TAMIM

PORTFOLIO UPDATE

June 2017

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TAMIM Australian Equity All Cap Value IMA

The Australian equity market lacked a clear direction in June. The All Ords was at one point up 1.78% before falling into the red. It eventually finished the month up 0.28%. Healthcare and IT were the best performing sectors, whilst Real Estate and Energy lagged. The portfolio returned 2.92% for the month led by strong returns from Hansen Technologies (+12.8%), Melbourne IT (+12.5%), Integrated Research (+9.9%), Gentrack (+8.3%) and Asia Pacific Data Centres (+8.2%).

Portfolio News

The biggest news for the portfolio during the month was from **Asia Pacific Data Centres (+8.2%).** After accumulating a 19.9% stake in the company, 360 Capital Group has submitted a proposal to remove the Responsible Entity and become the manager of the trust themselves. Their proposal outlines a plan to introduce a new board and management team which will reduce management costs. In addition they will make a capital return of $0.45 per security to unit holders by introducing a new debt facility. These changes will see the yield jump from 5.7% to 6.8%.

The greatest benefit of the changes would be a renewed focus on acquisitions. The trust was initially spun out of NextDC with the objective of being the first mover in the consolidation of data centre properties. Unfortunately this has not played out as expected. 360 Capital Group believe the opportunities in the space are great and are already in confidential discussions with global data centre operators for potential acquisitions.

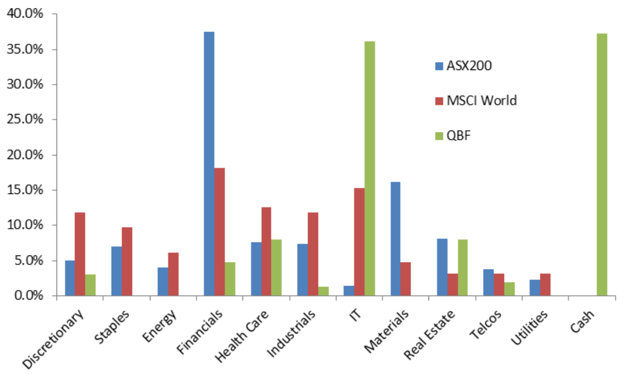
The Portfolio

The fund is currently invested in 17 companies. The cash level is currently 37.2%. The top five positions are shown below. Of the larger positions, we reduced our exposure to Melbourne IT due to its recent rally. We continue to hold an exposure to the company.

Gentrack Group	**7.5%**
Data#3	**5.6%**
Altium	**5.0%**
Asia Pacific Data Centre	**4.9%**
IMF Bentham	**4.7%**
Other Positions	**37.2%**
Cash	**35.0%**

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

After a strong first half performance in FY17, it has been a challenging last six months for the fund. Limited portfolio news-flow (particularly over the last three months), difficult market conditions for small and micro caps, and financial year end tax loss selling have contributed to a disappointing second half performance.

However as discussed below, we commence the 2018 financial year with confidence.

With tax loss selling behind us, and the majority of redemption driven, forced selling among ASX listed small caps that dominated the last 6 months appearing to have finished, sentiment and interest in small caps is well placed to improve. Some 'green shoots' are emerging amongst some of the larger small caps and we expect this to work its way through to the smaller micro-cap companies that comprise the majority of the portfolio.

Across our portfolio, we remain true to our philosophy of investing in small, undervalued, profitable and growing companies. We have exposure to many positive sector thematics which our portfolio companies are well placed to benefit from, including:

- **Tourism**: holdings include Elanor Investors (ASX:ENN) and Apollo Tourism and Leisure (ASX:ATL);
- **Healthcare**: 3 emerging healthcare companies including Zenitas Healthcare (ASX:ZNT), and
- **Wealth management**: 2 innovative financial services companies, including Fiducian Group (ASX:FID).

The fund also has exposure to a number of well managed businesses that are achieving strong rates of off-shore growth in their respective international markets including Mitula (ASX:MUA) and Gale Pacific (ASX:GAP).

We also continue to support companies with management teams that have a long track record of delivering excellent operational and financial metrics, including Pioneer Credit (ASX:PNC) which we discuss below.

Outside of these holdings, we have interests in some smaller ASX companies, that while illiquid, have the potential for significant upside if they deliver on our expectations.

We believe the underlying fundamentals and investment thesis of our portfolio holdings remain strong, the valuation metrics are compelling and multiples undemanding, and we are excited about the potential of our core positions. All our portfolio holdings are profitable and are forecast to remain profitable, while 15 of the 18 holdings will pay dividends this year.

Our high cash weighting positions us well to take advantage of opportunities arising during the upcoming reporting season. We continue to assess a wide range of prospective investments to add to our current portfolio.

