



Asia Small Companies Unit Class

TAMIM Fund

Investor Update

March 2019

TAMIM Asset Management
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TAMIM Asia Small Companies

Unit Class



March was a volatile month for equities in the region, after some large day to day movements the net result was an index which increased 1.5% in USD terms and 1.65% in AUD terms. The Fund fell by -0.91% in AUD terms during March bringing the year to date return to 6.58% versus the index return of 7.04%.

In terms of country returns the best performances were recorded by India, China and Taiwan with gains of 12.3%, 4.0% and 2.9% respectively in USD terms while Singapore, Japan and Korea underperformed.

The market in India was a noticeable outperformer for the month which hurt our relative performance in the short term, we retain our zero stance for the reasons outlined last month; high valuation, structural problems in the shadow banking sector and overly optimistic market expectations for Prime Minister Modi's reform agenda.

The second key factor in our underperformance for the month was our Japanese companies. March is a month with erratic outcomes in Japan due to the financial year end and the habit of Japanese companies going ex-dividend en masse in the final few days of month. If markets operate efficiently then shares prices should adjust precisely to reflect the prospective dividend payment, however, Japan has a long history of share prices that overreact or underreact to the ex-dividend event. In the final week of March, we witnessed share prices that overreacted and therefore fell far more than justified by the dividend adjustments. Our portfolio of 43 Japanese companies has a yield of 2.9% versus 2.1% for the country component of the index, when share prices overreacted to the ex-dividend event, there was a significant impact on our performance for the month. We expect to see a strong recovery of the ex-dividend share prices in the early days of April as the transitory nature of this event becomes clear and indeed on the 1st April our Japanese companies went up by an average of 2.16% versus 0.99% for the Japan component of the index.

We made several adjustments to portfolio during March as follows:

1. We sold the remaining balance our position in Korean apparel maker F&F, the shares jumped more than 80% in the first quarter without any news to justify the price appreciation.
2. We added to our position in Bank Kyoto which provided the market with significantly higher earnings guidance up 40% from the previous forecast.
3. We switched out of two holdings in Taiwan, Macronix and Gigabyte Technology with new positions in Chailease Holding Company and Tripod Technology both of which have significantly better revenue momentum and, using our proprietary VMQ methodology, scores well into the top

decile of the investment universe.

The short-term outlook for Asian markets is likely to continue to be dominated by the outcome of trade talks between China and the United States, with progress in those negotiations taking longer than previously expected. In the long-term we take comfort from our portfolio P/E of 9.9x (previously 10.1x) and yield of 3.6% (previously 3.5%), our companies have the scope to generate strong investment returns.

Stock Review

ADVANTEST

A world-class technology company, Advantest (TYO:6857) is a leading producer of automatic test equipment for the semiconductor industry and a premier manufacturer of measuring instruments used in the design and production of electronic instruments and systems.

Its leading-edge systems and products are integrated into the most advanced semiconductor production lines in the world. The company also focuses on R&D for emerging markets that benefit from advancements in nanotech and terahertz technologies and has introduced multi-vision metrology scanning electron microscopes essential to photomask manufacturing, as well as a ground-breaking 3D imaging and analysis tool. Founded in Tokyo in 1954, Advantest established its first subsidiary in 1982, in the USA, and now has subsidiaries worldwide.

Accounting, Strategy and Governance Comments

Accounting

- 1 - Full compliance with IFRS (US GAAP prior to 2015).
- 2 - The Company has a policy of good transparency with investors and provides the most comprehensive list of risk factors we have seen from any company in the region.

