



Portfolio Update

August 2018

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From the Directors

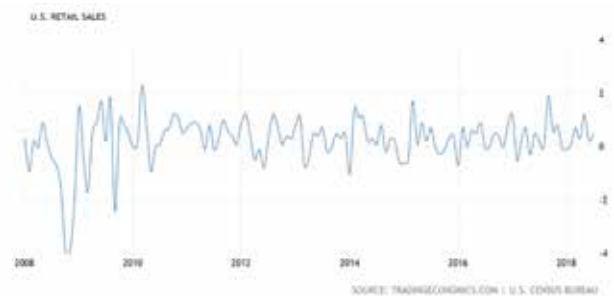
August 2018 Review

This month I returned from a visit to the USA where I had the opportunity to spend a week in New York City and some of the surrounding towns. The last time I got to spend significant time here was literally 10 years ago during the week of the 15th of September 2008 that Lehman Brothers collapsed during the Global Financial Crisis. Wow - what a difference 10 years makes.

That week in September 2008 the financial world was coming to an end, I remember going to sleep on the Tuesday evening of that week and being seriously concerned that American Insurance Group (AIG) would not exist the next day. I contemplated going down to the ATM and drawing out all the money I could because I thought there was a good chance the banks would not open the next day. AIG ultimately lost \$99.2 billion in 2008 and received a bailout of \$182.3 billion from the US Treasury and the Federal Reserve Bank of New York. Ultimately, the government made a profit of \$22.3 billion when the money was repaid. My concern was that we were on the brink of social unrest and that if people were not able to access cash that there would be wholesale rioting in the streets of New York and London. Ultimately this fear did partially unfold with riots occurring on the streets of London.

Fast forward 10 years and, as I said, time makes all the difference. The streets of New York City are packed and yes it is the end of summer heading into the Labor Day weekend with the fabled retail sales but shops are full. This is a marked contrast to 2008 when the streets

were busy but nobody was doing any spending. Every restaurant, coffee shop, Starbucks, Dunkin Donuts, every Broadway show and department store is packed and people are spending.

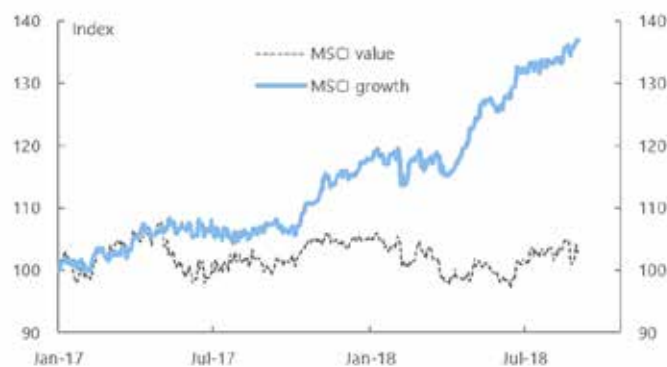


Source: Trading Economics

The streets are thronging with people and, personally, one of more unbelievable observations was that there is massive construction activity everywhere. You are not able to walk one city block (and there are a lot of blocks) without seeing skips, scaffolding and building activity, from sixty to seventy story skyscrapers to smaller five to ten level apartments in the trendy Chelsea and Soho areas. Even crossing the bridge south to Brooklyn, the streets are full and activity is high. It does seem that the additional supply of units coming onto the market and soon to come onto the market is having an impact on property prices. The first quarter of 2018 saw real estate sales down 25% from the same quarter last year and the second quarter was down 14% from the previous year. Manhattan inventory increased year-over-year for the tenth consecutive quarter, up 17% annually to 7,491 listings, the highest of any quarter since 2011.

Market Review

August 2018 was a volatile month with US China trade tensions continuing to boil, Italian bond market volatility, emerging market pressure from Turkey and yet another change of Prime Minister for Australia. US equity markets remained strong and US 10 year treasuries saw their yields fall to 2.86%. Growth continued its dominance over value, up 3.1% during the month versus value which was down -0.4%.



Source: Nikko Asset Management

United States of America

Despite global issues US equity markets were strong, with the S&P 500 rising 3.3%, as momentum was retained from July's strong earnings results. Consumer discretionary and technology sectors were among the strongest performers. Apple became the first company to surpass a \$1 trillion market cap on August 2nd. As discussed last month our concern around the US China trade rhetoric is that this could have an impact on both consumer and business sentiment but as yet we are not seeing this. Business investment spending looks robust according to the July durable goods report. The NFIB index, which tracks the sentiment of small- and medium-sized enterprises in the US, rose to a 35-year high. Almost a third of the companies surveyed are planning to increase capital expenditure. At a consumer level, retail sales rose 0.5% in July, above the consensus of 0.1%, buoyed by tax reform and a strong jobs markets. Anecdotally, as we walked the streets of New York City we did notice there were a significant number of shop windows throughout the city with job offers posted in their windows and while these were generally low paying jobs it was pleasing to see. Wage growth is not causing inflationary pressures at present and productivity measures are improving with second-quarter non-farm productivity growth at a seasonally adjusted annual rate of 2.9%. GDP growth continues to be strong with data released in late July showed that US economic growth accelerated to 4.2% annualised in the second quarter, its fastest pace in nearly four years.



