



Portfolio Update

November 2018

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From the Directors

As we come to the end of 2018, the team at TAMIM would like to wish you and your families a Merry Christmas and all the best for the new year. We would also like to welcome Ron Shamgar to the Australian Equity team as Head of Australian Equity Strategies. Ron will have responsibility across a number of existing and upcoming investment solutions. Ron will be looking to add additional capability to the team from a growth perspective while also strengthening our current value investment philosophy.

The last quarter of this year is turning out to be extremely difficult for equities. We have not been immune to this across our equity portfolios. We would like to point out that our absolute return managers have been actively positioning for this across portfolios while our relative return managers have generally fared better than their benchmarks (although benchmarks are down significantly at the time of writing). Our largest Australian equity portfolio is 50% in cash and was in this position heading into October giving us the ability to deploy capital as we see irrational selling occurring. One of our global equity strategies, the TAMIM Alpha Fund, has significant downside protection and this is working well to protect the portfolio. As you would expect, our credit and property investments continue to do well and deliver much-needed consistent income to our investors.

November 2018 Review

Both domestic and global markets continued their downward trend through the month of with very few exceptions. Emerging Markets have recouped some of their losses from October but investor sentiment remains low.

Much of the risk-off momentum has been primarily driven by concerns around geopolitics, with Trade and Brexit at the forefront. This no doubt has been further exacerbated by the increasingly divisive rhetoric coming out of Washington. Closer to home, while the underlying economy continues along a steady trajectory, concerns around housing and the royal commission have put pressure on equities with the ASX 200 finishing down 2.4% for November and taking back the gains made through the calendar year to finish in the red, down 2.7%.

United States

November was very much a roller coaster ride for US equities. The results of the midterms and the subsequent Republican loss of the house while expected still created the prospect of a policy gridlock in the coming two years. However the bigger elephant in the room was Fed policy. In many ways the volatility throughout the month was a carry forward of the previous month of October and the markets pricing in the possibility of aggressive rate hikes. The one reprieve of course was the perceived change of tack from Powell at the economic club of New York luncheon and to quote exactly:

“We know that things often turn out to be quite different from even the most careful forecasts....Our gradual pace of raising interest rates has been an exercise in balancing risks. [Rates] “are still low by historical standards, and they remain just below the broad range of estimates of the level that would be neutral for the economy.”

The market reaction to the above statement was that it signaled a dovish pivot by the Fed chair. In particular the key words that the market consensus took away from the above statement were “just below” what would be “neutral”. It seemed to suggest to the markets that the pace of rate rises might be slower than expected. This offered a much needed reprieve for the markets. It seems that the Fed giveth and the Fed taketh.

There were some bright spots with Healthcare being the top performing sector rising 6.8% closely followed by consumer discretionary which benefited from Black Friday and Cyber Monday. Energy and technology continued their downward trajectory due to concerns over a global supply glut in Oil and the risk-off sentiment.

Europe

Europe's woes continued last month as worries around Eurozone Growth, corporate leverage, trade wars and policy hurdles continued to build. The MSCI EMU index returned -0.9% with pain especially evident in economically cyclical sectors including technology and materials. Underlying data also suggests the prospect of a prolonged period of stagnation. Both leading and lagging indicators suggest that while they are not especially recessionary they also do not show any signs of significant expansion. Major European markets were lower with the STOXX Europe 600 Index losing 5.5% on a total return basis.

Concerns around Brexit and the inability of the May

government to reach a mutually agreeable deal (one that might be palatable to parliament) with the EU seemed increasingly unlikely. This has put further downward pressure on the Sterling and it is increasingly seeming as though we might see the FTSE100 falling at the same time as the GBP over a sustained period of time. For those unaware, this is usually an inverse correlation since a falling pound would be typically beneficial for companies that have a global revenue base reporting in local currency.

The European Commission rejected the draft plans of the Italian government pertaining to the 2019 budget recommending procedures for disciplinary action against the nation-state.

Emerging Markets

Emerging Markets finally got a much needed reprieve in November generally outperforming the developed markets. The best performers were South Africa, Turkey and India, all significant net importers of crude and benefited substantially from the falls in Oil prices and the markets perception of a dovish pivot by the Fed. Conversely Latin America, especially Mexico and Brazil continued to be drags hampered by political uncertainty. Though markets have so far looked upon the election President Bolsonaro rather favourably hoping for fiscal discipline going forward.

