



Portfolio Update

March 2018

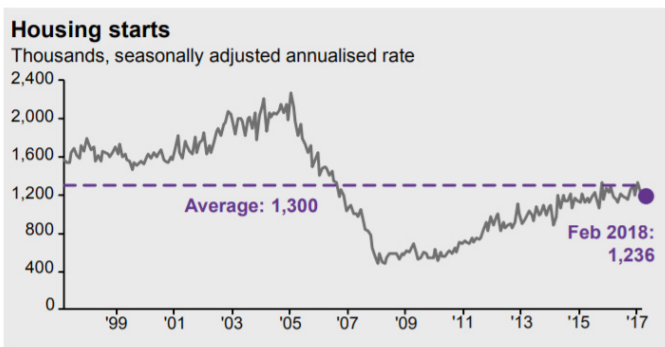
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From the Directors

March 2018 Outlook

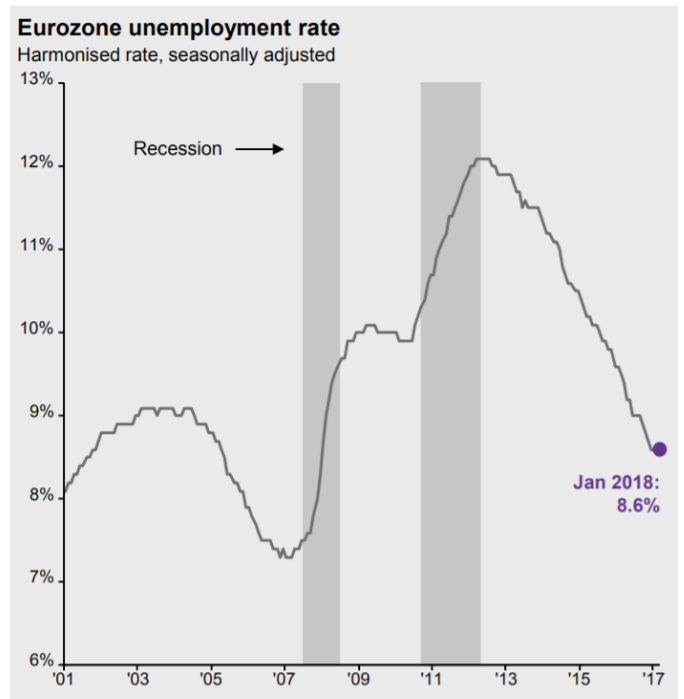
The first quarter of 2018 is over and we all survived it, just about. We see the world at an economic inflection point. From an economic perspective the developed market and probably more specifically the US with a real GDP of 2.6% looks strong. US economic growth has been driven largely by US consumption which comprises 69.1% of the GDP figure. As can be seen in the chart below, the US economy has continued to strengthen from its 2008 lows. Housing starts, a key indicator of economic strength, are now at an annualised rate of 1,236 (thousands) which is just below its 20 year average of 1300.



Source: JP Morgan

We are seeing similar optimistic signs in Europe as demonstrated by the chart below showing Eurozone unemployment with a rate at 8.6% as of January 2018. This is a level not seen since the GFC in 2008. Asia continues to deliver growth to the world through its Chinese engine however political risks are heightening through changes to their internal structures which abolish the 5 year term limit on the Presidential and vice Presidential positions. This will allow President

Xi Jinping to rule for as long as he wishes.



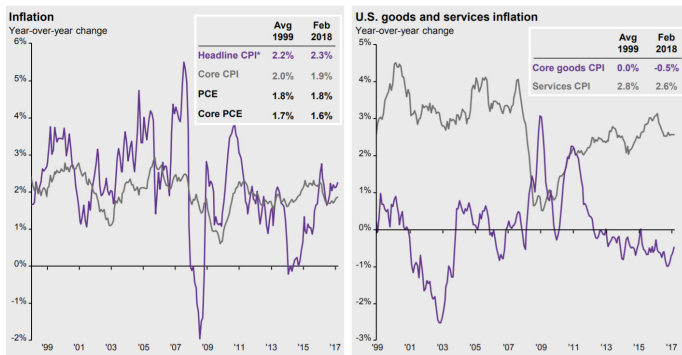
Source: Eurostat, FactSet, J.P. Morgan Asset Management; (Top right) European Commission. Guide to the Markets – Australia. Data as of 31 March 2018.

Source: JP Morgan

Through the March quarter we have had three significant shocks to the global economic system.

1) Volatility

There has been a significant spike in volatility with the Vix having broken out of its unnaturally low range of 9 to 12% moving to over 35% in February on the release of US wage data that the market perceived to be higher than expected. The view on this was that there could be a strong response from the Fed in relation to increasing interest rates. On the last 10 occasions the Vix has spiked above 35% since 1990 the median return 6 months post the volatility spike of the S&P 500 was +9.1% and +16.8% after 12 months. While we are not suggesting this time will be the same, it is important to figure out if the spike was caused by an external shock to the system or a genuine recessionary problem with the economy. While headline CPI in the US has certainly moved back towards 20 year averages, core CPI has remained fairly stable and even tended lower across the last 5 years.

