



Portfolio Update |

July 2018

TAMIM Asset Management
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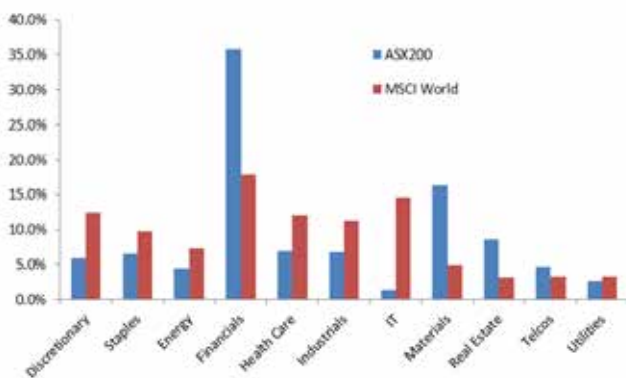


From the Directors

July 2018 Review

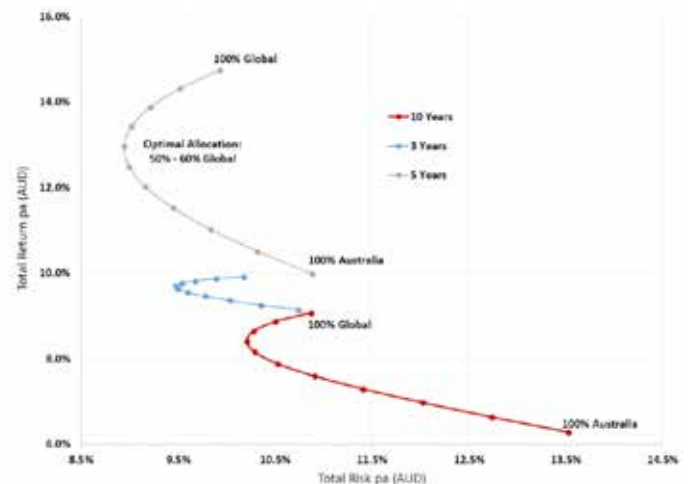
I have had the pleasure of spending a considerable period of time in the last month travelling around the country meeting with clients, potential clients and some large investment institutions. It struck me during these meetings that the Australian investment universe is rather constrained. While not a disaster, it is concerning. Of the ASX20 seven are Financials (down from nine a year ago) and four are Materials companies. The ASX20 only contains eight of the eleven Global Industry Classification Standard (GICS) sector categories. Information Technology, Consumer Discretionary and Utilities are not represented. Compared to global markets which offer quality technology and industrial businesses for investment, we miss out significantly if we focus only on Australia.

Looking at the broader ASX200 we can see this imbalance clearly:



Just looking at an efficient market frontier chart we can see that over a number of differing periods it simply makes sense to ensure our retirement

portfolios include a significant exposure to global equities. Interestingly if Bill Shorten is the next PM this becomes even more compelling as an investment thesis given Labour's stated position on dividend franking.



Source: Thomson Reuters

July was a month that pitted the concerns around trade wars against the strong earnings being displayed through company reports in the US. The MSCI World index was up 3.12% while the ASX 300 was up 1.3%. Our market lagged global peers with the US up 3.7% and Europe up 3.3%. Japan at +1.3% was more in line with Australia. Year to date Japan is down -2.4% compared to us at +5.7%. We continue to believe that Japanese equities present a very strong opportunity for investors. The month saw the ASX 200 achieve a level not seen in a decade. This was driven mainly by a strong recovery in Financials (mainly the banks) which accounted for half of index gains. Consumer Staples, Energy, Materials, I.T. and Utilities detracted

from performance with six of eleven sectors recording positive gains. Even the telecom sector had a strong month up nearly 8%. As we head deeper into reporting season in Australia expectations are high and solid earnings will need to be evident to support the strong increase in valuations we have seen recently.

Australian inflation continues to be elusive, rising to 2.1% year on year in the second quarter. While this places it just inside the RBA's target band of 2 to 3%, underlying inflationary trends are still sub-par which indicates little pressure on the RBA to increase rates. The Australian dollar was strong against the USD. With weaker inflation, and therefore a weaker interest rate outlook, one would expect a weaker AUD. Rising iron ore prices and demand for commodities has offset the widening interest rate differential between the US and Australia. Australian 10 Year yields were at 2.74% compared to the 3% experienced on the US 10 Year Treasury. Through the month, consumer and business data was stronger while the ever important retail housing market continued to soften. Retail sales were +0.4% month on month which was above expectations and employment was strong, rising by more than 51,000 jobs.

