

Australia All Cap Unit Class

TAMIM Fund

At 31 May 2021

During the month of May the ASX300 was up +2.31% and the Small Ords was up +0.27%.

The TAMIM Fund: Australia All Cap portfolio finished the month down -4.56% net of fees.

For the 2021 calendar year, the portfolio is up +11.37% net of fees. This is a pleasing start to the year despite giving some back in May.

During the month, domestic markets continued their upward trajectory. This was mostly led by the Big Four banks delivering better than expected updates and the resources sector continuing to benefit from record commodity prices.

Technology and growth stocks struggled in May as investors are fretting about valuation concerns, growth prospects and inflation-led valuations. Value stocks continue to make a comeback. Our portfolios currently have a mixture of both value and growth stocks.

The largest detractor to fund performance this month was EML Payments as they delivered an unexpected update on regulatory concerns by the Central Bank of Ireland. This was in relation to their newly acquired PFS business, a transaction which took place last year. We detail our views on this development in the Portfolio Update section of the report.

Overall, it's inevitable that we have some negative return months over time. We view it as a good time to take a breather after such strong recent returns and we believe that the portfolio is positioned well to perform in next six to twelve months and beyond.

Below, in the Portfolio Update section, we provide a brief update on some of the highlights from our portfolio during the month.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Performance

Note: Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio. Should you wish to see your individual return, please log in to your account online.

Inception: 31/12/2016	1 month	3 months	6 months	1 year	2 years (p.a.)	3 years (p.a.)	Since inception (p.a.)	Since inception (total)
Australia All Cap	-4.56%	0.84%	12.37%	59.72%	33.72%	22.64%	19.33%	118.12%
ASX 300	2.31%	8.54%	11.96%	28.74%	9.70%	10.11%	10.85%	57.57%
Cash	0.01%	0.02%	0.05%	0.16%	0.43%	0.78%	1.05%	4.70%

Portfolio Performance for Australia All Cap refers to the aggregated cumulative performance of all TAMIM Australian All Cap individually managed account portfolios since inception (31 Dec 2016) in AUD net of fees up to 31 October 2019. From 1 November 2019 the performance reflects the return on the TAMIM Fund: Australia All Cap unit class. Both are managed according to the same portfolio. ASX300 refers to the S&P/ASX 300 Accumulation Index.

Note: Portfolio returns are quoted net of fees. Returns shown for longer than 1 year (other than "Since inception (total)") are annualised. The information provided in this factsheet is intended for general use only. The information presented does not take into account the investment objectives, financial situation and advisory needs of any particular person nor does the information provided constitute investment advice. Under no circumstances should investments be based solely on the information herein. Please consider our Information Memorandum and Services Guide before investing in any of our products. Past performance is no guarantee of future returns. Returns displayed in this document are unaudited. For wholesale and sophisticated investors only.

Key Facts

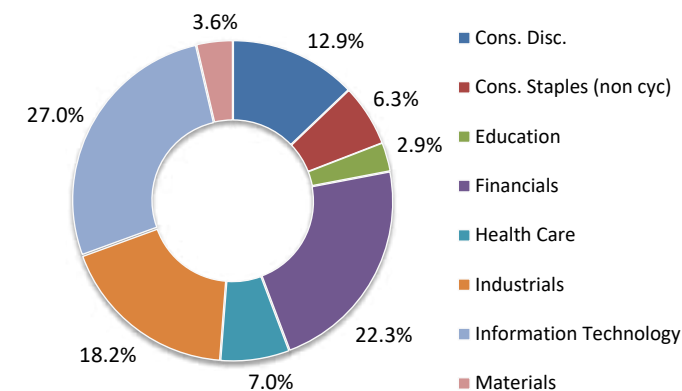
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash Rate + 2.5%
Lock up period:	Nil
Buy/Sell Spread:	+0.25%/-0.25%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.35%
APIR code:	CTS9748AU

NAV

	Buy Price	Mid Price	Redemption Price
AU\$	\$1.4213	\$1.4177	\$1.4142

Portfolio Allocation

Equity	90.04%
Cash	9.96%



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Portfolio Update:

EML Payments (EML.ASX) announced an unexpected update in May. This announcement was regarding the Central Bank of Ireland (CBI) and their regulatory concerns around EML's Prepaid Financial Services (PFS) subsidiary; concerns centred on potential anti-money laundering and counter terrorism breaches. Investors took the worst case scenario approach and wiped almost 50% from the EML's valuation. We took a different approach. We spoke to management, industry insiders, other Irish regulated fintechs and examined the historic actions of the CBI when dealing with similar breaches.



We came to the conclusion that, rather than EML being in the wrong, this was a broad crackdown by the CBI and other European regulators, enforcing tighter regulations to prevent other financial services collapses and frauds like the Wirecard fiasco last year. We believe that the CBI and EML management will end up working collaboratively to improve any compliance concerns around the PFS programs.