Source: inhabit.corcoran.com/new-york-city-quarterly-reports-2018/

The picture is not all rosy with what appeared to me to be large numbers of homeless people sleeping on the street, just about every block see's someone begging for help and collecting cardboard boxes to use as mattresses for the evening. There is massive disparity of wealth apparent everywhere you look. On the weekend we traveled just fifty minutes north of the city to visit in White Plains, NY. Talk about a massive difference less than an hour down the expressway. This is the real America - while Westchester County, in which White Plains is located, is an affluent area, the walk around town on Saturday opened our eyes wide. When we walked into the Target and Shoprite centre, it was easy to see the difference to the "Big Apple" with lines to allow people to use their food stamps, people using the electrical outlets in the stores to charge their phones. There was plenty of poverty apparent and people seemed to be doing it tough.

The biggest issue we see the US facing today is massive wealth inequality, according to The New York Times, the richest 1 percent in the United States now owns more wealth than the bottom 90 percent. This will ultimately be the defining issue of our times with social structures eventually refusing to accept this dispersion. So while New York pumps and is the jewel of Trump's America, we pose the question will Donald be the man of the times and will he be the one to create better dispersion of wealth across the classes. My thoughts - as much as he says he is a man of the people, that is not true, he is looking after himself and until we can find another Roosevelt the disparity will continue to widen.

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

- Franklin D. Roosevelt

Europe

It looks like there is a recovery taking place in Europe despite the weaker indicators from the start of this year. GDP growth for the second quarter was revised up to 2.2% while headline inflation for August increased 2% year on year despite core inflation remaining low. This indicates to us the European Central Bank (ECB) will keep rates on hold until at least mid way through 2019. Politically there are still tensions in Europe despite the trade tensions with the US easing. The new Italian government and the EU are not currently seeing eye to eye. The new Italian budget, due to be released at the end of September, is causing most of the angst with Italy's credit rating at risk. The 10-year Italian government bond yield touched 3.20% by the end of the month which was 290 basis points above that of Germany. European equities sold off in August with the MSCI EMU index down -2.7%. Financials, notably banks with exposure to Turkey, were among the main detractors as the Turkish lira fell sharply and bond yields rose. Meanwhile, the Italian banks were also impacted by rising Italian bond yields amid worries that the new Italian government's 2019 budget may come close to breaching EU fiscal rules as mentioned above. Automobile stocks also fell in August despite the easing trade tensions. German tyre maker Continental reduced full-year forecasts for sales and profit margins, citing slower sales as well as higher costs and warranty claims. Information Technology and Real Estate sectors delivered positive returns. The Euro fell 0.6% versus the US dollar.

United Kingdom

The FTSE 100 fell -3.3% for the month, making the UK one of the worst performing equity markets in August. Ongoing uncertainty around Brexit continues to dominate the UK headlines as the deadline for an agreement gets closer. Many are suggesting that negotiations are proceeding reasonably amicably. Even so it may take until November for Dominic Raab, the new Brexit Secretary, and Michel Barnier to conclude talks. Barnier stated that the EU was willing to offer the UK an unprecedentedly close relationship after Brexit. The decision by the Bank of England (BoE) to increase base rates failed to have a stabilising effect on the currency which fell 0.9% against the USD as the bank stressed that future tightening was likely to be gradual (there should be no movement until Brexit negotiations are complete at the least). The BoE judged the slowdown in the UK economy in the first quarter as temporary and weather related, GDP growth for the second quarter came in at 1.5% on an annualised basis, which was in line with expectations but a bit lower than the BoE's forecasts.

Asia

The Topix was down 1% for the month after a recovery in the second half of August. The pulp & paper sector was the strongest performer as product prices remain at relatively high levels. Interestingly, the construction sector moved sharply lower. There was an unusually wide spread between defensive sectors such as foods and pharmaceuticals which have previously tended to move together. Underlying inflation in Japan remained low at 0.3%. Private consumption has been strong at 2.8% quarter on quarter, this alongside strong wage growth of 3.6% has helped stabilise GDP at 1% in the second quarter. There has been a temporary steepening of the Japanese yield curve through the month with the BoJ doubling the range of fluctuation around its 0% target to 20 basis points.

August started with the US threatening to apply an additional 25% tariff on top of the existing 10% tariff on USD 200 billion of Chinese goods. Alongside this the Trump administration enacted legislation to better regulate inbound foreign investments. While this does not directly target China it still restricts the ability of the country to invest in the US. These tensions appear to be already affecting trade and output in China. Exports to the US fell 2.5% in July vs. June and fixed asset investments came in much weaker than expected, rising only 5.5% on the year for July. The Chinese authorities are aiming to counter this with measures to stimulate domestic demand. The banks' reserve requirement ratio was cut by 50 bps at the end of June. There are also few signs, so far, of stress as Chinese FX reserves increased modestly in July to USD 3.19 trillion, which suggests that capital outflows were limited.