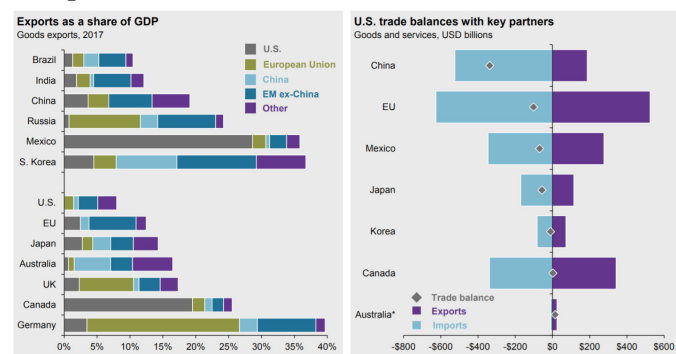


Source: BEA, FactSet, J.P. Morgan Asset Management. *CPI is the Consumer Price Index. Core CPI is CPI excluding food and energy. PCE is the Personal Consumption Expenditure deflator and employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

Source: JP Morgan

2) Trade Wars

Donald Trump has been taking on the Chinese in what we believe is a bid to strengthen protection over US business intellectual property rights when dealing with China as discussed in a recent article. Unless you are Mexico or Canada, the impact of US tariffs and Trump's rhetoric, if they are actually applied given that many countries are actually exempt, is fairly low as can be seen in the below chart showing the impact of exports to the US as a share of GDP.



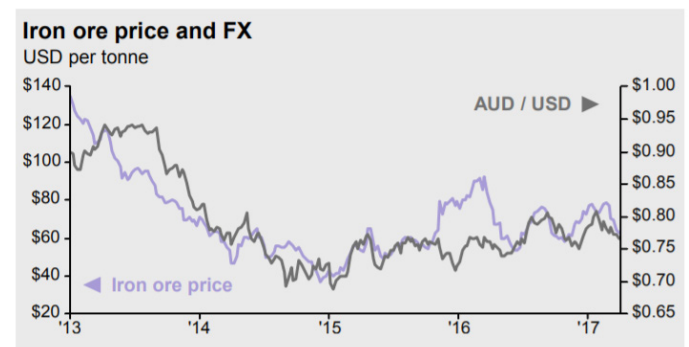
Source: FactSet, J.P. Morgan Asset Management; (Left) IMF; (Right) U.S. Bureau of Economic Analysis. *Australian figure is for goods only.

Source: JP Morgan

3) Trump and the Tech Impact

The impact of Trump's attacks on Amazon have been strongly felt with the share price of Amazon down over 10% since mid-March. Facebook (share price down in excess of 10% since February) faces its own woes going forward and it remains to be seen whether the US congress will seek to implement stronger regulatory oversight on the company and its control over data. A significant proportion of the rise in US equity markets over the past 12 months have come from the FAANG's. The share price of Netflix as an example is up over a 100%. This means that heading into the remainder of 2018 we should be looking to different market segments for return generation. We have been positioned towards more defensive value focused equity investments globally with key thematic remaining infrastructure, defense spending and good value technology business away from the FAANG's.

Equities



Source: JP Morgan

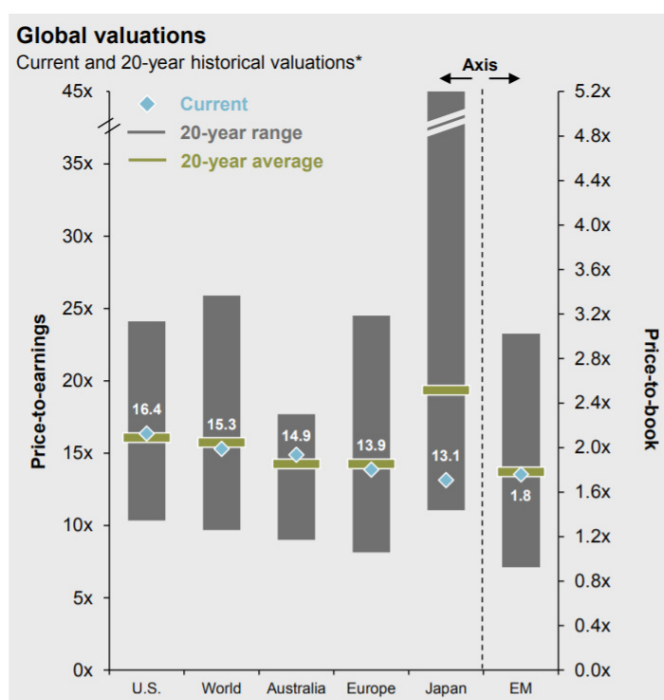
Over the second half of 2017 and the first quarter of 2018 we have seen prices of Australia's key resources decline substantially. As mentioned previously this is a key driver for the AUD USD exchange rate. Weaker commodity prices in particular iron ore prices tend to result in a weaker AUD. While it may be unusual for us to start our equity discussion on resources and currency's the exchange rate has a significant impact on your investments which are located outside of Australia. The weaker AUD has seen most global equity markets generate strong returns in Australian dollar terms however when we look at each market in local currency terms the picture is not quite as rosy.



Source: Financial Times

The first quarter of the year saw Japan down strongly by 4.7% while US equities were down 0.8% in local currency terms. One could almost be excused for asking what all the newspaper headlines were about in February given the US equity market return. This hides the fact that markets had a significant and sharp move upwards in January and a significant reversal and then recovery in February. In Australia the ASX 200 was down -3.9% while the Small Ords was not as bad at -2.8%. Weakness in the Australian Equity market was broadly spread with banks, energy and materials all down. Tech and healthcare were left to fly the flag for positive returns. Forward PE's are slightly elevated at 14.9x versus the historical 15 year average at 13.9x in Australia.

