

THORNEY OPPORTUNITIES LTD

ACN 080 167 264

13 September 2018

Dear fellow TOP shareholder,

Welcome to another TOP Chairman's update.

RECORD HIGH NTA AND DIVIDEND

With the 2017/18 financial year reporting season complete now is an appropriate time to review the performance of the key holdings in the TOP portfolio over the last year and to outline some of the highlights.

I'm delighted to report that overall, the stocks in the TOP portfolio have continued to perform very well, meeting or exceeding market expectations.

The table below summarises the outstanding performance of TOP's five largest portfolio holdings, Service Stream Limited (SSM), AMA Group Limited (AMA), Money3 Corporation Limited (MNY), Onevue Holdings Limited (OVH) and Austin Engineering Limited (ANG). As can be seen, all five companies reported strong increases in revenue, earnings before interest and tax (EBIT), earnings per share (EPS) and, in the case of SSM and MNY, dividends per share (DPS). Furthermore, each position has demonstrated positive share price performance.

Portfolio Company	% increase 2018 vs 2017				
	Revenue	EBIT	EPS	DPS	Share Price*
SSM	↑26%	↑42%	↑45%	↑67%	↑55%
AMA	↑33%	↑24%	↑14%	→	↑32%
MNY	↑11%	↑12%	↑5%	↑67%	↑17%
OVH	↑20%	↑900%	↑288%	na	↑41%
ANG	↑25%	↑300%	↑400%	na	↑16%

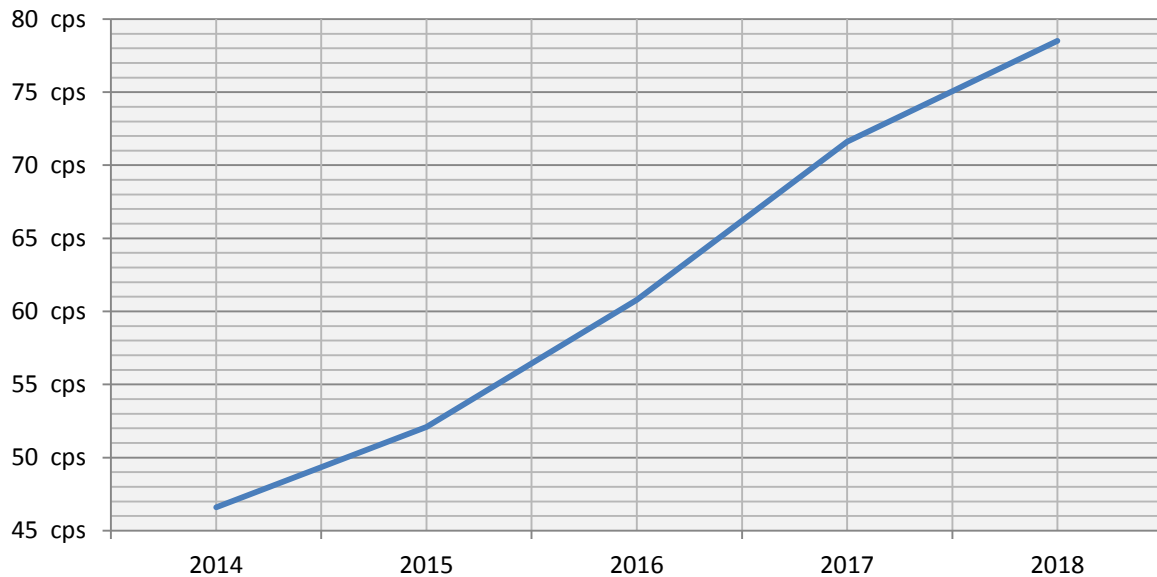
* For the period 1 January 2017 to 11 September 2018

Portfolio Company	Revenue (\$m)		EBIT (\$m)		EPS (cps)		DPS (cps)	
	2017	2018	2017	2018	2017	2018	2017	2018
SSM	501.8	632.9	40.9	57.9	7.8	11.3	4.5	7.5
AMA	382.1	507.6	29.1	36.2	4.2	4.8	2.5	2.5
MNY	109.6	121.9	49.6	55.7	18.6	19.6	5.7	9.5
OVH	40.9	49.1	0.2	2.0	0.8	3.1	0.0	0.0
ANG	234.3	293.4	3.1	12.4	(0.3)	0.9	0.0	0.0

The strong performance of these and the majority of TOP's other holdings have contributed to the continued growth in TOP's net tangible assets (NTA) which stood at an *all-time high* of 78.5 cents per share as at August 31, 2018 and this upward trend has continued in the first half of September.