Strategy

Advantest has built a business that ranks seventh in the top ten of global integrated circuit (IC) manufacturing equipment makers. This business has high barriers to entry and splits into three broad areas:

- Semiconductor and Component Test Systems accounts for 68% of sales. This is the traditional business for Advantest making testing equipment for various types of

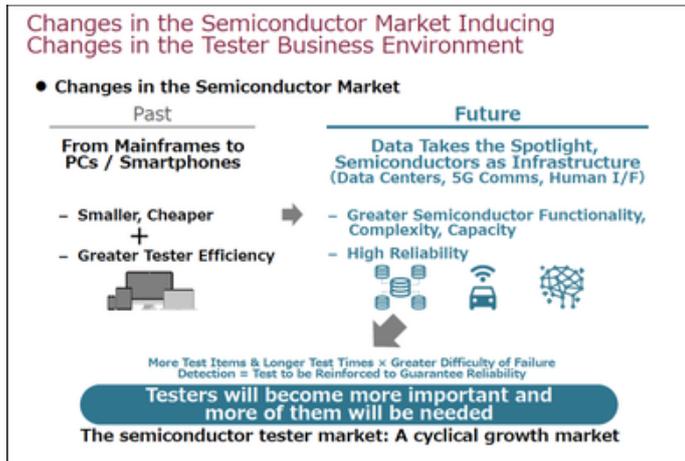
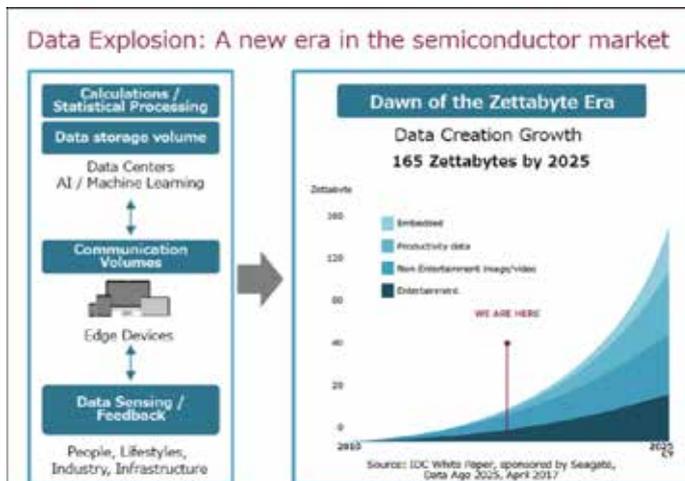
semiconductors including logic, analog and memory ICs.

- Services and Support accounts for 15% of sales, providing installation and support services for test systems.
- Mechatronics Systems accounts for 17% of sales, Advantest provides tools for fine-pitch lithography, processing and measurement using electron beams. This division also provides testing equipment for packaged semiconductor systems.

Advantest has a business that adapts to developments in the market, in 2018 the key driver for testing was for smartphone chips while demand for memory chip testing declined. The Company is prepared for slow market conditions in 2019 and then expecting the next wave in technology development to drive higher demand especially in the arena of 5G and Artificial Intelligence.

We are happy with Advantest's strategy of completing incremental acquisitions, especially where that provides a complement to the existing book of business. In February 2019, Advantest completed the acquisition of Semiconductor System Level Test Business from Astronics Corporation for USD 100 million plus an earn-out payment of up to \$35 million. This business adds expertise in the field of system level testing and we were pleased to see that the eventual price paid was adjusted down from the originally announced level of \$185 million plus \$30 million earn-out.

The graphics below demonstrate Advantest's view of the market growth opportunity, increased capacity and improved reliability standards will increase resources devoted to testing within the industry.



Source: Company filings

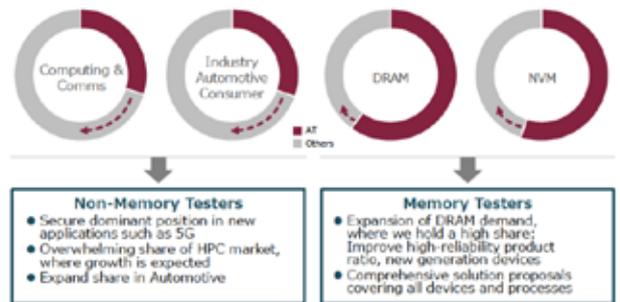
The tables below give an illustration of Advantest's positioning in the market place, in particular their competitive advantages in terms of product portfolio and client geography. The Company's medium term plan shows their expectation of substantial increases in market shares in the computing and consumer segments together with the automotive market.