In the United States we saw almost 90% of companies beating expectations through earnings season with full year earnings per share growth above 20%. Retail sales were up 6.6% year on year for June revealing a strong consumer. This represents the fastest pace of spending growth since 2012, likely driven by a strong jobs market. The unemployment rate did increase to 4% but this was likely driven by an increased participation rate with more workers heading back to the job market. June saw 213,000 non-farm jobs being created. US GDP came in at a strong level of 4.1% but this is a number that is probably distorted by tax reforms and the impact of transfer pricing bringing "growth" back on shore. With strong US economic data across growth, inflation and unemployment I would expect that the Powell Fed will continue to raise interest rates at around a quarter of a percent each quarter.

As we continue to move through summer in the Eurozone, growth initially seemed to be dissipating but July activity suggests decent growth levels of approximately 2%. The composite Purchasing Managers Index (PMI) dropped to 54.3 but trade tensions did seem to ease over the month. The German PMI has shown signs of recovery despite the impact that an auto tariff could have on the economy. The Euro ended the month up 0.2% against the

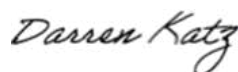
Greenback. On the other side of the world in Japan, stubbornly low inflation and signs of slower growth are making it tough for the BoJ. The negative rate policy was expected to be altered at the July meeting but this did not happen and there are concerns this will prove counterproductive to bank profitability.

EU president Jean-Claude Juncker visited Washington which helped deescalate trade tensions between the USA and the Eurozone. They agreed to work together "towards zero tariffs, zero non-tariff barriers and zero subsidies on non-auto industrial goods." Plans for new tariffs on other EU goods—including autos—were put on hold while talks take place. While Chinese talks did not fare as well, the positive news was a benefit for European stock markets with the MSCI Europe ex UK up 4% for the month.

US-China trade relations did not fare as well in July. On 10 July, the U.S. Trade Representative listed USD 200 billion worth of Chinese goods that could be eligible for a 10% tariff. Several days later, China announced tariffs on U.S. agricultural products and the U.S. retaliated, stating that it may be prepared to further increase tariffs on the full range of goods imported from China (approximately USD 450 billion). While we ultimately believe that there will be no trade war the impact on business and consumer confidence may be real and negative. Heading into US mid-term elections the trade war rhetoric may have a big role to play in those being elected.

The PBOC cut the reserve requirement ratio by 50bps in China at the start of July to try and encourage bank lending and cushion domestic growth from external factors. There was also a significant fiscal stimulus package announced, including tax reductions and expanding deductions on research and development spending for a wider range of companies. Elsewhere in the emerging world Turkey is causing issues, specifically at a currency level, which is having a spillover impact on other emerging market currencies.

The longer I am in the investing game, the more evident it is that everyone has an opinion and that not everyone can be right all the time. Sometimes this is a function of timing and sometimes a function of simply being wrong. Investing is simple but not easy: get more things right than wrong.



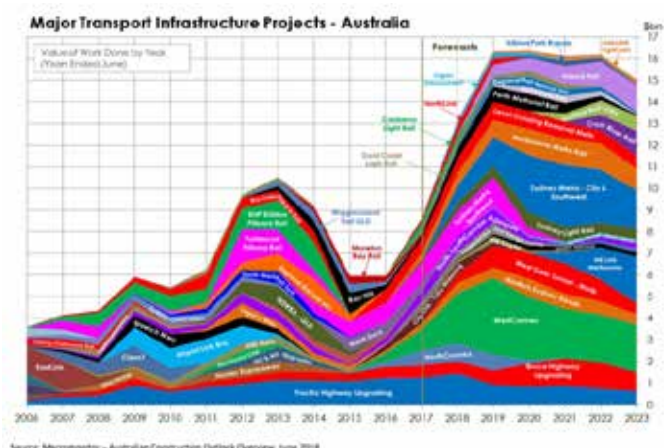
Darren Katz,
Joint Managing Director

TAMIM Australian Equity All Cap Value IMA

The Australian equity market continued to push higher in July. Similar to June, the return was driven primarily by the large end of town. Telcos (+7.9%) were the best performing sector driven by a rebound in Telstra shares (+8.4%) off a very low level. The Small Ordinaries underperformed and actually fell by 1.0% as commodity prices fell and a number of IT stocks gave back recent gains. A number of the small miners saw their share prices hit on the back of quarterly reports which saw rising energy costs on the back of rising oil prices and a lower Australian dollar. The portfolio fell 0.9% over the month with the main drag being the continued falls in SRG (-9.6%) and GCS (-5.6%). Whilst the market has been caught by surprise and has reacted negatively to the merger, we continue to believe that a strong medium term value proposition exists.