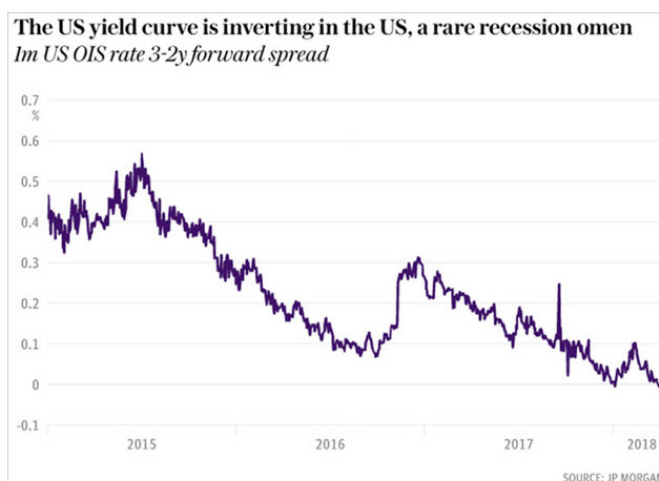
In the US, forward PE's on the S&P 500 are at 16.4x versus their historical 20 year average of 15.8x and the current bull market which started in March of 2009 has seen a 290% return over 108 months. It is pleasing to see that corporate earnings trends across Australia, the US and Europe are all trending positive with synchronised global growth a reality. Japan continues to trade significantly below its 20 year forward PE average and therefore continues to look attractive from a valuation perspective.



Source: JP Morgan

Fixed Income

As global central banks in developed economies start to or continue to slowly raise interest rates, we favour refraining from being invested in both government and corporate bonds. There will be a time in the cycle to return to these investments but this is not it. We are seeing the US yield curve flatten to levels not seen prior to the GFC in 2008, this is a result of the long rates reducing and the front end of the curve going up.



In Australia we have seen a similar flattening of our yield curve over the last 12 months. At TAMIM we continue to favour gaining exposure to the diversification benefits of fixed income through the purchase of high yielding loan portfolios. We have moved away from exposure to consumer loan portfolios unless the platform providers are offering first loss provisions towards the relative safety of secured and senior debt within the business sector.

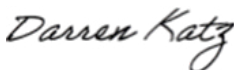
Property:

Within Australia we still continue to see property yields compress as Australian interest rates remain low and banks seem to have regained their appetite for lending against property. We are finding high quality assets very hard to come by but are encouraged by some interesting opportunities we are seeing in the retail segment specifically focused on neighbourhood shopping centers.

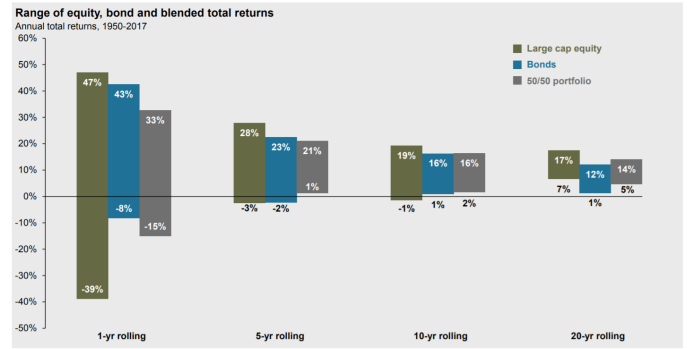
Conclusion

We are safely able to predict the return of volatility in 2018 as volatility has already returned to the equity market, triggered by concerns about inflation and trade protectionism. At Tamim we continue to state our insistence that portfolios need to remain well-diversified. The solid global growth environment continues to underpin our constructive view of risk assets, including equities, corporate credit and targeted segments of the property market. Inflation, protectionism and politics are risks worth monitoring, but we believe they are unlikely to have a sustained market impact this year. Adopting a defensive strategy would be premature. Cash is certainly not king as a \$100,000 investment in a term deposit is only yielding just north of a \$2,000 annual return. Looking at the chart below we are reminded that a balanced and diversified portfolio across both bonds and equities over a 5 year time horizon would have delivered you a return range of between 1 to 21% thereby eliminating the downside risk of capital loss considerably.

Yours Sincerely,



Darren Katz,
Joint Managing Director



Source: Barclays, FactSet, Robert Shiller, Strategas/Robinson, U.S. Federal Reserve, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2017. Large cap equity represents the S&P 500 Shiller Composite and bonds represent the Strategas/Robinson for periods from 1950 to 1980 and the Barclays Aggregate after index inception in 1980. Past performance is not a reliable indicator of current and future results.

Source: JP Morgan



TAMIM Australian Equity All Cap Value IMA

The first quarter of 2018 was not an easy one with share markets down across the world. The S&P500 suffered its first quarterly drop since 2015 and the ASX followed suit. The ASX had a particularly tough month in March, falling 3.5%. Despite this our portfolio finished in positive territory for both the month (+0.69%) and the quarter (+0.93%). During March, we had positive news from Gentrack (+4.8%), AxsessToday (+7.6%) and Veris (+25.9%). Despite the pullback in the overall market, it remains our opinion that quality companies remain expensive and cheaper companies have issues. It really is a case of “Good stock, not cheap. Cheap stock, not good.” As a result we have focused on identifying companies trading on reasonable valuations with potential upside from identifiable catalysts whether it is forecast earnings growth, potential acquisitions or of some other nature. It was these types of catalysts that enabled the portfolio to significantly outperform over the last month.

Portfolio News

As mentioned above the key reason for our outperformance in March was stock specific news with three of our holdings (including our largest two positions) announcing positive news.

Gentrack (+4.8%) announced they had signed E.ON on as a customer. The signing of E.ON follows the announcement in December that they had signed up Npower. These are two of the “big six” energy retailers in the UK and the signing of both is a significant step up for Gentrack as well as a great nod for the quality of their product. It is very rare in the billing software space for companies to win business off competitors. Typically the cost of implementing a new system is

high and the process is complex. As a result, growth for these software companies typically comes from deregulation and the signing of new entrants. Despite this, Gentrack has signed up two major customers from competitor SAP over the course of the last four months.