We see the chance of a fine greater than \$2-3m as very unlikely while the possibility of losing PFS' money license is almost non-existent. We do believe that EML will have an additional compliance cost to bare and, in the worst case, they will have to relocate some programs the CBI is uncomfortable with to another regulator elsewhere in Europe.

Overall, this was an unexpected development that not many could have foreseen. We took the opportunity to double up our position around the \$3.00 mark. We expect the stock to regain most of its lost value (it was trading at \$5.00+ prior) once the matter is resolved over the coming weeks. On the flip side, we believe all additional costs borne by EML will reduce the earn out component of the PFS acquisition which is currently sitting at \$110m. Our views and valuations have not materially changed on EML nor our views on its long-term prospects.

Smartpay (SMP.ASX) provides merchant terminals to small businesses in Australia and NZ. The company has a March year-end and, as such, they reported their FY21 results. Revenue was up 20% to \$33.8m while EBITDA was slightly up, coming in at \$7.6m. More importantly, run rate EBITDA to the end of March was \$9.8m. The key growth pillar for SMP is the Australian acquiring business, as opposed to the NZ terminals business for example, which is growing fast. Revenues for this segment of the business were up 80% to \$17m and run rate revenue at the end of March sitting at \$27m+ as it adds 4-5k new terminals annually.



We estimate that the company will add a further \$20m+ of revenue during FY22, with about half of that dropping to the bottom line. We see EBITDA coming in at around \$18m this year, which places the stock on an 11x EV/EBITDA multiple. We think 18x is a more appropriate multiple considering their growth rates, comparable peer valuations and the huge runway of growth next few years. Unfortunately, management doesn't focus too much on investor relations. This means that the stock is very much under the radar, but hopefully not for long. **We value SMP at \$1.30.**

Money3 (MNY.ASX) provided a profit upgrade due to continued strong growth in loan originations in 2H. NPAT is now expected to come in at \$38m, up from the \$36m it was previously. MNY is benefitting from a buoyant domestic economy and consumer demand for both used and new vehicles. We don't see this thematic changing much in the near term as international borders broadly remain closed, meaning consumer demand for domestic holiday and travel will remain. Management remains confident in its FY24 \$1bn loan book target, an achievement we estimate will yield \$80m NPAT.



Spirit Technology solutions (ST1.ASX) provided a four month trading update to the end of April. Overall the update was positive; highlighting the foundation that management has built through acquisitions over the last eighteen months. These include a national brand which encompasses telco and internet solutions, cyber security, and IT services to over 10,500 businesses. In addition, the company now has 150 sales staff who are also supplemented by 350 national resellers.



The focus now is on completing the integration of all their recent acquisitions alongside proving to investors the organic growth potential in the business and their ability to win larger corporate and government deals. We estimate that ST1 is on a run rate for \$150m of revenues and about \$20m of EBITDA. Management is currently busy divesting ST1's residential internet customer base and their wireless infrastructure network. We believe both asset sales will move the company into a positive net cash position which will enable larger acquisitions or merger opportunities to be explored. **Our valuation is 50 cents.**

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The RPM Group (RPM.ASX) provided a Q3 trading update and Q4 forecast. For the quarter, revenues were up 59% to \$14.5m while EBITDA was up 87% to \$1.28m. The balance sheet has a net cash position of \$4.5m. The company is focused on further acquisitions in a number of divisions; Wheels and Tyres, Mechanical Repair and Roadside. More importantly, the Q4 forecasts of \$15.2m revenue and \$1.5m EBITDA are on track. We believe the group is now annualising \$60m in revenue and \$6m of EBITDA. We expect further acquisitions to take the company to in excess of \$100m revenues next year. **Based on the achieving of this target, we would value RPM at \$1.00.**



Earlypay (EPY.ASX) provided a trading update with record transaction volume of \$199m in March, up 34% on the same time last year. Management reconfirmed full year guidance of \$21m+ EBITDA, NPATA of \$8.5m+, and a final dividend of 1.3cps+ fully-franked (2.3cps total for FY21). In addition, there have been improvements to all three warehouse facilities. This provides cost savings, greater flexibility and increased headroom which will support continued growth of EPY's loan book.



Based on company guidance we see 2H momentum and the 2H NPATA estimate of \$5m translating to a material increase in earnings for FY22; NPATA of \$14m. EPY is a beneficiary of a buoyant domestic economy and demand for finance solutions from small businesses as government stimulus is no longer available. EPY's recent capability to onboard clients online is driving growth in a larger market opportunity now more than ever alongside an ability to scale quicker with invoice financed volumes now at a run rate of \$2.2bn. **Our valuation of EPY is 75 cents.**