In Asian Markets, China held up well buoyed by increased exports and industrial production, although retail spending continued to be a drag. The meeting between Presidents Xi and Trump at the G20 and the prospect of ceasefire also further put some momentum back into the equity markets. However, South Korea and Taiwan have been rather disappointing following corporate earnings downgrades, concerns around household debt and the Seoul Housing Market. In Taiwan the sell-off was very much led by government instability and a sell off in technology and healthcare heavyweights.



TAMIM Australian Equity All Cap Value IMA

The Australian equity market continued to fall in November lodging its 3rd negative month in a row. The All Ords fell 2.2% whilst smaller companies outperformed with the Small Ords down 0.4%. The falls were led by the energy sector (-10.7%) with oil down 22%. All sectors finished in negative territory except for Information Technology which rose 0.9% after being the worst sector in October. The portfolio was once again helped by its elevated cash level and outperformed the broader market. In addition, Trade Me was a stellar performer (+27.4%) as it received a takeover bid from UK private equity. Following the end of the month they received a counter offer from another party. The biggest laggard for the month was SRG Global (-21.9%) as they downgraded FY19 expectations.

Portfolio News

Two major pieces of news hit the portfolio in November. The first was a positive surprise with a takeover offer coming for Trade Me Group. The offer price of NZ\$6.40 was at a significant premium to the previous share price and was above our valuation of the company. Since the end of November, a further bid came in at a 5c premium.

The other piece of major news was not so positive with SRG Global downgrading expectations for their FY19 earnings. This follows significant weakness in the construction sector with RCR Tomlinson recently being placed into administration. In addition building materials have struggled. This all aligns with our macro view of the Australian economy and is why we continue to hold a significant amount of cash despite the recent pullback.

We owned a significant position in SRG Global as the

company was formed via the merger of two companies that we owned. We have reduced that position slightly since the downgrade and will continue to move to an exit.

The Portfolio

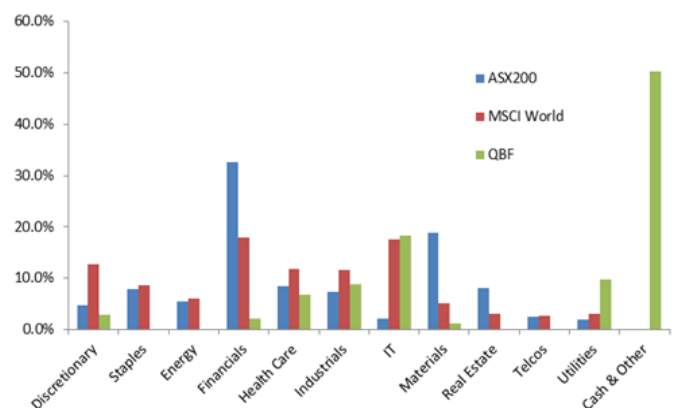
The portfolio is currently invested in 20 positions (18 companies and 2 ETFs). The cash level is currently 46.6% (up from 44.0%). Our net equity exposure is 46.5%.

SKI	6.4%
MPW	5.5%
GCS	4.8%
DDR	4.1%
LPEDA	3.3%

Other Positions	29.3%
Cash	46.6%

Sector Positioning

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

The ASX All Ordinaries Index declined 2.77% during the month while the XEC (Emerging Companies Index) was down 2.45% and the XSO (Smaller Companies Index) down 0.45%.

For the first five months of the 2019 financial year, the portfolio's value has increased +0.46%. This represents a pleasing result in a challenging market, reflecting our focus upon under-valued, high quality businesses.

November Portfolio Update

Weakness in the Australian equity markets continued throughout November. The Australian emerging company (micro-cap) XEC Index has now fallen c. 20% for the year to date. One of the reasons for such a large fall has been a move away by investors from illiquid stocks, driven by an increasingly short term focussed market desirous of positions that can be easily entered and exited, particularly in a climate of heightened volatility. With our portfolio being focused upon smaller companies which are typically less liquid, current market conditions create both challenges and opportunities for us.

As genuine long-term investors, we are conscious of illiquidity in our portfolio construction, but are not put off by it – rather, we view illiquidity as an opportunity to invest ahead of the crowd in compelling, high conviction investment cases. We continue to focus upon fundamental driven opportunities, and in this regard, we are encouraged by the positive updates provided by our portfolio companies at their recent AGMs (a number of which we discuss below.

companies at their recent AGMs (a number of which we discuss below. Please refer to our October update for details on key AGM reports for those held in October).