Our Advantages in the Semiconductor Tester Market

- Global No.1 Product Portfolio**
 - Highly scalable modular architecture platforms
 - Dominant position in growth areas: DRAM, NVM, high performance computing, networks
- Global No.1 Customer Base**
 - Unparalleled customer base nurtured over many years
 - Greater presence in the growing Asia market
- Total Test Solutions Including Peripherals, Global Support**
 - We offer complete test environments including device I/F peripherals

Sustaining & Reinforcing Our Competitive Advantages

CY2017 Market Share Estimates by Application and Future Trend



Source: Company filings

Governance

- 1 - At the end of January Advantest provided clear guidance regarding their dividend policy which will target a payout ratio of 30%. The Company upgraded their dividend forecast for the current year from ¥75 to ¥88.
- 2 - The Company has a well defined governance code first enacted in November 2015 and revised in December 2018.
- 3 - Full compliance with the Governance Code in Japan. The Company has four outside directors on the Board comprising nine Directors in total. The Company holds thirteen Board Meetings per year and has applied term limits for the Directors.

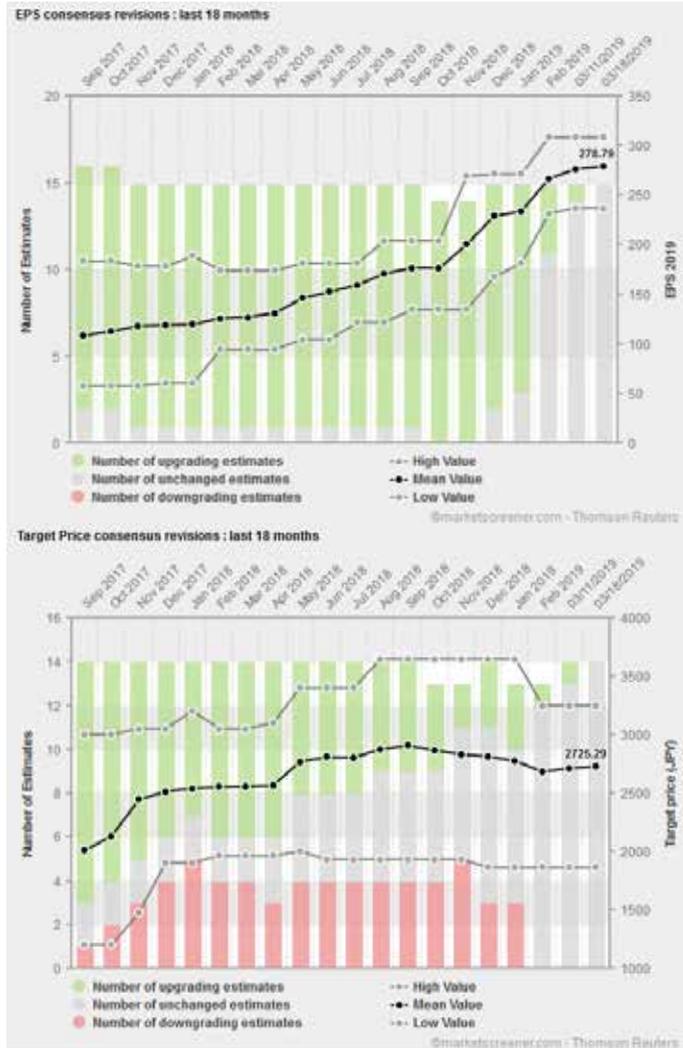
Conclusion

Advantest is a world class semiconductor test equipment business that has demonstrated an ability to adapt their offering in a changing market for technology products. The business has a strong management structure, communicates well with investors and has the capacity to deliver strong investment returns based around a strategy that should see increasing market share in a growing overall market for testing equipment and support.

