results for the 2017 financial year. Whilst the market has broadly tracked sideways since mid-May, the volatility in individual names and the divergence amongst sectors has been high. Strength in the resource sector (Materials +4.2%, Energy +3.0%) on commodity price rallies offset falls in the Financials (-2.9%) and Telcos (-9.7%). Telco weakness was driven by Telstra down 10.5% as the company announced a dividend cut for next year. In addition, Vocus fell 33.8% as KKR walked away from their potential takeover bid. Banks weighed on financials as CBA fell 9.5% on the AUSTRAC allegations and insurers fell with soft results with IAG down 3.9%, QBE down 11.9% and Suncorp down 8.8%.

Portfolio News

The portfolio had a mixed month in terms of results. On the positive side, Altium and Veris provided strong updates whilst on the negative side Hansen Technologies and Trade Me gave slight disappointments. Overall, the portfolio finished down marginally after a good run into the results season.

Altium (+13.1%) had one of the standout results over August with revenue up 18% and Earnings per share up 21%. The company's sales grew strongly in the 2nd half driven by a rebound in momentum in the US. China also continues to be a source of growth for the company with revenue up 26% in the region. The company is already the dominant software used in the Chinese market, however a majority of users do not currently pay for the service. The company describes itself more as a debt collector in the region as it converts users from non-paying to paying.

Veris (+24.1%) reported solid growth in surveying revenues in the 2nd half. Whilst the result was messy, the strategy of creating a national surveying business is well advanced and the company is well positioned to see earnings growth over the next two years as infrastructure work grows and they realise efficiency gains.

Hansen Technologies (-16.0%) reported a result in line with guidance with earnings down on the previous year.

The major drag on the result was a strengthening Australian dollar which reduced revenue by \$8.7m. Organic growth also slowed during the year. Next year will see a return to growth primarily due to the recent acquisition of Enoro. One of the key medium term drivers will be the cross-sell opportunities of the analytics software the company gained as a part of that transaction.

Trade Me (-17.6%) reported a strong result for the year in line with previous guidance. However, what disappointed the market was the guidance for increased expense growth and capital expenditure over the next year to see off the threat of Facebook marketplace and the potential of Amazon entering the New Zealand market. Whilst competition is increasing in the General Items division, the remaining parts of the business continue to perform well.

The Portfolio

The portfolio is currently invested in 17 companies. The cash level is higher at 42.7% as at the end of August with the portfolio being a net seller however there have been a number of good opportunities since month end to deploy cash. The top five positions are shown below. We exited one position in the IT services space whilst adding a position in an industrial company exposed to infrastructure construction.

Gentrack Group	6.8%
Data#3	6.0%
Altium	5.9%
Melbourne IT	4.7%
Dicker Data	4.1%
Other Positions	29.9%
Cash	42.7%

Sector Positioning

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

Guy Carson,
Portfolio Manager



TAMIM Australian Equity Small Cap IMA

Portfolio Review

During August all of our portfolio companies reported their financial results for the 12 months ending 30 June 2017. All of our core holdings (greater than 5% positions) reported results in line with, or exceeding, their guidance forecasts. Pleasingly, with the exception of **Elanor Investors**, all of our core holdings delivered earnings growth that exceeded our benchmark metric of double digit earnings per share growth – **Paragon Care** (11% eps growth), **Fiducian Group** (23%), **Konekt** (15%), **Joyce Corp** (20%), **Zenitas** (36%) and **Apollo Tourism** (125%) (both Zenitas and Apollo on a pro-forma basis) and Pioneer Corporation (11%) (on a weighted average shares on issue basis).

Further significant earnings growth into FY18 has been forecast across the portfolio - at this early stage in the financial year, strong earnings growth has already been publicly forecast by **Pioneer** (48% increase in NPAT), **Konekt** (20% pro-forma EPS growth) and **Zenitas** (89% EBITDA growth).

Performance during the month was impacted by a fall in the share price of Konekt (down 14% for the month resulting in a cost to performance of 0.75%). During the month Konekt announced a significant acquisition and capital raising at a discounted raising price of 48c. We were pleased to see Konekt's Directors commit to subscribe for/underwrite up to \$4m of the \$15.7m share issue, which is a strong vote of confidence in the future of Konekt, and we were pleased to also participate in the raising. We would expect the share price to move up once the capital raising has been completed in mid-September.

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

ASX: **JYC**
m/c: \$46m
Outlook: "group is poised for further growth"

ASX: **KKT**
m/c: \$52m
Outlook: "double revenue and EBITDA" (on pro-forma basis)

ASX: **PGC**
m/c: \$153m
Outlook: "continue to grow earnings and dividends"

ASX: **PNC**
m/c: \$148m
Outlook: "48% increase in earnings expected"

ASX: **ZNT**
m/c: \$56m
Outlook: "EBITDA of between \$13m to \$13.5m" (FY17:\$7.0m)



TAMIM Global Equity High Conviction IMA

Market and Portfolio Review

Value oriented factors and stock results across markets tended to underperform momentum and quality factors in August .

The strategy outperformed the Value index by 0.5% and was in line with the market cap weighted index.

The strategy is also pleasingly producing small monthly increments over and above the returns offered by general equity risk exposure.

Gilead, our largest portfolio holding, was a strong performer returning 10% in USD terms. The company made an agreed bid for Kite Pharmaceuticals, a pioneer in innovative oncology treatment.

Apple also rose strongly, up 10.5%. We have trimmed our position. We believe the company is diversifying and trying to enter advertising and media revenue streams.

Large media companies produced disappointing results—we do not own these believing the ad market is in flux.

Supermarket companies were hit as Amazon announced its Wholefoods division would be aggressively cutting prices—we do not own Amazon nor supermarkets.

The merger between Dow Chemical and Dupont was finalised, creating an entity from which attractive spin-offs are likely.

Market Outlook

The near term is dominated by events in North Korea as they attempt another 'shakedown' for cash by launching missiles and testing putative nuclear weapons.

The Northern Hemisphere summer is drawing to a close and we hope for clear guidance that monetary policy will be tighter sooner, and that the USA can increase its debt ceiling without a shutdown.

Global growth looks to be in a synchronous upswing for the first time in a long time, with all regions showing improving prospects. This will balance any headwind from interest rates.

We remain fully invested in the model portfolio and unhedged for AUD based investors.

Robert Swift,
Portfolio Manager



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