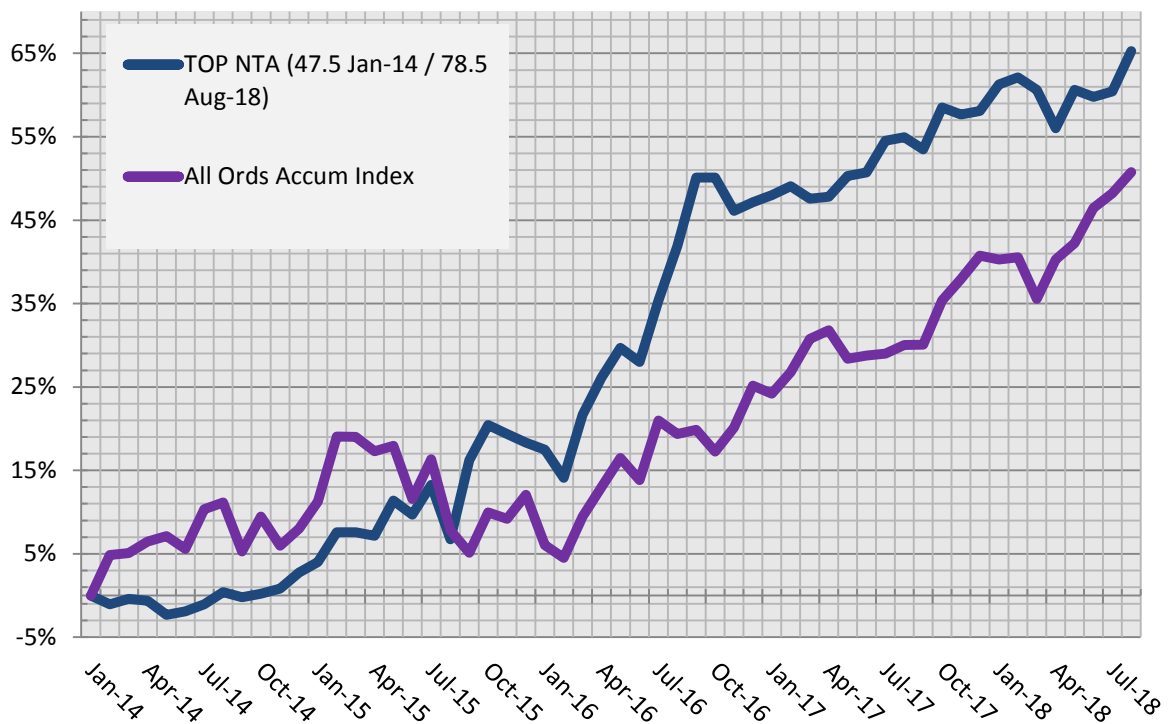
The graph below summarises the annual growth in TOP's NTA since its inception some four years ago.

TOP NTA Performance (after costs) since inception



The graph below compares TOP's NTA performance with the Australian share market's All Ordinaries and Small Ordinaries indexes over the same period.

TOP NTA (after costs) vs All Ords Accum. Index (January 2014 to August 2018)



TOP's established record of delivering consistently strong NTA growth and share market outperformance over time is in stark contrast to the current steep discount to NTA at which TOP shares are currently trading.

At the current price of 69.0 cents TOP shares are trading at a discount of about 12.4% to NTA. In my view this discount is unjustified and a good example of the very sort of market mispricing that the TOP investment team looks for when assessing a stock's investment value.