AxsessToday (+7.6%) announced the establishment of a \$200m securitisation warehouse facility. The facility will reduce the companies borrowing costs and also fund the growth in their receivables book. This announcement followed on from an impressive first half result in February which included an upgrade to full year earnings expectations. The company has taken market share away from competitors buoyed by a superior IT platform that has enabled much faster loan approvals as well as providing suppliers with the ability to white label finance products.

Veris (+25.9%) announced the acquisition of Elton Consulting, an urban planning business based in Sydney. The company has spent recent years undertaking a roll up strategy of surveying businesses. In the process, management has created the first national surveying company. As part of the overall strategy, the company has been looking to enter the urban / town planning field and through Elton Consulting they found an acquisition that ticked all the boxes. The acquisition was funded via existing cash and debt facilities and will provide meaningful upside to FY19 earnings.

The Portfolio

The fund is currently invested in 21 companies. The cash level is currently 40.6% (up slightly from 40.0%). We trimmed our positions in AxsesToday and CSL whilst adding to positions in Trade Me and Bravura Solutions. In addition we took up our rights in the Paragon Healthcare rights issue, increasing our weight to the company.

GTK 8.8%

AXL 5.1%

HSN 4.1%

DDR 4.1%

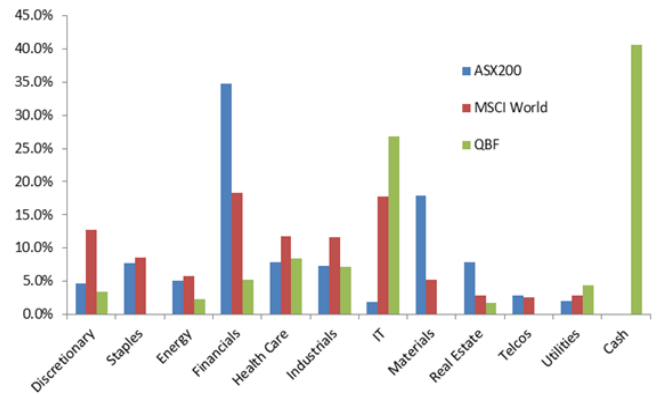
TME 3.4%

Other Positions 33.7%

Cash 40.6%

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



The TAMIM Australian Equity Small Cap IMA remains invested in the most compelling ASX listed small and micro-cap opportunities which are in our opinion both high quality and under-valued. The strategy provides exposure to a genuinely differentiated portfolio of profitable companies, with bright prospects, at attractive valuations. Correlation with the broader market remains low, and thus an investment in the IMA is expected to bring diversification benefits to our shareholders' broader portfolios.

Portfolio Review

The portfolio finished March flat against the back drop of weak equity conditions, with Australian markets now approximately 6% off their January highs after a poor start to 2018. After accounting for dividends, most of our core positions recorded small increases over the month (PNC +3%, GAP +10%, ENN +7%, BWF +5%, ATL +1%, JYC +3%, KKT +4%) with gains offset by the main detractor ZNT (-14%).

During March we caught up with the management teams of most of our portfolio positions as well as a large number of potential new opportunities. These meetings provide us with a great opportunity to question management in detail on their recent results and to obtain further insights into how their business is performing.

A summary of our notes and insights taken from meetings with management of a selection of previously disclosed portfolio positions can be found in the Stocks section on the TAMIM website. Whilst acknowledging that management teams are generally inclined to present a positive view of their business prospects, we share these insights to showcase the potential of the unique portfolio of investments owned by the Small Cap IMA.

Outlook

The Small Cap strategy has been relatively stable in recent months with no major moves in either direction, however this masks the significant positive developments across most of the portfolio. We 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 good businesses, with great management teams with whom we've built strong relationships. Importantly, pricing remains attractive; and ultimately will drive returns over time. We're working diligently to identify new holdings for the portfolio, this constant renewal in the portfolio is important, with newly identified ideas being an important driver of long-term outcomes.

TAMIM Global Equity High Conviction IMA

Market & Portfolio Review

The strategy declined 0.7% in AUD terms and declined 2.3% in USD terms for the month of March. In the first quarter of 2018 it outperformed MSCI World by 1.5% and has outperformed by 2.8% pa since inception. Equity markets remained volatile in March falling at first and then rebounding strongly. We remained fully invested through this period.

We maintain our Value bias.

Market volatility appears to be driven by rising fears of protectionism as the USA and China indulge in a tit for tat series of tariff impositions on irrelevant items. This is a theatrical display and both will step back from the brink.

The Trump administration continues to provide excitement as Rex Tillerson left and John Bolton was appointed. This is interpreted as a shift to more hard line nationalism.

AXA made a bid for XL Holdings, a USA listed Bermuda based general insurance company. The market was not impressed but we think the cost savings and upturn in the insurance cycle will make this a reasonable acquisition. Facebook, a digital advertising platform and not a technology company, seemed to have had a 'problem' with data management. We do not own this stock.

Market Outlook

We anticipate continued high levels of volatility. The new Fed Chairman, Jerome Powell, has stated he is comfortable with this as he looks to normalise interest rates.

Monetary tightening is already being felt in other countries. The Reserve Bank of Australia alluded to this in their latest commentary on Australian monetary policy.

In a very politically driven environment the Italian election made it clear the dissatisfaction with the current EU policies.