In summary, we believe that the portfolio provides investors with unique exposure to profitable, dividend paying, well managed, under the radar, small Australian companies that are well placed to grow over the coming months and years.

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

ASX**: JYC**
m/c: $46m
Outlook: "substantial growth opportunities"

ASX**: FID**
m/c: $128m
Outlook: "double digit earnings growth"

ASX**: PGC**
m/c: $126m
Outlook: "double digit earnings growth"

ASX**: PNC**
m/c: $142m
Outlook: "high quality, cautious and disciplined growth"

ASX: **ZNT**
m/c: $42m
Outlook: "confirm EBITDA guidance"

TAMIM Australian Equity Income IMA

Market Commentary

The Australian equity market was flat in June, returning only +0.2%. Strengthening economic data in Europe and the USA suggests that the period of easy global monetary policy is ending. This will likely manifest as less bond buying by the European Central Bank and the US Federal Reserve. In turn, this means bond prices may decline (and interest rates rise).

These developments are encouraging, but also mean a reassessment of equity market valuations. We expect moderate rate rises in the US, while Australian lending rates may rise but remain historically low.

International equity markets were quite mixed in June, reflecting bond market uncertainty. The S&P500 fell -0.6%, the FTSE100 was down -1.5%, the German Dax declined -3.2%, and the Nikkei 225 dropped -0.5%. However, the NZX50 rose 0.8% and the Shanghai composite rose 1.1%.

Across Australian industry sectors, Materials (+2.7%), Banks (+2.0%) and Insurance (+1.6%) were stronger. Interest rate sensitive sectors were the underperformers with REITs down -3.4%, Utilities -2.1% and Consumer Discretionary companies -1.5% for the month.

Portfolio Commentary

Portfolio changes in the month included;

An increase in the level of investment in the portfolio reducing cash to around 35% of the portfolio to ensure we capture dividend payments in the coming company reporting season. We added to positions in selected securities across the portfolio to achieve this.

We reduced our position in Macquarie Atlas (**MQG**) as the shares moved above our valuation.

Additional shares in Rio-Tinto (**RIO**) were purchased early in July in anticipation of a higher dividend or capital return to be announced in August.

Also early in July we added positions in Telstra (**TLS**), Transurban (**TCL**) and Automotive Group (**AHG**) following price weakness, which has highlighted attractive dividend yields.

Scott Maddock,
Portfolio Manger

TAMIM Global Equity High Conviction IMA

Value factors performed strongly in June relative to other factors and the broader market with MSCI World Value Weighted Index outperforming MSCI World by 0.75%.and MSCI World Growth by almost 1.7%.

This value index is a reasonable measure of the returns available from a "passive" approach to investing for capturing value-oriented characteristics. We published a report during the month on the nature of "passive" investing and how it is a misnomer. If you wish to see the report please contact us.

Our performance since inception in Australian dollar terms is 18.5% pa vs the Value Weighted Index of 14.8% pa. The Sharpe Ratio, a volatility-adjusted measure of performance, of the strategy since inception is almost twice that of the benchmark. Our strategy has earned around 1.4% extra over the cash rate per unit of total volatility compared to the value-weighted benchmark of 0.8%.

Some of our "problem stocks" bounced back in June. We sold Japan Airlines and purchased Itochu which is a Japanese based global trading and procurement company with significant exposure to the Chinese economy.

Market and Portfolio Review

Equity markets were stronger in June, and also the Australian dollar, with the MSCI World Value Weighted index falling around 2.0% in AUD terms.

The strategy outperformed the Value index by 0.7% and the marketcap weighted index by 1.5%.

The market during the period was driven by value stocks. The tech sector in the USA was sold down as investors took profits and reduced exposure to price momentum.

Mario Draghi, the head of the ECB, hinted that the European economy is strengthening and that the purchasing of bonds by the ECB is coming to an end. This caused long term rates to rise a little.

Stock selection was positive. We sold Japan Airlines and purchased Itochu in Japan which increases our exposure to Emerging Market economies.

Market Outlook

The spread between the performance of growth and value stocks is still very wide. It is more likely that the risk premium in value stocks is now meaningfully higher and worth capturing.

You should never drive by looking only in the rear view mirror.

We now have a more significant value bias in the portfolio.

The equity market, especially in the USA, is becoming alarmingly narrow. The "Sexy Six" (Amazon, Apple, Facebook, Google, Microsoft and Netflix) have risen significantly ahead of the rest of the USA market. We continue to own Apple. We expect the rest to remain under selling pressure as investors reduce their exposure to expensive growth stocks and price momentum risks.

Central bankers are making hints about the success of zero interest rate policy and how it has done its job. We hope this means yield curves everywhere steepen, which will aid financials.

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

Robert Swift,
Portfolio Manager

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