



TAMIM

PORTFOLIO UPDATE

March 2017

TAMIM Asset Management

ABN 97 608 304 963 | AFSL 421469

privateclient@tamim.com.au

1300 750 007



From the Directors

The institutional selling we have seen over January and February seems to have come to an end. This has seen our Australian equity value and small cap portfolios deliver a solid performance in March. Risks to the Australian market remain in the banking and resource sectors with increased focus on prudential regulation to hurt bank profitability over the medium to longer term. Resource companies and specifically those exposed to iron ore will also hurt as a result of strong falls in the iron price. Overall we will continue to see pressure on the larger end of the market.

After a good March for our global equities portfolio we are seeing increased volatility with no clear price direction apparent over the short term for major global markets. The Australian dollar has remained strong since January however pressure on commodity prices will put pressure on the currency. Geo-political concerns will weigh on most investors' minds and, as usual, we will attempt to take advantage of short term market weakness and irrationality to purchase companies we would like to hold in your portfolios.

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

Yours Sincerely,

Darren Katz,
Joint Managing Director

Jeff Taitz,
Joint Managing Director



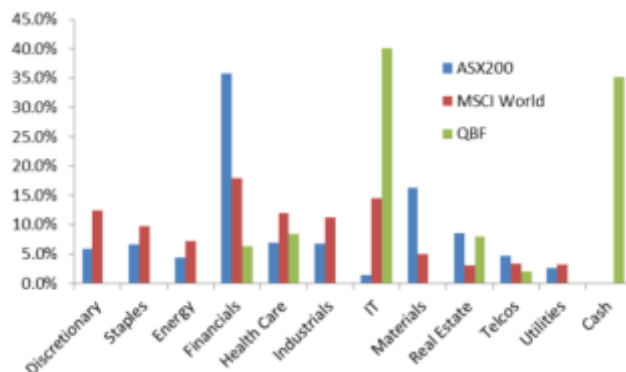


TAMIM Australian Equity All Cap Value IMA

March was a strong month for the Australian equity market. Once again large companies led the way with the ASX200 outperforming the Small Ords. The portfolio had a positive month albeit it slightly below the market.

The key positive contributor for the month was largest position, Gentrack Group. Gentrack finished the month up over 10% as it announced the acquisition of Junifer Systems in the UK and welcomed HgCapital on the register. Overall, the transaction was sensible, well-structured and in the best interests of shareholders long term.

Another strong performer for the fund was CSL which hit an all-time high as healthcare stocks rallied and is up over 30% from our entry in December. The weakest sectors for the market were Telcos where Telstra's dividend continues to come under scrutiny and retail where the entry of Amazon to Australia is likely to have a significant impact.



Guy Carson,
Portfolio

Manager

The Portfolio

The fund is currently invested in 16 companies. The cash level is currently 32.7%. The positions above 5% are shown below.

Gentrack Group	7.5%
IMF Bentham	5.8%
Data#3	5.8%
Melbourne IT	5.1%
Mitula Group	5.1%
Other Positions	37.9%
Cash	32.7%

Sector Positioning

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



TAMIM Australian Equity Small Cap IMA

The Portfolio

The poor sentiment towards small caps experienced following reporting season, and over the last 6 months generally, continued into the early part of March. By the end of March, however, the share prices of a number of small cap stocks had moved off their lows. Sentiment continues to remain patchy though, with many small cap stocks still very much out of favour.

Positive contributors to the fund's performance over the month included ASX:**ZNT** and ASX:**BWF**, while negative contributions came from ASX:**MNY** and ASX:**IAB**.

We closed the month with a large cash weighting (~33%) which positions us well to capitalise on current opportunities and volatility in the small cap market.

Some news flow during the month relating to portfolio positions included:

Joyce Corporation Limited

Joyce Corporation Limited (ASX:**JYC**), an investment company focused on buying strong regional businesses, and then providing capital and management expertise to expand these businesses nationally, announced strong updates from two of its portfolio businesses:

- Lloyds Auctions, a leading Queensland-based online auction and valuation business, recorded auction turnover growth of 46% for the first half of FY17. One of Lloyds' growing niche businesses (in which it is the national leader) is classic car auctions, with its auctions now attracting significant international interest, and with results consistently exceeding \$100k for certain unique cars, including a Holden Torana which sold for \$260k. Lloyds' has recently undertaken its first auction in NSW and has a Victorian auction scheduled for April, with further national expansion plans in the works.
- Joyce owns the Bedshed retail franchise business which generated a 30% increase in revenues for JYC in the first half of the year. Bedshed has a strong

and established footprint of over 30 bed, mattress & bedroom furniture stores across Victoria, ACT, Queensland and Western Australia, and JYC has now committed to opening 5 new locations in New South Wales. With average store sales of \$3.75m (and profit margins of ~10%), these new stores have the potential to significantly add to Bedshed's current \$100m + turnover, and therefore increase the franchise fees generated by JYC.