Value, Momentum and Quality Comments

The Company has maintained very strong momentum and quality scores throughout the period, the key behind a sharp improvement in the overall VMQ score shown below is a consistent improvement to the value scores during 2018.

The table of earnings revisions below shows that forecasts for 2019 earnings have been upgraded throughout the past year. The other table below shows the progression of target share price by analysts covering Advantest, the consensus target is ¥2725, versus a current share price of ¥2440. We expect that target price to be the subject of further upgrades during 2019.



Overview

The TAMIM Fund Asia Small Companies unit class seeks to achieve a high real rate of return over the long-term within defined risk parameters acceptable to the Investment Manager through a diversified portfolio of Asian small and mid-cap shares.

Key Facts

Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Processed monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Annually
Management fee:	1.00% p.a.
Expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI AC Asia Small & Mid Cap Index
Buy/Sell Spread:	+0.30%/-0.30%
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
Country/Sector limit:	+/- 10% relative to Benchmark
Target number of holdings:	60-80
Portfolio turnover:	< 30-40% p.a.
Investable universe:	MSCI AC Asia Small & Mid Cap (US\$ 500m - 10bn)
Cash level (typical):	0-100% (0-5%)

Selection of 5 Holdings

Stock	Code	Exchange
Sojitz Corp.	2768	Tokyo
Simplo Technologies Co.	6121	Taiwan
Kerry Logistics Network	0636	Hong Kong
Venture Corp.	VENM	Singapore
China Lesso Group	2128	Hong Kong

Returns

	1m	3m	6m	9m	1y	Since inception
TAMIM Asia Small Comp.	-0.90%	6.58%	-6.26%	-	-	-6.26%
MSCI AC Asia SMID	1.65%	7.04%	-2.46%	-	-	-2.46%

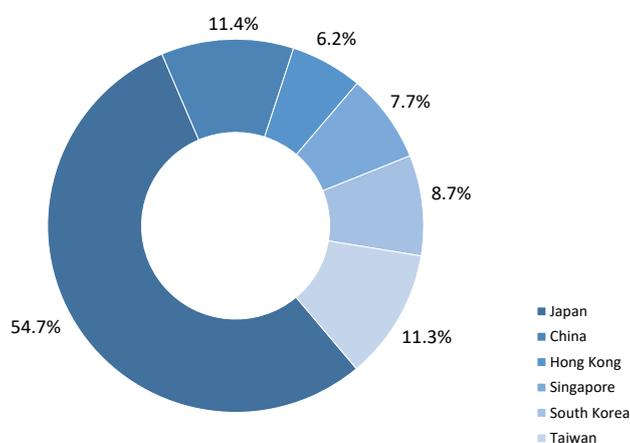
Note: Returns are quoted net of fees and assume distributions are reinvested. Past performance is no guarantee of future performance. MSCI AC Asia SMID refers to the MSCI AC Asia Small & Mid Cap Index in AUD.

NAV

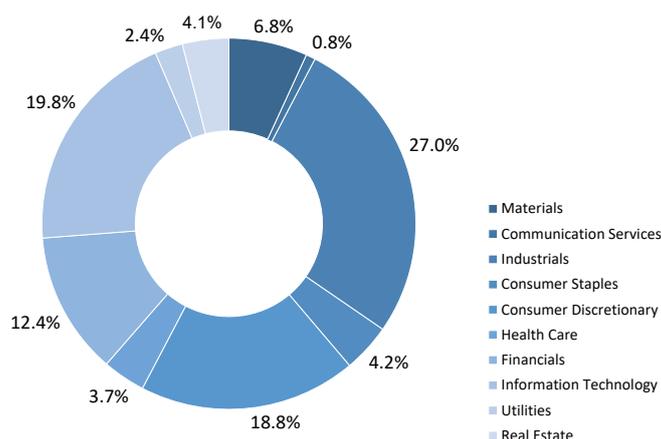
	Buy Price	Mid Price	Redemption Price
AU\$	\$7.5219	\$7.4994	\$7.4769

Portfolio Profile

Regional Allocation



Sector Allocation



Contact

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