Portfolio News

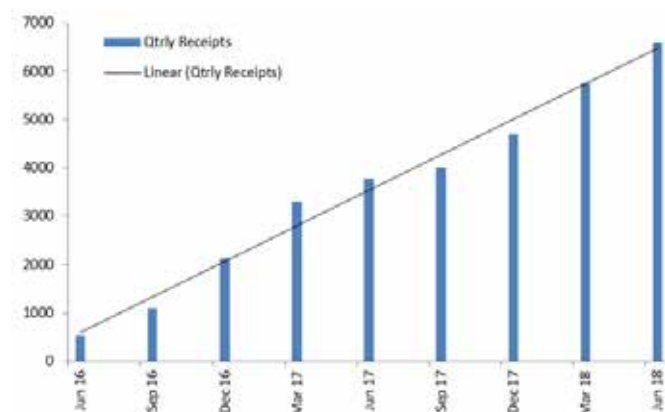
Cimic (+14.3%) was a recent addition to the portfolio and announced a strong first half result. The result was 3-4% ahead of consensus at all levels and cash flow generation was strong. Mining and construction were the key growth drivers. Mining profit before tax rose 24% and construction rose 11%. We believe that Cimic will be one of the key beneficiaries of the coming infrastructure boom with the company continuing to highlight the level of major projects coming.



Source: Company filings

In addition, Cimic has around \$3.5bn of financial flexibility to make an acquisition and boost earnings.

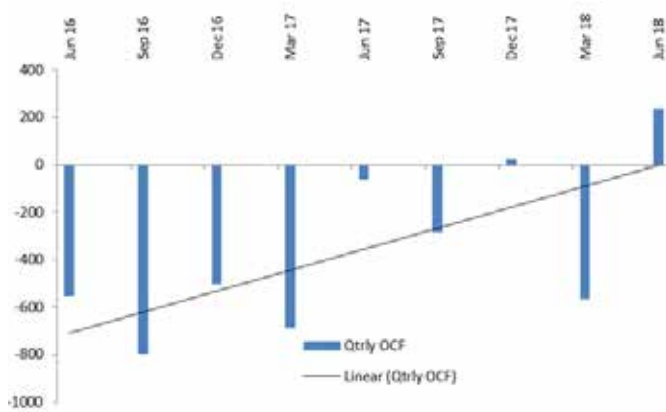
Locality Planning Energy (+17.6%) announced yet another strong quarterly result with company receipts growing. In fact receipts have grown 12 fold since the company's backdoor listing back in 2016.



Source: Company filings

On the back of this growth, the company has reached breakeven at its operating cashflow line. Two of the last three quarters have been positive. The company

is making significant strides and with a long growth pipeline ahead of it, we feel it is significantly undervalued with a 2-3 year view.



Source: Company filings

Aside from SRG and GCS, the other disappointment in the portfolio was Horizon Oil (-10.0%) which saw its share price hit on the back of action from the Papua New Guinea government to potentially remove one of its exploration licences. The company does not believe the government has a legal right to do so, however we have taken the conservative route and locked in some of the profits that we were sitting on.

The Portfolio

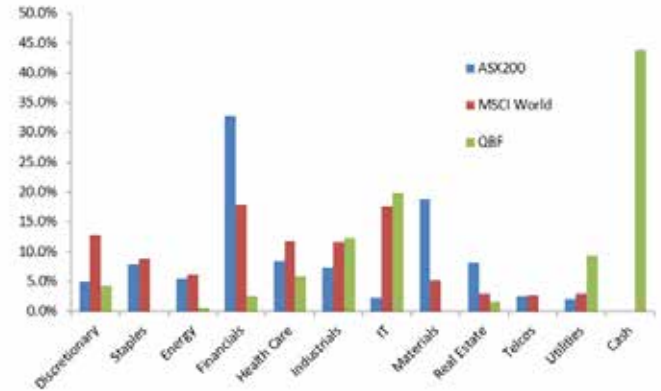
The underlying portfolio is currently invested in 22 companies. The cash level is currently 43.9% (up from 41.6%). We trimmed our positions in Horizon Oil & Gas and Data #3 whilst selling out of Integrated Research. We added to existing positions in Locality Planning Energy and Global Construction Services. We also added a new position in the IT space.