We met with JYC's management during the month, and remain impressed with the level of organic growth that management are driving from each of the businesses owned by JYC, and JYC's disciplined approach to expansion and capital allocation. We understand that management has turned down a number of acquisition opportunities (therefore foregoing short term revenue and profit uplift) as: 1) they believe they can achieve a better long term return on capital by investing organically in their existing businesses, and 2) they are committed to ensuring acquisitions only where the cultural fit is absolutely aligned with JYC.

JYC's balance sheet also includes significant property assets, with valuation upside and the potential to provide JYC with significant uplift to earnings over time. JYC is on track to pay a dividend for FY17 of 11.5c (7.1% fully franked yield).

Blackwall Limited

Blackwall Limited (ASX:**BWF**), a property and funds management company and the manager/founder of WOTSO – Australia's largest flexible short term workspace business, announced in March a significant expansion of WOTSO's product offering to include larger office suites. WOTSO's overall workspace footprint will increase by approximately 50% to over 16,000 square metres. WOTSO is currently the largest flexible workspace provider by number of locations in Australia.

During the month, BWF management took us on a site tour of the Bakehouse Quarter, a significant site in the Sydney suburb of North Strathfield, which BWF has developed and manages. The site used to be the original



Portfolio Update: March 2017

factory and warehouse of Arnott's Biscuits, and features many character buildings over 100 years old which have been sympathetically restored. As a prominent site on Parramatta Road in the inner west of Sydney, the site continues to have significant vacant land and redevelopment potential, which BWF as development manager, will progress.

WOTSO is a current tenant of the site, together with numerous restaurants, supermarkets, and other amenities. The first stage of WOTSO is now at full capacity, and BWF have fitted out an additional level (stage 2) that they are in the process of letting out. The third stage with larger offices (referred to above) will be progressed as additional space becomes available.

Pioneer Credit Limited

Pioneer Credit Limited (ASX:PNC), a financial services business specialising in the purchase of debt ledgers, reported a strong first half result and is beginning to attract wider market attention.

Of particular note was PNC's advice to the market that it will expand its customer service team in the second half of FY17 by about 100 new employees - which represents an increase of approximately a third of the size of its customer service team. PNC have confirmed their FY17 forecast NPAT (\$10.5m) notwithstanding none of these new employees are expected to contribute to profit during the period – given a long period of training and support, it takes approximately 6 months for a new employee to contribute to cash generation for PNC. This suggests that: 1) PNC's underlying FY17 profit (ex investment) will be higher than reported/guided and 2) PNC will be well placed to commence FY18 with the capacity to support increased collections and benefit from this investment made in FY17.

PNC continue to invest in the development of new financial products which they intend to offer in part to their significant (rehabilitated) customer book. After several years of development, it is expected that these products will begin to contribute meaningful revenue to PNC in FY18 and contribute to profit from FY19.

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

ASX: **JYC**
m/c: \$45m
Outlook: "substantial growth opportunities"

ASX: **BWF**
m/c: \$60m
Outlook: "Pleased with growth & progress of WOTSO"

ASX: **PGC**
m/c: \$123m
Outlook: "double digit earnings growth"

ASX: **PNC**
m/c: \$102m
Outlook: "encouraged by changing market dynamics"

ASX: **ZNT**
m/c: \$47m
Outlook: "Growth strategy and acquisitions being pursued"



TAMIM Australian Equity Income IMA

Market Commentary

In March the S&P/ASX 200 Accumulation Index rose 3.3%, reaching a two-year high. Rising electricity prices underpinned strong performances from the energy distribution sector while elsewhere a range of stock or sector specific issues drove the broad market higher.

Notable events included the rising concern regarding Australia's electricity prices which resulted in government and corporate announcements regarding the likely impact and possible outcomes. The Utilities sector rose +6.3%. The Telecommunications sector in contrast was flat as investors assimilate the possible impact of the NBN rollout on corporate margins. The market was broadly stronger with no major sector delivering a negative return.

Major commodities were weak with Iron Ore prices declining (-12%) in the month and Oil also weaker (-6.1%). In contrast Coking Coal prices have risen abruptly following the impact of Cyclone Debbie on the Queensland coal mines.