Notwithstanding recent market volatility, we continue to execute on our core strategy – identifying long term, value opportunities in small, profitable, growing, under-the-radar Australian companies. We believe that our portfolio represents compelling value, with the weighted average FY19 PE ratio of the portfolio now sitting at below 10x, far below the All Ords average. Many core holdings (eg. ASX:PNC, ASX:ATL, ASX:CGR, ASX:LGD, ASX:SEQ) are trading at FY19 PE ratios of 10x or lower. We look forward to announcing some recently initiated positions on similarly low valuations in upcoming updates.

Whilst the bulk of the portfolio reported encouraging updates at their AGMs, there were two pieces of more negative news across the portfolio during the month.

SRG Global (-21% for month)

SRG, the diversified construction, maintenance and mining services group, provided guidance at their AGM of FY19 EBIT of \$30m to \$35m, which will be weighted to 2H due to delayed timing of project awards.

This guidance was disappointing given that pre-merger, the combined FY18 EBIT of SRG and GCS was \$31m. Growth out of NZ and on the East Coast has been offset by the winding down of some high margin projects, and softness in the Western Australian housing market. SRG announced it is expecting a step change in profit growth in FY20 - some of this growth will arise from delivery of merger

synergies. We remain cautious on this stock given the second half earnings bias, and the limited visibility at this stage around FY20 earnings.

Konekt (-17% for month)

After confirming its growth outlook for FY19 at its AGM in early November, at the end of the month Konekt advised of a development in relation to one of its major contracts – the delivery of rehabilitation services to the Australian Defence Force. Medibank Health Solutions, the incumbent provider of garrison health services to the ADF which Konekt currently sub-contracts to, will no longer be providing services to the ADF after 30 June 2019.

If Konekt does not secure a new contract with the new successful tenderer (likely to be BUPA) this will impact KKT's earnings by ~10% in FY20. We are monitoring developments with this business and industry closely given the increasingly challenging dynamics.

AGM Updates

Portfolio Annual General Meetings (AGMs) have continued through November. On the whole, trading updates provided at these AGMs have been very positive, with portfolio companies delivering strong growth and encouraging outlooks. We discuss six AGM updates below.

CML Group (ASX:CGR) AGM Update

Financial services company CGR provided a detailed financial update and is tracking well. Q119 EBITDA was \$5.1m (up 28% on Q118). The Q1 update highlighted growth in the core invoice financing business, offset by lower margins. This is due to the lower margin Thorn book that was acquired in 2H18. Technology enhancements are at the forefront of this division. Using automated credit checks, integration into the customers accounting system, and a pricing engine, pre-approval can be made in under 5 minutes.

The company is experiencing strong growth in the equipment finance business. Started in FY17, this division is expected to contribute \$1.5m+ EBITDA for FY19. Equipment finance can be risky, but CGR are taking a cautious approach. This means that they only lend up to the valuation of the equipment. Items are independently valued at the price expected from an auction. This division is also providing cross-sell opportunities to the Invoice factoring business.

The most interesting development is CGR's entry into Invoice Discounting. The company sees an opportunity as the banks are tightening lending criteria. While still early days, it is a logical extension to their offer and will provide growth with larger transactions.

FY19 EBITDA guidance was upgraded to \$21m+ (previously \$20m-\$21m) and up 20%+ on pcp. CGR is trading on a FY19 PE ratio of ~ 10x. This is a significant discount to the takeover offer of larger competitor Scottish Pacific at 17x.

Easton Investments (ASX:EAS) AGM Update

EAS provided a positive update with significantly more disclosure than previous presentations. The company is making some key investments in training but is also enjoying tailwinds from the changes in the wealth management industry. While stopping short of providing FY19 guidance, pleasingly the company disclosed strong growth in key metrics and medium-term targets including:

- Sept Q119 Care FUM \$1.025B. (pcp \$707m)
- An increase in Limited Authorised Representative's (LAR) to 660 by June 2019 (pcp 406). To put this in context, each LAR pays \$4.5K in subscription revenue
- Solid growth in Accounting subscribers to 3,000 by June 2019 (pcp 2,669)
- An increase Training Hours to 43,500 by June 2019 (pcp 37,632). Easton are now offering training to the wealth sector which is a fast growing market in light of the increasing oversight of the sector.