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

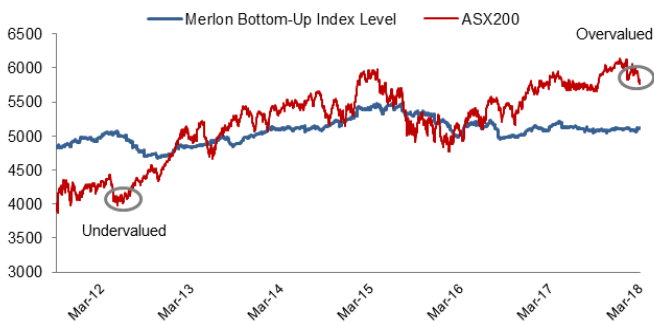


TAMIM Australian Equity Income IMA

Market Outlook & Portfolio Positioning

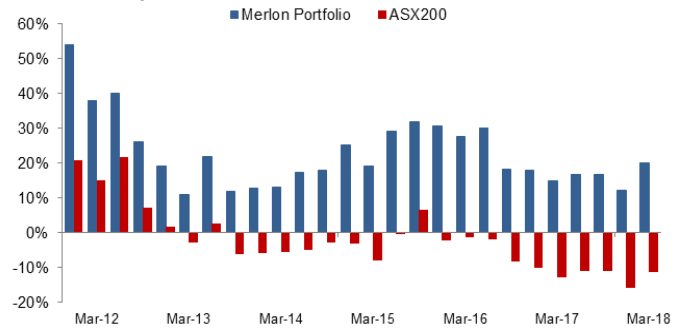
Based on Merlon's bottom-up assessment of long-term cash-flow based value, discounted at through-cycle discount rates, the market remains around 10% overvalued post the recent pull-back (Figure 1). There continues to be a wide dispersion across sectors, with resources, healthcare, property and infrastructure overvalued relative to other parts of the market. In this quarterly report, we also reflect on asset prices more broadly and conclude equities might well be the 'least worst' option if inflation and interest rates normalise as we expect.

Merlon bottom up market valuation vs ASX200 level



Merlon's value portfolio comprises our best research ideas, based on our long-term valuations and analyst conviction. The portfolio continues to offer 20% absolute upside representing a 30% premium to the market. As seen in Figure 2, the Merlon portfolio is looking attractive relative to the capitalisation-weighted index.

Expected return based on Merlon valuations



We invest on the basis that, over time, inflation and by implication interest rates will revert back to long term levels. This will put pressure on 'defensive yield' and 'bond proxy' names to which the portfolio has relatively little exposure. Even if rates were to remain low, we would expect this to lead to a re-rating of our investments given their strong cash flow appeal.

The United States appears more progressed in the journey towards higher interest rates than Australia with increasingly clear signs of wage pressures and inflation. The Federal Reserve is likely to continue increasing interest rates over the next 12 to 18 months.

The divergent path of US and Australian interest rates coupled with our cautious outlook for commodities lead us to expect depreciation in the Australian dollar. Our positions in Magellan Financial, News Corporation, QBE Insurance, Origin Energy and Clydesdale Bank should benefit against this backdrop.

A weaker Australian dollar will provide a necessary offset to housing construction activity and house prices that, at some point, will also revert back to mid-cycle levels. In conjunction with unprecedented strength in household balance sheets driven by recent house price inflation, the potential flex in the currency gives us some comfort that the outlook for the domestic economy, and by implication the discretionary retailers and media companies, may not

be as bad as what is currently priced into the stocks. Further, after reviewing key differences between Australia and other markets, we believe the impact of Amazon is being overplayed and continue to see value in the discretionary consumer sector.

Portfolio Aligned to Value Philosophy and Fundamental Research

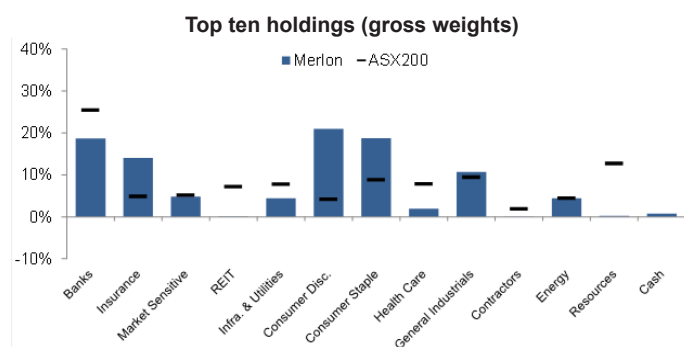
As we discuss above, there are clearly some macro themes built into the portfolio. However, these are outcomes of a strategy to invest in companies that are under-valued relative to their sustainable free cash flow and the franking credits they generate for their owners. The market's continued tendency to extrapolate short-term conditions too far into the future; participants' fear of forecasting a meaningful change in earnings power; and, investors' focus on nonsensical measures of corporate financial performance instead of cash flow continue to present us with opportunities.

The portfolio reflects our best bottom-up fundamental views rather than macro or sector-specific themes. These are usually companies that are under-earning on a three year view, or where cash generation and franking are being under-appreciated by the market.

Our larger investments are typically in companies 'unloved' by the market but current prices can be justified by the higher quality and more predictable parts of their businesses.

The supermarket operators, Woolworths and Wesfarmers, are generating good cash-flows by competing rationally on convenience, range and value, not just price. We may have seen the worst in terms of industry price deflation, with Aldi market share maturing and Coles likely to be more rational as a separate listed entity. The Royal Commission might constrain sales commissions to mortgage brokers, perversely favouring incumbent retail banks with strong branch footprints such as Commonwealth Bank, Westpac and Suncorp. We continue to see current retail bank returns as more sustainable than consensus given the near doubling of mortgage capital in recent years and re-pricing linked to regulatory handbrakes applied to investor lending. Caltex is shifting to lower capital intensity within an improving industry structure; News Corporation is shifting from advertising to digital subscriptions and has net cash on balance sheet; AMP is exiting its capital intensive lower returning insurance segment and focusing on more cash generative funds management and advice;

QBE Insurance has valuation support assuming minimal value outside of the domestic Australian and Lloyds businesses; and Magellan Financial generates strong and growing cash-flows with upside from performance fees, a debt-free balance sheet and USD-denominated FUM.