SKI 6.0%
SRG 4.4%
TME 4.2%
DDR 4.1%
GTK 4.0%

Other Positions 33.5%
Cash 43.9%

Sector Positioning

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



TAMIM Australian Equity Small Cap IMA



Portfolio Review

During the month, pleasing contributions to performance came from:

- Euroz Limited – EZL reported a 61% increase in annual profit, driven by fund growth and performance fees on the back of a recovering commodities market and Western Australian economy.
- Zenitas Healthcare – ZNT reported a strong quarterly cashflow result of \$3.7m, with ZNT's pre-tax operating cash flow for the year of ~\$12m underpinning Management's EBITDA guidance of ~\$13m.

Detractors for the month included:

- SRG Global Limited – SRG confirmed its strong guidance for FY18 (\$18m to \$20m EBITDA) but weakened ahead of its merger with GCS Limited, on the back of selling pressure from investors unhappy with the merger.
- Janison Education – JAN pre-released an earnings result in line with consensus (\$3m EBITDA). However, as expected, due to investment in product and business development, the second half was not as profitable as the first. We view JAN as a compelling opportunity in the education technology sector.

Sector Exposure

The TAMIM Australian Small Cap IMA 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 the 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 Global Equity High Conviction IMA

Portfolio Review & Market Update

In another wild month the markets fell and rose as the rhetoric on trade tariffs continued. The Strategy return for July 2018 was 2.1% in AUD terms. The strategy continues to deliver strong returns in absolute terms over the last 12 months and since inception.

Corporate results were generally strong in the USA. Steel Dynamics, Aflac, Valero, Verizon all reported earnings which exceeded guidance but more importantly, revised up revenue prospects. Results were also decent in Europe where Evonik guided upwards and Randstad beat. The FAANG stocks have had a correction led by Facebook which is now clearly a digital advertising platform and not so much a tech stock.

One swallow does not make a summer however Value stocks outperformed Growth in July. We trust this continues for a few years after a fallow period for Value! We have not heard the last of the trade tariff spat but believe “MAD” (mutually assured destruction) applies here and so a compromise will be reached.

Interest rates need to grind higher so we can return to a more normal policy settings. This transition to higher rates may be painful and we favour companies and countries with strong balance sheets. In this regard Asia and Asian smaller companies are very well placed which our new Asia Small Companies strategy can positively capture. Global High Conviction also focuses on investing in larger Asian companies.

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

Ten Largest Holdings

Company Name	Country	Weighting
Verizon Communications Inc.	USA	5.2%
Valero Energy Corporation	USA	4.7%
Gilead Sciences Inc.	USA	4.5%
Apple Inc.	USA	4.5%
Legal & General Group PLC	UK	4.5%
Caterpillar Inc.	USA	4.3%
DowDuPont Inc.	USA	4.2%
Intel Corporation	USA	4.1%
Macy's	USA	4.0%
Manulife Financial Corp.	Canada	4.0%
TOTAL		44.0%

TAMIM

Income Fund

The Tamim Income Fund generated the following yield in July.

Series 1	0.69%
Series 2	0.51%

The Series 1 portfolio was allocated as follows:

Platform	Allocation
RateSetter	67.2%
Society One	27.5%
Cash	5.3%

The Series 2 portfolio was allocated as follows:

Platform	Allocation
RateSetter	49.4%
Longreach	50.1%
Cash	0.5%

The SocietyOne loans comprise 27.5% of the overall portfolio of Series 1 and this is split across over 338 loans as follows:

Category	Allocation	Yield (gross)
A	18.8%	8.95%
B	29.5%	10.92%
C	48.0%	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 \$10,525,585 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	\$327,500,777
Total principal repaid by borrowers	\$151,415,825
Current funds on loan	\$176,084,952
Current estimated bad debt rate*	<3.7%
Current estimated bad debt*	\$6,564,617
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.

As some of you may know, the Alpha team has just returned from a visit to Australia during which we met with many existing investors and a number of potential new ones.