Using these key metrics, expected cost synergies from GPS Wealth, and part year contributions from recent acquisitions, we are modelling FY19 EBITA to be greater than \$6m (vs \$4.4m in FY18) putting EAS on a PE of 7x. Clearly the Easton board are keen to see an increase in the share price. We understand that much of the recent selling has been by the GPS Wealth vendors.

The Chairman's AGM statement included two positive developments: the foreshadowing of an increase in full year dividends, and the announcement of a share buy-back.

Traffic Technologies (ASX:TTI) AGM Update

Traffic solutions and software provide Traffic Technologies (TTI) released a detailed AGM update.

In relation to its traditional activities, TTI noted that it remains the largest supplier of traffic signals to the Australian and New Zealand markets, with exports being made into the UK, Middle East and Asian markets. It is also the only national manufacturer and supplier of road signs to the Australian market.

TTI also highlighted the progress it is making in commercialising its “Smart Cities” technology. This includes its proprietary software Smart City platform “TST”, which enables road authorities and local councils to connect their street lighting together with other infrastructure assets to a central control system via a secure private network. Authorities in NSW, QLD and VIC are now using this platform. The TTI platform has the potential to monitor traffic flows, waste management, parking availability and monitoring of government infrastructure. In relation to FY19, TTI advised that they are expecting new export sales of the platform into TTI’s current customers in the UK and Hong Kong, where live trials will commence shortly.

In addition to its proprietary software, TTI provides the hardware to support the platform. In its AGM address, TTI noted during FY18 it completed the deployment of over 15,000 intelligent IoT nodes, and 8,500 “smart” street lights. The “smart” street lights have sensors in them that have a number of different powerful monitoring functions, as well as controlling the brightness of the street lights and reporting failures.

With a market cap of \$15m and an underlying FY18 NPAT of \$1.5m, and a promising outlook on the back of its increasing recurring and diversified revenues, TTI continues to trade on an undemanding multiple.

Blackwall Limited (BWF) Update

Prior to its AGM this month, property manager and workspace operator BWF, announced a number of upcoming transactions, that, in our view, will have a very positive impact on the company.

1 - BWF manages (and is the largest unitholder) in the ASX listed property trust BWR. BWR (the property owning trust) is receiving a capital injection through

the effective merger with the unitholders of a fund that is winding up (as a result of a property sale). This will result in BWR’s asset base growing by \$110m (from \$272m to \$382m). BWF is entitled to a 0.65% management fee on gross assets, which sees BWF’s recurring annual management fee growing by \$0.7m to \$2.5m.

2 - The transaction will also result in various indirect and direct property assets currently owned by BWF being purchased by the property trust. This will mean a cleaner balance sheet for BWF, as well as generating \$15m cash for BWF.

3 - As part of the transaction the net asset value of the property trust (BWR) has been independently valued at \$1.55 per unit. BWF owns 10.8m BWR units, equating to a look through value of \$17m. Combined with the cash referred to above, and deducting current debt of \$2m, generates an enterprise value of \$20m (\$55m less \$17m less \$15m plus \$2m). We believe this materially undervalues BWF’s two operating businesses (its property funds management business (that generated \$6m in management fees and \$8m in one-off fees last year), and its fast growing WOTSO work-space business (that grew its revenue over 50% to \$10m last year).

4 - BWR (property trust) will exit the transaction having ~\$100m cash to fund further property purchases, including, as we understand, a focus on buildings to house WOTSO workspace businesses, that will provide further management income to WOTSO/BWF. BWF also receives a 2% acquisition fee on properties that BWR purchases.

Janison Education Limited (JAN) AGM Update

Janison Education’s AGM highlighted the company’s focus on driving strong growth across its target sectors and geographies. JAN advised it is working toward securing a number of contracts and projects which will deliver long-term growth in recurring platform income particularly in its Assessment division. In particular, the company noted the following opportunities:

- Schools Assessment – development of new assessment capabilities for an existing partner to improve delivery of formative and summative assessments and the completion of new, innovative technologies to provide an advanced solution for low band-width and offline delivery in Australian

- Language Testing – expansion of testing services including the addition of mainland China based services to increase growth potential of products in the region;
- Higher Education Assessment – completion of a foundation project in Singapore and the development of new functionality to support further expansion into the Higher Education sector in Australia, Singapore and the UK; and
- Certifications – completion of a foundation project for a State Government agency which includes the development of new strategic intellectual property which will support further expansion in this market segment.