In the Australian equity market the strongest sectors were Utilities (+6.3%), Health Care (+5.6%), Consumer Staples (+5.4%), Consumer Discretionary (+5%) and Energy (+4.9%), while Telecommunications (+0.2%), Materials (+0.4%) and Real Estate (+0.9%) lagged the market.

Portfolio Commentary

APA Group (APA.ASX) performed strongly in the month, returning 5.9%, as the market grew more comfortable with the regulatory environment for gas transmission pipelines and comments around a gas supply crisis made it clear that more gas needs to be brought to market and that increased gas supply is likely positive for Australia's biggest gas transmission pipeline owner. With a portfolio

of assets across the nation and significant further investment opportunities over the medium term, the growth outlook for APA remains solid.

Transurban (TCL.ASX) rose 5.8% in March. During the month, TCL announced agreement on the Inner City Bypass project in Brisbane and expansion of the 395 Express Lanes in the USA. TCL has a raft of growth projects in various stages of discussion/approval which will continue to drive earnings growth over the medium term and are arguably not being valued by the investment community.

Macquarie Atlas Roads (MQA.ASX) returned 6.5% in the month of March. MQA's share price was volatile in March as the market digested the acquisition of the 50% of the Dulles Greenway that it didn't already own and the stock was included in the ASX100. The stock firmed later in the month as the market became more comfortable with the acquisition.

Sydney Airport (SYD.ASX) performed very strongly, returning 11.7%, despite weaker headline traffic figures (reflecting the leap year effect in the pc). Adjusting for this impact, traffic growth remains robust. During the month, long term CEO Kerrie Mather announced her retirement from SYD. Under her guidance, SYD has grown strongly and the Company is now looking for an external replacement for her.

The Big Four Banks declined during the month (-4.5%) on the back of widespread media reports commenting on the unsustainable housing price growth in Sydney & Melbourne in recent years. In addition the RBA commented on how the indebted household sector would react to a scenario of rising interest rates & rising unemployment.

Scott Maddock,
Portfolio Manager



TAMIM Global Equity High Conviction IMA

Market and Portfolio Review

- Equity markets were stronger in March with the MSCI World index rising around 1.8% in AUD terms.
- The broader equity market rally was again driven by 'growth' and 'quality' stocks.
- The High Conviction Strategy rose in March. We are aware we have lagged the general market for the 1st quarter.
- We have rechecked our investment thesis for our holdings and remain comfortable they are mispriced. We underestimated the enthusiasm for the 'Trump trade' but this exuberance appears to be abating somewhat now.
- The UK delivered the letter to the EU under Article 50. Brexit is underway.
- The Dow DuPont merger was approved by various authorities. Let the cost cutting commence.
- Intel bought Mobileye, an Israeli visual technology company. The price seems high. We hold Intel for now.

Market Outlook

- Although equities are not cheap, there is a good likelihood that they will continue to rise further as global economic growth is picking up.
- This is putting upward pressure on inflation and interest rates, which in turn is likely to weigh on bond markets.
- More central bankers are indicating that they wish to raise interest rates. The ZIRP era is over and about time too. It was misconceived and the after effects are difficult to unwind.
- Political risk remains in Europe with numerous elections due. Cynically we note that economic prospects look brighter which is better for incumbent parties.
- We remain fully invested in the model portfolio and unhedged for AUD based investors.

Although equities are not cheap, there is a good likelihood that they will continue to rise further as global economic growth is picking up. Value stocks continue to look very attractive but need a catalyst for a sustained rally. We expect large variability of returns between Value and Growth strategies and individual stocks to continue.

Robert Swift,
Portfolio Manager

We sense a meaningful shift from policy makers towards appropriately higher interest rates and more of a focus on fiscal policy. Most central banks have hinted subtly or otherwise to expect monetary tightening. We are underweight REITS and Utilities. We caution investors who hold leveraged property and long duration bonds



Contact

Should you wish to discuss your investments or the various TAMIM solutions please do not hesitate to contact us:

Darren Katz

Joint Managing Director

M 0405 147 230

E darren@tamim.com.au

Jeremy Benson

Director - Head of Distribution

M 0402 234 577

E jeremy@tamim.com.au

Jeff Taitz

Joint Managing Director

M 0403 028 639

E jeff@tamim.com.au

Tim Budge

Director – WA & SA

M 0403 360 850

E tim@tamim.com.au

Robert Rando

Associate Director - Distribution

M 0478 028 939

E robert@tamim.com.au

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