During our visit we once again emphasized the importance of Israel's strong economy. This was illustrated by the upgrade issued on July 20th to Israel's credit rating by the International rating agency Moody's. More recently, another international credit agency, Standard & Poor's (S&P), has also upgraded Israel's credit rating to -AA. With a stable outlook, S&P's new rating is the highest Israel has ever had.

S&P cited Israel's fiscal discipline and a higher than expected economic growth rate as the main reasons for the upgrade. Israel has managed to reduce its debt-to-GDP ratio from ~70% to ~60% over the past decade. S&P noted as strengths of the Israeli economy its competitiveness, growth, and the fact that Israel is a net lender to the world and not a borrower. S&P also mentioned the credibility of the Bank of Israel and its cautious and responsible monetary policy.

The improved rating is a significant achievement for the Israeli economy and indicates confidence in its capacity for growth and the government's ability to maintain a responsible fiscal policy. On the practical

level, it will allow the government to raise funds under better terms. The raising of the rating to -AA puts Israel amongst a select group of countries and places it above powerhouses China and Japan. There are currently seventeen countries that share the prestigious AA rating and, including Israel, there are six countries with a -AA rating.

Market Review

In early July, the Bank of Israel (BOI) decided to leave its policy interest rate at the historically low level of 0.10%. Despite rising expectations and a generally reflationary environment, inflation remains below the Bank of Israel's target range of 1-3%.

Based on the BOI forecast, the rate of inflation over the next year (ending in the second quarter of 2019) is expected to be 1.4 percent, compared with 1.2 percent in the previous forecast. The Bank of Israel interest rate is expected to increase to 0.25 percent in the fourth quarter of the year, and to increase once more in the third quarter of 2019.

In recent quarters Israel's GDP had accelerated based on resurgence in export growth against a backdrop of improving global trade. At the same time, Israel's labor market remains very tight, and real wages have been growing steadily for several quarters.

Looking at all of 2018, we forecast a real GDP growth rate of 3.7%

Portfolio Review

We continue to work with our bottom up approach and seek long-term investment opportunities at comfortable valuations. The month of July saw a continuation of the trend of growth companies outperforming value companies. This strong run of growth companies (mainly led by technology companies traded on the Nasdaq) has characterised the last 12 months. At this point, the growth companies portion of the fund makes up 36% of actual equity exposure as opposed to 16% in value.

In this report we would like to focus on yet another growth position in our portfolio, a company by the name of Camtek Intelligent Imaging (CAMT. NASDAQ).



You may recall that in our May monthly report we wrote about Nova Measuring Instruments (NVMI. TLV), one of the largest positions in the fund. Nova is a leading innovator and a key provider of metrology solutions for advanced process control used in the **Front-End** of semiconductor manufacturing.

Camtek is another leading company in the semiconductor sector. This is a sector in which Israel is considered to be a global leader. Camtek provides software solutions serving the Advanced Packaging, Memory, CMOS Image Sensors, MEMS, RF and other segments in the semiconductor industry.

Camtek's innovations have made it one of the technological leaders in the field of inspection and metrology in the **Mid-End** of the semiconductor manufacturing process.

There is no doubt that the semiconductor industry will benefit from strong growth in the next few years. There are multiple catalysts, such as Autonomous Vehicles, Artificial Intelligence and Crypto, that will push demand for semiconductors to triple by 2025. This has led us to have quite a significant exposure to semiconductor companies in the portfolio, such as Nova, Ham-Let (HAML.TLV), Orbotech (ORBK. NASDAQ, which we wrote about in our March monthly report and was recently acquired by KLA Tencor for USD3.4bn) and Camtek.

We bought Camtek in January and built a 2% position in the fund. The company's market cap has gone up by 60 % in this year alone though which has led us to recently sell our position after realizing a 30% return in a relatively short time. We believe that the expected growth of the semiconductor industry has played a part in the run of Camtek's share price.

Also factoring into our decision to exit our position in Camtek was the fact that we have also further increased our exposure to the semiconductor industry through the raising of our weighting to Nova.

Our view is that Camtek operates in a less critical segment of the chip production process, the Mid-End as opposed to Nova which operates at the Front-End. In our opinion, Nova's importance is increasing due to greater production complexity, Nova's products are considered some of the most important tools in the process.

Camtek will continue to be on our watch list and there is nothing to stop us from reestablishing a position in the future should it become a compelling investment opportunity once again.

Sincerely,

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

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