Some of our research ideas with the most valuation upside do not appear in the top 10 in terms of size as they are constrained by liquidity. These include, among others, Seven West Media, Southern Cross Media, Virtus Health and Sky TV New Zealand.

Portfolio Analytics

	Portfolio	ASX200
Number of Equity Positions	29	200
Active Share	75%	0%
Merlon Valuation Upside	20%	-11%
EV / EBITDA	8.9x	11.6x
Price / Earnings Ratio	15.5x	16.8x
Price / Book Ratio	2.9x	3.4x
Trailing Free Cash Flow Yield	5.3%	5.3%

March Quarter Portfolio Activity

During the quarter we introduced two new investments.

We re-initiated a small position in Spark Infrastructure, the most undervalued of the utility and infrastructure companies in our view. Bond proxy stocks have underperformed more generally as interest rates have begun normalising from record low levels, and we have had no exposure for several years. With Spark, we are attracted to the larger contribution from non-regulated earnings compared to Ausnet. From a free cash flow perspective, these earnings are less capital intensive than the regulated business and support sustainable returns above cost of capital. The two core monopoly assets (Victoria Power Networks and SA Power Networks) do not face regulatory resets until

2020 and we value the Transgrid investment well below what Spark actually paid in 2015.

We invested in Nine Entertainment Corporation, the free to air television and digital news provider. Nine's free to air television market has been affected by a structural shift in audience numbers and advertising away from traditional media towards digital alternatives. This structural decline has resulted in the company's market value trading towards the lower end of a sensible range of sustainable free cash flow scenarios. There is some evidence advertisers are becoming more discerning about over-allocating spend towards digital. This could support a better outcome for television's share of the advertising pie going forward. Also, we are of the view television margins can be maintained based on more rational bidding for sports content rights

We continued to invest in existing positions, Seven West Media, Southern Cross Media, and Wesfarmers, and also added to bank positions; Bendigo Bank, Commonwealth Bank and Westpac, following material underperformance given our long-term cash-flow based valuations have remained broadly stable.

We funded these investments by trimming our positions in Coca Cola Amatil, Harvey Norman, Navitas and Origin Energy, all of which had outperformed as market concerns around their lower growth or higher risk profiles had dissipated.

March Quarter Market Review

The market posted its weakest quarter in 2 years, retreating 3.4% (including franking) in the March quarter. US 10 years bonds climbed 33bp but the yield curve flattened slightly with 2 year bonds rising by more. Interestingly, the US 10 year bond yield crossed over its Australian equivalent for the first time since 1998. Oil prices rose 7% (up 40% financial year to date) but bulk commodities declined, with iron ore down 14% in the quarter. The AUD proved remarkably resilient. According to RP Data, house prices declined 1% with Sydney 2% down over the quarter.

Healthcare and Consumer Staples were the best performing sectors, with Telcos worst performing yet again. Banks continue to lag with intensifying political heat and rising short-term funding costs rising. REITs & Infrastructure stocks also lagged despite the VIX volatility index soaring 81%, with US long bond yields

volatility index soaring 81%, with US long bond yields proving too much of a headwind. Small caps continue to re-rate, with the ASX100 now trading at a record 20% discount to ex-ASX100 stocks.

Portfolio Performance Review

Coca Cola Amatil was the best performing holding after the sparkling volume decline rate slowed and the impact of the NSW container deposit scheme was less than feared. JB Hi Fi outperformed on better than expected Christmas trading and a soft Amazon launch. Vocus was not held and underperformed on a poor cash flow result, NBN competition, high capital expenditure commitments and a sizeable debt burden. Tabcorp was not held and underperformed with the core business missing expectations and the market beginning to share our scepticism on Tatts merger synergies. Nine Entertainment Corporation rounded out the top contributors, benefitting from ratings and share gains, as well as early signs the overall television advertising market might be stabilising.

Fletcher Building was the biggest detractor after the company announced material contract losses, renegotiation of debt covenants and a broad portfolio review under the new CEO. Amaysim underperformed following an expectedly weak interim result amidst intense competition in the mobile market. Bendigo Bank underperformed in-line with the bank sector, together with share losses and a rise in bad debts, albeit still at relatively low levels.

TAMIM Income Fund

Series 1

The Tamim Income Fund 1 generated an interest return of 0.88% in March. The portfolio was allocated as follows:

Platform	Allocation
RateSetter	65.7%
Society One	31.5%
Cash	2.8%

The portfolio is currently invested into two loan platforms - Ratesetter and SocietyOne. The Ratesetter platform loans comprise 65.7% 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 \$8,644,829 which is 5.99% of the outstanding loan book. Key Ratesetter details are summarised below:

The SocietyOne loans comprise 31.5% of the overall portfolio and this is split across over 328 loans as follows:

Category	Allocation	Yield (gross)
A	19.2%	8.95%
B	30.0%	10.93%
C	47.3%	14.39%

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	\$256,362,662
Total principal repaid by borrowers	\$112,034,029
Current funds on loan	\$144,328,634
Current estimated bad debt rate*	<3.5%
Current estimated bad debt*	\$5,074,801
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 March 2018. We will be producing these reports on a monthly basis with a more in-depth report at the end of each quarter.