Asia ex Japan equities posted a marginally negative return through the month with China and Hong Kong among the weakest countries. Singapore also under-performed, with consumer discretionary stocks among the weakest names. By contrast, the Philippines and Thailand posted positive returns and outperformed. In the Philippines the central bank hiked its key policy rate by 50 bps to 4% as inflation ticked up to 6.4%. Meanwhile Thailand, together with large index markets Taiwan and South Korea, outperformed peers given strong current account surpluses and foreign-exchange reserves.

Australia

Australian equities were up 1.4% through reporting season in August. At a sector level healthcare was the standout while financials, energy and materials detracted from returns. There were more beats than misses during the reporting period however there were also a significant amount of downgrades to forward looking earnings. As prices move higher separate to the downwards earnings revisions, valuations moved higher with forward PE's reaching 15.9x. These levels are demanding and above long term averages of 14.4x. The big story of the month, besides the departure of Malcolm Turnbull as Prime Minister was the AUD depreciating 2.7% against the USD and 2.2% against the Euro.

The Australian economy advanced 0.9% in the June quarter of 2018, above market consensus of a 0.7% expansion and after an upwardly revised 1.1% growth in the previous quarter. Growth was mainly supported by strength in domestic demand and foreign trade while fixed investment was flat. Through the year to the second quarter, the economy grew 3.4%, following a 3.2% expansion in the prior quarter and beating expectations of a 2.8% growth. This is the fastest annual expansion rate since Q3 2012.



Source: Trading Economics

It is apparent that some of the price moves preceding and during reporting season are not supported by fundamentals. Historically, such periods of irrationality have not been sustained and stock prices have ultimately reverted to valuations supported by fundamentals.

All in all, the economic data for August points to a global economy that is still growing above trend, which should support corporate earnings globally. But geopolitical headlines continue to create considerable volatility around this generally positive trend. In this context it seems reasonable to remain long risk in balanced portfolios, while seeking at the same time low correlation assets to provide some protection as the cycle ages. We believe it makes sense to allocate to domestic value oriented equity investments while

focusing on growth assets offshore, we also believe that value will revert to trend at some point.

Thanks for reading!

Darren Katz

Darren Katz,
Joint Managing Director

TAMIM Australian Equity All Cap Value IMA

The Australian equity market again pushed higher in August. Reporting season was the key focus and results were by and large in line with expectations. The market was led by Information Technology (+12.3%), Telcos (+10.9%) and Healthcare (+10.6%). Overall, earnings expectations for next year were revised down slightly but this did not dampen the mood. The portfolio fell 0.1% over the month with a few smaller positions registering large falls and offsetting the positive results from the majority of our core positions.

Portfolio News

Reporting season has come and gone and as always there were surprises. To us the major surprise was the continued march higher of stocks we considered to be significantly overvalued. Investors continue to pay up for growth in a manner akin to the late 1990s and in many cases we believe that they are ignoring history in doing so. The reality is that the Global Financial Crisis is still fresh in everyone's mind and the problems that occurred were not valuation issues but more financial engineering. It is almost 20 years since we had a valuation issue and as a result people have forgotten. With that in mind we believe the selloff we have seen over the last week or so is just the beginning.

Take CSL for example, in our opinion the highest quality company listed in Australia. It is a dominant player in the blood plasma space and has successfully turned around a loss making vaccine business. The future in an operational sense looks bright and the market is rewarding the company for its recent performance.

There is a common school of thought in the market that CSL is always expensive. However it is now even

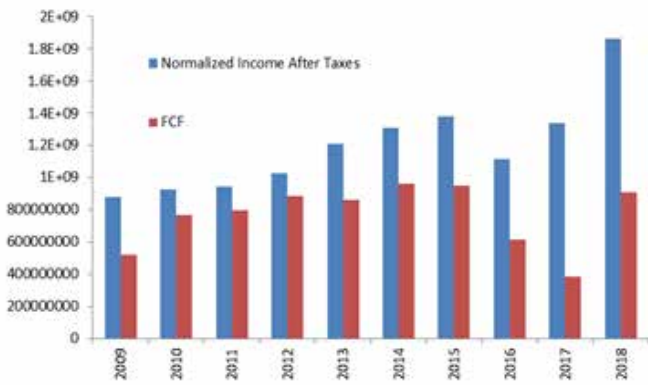
more expensive than usual. In fact the valuation on a P/E basis is now the most expensive it's been since 2002. From 2009 through to 2016, the company traded between 18-25x before breaking out. It now trades at a rather expensive 37.3 times next year's earnings (see the blue line below).



Source: Thomson Reuters

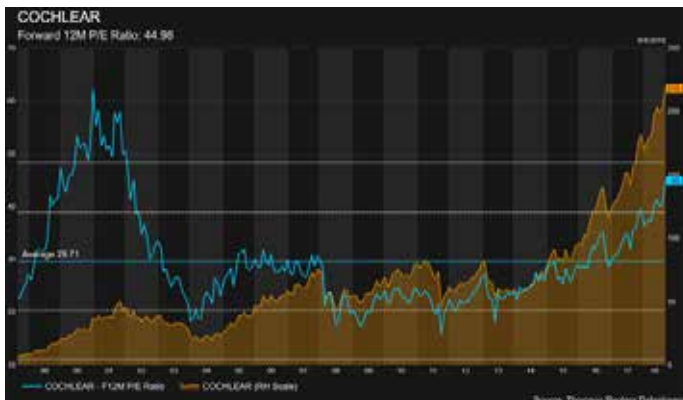
Of course, a one year forward P/E is not the be all and end all when it comes to valuing companies. There are many factors at play here. In the case of CSL, a significant part of the rally has been the tremendous turnaround that the company has achieved with the Novartis acquisition. We bought CSL back in 2016 below \$100 because of market concerns around that particular acquisition. If the company can replicate that success elsewhere then the current valuation may be justified.

The chart below shows a significant step up in earnings last year on the back of the turnaround. The big step up is unlikely to be replicated and the company's guidance in the recent result was below consensus expectations. Despite this, the shares actually rallied.



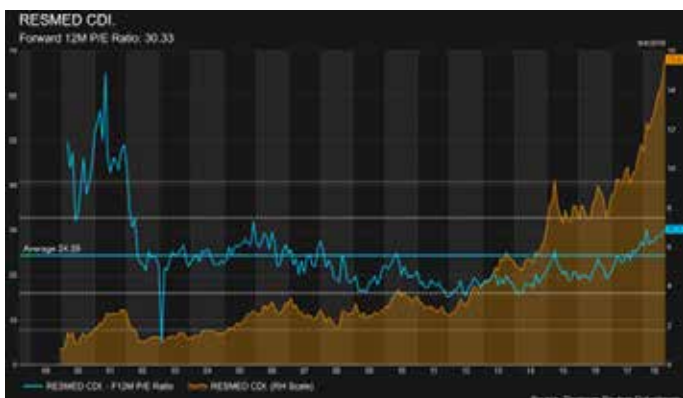
Source: Thomson Reuters, company filings

The major issue we have in the market currently is the pattern of CSLs P/E is not just confined to CSL. Below is the same chart for Cochlear and we see the same pattern. The P/E traded in a range until 2016/17 and has broken out. Cochlear shares are now the most expensive they have been since 2002. Again similar to CSL, Cochlear is a high quality global leader in a defensive industry but we are not sure that the current multiple of 45x is justified by its earnings per share growth of 11.3% over the last 10 years.



Source: Thomson Reuters

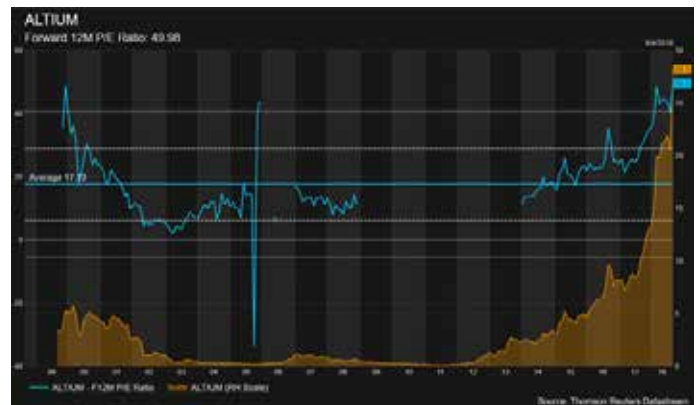
And Resmed shows a similar pattern as well (although to slightly less of a degree).



Source: Thomson Reuters

The increase of multiples in the healthcare sector is dwarfed by what has happened in the Technology sector though. Take Altium for example, a company that only became consistently profitable in 2012. The company has executed flawlessly since then and has

been rewarded by a multiple that has gone up to 50x.



Source: Thomson Reuters

In fact the whole Software as a Service (“SaaS”) has exploded. Investors are attracted to recurring revenue, high returns on capital (due to low capital requirements) and potential for global growth. We too were attracted to these aspects a few years ago and had a significant amount of capital allocated in the space. However, as valuations have risen we have realised profits and exited positions. When we look at ASX listed companies today, it is hard to find value.

		Forward P/E
WTC	Wisetech Global	94.4
ALU	Altium	50.0
CL1	Class	25.5
TNE	Technology One	31.5
GTK	Gentrack	28.7
HSN	Hansen Technologies	20.1
IRI	Integrated Research	19.9
BVS	Bravura Solutions	25.6
MPW	MSL Solutions	8.3

Source: Thomson Reuters

In fact from the list above, one name stands out to us.

MSL Solutions (+13.2% in August) is in our opinion the cheapest SaaS Company listed on the ASX. The company reported NPATA excluding one-off expenses and revenue of \$4.6m on a market capitalisation of sub \$50m. The company is a global software player in the growing and fragmented market of sports, leisure and hospitality. Over recent years the company has grown significantly both organically and via acquisition.

Revenue grew by 44% in FY18 with 20% coming via organic growth and 24% via acquisitions. The company completed two further acquisitions during the year and has indicated they have several advanced opportunities in late stage discussions currently. Importantly, during FY18 recurring revenue grew 31% and now equates to 47% of total revenue. The below breakdown of the company’s revenue growth over its short listed history tells an impressive story.

AUD \$m's	FY16	FY17	FY18	Description
Revenue Growth	30%	110%	44%	Total Revenue including Recurring Annuities (customer support & SaaS Subscriptions) and Non-Recurring Revenue (upfront licence fees, services, hardware & advertising)
- Organic Growth	14%	17%	20%	
- Acquisition Growth	16%	93%	24%	
Recurring Revenue	5.7	12.1	15.8 (31%)	Recurring annuity contracts – note customer churn rates annually are less than 5%
- Support Annuity	4.8	7.4	9.2 (25%)	
- SaaS / Subscriptions	0.9	4.7	6.6 (40%)	
Annual Recurring Revenue (ARR)			16.8	ARR is the forward looking annuity value contracted at a point in time.
- Support ARR			9.2	
- SaaS / Subscriptions ARR			7.6	
Customer Venues		2,066	2,406 (16%)	Customer venues using MSL software modules from the MPower Connect technology stack at period end.
- Organic Growth			4%	
- Acquisition Growth			12%	

Source: Company filings

So why are the shares trading on such a low multiple? In our opinion it is because the company has struggled with the transition to listed life. In its prospectus, the company set very high expectations for its first full year as a listed entity (FY18). Six months ago, it was fairly clear it was going to miss these expectations. It tried some financial gymnastics by selling part of its minority stake in another company called Zuuse but at the end of the day, management realised it was best to be transparent and to report the numbers in an appropriate manner.

The result was NPATA of \$4.6m versus prospectus forecasts of \$5.9m. The miss was twofold; firstly the company had \$1.5m worth of revenue slip into FY19 so revenue came in at \$33.6m compared to \$35.5m and secondly the company invested an additional \$1.4m in expansion, most notably opening a new office in Dubai.

The other concern the market has is that Free Cash Flow did not match NPATA. Over time these two should align. The major reason Free Cash Flow lagged last year was the company booked \$12m of project revenue in the 2nd half and \$8m of that in the fourth quarter. The company has \$3m of receivables outstanding relating to that work. In addition to that \$3m, there were some IPO costs paid for during the FY18 year.

So whilst there are concerns around the company, we think they will start to disappear as the market starts to let the prospectus forecasts go and focuses on the business itself. Operational momentum is strong and the company has a four year growth plan where it expects to continue to grow revenue in line with historic rates (15%+). It has a target of having a customer base of over 5,000 by the end of that four year period (currently 2,406). Economies of scale mean margins should increase as well with the company targeting a NPATA margin near 30% over the medium term (currently 13.8%).

The opportunities in front of the company are large.

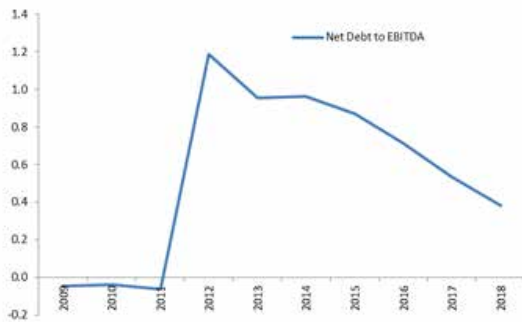
They operate in over 25 countries but have less than 5% of their addressable market with no clear number one player. They have a net cash balance sheet and are spending heavily on research and development to improve their products (currently 17% of revenue, entirely expensed). 50% of the revenue comes from offshore and this is only likely to increase as we move forward. The company has a strong base and the chance to be a global leader in a niche field.

Another Technology related company we own that saw a significant rerating was Trade Me.

Trade Me (+10.6% in August) reported a result largely in line with our expectations. The company had sold down last year on fears of competition from Amazon and an increased level of investment within the business. In our opinion the step up in investment in the last financial year was unlikely to be repeated in FY19. This opinion was proven correct with the guidance given for next year showing an acceleration in profit growth on the back of lower expense growth.

In addition to the solid guidance the company announced a significant special dividend (NZ\$0.22 per share) in addition to its already solid yield. Since being spun out of Fairfax the company has steadily grown profits and paid down debt. They have got to the point where they believe their balance sheet is “lazy” enough (with net debt to EBITDA at 0.4x) and they can return some capital to shareholders.

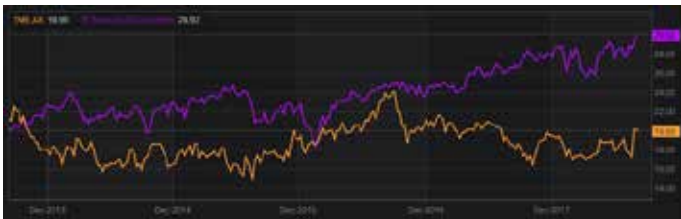




Source: Company filings

We expect this to be a trend in the future, as the company generates excess cash it will be continually returned to shareholders. Whilst it may not repeat every year, we don't expect this special dividend to be a one off.

Interestingly despite the recent rally in technology and internet stocks, Trade Me has been left behind. It's a rarity in this current market – a growing company in an attractive sector with plenty of free cash flow trading in line with its historical averages. It's worth considering that REA, Domain and Seek all trade over 30 times earnings.



Source: Thomson Reuters

As mentioned above a few of our smaller positions disappointed the market over reporting season.

Arq Group (-27.2%) announced a downgrade to their calendar year guidance. This was primarily on the back of losing an ongoing contract to a major Telco company. Our position going into the result was just 1.5% (down from a peak of 6.4% back in May last year). We had reduced our stake significantly on valuation grounds above the \$3 level, selling most of our position. On the back of the result we sold our remaining stake.

Netcomm Wireless (-28.7%) announced a strong result for FY18 but provided FY19 guidance that disappointed the market. Despite the weaker than expected guidance we believe the market is overlooking the long term potential.

The guidance for next year is for 15-20% revenue growth but a substantial fall in margins so EBITDA will be down. There are two reasons for the lower margins. Firstly, the company is investing \$4m into

5G research in addition to its already substantial R&D program. Secondly, the growth in revenues is coming from a ramp up in their contract with AT&T which was signed with lower margins than their other deals. The company accepted a lower margin in order to get its foot in the door with an offshore tier one Telco.

The company has guided to a “further step change up in revenue and earnings” in FY20. Part of the confidence behind this statement comes from the company having four field/lab trials currently being undertaken with tier one telcos globally. A major reason behind these trials is that the company has recently announced the launch of an improved Distribution Point Unit (“DPU”). DPU's have been used by the NBN for their “Fibre to the Curb” rollout. Previously each DPU could connect 4 dwellings but the new release can now connect 16 dwellings. This makes the product more viable for European customers looking to replace old copper networks with fibre.

The company currently has \$27m of cash on the balance sheet, a market capitalisation of \$107m and made \$8m profit last year. Whilst FY19 will be lower, we believe that on a two year view the shares currently offer considerable value.

Sector Positioning

We maintain a strong overweight to the IT sector with other exposures in Industrials, Utilities, Healthcare, Consumer Discretionary and Energy. Our IT weight has been falling in recent times whilst we have been adding to Industrials (with an Infrastructure focus) and Utilities.

The Portfolio

The portfolio is currently invested in 19 companies. The cash level is currently 46.3% (up from 43.9%). During the month we sold out or commenced selling out of four smaller positions. We added two new positions; one in Healthcare and one in IT.

SKI	6.3%
GTK	4.9%
TME	4.6%
SRG	4.4%
DDR	4.2%

Other Positions	29.3%
Cash	46.3%

TAMIM Australian Equity Small Cap IMA



Portfolio Review

The underlying portfolio returned +4.11% after all accrued fees and expenses for August 2018. The ASX All Ordinaries Index rose +0.97% during the month. For the first two months of the financial year, the strategy is up +5.17%.

We were pleased to see our portfolio holdings report generally strong results for the 2018 financial year, with the majority of the portfolio delivering annual earnings per share (EPS) growth in excess of our 15% target. Four companies (Easton Investments (ASX: EAS), Zenitas Healthcare (ASX: ZNT), People Infrastructure (ASX: PPE) and Sequioa Financial (ASX: SEQ)) all declared their maiden full year dividends.

The most significant contribution to performance during August came from Zenitas Healthcare (+28%) which reported an impressive FY18 result, and at the same time announced it was subject to a \$1.46 takeover offer from a private-equity led consortium. We first acquired shares in ZNT in December 2015 when it was being re-capitalised and had a market cap of \$4m; and we subsequently participated in further capital raisings in late 2016 and late 2017. The takeover offer implies an equity value of ~\$110m. We are pleased to have supported the growth of ZNT into a leading community healthcare provider over the last 3 years, however we believe that the offer as it stands (at a modest 7.5x FY19 EBITDA) significantly undervalues ZNT, and note that two current ZNT directors are associated with the bidding consortium.

Pleasingly, the portfolio continues to own many other fast growing, undervalued, emerging businesses in attractive sectors (including healthcare, tourism and education) on very undemanding multiples that we

also consider to be genuine potential private equity takeover targets. As we have seen with ZNT, if the market does not appropriately price these companies, then it is likely that at some point others will.

Other strong contributors during August included People Infrastructure (ASX: PPE +26%), Legend Corporation (ASX: LGD +15%) and Easton Investments (ASX: EAS +20%).

Sector Exposure

The portfolio provides exposure to a genuinely differentiated portfolio of profitable smaller companies, with bright prospects, and at attractive valuations. Correlation with the broader market remains low, and thus an investment in this strategy is expected to bring diversification benefits to our investors' broader portfolios.

As set out below, the portfolio is exposed to sectors with some encouraging tailwinds, including above average weightings to healthcare, diversified financials, education and tourism.



Outlook

We continue to remain wholly focused upon what is within our control: executing on a well-considered, time-tested, value-conscious investment philosophy.

We are enthused by the medium to long-term prospects across our current portfolio holdings. These are high quality businesses with great management teams with whom we've built strong relationships. Importantly, valuations remain attractive and ultimately will drive returns over time. We continue to add new holdings to the portfolio that have significant medium to long term upside.

TAMIM

Income Fund

The Tamim Income Fund generated the following returns in August.

Series 1	0.04%
Series 2	0.61%

The Series 1 portfolio was allocated as follows:

Platform	Allocation
RateSetter	71.5%
Society One	27.6%
Cash	0.9%

The Series 2 portfolio was allocated as follows:

Platform	Allocation
RateSetter	48.8%
Longreach	50.7%
Cash	0.5%

The SocietyOne loans comprise 27.6% of the overall portfolio of Series 1 and this is split across over 327 loans as follows:

Category	Allocation	Yield (gross)
A	19.2%	8.95%
B	29.7%	10.92%
C	45.6%	14.40%

It is important to remember that the Ratesetter platform operates with a provision fund which protects the portfolio loans to approximately the first 6% loss. This does however operate at a portfolio level so is not a guarantee of capital.

The Ratesetter provision fund balance is currently \$11,078,552 which is 6% of the outstanding loan book. Key Ratesetter details are summarised below:

RateSetter Key Statistics

Claims on Provision Fund	100% of late payments and defaults
Claims paid by Provision Fund	100% of total claim value
Total amount lent	\$348,598,573
Total principal repaid by borrowers	\$164,514,173
Current funds on loan	\$184,084,401
Current estimated bad debt rate*	<3.8%
Current estimated bad debt*	\$6,911,232
Current estimated default coverage ratio*	1.6x

Source: RateSetter

The TAMIM Alpha monthly reports aim to provide our investors with a general review of the Israeli market and describe the key events that occurred in the fund through the month. We will be producing these reports on a monthly basis with a more in-depth report at the end of each quarter.

In our last monthly report, we were very pleased to report that the equity exposure in our portfolio has reached a point that we are very comfortable with - around 70%. Most of our portfolio published their second quarter results in August. We are very happy to report that in most cases these were very good and in line with our expectations, this resulted in a positive monthly return of 4.18% for the AUD unit class and 3.85% for the USD unit class.

The big financial story coming out of Israel this month is important and holds large upside for Israel's capital market. It was formally announced that the US/UK/Australia based investment fund Manikay Partners LLC will buy 19.9 percent of the Tel Aviv Stock Exchange (TASE) at a valuation of 551 million shekels (\$156 million) while at least 30 percent of the Israeli stock exchange will be sold to the public. Another 21.8 percent will be acquired by a number of international investors **including two major Australian Institutions: Sunsuper and Moelis Australia Asset Management.**

Ittai Ben-Zeev, the Tel Aviv Stock Exchange Chief Executive, was quoted as saying: "We believe the entry of international investment groups, combined with a significant share held by the public is the most appropriate structure for the local stock exchange and one that would support its continued development and growth".

Manikay, a U.S. hedge fund with operations in London

and Sydney, has been involved in a number of exchange-related transactions, including with the New York Stock Exchange, Chicago Board of Trade and the Sydney Futures Exchange. "We intend to make our experience available to them, both to help progress their IPO and to compete in the global exchange industry," Shane Finemore, a Manikay founding partner, told Bloomberg News. He described the investment as a "long-term strategic partnership." We are sure that this exciting development will increase the level of interest of foreign investors in Israel's listed capital market. This will have a positive impact on this asset class in a way that will be beneficial to our investable universe.

Market Review

The composite state-of-the-economy index indicates a growth rate consistent with the potential growth rate of the economy. The index, published each month by the Bank of Israel, increased 1.9% in the first seven months of the year (3.3% in annualised terms), while over the trailing 12-month period (July 2017 – July 2018) it increased 3.5%. The composite index, which enables the analysis of economic growth each month, together with the recently published GDP data (up through the second quarter), and the forecasts of future growth, reflect a "growth environment" of around 3.5%.

On 29 August, the Monetary Committee of the Bank of Israel held fire and kept the interest rate steady at the historic low of 0.10%, where it has been since February 2015.