In relation to guidance, JAN advised it expects platform and content (ie recurring) revenue growth in excess of 30%, with more than 30% of revenue sourced from offshore. For the first quarter of FY19, JAN recorded revenue of \$5.1m, which puts it on track to deliver FY revenue of more than \$22m, which represents a 30% uplift from FY18.

UCW Limited (ASX: UCW) AGM Update

Tertiary education provider reported a pleasing AGM update, indicating it was making good progress in building a growing education business of scale.

For the first time UCW provided revenue guidance, expecting their existing businesses to generate between \$13.5 million and \$14.5 million in revenue in FY19 (FY18: \$12.5m). This growth is driven by international student enrolments which are up 20% compared to the PCP, as a result of the national rollout of the 4Life course offering and the opening of UCW's newly opened Melbourne campus. Management also advised that letters of offers for next year courses are currently up 30%, so depending on conversion of acceptances, organic growth for the year for international students could be north of 20%.

With the contribution from its recent acquisition IKON, UCW expect total FY19 revenue to be between \$19 million and \$21 million. This is important as we have previously mentioned that revenue of ~\$20m marks the point at which the business has the scale to be producing ~10% EBITDA margins. If we adjust for UCW's 25% investment in Gradability (which offers Professional Year Program to international accounting and information technology graduates from Australian higher education institutions), then UCW's enterprise value is ~\$10m.

Sector Exposure

We provide 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 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

November 2018 Review

November was an eventful month across the globe. Going in to November markets were focussed on the US Midterm elections that saw the Republican party lose control of the House of Republicans. This will clearly limit President Trump's ability to enact some of his more contentious ideas. However where there is cross party agreement, for example on infrastructure spending, progress can still be maintained. Although there was some good economic news in terms of continued jobs growth in the USA, stockmarket news was more mixed as investors focused on Growth stocks and questioned the sustainability of their growth rates and stockmarket ratings. Apple was hit particularly hard as its suppliers warned on handset volumes.

European markets also struggled as evidence emerged of an economic slowdown in Q3 in the region. The Autos sector has been particularly out of favour hurt by worries over trade wars and poor car sales in China. Indeed it looks like 2018 could see the first fall in total car sales in China since the 2008 financial crisis. Europe not only has Brexit to contend with – with still no clear outcome there – but also a dispute over the Italian government budget. The new Italian government are attempting to defy EU demands that they stick within tight budgetary guidelines.

In Asia, Japan saw Q3 2018 economic growth contract following typhoons and an earthquake which has hit economic activity. Confidence has also been hit in China as a result of implemented trade tariffs. The G20 Economic Forum at the end of the month provided some encouragement on this issue as Presidents Xi and Trump agreed to a halt in any further tariffs and pledged to continue to discuss resolving the issue.

Ten Largest Holdings

Company Name	Country	Weighting
Verizon Communications Inc.	USA	5.09%
Legal & General Group PLC	UK	4.72%
Caterpillar Inc.	USA	4.51%
Apple Inc.	USA	4.49%
Gilead Sciences	USA	4.48%
Macy's	USA	4.13%
Anthem Inc.	USA	3.93%
Intel Corp	USA	3.92%
Manulife Financial Corp.	Canada	3.87%
Cisco Systems	USA	3.85%

TAMIM

Income Fund

The Tamim Income Fund generated the following returns in October:

Series 1	0.61%
Series 2	0.59%

The Series 1 portfolio was allocated as follows:

Platform	Allocation
RateSetter	65.0%
Society One	30.7%
Cash	4.3%

The Series 2 portfolio was allocated as follows:

Platform	Allocation
RateSetter	47.9%
Longreach	51.5%
Cash	0.6%

The SocietyOne loans comprise 30.7% of the overall portfolio of series 1 and this is split across over 300 loans as follows:

Category	Allocation	Yield (gross)
A	18.4%	8.95%
B	29.0%	10.92%
C	48.6%	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 \$11,793,431 which is 5.98% 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	\$385,693,154
Total principal repaid by borrowers	\$189,201,938
Current funds on loan	\$196,491,216
Current estimated bad debt rate*	<3.8%
Current estimated bad debt*	\$7,563,143
Current estimated default coverage ratio*	1.6x

Source: RateSetter

TAMIM Alpha Fund

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.