Quarterly Review

As we all know, every beginning presents its own set of unique challenges. This has been compounded by a volatile market place that reacts to every tweet by President Donald Trump.

For the Tamim Alpha Fund the month of January was very much focused on the initial deployment of funds. The key focus was on initiating positions in a list of anchor companies that we targeted in advance and knew we wanted to invest in. Due to the increased levels of market volatility we bought a relatively small stake of 1-1.5% in each company.

In the months of February and March companies trading in the U.S and Israel came out with their financial reports and we spent time meeting and talking to the companies in the portfolio. As we gathered this new information we increased our stake in these companies to 2%.

Our portfolio, as we highlighted in our presentations, is built through the use of four different strategies:

1. Value - This strategy is the anchor of our portfolio and focuses on long term investments in companies that have a policy of distributing dividends (around 10% a year) and are benefiting from the extensive growth of the Israeli economy. Typically you will

find undervalued but leading and growing industrial companies in this strategy. You will also find income real estate companies (renting office space to the high tech sector). This part of the portfolio represents approximately 20% of the fund at this stage (55% of the total equity exposure). Examples of these companies include: Emet Computing (EMCO.TLV), FMS Enterprises (FRBT.TLV), Golan Plastic (GLPL.TLV), Caesarstone (CSTE.NASDAQ) and Scope Metals (SCOP.TLV).

2. Growth - This strategy primarily focuses on technology companies, most trading on the Nasdaq. Some are dual listed (Israel & U.S) and others are only listed in Israel. We are holding an average weighting of 2% for these companies. We are in the process of raising that to 3% for a few of them. This part of the portfolio currently represents approximately 12% of the fund (35% of the total equity exposure), examples of these companies are: SolarEdge (SEDG.NASDAQ), Nova Measuring Instruments (NVMI.NASDAQ), Camtek (CAMT.NASDAQ), Tower Semiconductor (TSEM.NASDAQ), Kamada (KMDA.NASDAQ) and Ham-Let (HAML.TLV).

3. Special Situations (Event driven) – As we indicated in our presentations, there are very limited opportunities in this strategy that occur during a course of the average year. We do have a current position in a company by the name of Elron (ELRN.TLV), a holding company that acts as either founders or early investors in companies that have transformative technologies. The opportunity here is rooted the fact that they have two significant holdings that could mature this year. This investment obviously has a higher risk profile, if one of the companies matures

then the valuation of Elron will be significantly higher and if they both fail the share price will fall by 20-30% and for that reason this holding only has a 1% position size and that is the way it will remain.

4. Hedging – This strategy provides the portfolio with downside protection. Due to the fact that our equity exposure is currently low our hedging protection is accordingly limited. As of the beginning of April, after the declines in the markets in February and March, our put options are only 5% of FUM. Of course, this hedging strategy will increase as we raise our total equity exposure.

Market Review

Following a strong 2017 and against a backdrop of low inflation and a strong shekel, Israel's economy continues to show signs of ongoing improvement in the first quarter of 2018.

The 2018 GDP growth forecast for Israel stands at 3.5% according to the Bank of Israel's Composite State-of-the-Economy Index. This was supported by a 0.4% increase in the index for the month of March. This is the highest monthly rate of increase since November 2016 and is also slightly higher than the figures from the preceding months.

There are a couple of key factors that are expected to contribute to growth this year. Firstly, private consumption due to, among other things, the purchasing of cars in advance prior to 2019 in anticipation of the upcoming revision to the Green Tax formula along with a possible tax reduction. The continued rapid growth of service exports from the economy, with an emphasis on the high-tech sectors, will also contribute.

In March the OECD published its annual report on the Israeli economy and the IMF published an advance paper on Israel prior to the publication of its annual report. From these it can be seen that these organisations forecast Israeli growth similar to that predicted by the Bank of Israel.

Israel is experiencing its lowest unemployment in 45 years, Israel's unemployment rate at the end of the first quarter of 2018 stood at 3.7%, down from 4% at the end of Dec 2017. The last time unemployment was this low was the early 1970s.

The "inflation environment", which takes into

consideration both actual inflation (the last twelve months) and inflation expectations (the next twelve months), remains very low. Inflation over the last 12 months (Feb 2017 against Feb 2018) stands at 0.2% (compared to 0.1% in the preceding month). Looking to the next twelve months, we estimate CPI will climb 0.7%. It is important to emphasise that this current rate of increase (both actual and forecast) is below the lower end of the government's target price stability range (1%-3%). Inflation is expected to return to Israel around the fourth quarter of 2018 as strong growth, a tight labor market and a reflationary environment in Israel's largest import markets all take effect.

Israel's balance of payments data was released this quarter. This, as well as additional data relating to the external accounts of the economy, continues to reflect strength and represent fundamental factors supporting the strengthening of the shekel. The first of these factors was a continuation of the relatively high surplus in the current account despite the decline last year. Secondly, a high inflow of foreign direct investment (FDI) (amounting to US\$19.0bn) last year driven by, among other things, the acquisition of Israeli company Mobileye by Intel Corporation. This follows investment figures of US\$11.9bn and US\$11.3bn in the two preceding years (2015-2016). Finally, a continuing increase in the surplus of foreign currency assets over liabilities is also a contributing factor.

