



Australian All Cap Portfolio

Individually Managed Account

Monthly Update

April 2019

TAMIM Asset Management
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Australian All Cap Portfolio Update

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International and domestic markets continued their strong trajectories during April as improved earnings outlooks and expectations of low interest rates created the right recipe for market performance, led mostly by growth stocks. As an example, the ASX200 was up +2.37% and over in the US the S&P500 was up +3.93%.

More locally, Australian investors are keeping their focus on the federal elections outcome, with Labor almost certain to take government if the bookies are anything to go by. The Reserve Bank has now signalled that inflation is well below expectations and markets are already pricing in a rate cut before July this year.

So far we are seeing mixed signals in the economy with Flight Centre (FLT.ASX, not owned) downgrading guidance due to lower leisure spending by consumers, while Qantas provided a robust quarterly update and outlook. Housing related stocks continue to provide sombre outlooks to investors with several downgrades in the sector, while car sales are still in free fall. Retail sales data from March has actually shown good year on year growth so far, with consumers shying away from big ticket item spending but rather choosing to spend on fashion and accessories.

Looking ahead into May and June we see increased market volatility as investors looked to take some profits after an extraordinary start to the year. A change of government and a resumption of trade wars between the US and China are both now also weighing on investors' confidence.

Our job is not to try and predict what the markets will do in the short term (although we are never short of an opinion!) and we remain focused on finding well managed companies that we believe have solid business models, competent and honest management and a positive growth outlook for the next few years. We have always believed that sticking to this philosophy and blocking out the noise will yield positive returns to our investors in the medium to long term.

We currently own 34 companies across the portfolios. During April the portfolios delivered a +3.26% return for the month. Calendar year to date the portfolios are collectively up +7.77%.

Positive contributors to performance during the month were Catapult (CAT.ASX), EML Payments (EML.ASX), Afterpay (APT.ASX) and Capitol Health (CAJ.ASX). Detractors were mostly out of favour value stocks such as Collection House (CLH.ASX), Noni B (NBL.ASX) and Countplus (CUP.ASX).

We discuss updates and news flow from some of the portfolio holdings during the month in the portfolio update section of the report. In this report we also spotlight a core holding in the portfolio, People Infrastructure (PPE).

We will share further insights in our next monthly update.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Updates

EML Payments (EML.ASX) is our largest holding and provided a pleasant Easter surprise announcing Bet365 as a new gaming customer in the US sports betting market. Although Bet365 is an existing customer of EML in Australia and the UK, it is still the largest sports betting company in the world, and provides further validation to EML Payments' solutions and their potential success in the emerging US sports betting market.

Back in February we spotlighted our investment thesis for EML when the stock was trading at about \$1.40 and since then the company has continued to outperform closing out the month above \$2.00 a share. What we are starting to see is **the market beginning to comprehend the huge opportunity EML has in the \$200B+ US sports betting market**. This is becoming increasingly tangible as more and more states pass legislation to allow online sports betting. Unlike other "popular" tech stocks, EML is highly profitable, spits cash, and in our view is a possible **near term candidate for a profit upgrade**. We now value EML at ~\$3.20.

BigTinCan Holdings (BTH.ASX) is a fast growing sales enablement software company that has reached several inflection points recently which have attracted our attention. