



Portfolio Update

February 2018

TAMIM Asset Management
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From the Directors

Inflation, Inflation and More Inflation!

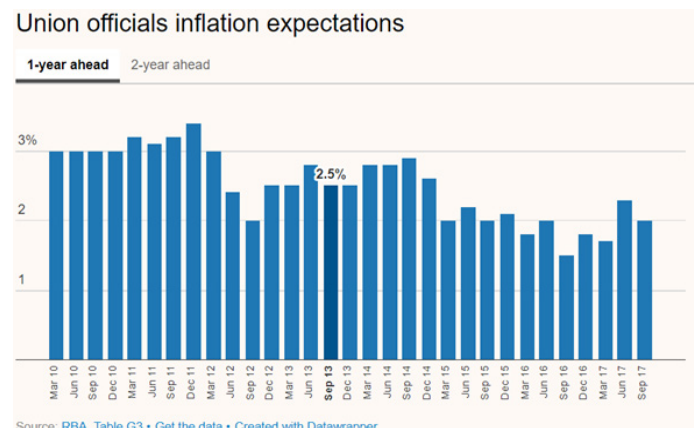
February saw a spike in market volatility to levels not seen since 2015 when the market had a meltdown over Chinese concerns. While Australian equities were relatively resilient at +0.4% (including dividends) the S&P ended the month down 3.7% but was down 10% at one stage caused by market panic over wage inflation. Wage inflation is seen to be a strong signal of stronger overall inflation. Anticipation of a stronger inflationary environment led market participants to believe that central banks would raise rates more than previously anticipated. The view at TAMIM is that, while we may see short term inflation occurring, primarily in the US, this is not a long term change to what we believe is a secular trend of deflation. Firstly, we believe that commonly accepted measures of inflation (see below) do not provide us with an accurate view of inflation and secondly we believe that innovation leads to disruptive forces which will be deflationary.

Australia

At February lows the ASX 200 was down 3.6% (not including dividends) but recovered to be down only 0.4% by month end. It was actually up 0.4% for the month when you include dividends. February was reporting season in Australia and we were happy to see that overall it was strong with over 38% of companies beating expectations. Healthcare was the biggest contributor to monthly index performance however this was offset by declines in real estate,

energy and telecom sectors. Australian equities still trade at a relatively high forward price-to-earnings ratio of 15.7x at the end of February.

Commentary from the RBA remains upbeat with growth and inflation targets remaining unchanged. The RBA does expect the unemployment rate to fall by an additional 0.25% to 5.25% before inflation returns to target. In Australia there is certainly no wage pressure forcing inflation higher, and the most recent wage price index increased by 2.1% year-over-year. Even union officials seem to believe inflation is not on the radar anytime soon as can be seen in the chart below.

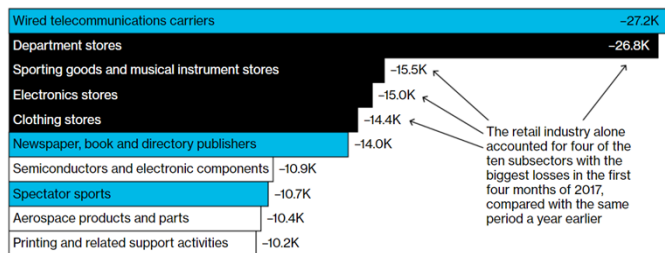


The key factor to consider when looking at wage inflation over the long term is the disruptive forces of automation and artificial intelligence and their impact on wage growth. Over the coming decades job losses to technological advances will serve to reduce the amount spent by corporates on wages taking the pressure off wage inflation even further. The chart below from the US Bureau of

Labor Statistics illustrates the impact of Amazon and their disruptive force on the retail industry.

Top Job-Losing Subsectors as of April 2017

□ Goods ■ Services ■ Retail



DATA: BUREAU OF LABOR STATISTICS

So what is inflation and how do we commonly measure it in Australia?

According to Investopedia, “Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling. Central banks attempt to limit inflation, and avoid deflation, in order to keep the economy running smoothly.” In Australia we commonly use the Consumer Price Index (CPI) as a measure of what the inflation rate is and the Reserve Bank of Australia will use monetary policy to attempt to keep CPI within a specified target range (2 to 3%).

CPI measures quarterly changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by the CPI population group (i.e. metropolitan households). The CPI population group is made up of various groups which have different spending patterns from retirees to those on social welfare. This 'basket' covers a wide range of goods and services, arranged in the following eleven groups:

- Food and non-alcoholic beverages
- Alcohol and tobacco
- Clothing and footwear
- Housing
- Furnishings, household equipment and services
- Health
- Transport
- Communication
- Recreation and culture
- Education
- Insurance and financial services.

The problem with the calculation of price data across a basket of goods is this has to end up being an approximation and what might be a good approximation of the level of price inflation that you experience is very different to what that which

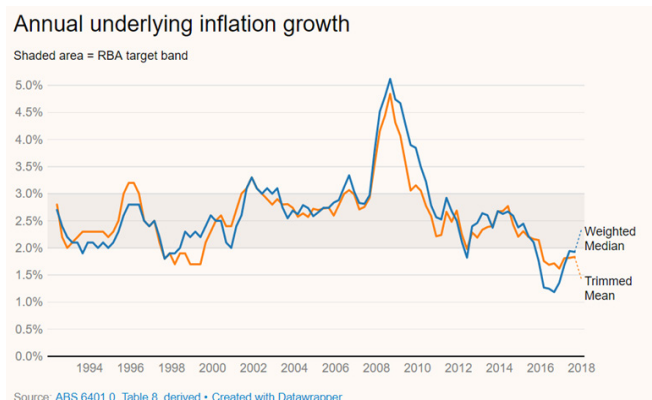
which someone else may experience.

DECEMBER KEY FIGURES

Weighted average of eight capital cities	Sep Qtr 2017 to Dec Qtr 2017		Dec Qtr 2016 to Dec Qtr 2017	
	% change		% change	
All groups CPI	0.6		1.9	
Food and non-alcoholic beverages	1.0	-0.2		
Alcohol and tobacco	3.2	7.3		
Clothing and footwear	-0.3	-3.0		
Housing	0.3	3.4		
Furnishings, household equipment and services	-0.8	-0.8		
Health	-0.5	4.0		
Transport	2.4	3.3		
Communication	-1.3	-3.4		
Recreation and culture	0.6	0.6		
Education	0.1	3.2		
Insurance and financial services	0.2	1.3		
CPI analytical series				
All groups CPI, seasonally adjusted	0.6	2.0		
Trimmed mean	0.4	1.8		
Weighted median	0.4	2.0		

Source: ABS

According to the latest release of CPI figures in Australia, the annual increase to the end of December quarter is 1.9%, however, a five-year update of household spending patterns recently by the Australian Bureau of Statistics (ABS) implied the consumer price index (CPI) was overstating inflation by around 0.22 percentage points. That might not sound like much, but annual inflation is already low at 1.9 percent and, crucially, short of the Reserve Bank of Australia's (RBA) target band of 2 percent to 3 percent.



Source: ABS

Global markets

Despite a benign inflationary environment in Australia, a key concern amongst global investors is that as the economic recovery proceeds, resources will become fully utilised and inflation will reappear. The re-emergence of inflation would force central banks to reassess their easy monetary policy stance. In the January U.S. labour market report, the annual pace of wage growth rose to 2.9%. The spooked market priced in a faster pace of Federal Reserve tightening and the ten-year US government bond yield quickly rose towards 2.9%.

The reality is that core inflation remains below central bank targets of 2% in many regions, including the U.S. and Europe. Brent crude oil prices fell 4.7% over the month holding headline inflation rates lower

despite the stronger than expected US Jobs data. Janet Yellen stood aside at the Fed handing responsibility to Jerome Powell who will take some getting used to.

Strong US job prospects and tax reform are supporting consumer confidence the result of which was steady US growth of 2.5% in Q4. In Europe, stronger economic data helped to prevent a sizeable equity market correction. Draghi, in his speech to the European Parliament, argued that the European Central Bank (ECB) must remain patient and persistent with regard to monetary policy to create conditions for inflation to return to target.

So to conclude, while the markets remain uneasy and concerned around inflation this is not in our view a significant market risk. The risk that remains is the reaction of the market masses to a change in belief on interest rate policy.

Yours Sincerely,

Darren Katz

Darren Katz,
Joint Managing Director





TAMIM Australian Equity All Cap Value IMA

February was one of the stranger months that we have seen in recent times. It began with a rather violent sell-down across global markets on the back of rising interest rates. We were well positioned for this sell-off, having entered the month with a cash weighting of 38%. The sell-off though was short and amazingly the ASX rallied back and finished the month in positive territory, albeit marginally. The portfolio outperformed the market returning 2.4% for the month driven by strong results from Axess Today (+20.8%), Hansen Technologies (+16.6%) and CSL (+11.4%). While many saw the sell-off as an opportunity we believe it may be the first shot across the bow. Globally, interest rates are going up albeit it at a very slow pace. The days of assets being priced off zero percent interest rates are gone. This means that all asset classes (stocks, property, and bonds) will come under pressure and long term buy and hold returns from this point will be poor. Investors need to be selective with their asset purchases and should instead focus on cheap assets with meaningful catalysts. We have increasingly rotated our portfolio away from expensive quality companies to both cheaper companies with growth catalysts and a reasonable holding of cash.

Portfolio News

February sees reporting season in Australia with a majority of companies announcing their six month profit or loss to the end of December 31. Overall, reporting season was relatively benign compared to recent years. In fact within the ASX 200, we saw the highest proportion of companies reporting an increase in profit since 2008. Approximately 38% of these top 200 companies that reported earnings exceeded expectations whilst 29% missed. Despite more beats than misses, expectations for earnings growth for the full financial year were revised down from 8.4% to 6.2%. This downgrade to expectations

was primarily driven by Commonwealth Bank, Telstra and Rio Tinto.

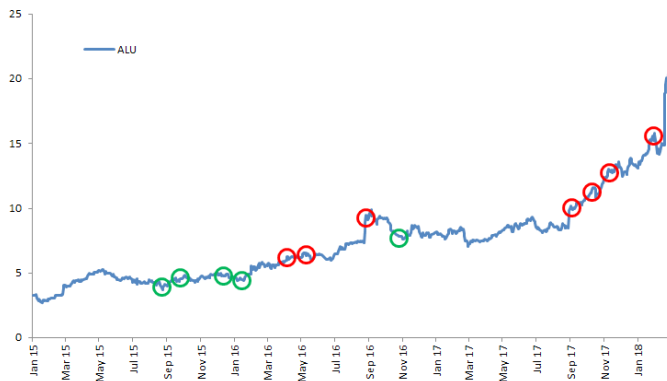
Some of the things that at the large end of end of town included CSL producing yet another standout result with a very strong turnaround in its vaccines division whilst QBE continued its reputation of being a serial downgrader. Meanwhile Wesfarmers announced a hefty impairment associated with its Bunnings move into the UK, writing down a majority of its original Homebase acquisition.

One thing that did surprise us during February was the performance of market darlings on high multiples. Some examples of which are Altium, A2 Milk and Appen. At the time of writing the historical P/E ratios on these companies were 63x, 61x and 71x respectively. On a forward basis, these numbers improve to 42x, 44x and 32x respectively.

Just to be clear, these are three of the highest quality companies listed on the ASX and we have owned all three at various stages in the past. However, the prices of these companies are now such that nothing can go wrong, they are effectively priced for perfection. Also, theoretically these are the companies at most risk of a derating when interest rates rise, higher multiples mean the shares are of higher duration and hence valuations are more sensitive to changes in the discount rate. Despite this, these stocks continued to surge higher on the back of strong earnings.

Altium is a company that we owned up until recently. In our opinion, it is the highest quality technology company on the ASX. The below chart shows the share price in recent years, the circles indicate when we transacted (green indicates purchases, red indicates sells). Over the period we held Altium (September

2015 to February 2018) we made an Internal Rate of Return (IRR) of 75.2% including all dividends. This was a very satisfactory investment however post us selling our final parcel at \$15.27, the stock has surged another 25%.



During the last month we also exited IMF Bentham. We entered the position back in September 2015. The share price had sold down on the back of two lost cases. At the time the Net Asset Backing (Cash plus investment in cases) was around 90cps, we started buying at around 1.5x assets and topped up the position as it fell. Over the coming few years we saw a rerating of the shares as the company saw multiple case wins and a significant build of its case book.



The company though now is different to when we first entered. The business is in the process of shifting to a capital light funds management model. The shift will mean a business with more consistent profits however the transition over the next few years has the potential to be bumpy. We exited our position and locked in an IRR of 39.5%.

The Portfolio

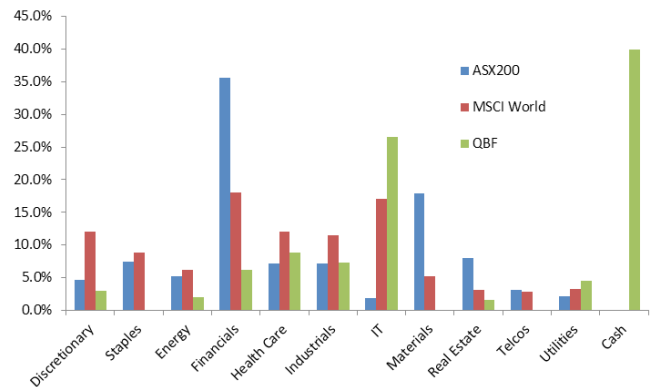
The fund is currently invested in 21 companies. The cash level is currently 40.0% (up from 38.6%). We added three new small positions which we look to add to over the coming months whilst exiting our positions in Beach Energy, Altium and IMF Bentham. We also trimmed our position in Melbourne IT. Part of the cash balance is committed to a recent capital raising.

GTK 8.5%
AXL 6.2%
HSN 4.5%
DDR 4.0%
CSL 3.9%

Other Positions 32.9%
Cash 40.0%

Sector Positioning

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



TAMIM Australian Equity Small Cap IMA



Portfolio Review

The portfolio finished February down, against the back drop of generally weak equity conditions. Key contributors to the month's negative performance were:

- Paragon Care (PGC) announced a large equity raising, with a subsequent softening of its share price;
- Share price weakness following the Apollo Tourism (ATL) and Konekt (KKT) results, notwithstanding both companies confirmed their full year guidance numbers; and
- A poor result from Dreamscape (DN8) where additional costs more than offset very strong revenue growth.

There were a number of positive developments during the month:

- Pioneer Credit (PNC) reported a stand-out result with earnings substantially up;
- Joyce Corporation (JYC) reported very pleasing revenue and underlying profit numbers; and
- Blackwall (BWF) announced a very strong profit result, and the roll-out of their growing WOTSO business into SE Asia.

February was a busy month for the team with many results to digest. Post-results, we will be catching up with management of our core positions as well as potential new positions - we look forward to discussing these in the months ahead.

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

ASX: JYC

m/c: \$40m

Outlook: "business units are forecasting solid performance gains"

ASX: KKT

m/c: \$50m

Outlook: "70% increase in revenue and EBITDA"

ASX: PGC

m/c: \$129m

Outlook: "Strong growth in FY18 across all key metrics"

ASX: PNC

m/c: \$183m

Outlook: "48% increase in earnings expected"

ASX: ZNT

m/c: \$91m

Outlook: "EBITDA of between \$13m to \$13.5m" (pre acquisitions) (FY17:\$7.0m)

TAMIM Global Equity High Conviction IMA

Market & Portfolio Review

The strategy rose by 0.6% in AUD terms and declined 3.1% in USD terms for the month of February, outperforming MSCI World by 1.0% for the month and by 1.8% for last 6 months.

Equity markets were volatile in February falling at first and then rebounding strongly. We remained fully invested through this period.

We maintain our Value bias.

Consumer Staples stocks globally had a tough month as poor results from Walmart and Reckitt Benckiser showed the difficulty in generating revenue growth. Our models tell us these stocks are expensive with no momentum.

The best performers for the strategy were Macy's +13% (+20% since start of the year), Cisco +8%, both off the back of good results, and Apple +6% amid expectations of what it will do with its cash pile.

We have begun to invest in USA utilities and auto parts companies. This includes new acquisitions in AES Corporation and Lear Corporation.

Market Outlook

US tax changes are complex but seem beneficial to business. Personal tax increases have been implemented through changes to residential tax offsets. A yield nearer 3% on the 10 year seems about right given higher levels of global growth.

Fed chairman Powell appears to be trying to remove

'moral hazard' from the financial system by expressing no interest in ameliorating any difficulties caused by equity volatility.

We are monitoring corporate balance sheets carefully since interest rate increases may be painful for some.

Valuations look only ok in the USA and attractive in Japan and Europe. We remain keen on Japanese stocks. They have strong balance sheets and are increasing dividends.

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

TAMIM Income Fund

Series 1

The Tamim Income Fund 1 generated an interest return of 0.68% in February. The portfolio was allocated as follows:

Platform	Allocation
RateSetter	66%
Society One	30%
Cash	4%

The SocietyOne loans comprise 30% of the overall portfolio and this is split across over 328 loans as follows:

Category	Allocation	Yield (gross)
A	19.7%	8.95%
B	31.1%	10.93%
C	49.2%	14.39%

The portfolio is currently invested into 2 loan platforms being the Ratesetter platform and the SocietyOne platform. The Ratesetter platform loans comprise 66% of the overall portfolio. 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 \$8,208,494 which is 5.90% of the outstanding loan book. Key Ratesetter details are summarised below:

RateSetter Key Statistics

Key Statistics Since Inception	
Claims on Provision Fund	100% of late payments and defaults
Claims paid by Provision Fund	100% of total claim value
Total amount lent	\$243,962,959
Total principal repaid by borrowers	\$104,885,586
Current funds on loan	\$139,077,373
Current estimated bad debt rate*	<3.5%
Current estimated bad debt*	\$4,891,973
Current estimated default coverage ratio*	1.7x

Source: RateSetter

The Tamim Alpha monthly report aims 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 of February 2018.

We will be producing these reports on a monthly basis with a more in-depth report at the end of each quarter.

Market Review

February continued to be a positive month as Israel's economy showed signs of ongoing improvement against a backdrop of low inflation and a strong shekel relative to its two year average - factors that should enable the Bank of Israel to keep its policy rate at near-zero levels for the time being. That being said, the level of uncertainty in the local market has risen in recent weeks.

We expect local inflation to rise at a more subdued pace than in overseas economies thanks to measures by the government to bring down the cost of living, slower rises in housing prices plus a strong shekel. A faster pace of wage growth and strong consumer demand in addition to slowly rising inflation in overseas economies could however mitigate the impact of the aforementioned factors.

Data from the Bank of Israel shows a 0.3% increase in January's composite state-of-the-economy index. This is a similar rate of growth to that seen in previous months. In nine of the last 12 months the monthly growth rate has been 0.3%, a rate that reflects annual growth of 3.5%, which is similar to the growth rate last year and also our growth forecast for the coming year.

Data from Israel's Central Bureau of Statistics shows that Israel's service exports (excluding startup companies) amounted to US\$42.7bn in 2017. This figure reflects 11.5% growth (in nominal US dollar terms), following more moderate growth of 5.5% in 2016.

The growth in 2017 was supported by an 11.5% growth in services exports of the high-tech sectors (computer and software services, R&D, communication services, etc.) and 15.0% growth in the export of tourism services, following three weak years. This comes in light of the peak level of incoming tourism that led to 3.2m tourist entries via air last year, following 2.6m tourist entries in 2016.

Volatility in global financial markets continued declining in the last two weeks of February after rising to 2-year highs at the beginning of the month. This was accompanied by declining yields in the world's major government bond markets, in particular US Treasuries. The past two weeks' fall in volatility has been accompanied by a clearer picture of the trajectory of US interest rate hikes as well as expectations that the Fed might reinstate accommodative monetary measures.

The key financial data points released last week indicate that the global economy continues growing at a healthy pace.

The 2017 fourth quarter US earnings season is almost at an end. With most firms making up the S&P 500 having reported to date, the picture emerging from the results points, on aggregate, to continued rapid economic growth. So far, all sectors that make up the

index have posted year-on-year gains in revenue and profits. Despite high analyst expectations almost all sectors have managed to beat consensus numbers.

Israeli shares posted slight gains, in line with the global trend. It was reported last week that the Tamar and Leviathan gas consortiums had signed agreements with Egypt for the export of gas totalling US\$15 billion. The price for each unit of gas specified in the agreement was higher than expected and also strengthened the position of the consortiums vis-à-vis local customers.

Portfolio Review

During the month of February we slightly increased our holdings in a few of the portfolio companies but did not make significant changes. Israeli companies (those traded on the Tel Aviv Stock Exchange) release their yearly results during the month of March and in most cases we wait for the reports to come out before executing any changes to our current portfolio weightings or making any new purchases.

We are currently at an equity position of 29%, around 70% of that position is in value companies and around 30% in Growth companies – the growth component will continue to grow in the near future. We use this time to further research many of the companies on our target list, continuing to meet with management and conduct due diligence.

The markets are very volatile and this is a time that we would usually look to exploit more opportunities but, as it is reporting season, we are in a position where we would prefer to wait for our current holdings to release their financial reports. As of the date of this report, we have had three of our Nasdaq listed portfolio companies, Orbotech, Allot and SolarEdge, releasing their financial reports with better than expected results.

There are many Israeli technology companies that are growing and are market leaders in their segments but valuations are not cheap. We are currently in the process of building positions in two new technology stocks - both strong and growing companies with reasonable valuations. After the reporting season we will evaluate the situation and decide if there is a better entry point to purchase more of the companies we referred to above.

In this report we would like to focus on one of our largest growth positions, SolarEdge, a company

largest growth positions, SolarEdge, a company we highlighted and discussed many times in our presentations. SolarEdge is a high-tech company traded on the Nasdaq.

As we have indicated numerous times, our fund has a long bias and, as such, evaluates long term developments in our portfolio holdings. The way we approach this is to maintain constant contact with the companies and rigorously evaluate their results and financial reports. Such was and continues to be the case for SolarEdge.

One of the world's leading providers of Power optimizers and inverters to the solar industry, SolarEdge's headquarters is located 500m from our office in Hertzeliya. They are a pure technology company that, through the use of chips and software, aims to change the way we use energy.



SolarEdge went public in May 2015 and it was only in January of 2017 that we first brought it into one of our portfolios at a share price of \$16. During our November 2017 Australian roadshow SolarEdge was trading at \$30 and we mentioned that we would buy it in the Tamim Alpha Fund as well because of the significant growth we saw in the company. We initiated a position in SolarEdge in January 2018 at US\$32 and in mid-February the company released their financial statements for the fourth quarter and the full 2017 year. These were very strong, exceeding market expectations, and the stock is currently trading around US\$50.

SolarEdge's strong fourth-quarter report showed sales growing 70% year over year at US\$189 million while earnings nearly tripled to US\$0.85 per share. Management expects first-quarter sales to rise roughly 78% year over year, to US\$205 million.

The financial results released by SolarEdge were very strong and the share price has risen by over 45% since we purchased it in the Tamim Alpha Fund, as a result we trimmed a part of our holding to bring the weighting back to an acceptable level. We continue to believe in the company growth and are very optimistic with management's introduction of new and more

advanced products, we will continue to monitor the progress of the company in the next few quarters.



SolarEdge is an example of the rigorous process of due diligence and evaluation that we work by – we were aware of the company when it listed on the Nasdaq in 2015 and followed the company for a year and a half, waiting until it reached a point where it was fundamentally lucrative for us to get involved, before initiating a position. More importantly, we continued to meet with company management quarterly, analysed financial reports and understood the significant changes the company made to go from being a promising company with a unique technology to a strong profitable company with products that are considered industry leaders worldwide.

Sincerely,

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



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