Portfolio Review

As we have mentioned, the first quarter of 2018 was characterised by high levels of market volatility. The year started with a strong rally in January continuing the positive trend of 2017 but the euphoria changed very quickly when we witnessed violent declines in global equity markets and extremely high levels of volatility. The late-January correction in global equities set February off to a volatile start which continued into the first week of March. All this, as was the case in many other markets, brought negative returns to the Israeli market for the first quarter. Fears of inflation and higher interest rates in the U.S, a global "trade war" and geopolitical risks were the main reasons for this nervousness and the subsequent decline in the markets. As we have stated in our previous reports, we took a cautious approach when deploying the funds over this initial quarter.

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 have gradually increased our equity exposure and are currently holding around 37% in equities.

Israeli equities with primarily global sources of revenue outperformed Israeli companies with primarily domestic exposure this quarter. We hold a few strong examples of such companies. The majority of their revenues are derived from outside of Israel. Materials companies like Israel Chemicals and Caesarstone, as well as leading high-tech companies such as SolarEdge are perfect examples.

In this report we would like to highlight another one of our growth positions:

Orbotech (ORBK.NASDAQ)



Orbotech, a global innovator, is a high-tech company traded on the Nasdaq and is another example of an Israeli based global market leader.

Orbotech is the company responsible for enabling technologies used in the manufacture of some of the most sophisticated consumer and industrial products in the electronics and adjacent industries. They are a leading provider of yield enhancement and production solutions for electronics (reading, writing and connecting) used by manufacturers of printed circuit boards, flat panel displays, advanced packaging, micro-electro-mechanical systems and other components. Virtually every electronic device in the world is produced using Orbotech systems. Today's electronic devices are a lifestyle. Small, sleek and even wearable, they impact the way we read, write and connect with one another, enriching the language of communication. Enabling their realisation is where Orbotech comes in, virtually no notebook, smartphone or tablet would have made it to your hands without this company.

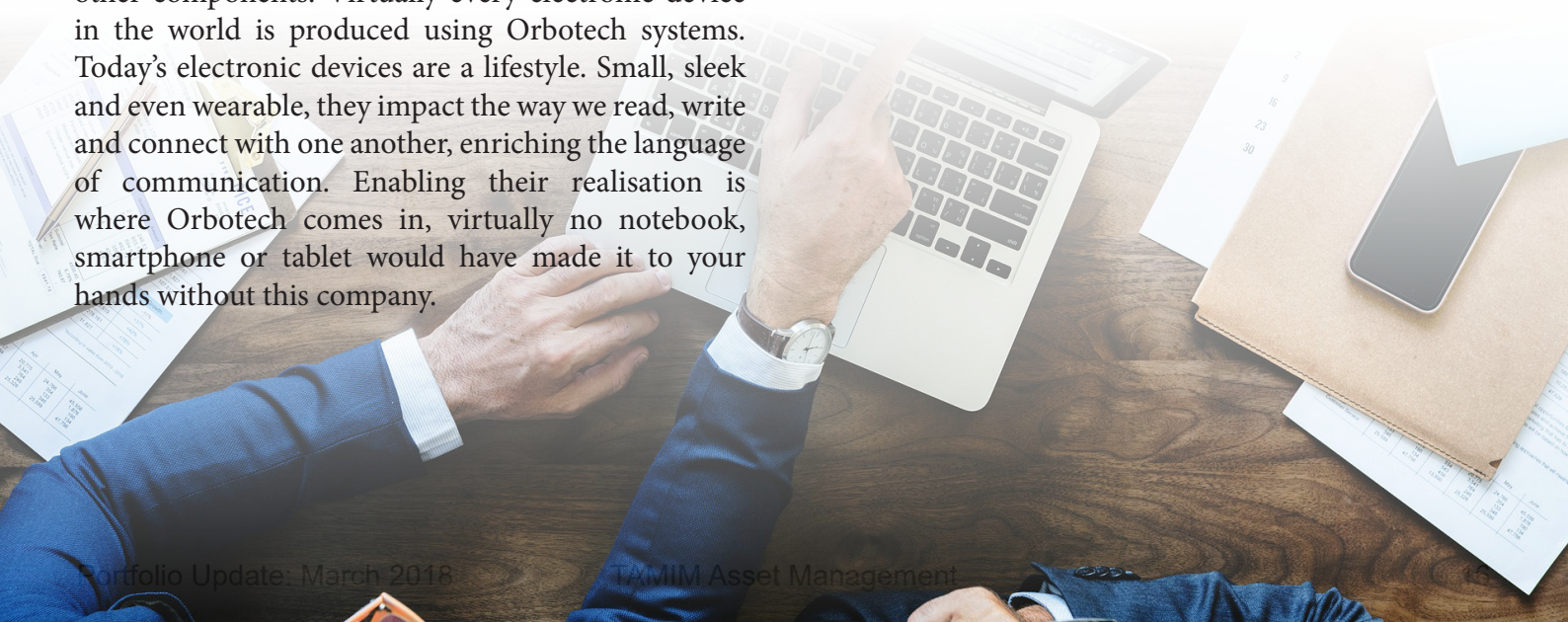
We bought Orbotech for the TAMIM Alpha Fund in January at the share price of US\$54 at a market cap of around US\$2.5 bn.

In Mid-March the U.S based company KLA-Tencor Corp. announced that it will purchase Orbotech to diversify its sources of growth. KLA will buy Orbotech for US\$69.02 per share through a combination of cash and stock, valuing Orbotech at approximately US\$3.4bn. The transaction should be completed by the end of 2018 and Orbotech will continue to operate as a standalone business of KLA-Tencor.

This deal is another excellent example of the fact that cutting edge Israeli technology can be found in mature late stage companies. This NASDAQ-listed Israeli company was a local start-up 25 years ago. They did not look to make a quick yet lucrative "exit" via a buyout, instead they sought to scale-up and become a major company in Israel and a global leader in their field.

Sincerely,

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



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