Accordingly we believe TOP shares represent very good value at the current share price. Frankly if our analysts had come across a company that represented the same value fundamentals as TOP currently does, they would be buying it!

Given the above it will not surprise you that I personally have been moving to take advantage of TOP's current share price discount to NTA by purchasing an additional 2,791,596 TOP shares taking my personal holding in TOP to more than 29.4%. I will be actively considering further increases in my TOP holding.

The main reasons for my confidence in TOP are both the quality of the Thorney management team and the resultant quality of TOP's key holdings. As mentioned above all of TOP's major shareholdings reported strong growth for the year just ended and all provided optimistic outlook comments for the coming 12 months.

As I've reminded shareholders previously, Thorney's consistently strong investment performance over more than two decades has been the result of our ability to find good, well managed companies that have the potential to deliver growth and superior returns over time. We work with those companies to help extract their intrinsic value and, provided they continue to deliver, we with stick them over time. We apply that same philosophy at TOP.

While we will always consider opportunities to take profit at various stages or decide to add to our holdings at lower levels when value presents itself, our view on each of the core companies in the TOP portfolio remains a mid to long term hold.

SOME PORTFOLIO INSIGHTS:

TPE

For the time being at least we will continue to hold what has been TOP's most disappointing investment, TPI Enterprises Limited (TPE). We are not yet ready to give up on this company despite its history of overpromising and under delivering.

We have been agitating for change at TPE for some time and are supportive of the recent appointment of Simon Moore as Chairman. While more needs to be done, the upside value potential of TPE successfully capitalising on the integrated legal opium poppy growing, processing and distribution business it has created is significant. We will continue to monitor TPE closely.

FXJ

Another stock about which TOP has been vocal for some time has been Fairfax Media Limited (FXJ). Since my last Chairman's Update Nine Entertainment Co. Holdings Limited (NEC) and FXJ have announced a merger proposal which, if successful would see the two companies combine to become a much stronger media organisation better equipped to compete in the global digital age.

I always believed that if FXJ was unable to extract the full value from its investment in Domain and other media assets, it was inevitable that others would find it an attractive proposition to do so.

At current share prices the proposed merger values the combined Fairfax and Domain assets at only slightly more than private equity was offering to acquire the group.

I still think NEC is not offering enough for the prize that it is getting, but the logic of the deal makes sense and NEC CEO Hugh Marks appears to have the required skills and vision to lead the combined group. In the absence of a higher offer, it is the best option for FXJ and TOP is supportive of the merger.

RESOURCES AND MINING SERVICES

During the 2018 financial year, we have turned our interest to an area where Thorney has many years of successful investing experience, resources and mining services.

Accordingly, and as resources companies have begun to ramp up their capex spend for projects and equipment, we have been building a number of portfolio positions to take advantage. One position we have had for some time is Austin Engineering Limited (ANG), following its recapitalisation, which was anchored by TOP back in mid-2016. ANG is leveraged to the uptick in capex spending on key resources projects. Other portfolio positions include MMA Offshore Limited, Southern Cross Electrical Engineering Limited, Monadelphous Group Limited, Decmil Group Limited, Zenith Energy Limited and Cooper Energy Limited.

I am optimistic about the outlook for these companies as the capex cycle continues to turn in their favour.

MARKET OUTLOOK

Despite some volatility, good company earnings results have helped investment markets both here and overseas to navigate through the threat of trade wars and other potential destabilising factors without major corrections.

That being said we are beginning to see moves in both currency and bond markets which could ultimately have a major impact on equities. While we remain cautiously optimistic we have been continuing to raise cash by trimming our holdings in those companies whose share price has run hard to the point where some profit taking is prudent.

Right now TOP is sitting on cash and we are happy to wait to see how equity markets perform in coming months.

We have an active watch-list and if general or company specific shares prices correct to the point where we see good value, we will be ready to buy back in.

Thank you for your continuing support and I look forward to communicating with you again soon.

Best regards

A handwritten signature in blue ink, appearing to read 'Alex Waislitz', with a long horizontal flourish extending to the right.

Alex Waislitz
Chairman