The decision was in line with market expectations and followed an increase in core inflation, which reached 1.0% in June and July—the highest level in

over four years. Headline inflation has also risen in recent months, boosted by higher energy prices and the weakening of the Israeli currency against the U.S. dollar, and the Bank expects inflation to pick up further going forward. The BoI did however feel it was still premature to begin tightening its monetary stance, given that price pressures are still mild and one-year inflation expectations are only just within the Bank's 1.0%–3.0% target range.

Portfolio Review

This month we had our hands full with financial reporting season. We are pleased with the continued performance of our portfolio. This month was the first time this calendar year where we have seen a change in the trend we have become accustomed to during the first seven months. August saw value companies outperform growth companies. The strong run of growth companies (mainly led by technology companies traded on the Nasdaq) has been prevalent for the last twelve months and this has now swung around for the first time in the period.

In this report we would like to focus on one of the biggest value positions in our fund, a company by the name of Israel Chemicals (ICL). ICL is a public company whose shares are dual-listed on the New York Stock Exchange and the Tel Aviv Stock Exchange (NYSE and TASE: ICL).

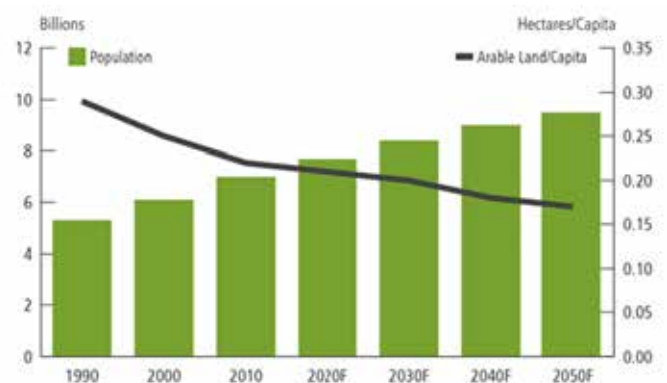
ICL, is a global manufacturer of products based on unique minerals which fulfils humanity's essential needs, primarily in three markets: agriculture, food and engineered materials.

ICL's history begins in the early 20th century with the first efforts to extract minerals from the Dead Sea in Israel's South. ICL produces approximately a third of the world's bromine, is the world's sixth largest potash producer, and is one of the leading providers of pure phosphoric acid. ICL is addressing the vital and ever evolving needs of humanity, dealing with tomorrow's needs by developing creative solutions that lead to real change today.

How is this expressed practically? The agricultural products that ICL produces help to feed the world's growing population. Millions of people in more than 180 countries benefit from healthier, better quality and more available food thanks to fertilisers produced by ICL. Its food additives enable people to

have greater access to more varied and higher quality food. Its potash and phosphate products are essential components for the pharma industry. Its bromine-based materials and phosphates contribute to a more energy efficient and environmentally friendly planet and allow the safe and widespread use of a variety of products and materials.

The world is continuing to lose its supply of arable and food producing land. We can argue over why it this is happening – climate change, crop saturation, urbanisation, all of the above and/or many other factors – but the reality is that it is happening, and fast. At the same time, the world's population continues to boom. Over the next three years, we can expect there to be 7.7 billion people on the planet. That's a lot of mouths to feed and the numbers simply don't add up any more.



The simplest and most widespread solution is the use of fertilisers. These can increase crop yield and provide higher quality food products with less defects. They can also bring down the cost to produce food.

We started buying ICL in March, initiating a 2% position, and increased our stake to 4% during the months of April and May. Our view was that two key catalysts occurred that were strong indicators for future improvement and presented a good entry point for us into the cyclical industry in which ICL is a major global player:

1. The re-organisation that the company did surrounding its Potash sites in Spain. This allowed them the future possibility of increasing production capacity to 1.3 million tons and extra efficiency in production costs.
2. The decline of prices in the fertiliser market, especially the Potash price, which in the last five years dropped from 400USD per ton to 200USD.

In the last quarter the price of Potash bounced back from 216 USD per ton to 246 USD per ton, this change was reflected in the company's quarterly reports.

The second quarter results of ICL showed an income of 1.37 billion USD - significantly above the market forecast. Most of the difference resulted from higher sales of its scope clear bromine-based solutions towards the end of the quarter and slightly better results than predicted in potash and phosphate. In the field of potash, there was relative stability recorded in the production amounts relative to the first quarter (approximately 1.0 million tons), production stood at a relatively high level of 1.35 million tons. This contributed to operational profitability of 24.8% compared to 20.9% in the first quarter. The special fertilisers sector continued positive momentum with an increase of 11.6% in relation to last year. Net profit was recorded at 113 million USD.

We have seen a jump in ICL share price of 25% since we bought our initial stake but we believe that there is still a long-term upside which is why we are maintaining our position in the company.

With the Jewish new year upon us, we would like to take the opportunity to wish everyone and their families a sweet new year filled with health, happiness, peace and prosperity.

Sincerely,

Sagi Ben Yosef, Darren Katz
& the combined TAMIM Alpha Team

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