Market Review

The economy accelerated rapidly in the third quarter led by firming domestic demand, a rebound in private and public consumption and strong export growth. Data for the fourth quarter paints a mixed picture though. The Central Bank's State of the Economy Index edged up over the previous month in October due to resilient consumer goods imports. In addition, the PMI increased in the same month and indicated that business conditions in the manufacturing sector improved. On the other hand, sentiment among consumers and businesses decreased in October. Imports surged as exports expanded albeit at a softer pace on weak demand for technological goods, resulting in a wider trade deficit.

On November 26th, the Monetary Committee decided to hike the interest rate of the Bank of Israel (BoI) by 0.15 percentage points to 0.25%. The central bank rate has been at an historic low of 0.10% since March 2015.

The main reasons behind the Monetary Committee's decision include: a slight rise in the inflation environment over recent months to close to the lower end of the price stability target range (1-3%), and expectations that the rise in wages and the current expansionary fiscal policy will support inflation down the road; an economic growth rate similar to the economy's potential growth rate; and a depreciation in the exchange rate of the shekel from the beginning of the year. In our opinion, the data on the Israeli economy has indicated for a long time now the need for an initiation of the interest rate normalisation process.

Looking forward, we shouldn't rule out the possibility that the Monetary Committee may raise the interest rate a number of times during 2019. Over the longer term, the normalisation process of the BoI rate (that is to say, hiking the rate to a positive real level) is expected to occur very slowly (an approach that is similar in its conservatism to that adopted by the central banks in Europe and Britain, compared to the more active policy adopted by the central bank of the US). This is expected to be linked to the level of recovery in economic growth in Israel and the world.

It appears private consumption is growing at a more moderate rate in light of the decline in the strength of local macro-economic environment. The moderation in the growth rate of private consumption since the beginning of the year is also evident in the national accounts data. Compared with previous years, this data indicates a relatively substantial moderation in the growth rate of non-durable consumption (which accounts for 80% of total private consumption) in the first three quarters of the year. This trend is surprising in light of the continuing improvement in the macro-economic environment which supported a rapid expansion in private consumption.

Portfolio Review

Volatility was still a major factor in November although it was less extreme than the previous month. This is illustrated by looking at the first twenty days of trading of the Nasdaq, down -6.5% and ending the month almost unchanged! We are happy to note that the Israeli market has been a safe haven of sorts, outperforming most global markets during the month and year to date.

In this report we would like to focus another growth position briefly mentioned in our October report, a company by the name of Camtek Intelligent Imaging (dual-listed on the Nasdaq and Tel Aviv exchange).



During October we made a few changes in our portfolio. As you probably recall, we mentioned that the Semi-conductor sector went through a major correction. Almost all companies in the sector have gone down (a few by 50%), as a result we have seen a direct impact on a number of Israeli companies trading on the Nasdaq operating in this sector in spite of good third quarter results and moderate to good future forecasts. These companies declined as well. Following this, we have decided to invest further in this sector through the purchase of Camtek, another leading Israeli company in the field of metrology and inspection equipment.-We now have a position of 3.5% in the fund.

You may recall that in a previous report we wrote about Nova Measuring Instruments (also dual-listed on the Nasdaq and Tel Aviv exchange), a large position in the fund. Nova is a key provider of metrology solutions for advanced process control used in the front-end of semiconductor manufacturing and a leading innovator in the space.

In a similar fashion, Camtek is also a leading company in the semiconductor space, 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 industry. Camtek's innovations have made it one of the technological leaders in the field of inspection and metrology in the **mid-stage** 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 should push demand for semiconductors to triple by 2025.

The main reasons that led us to make our investment in Camtek were:

1. The significant decline in the semiconductor sector over the past three months and, in this specific case, a decline of 30% in the share price of Camtek.
2. The company released very good third quarter results and more importantly provided a high level of visibility and a strong forecast for 2019
3. The company developed significant technological advantages in its inspection capabilities of the Mid-End manufacturing process, in doing so, the company is offering a cheaper inspection cost for its clients and increasing its overall potential market
4. Camtek is positioned very strongly in China which should allow them to take advantage of the "Made in China 2025" policy (aiming to achieve new technologies that could help China's dream of becoming a semiconductor giant).

Sincerely,

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

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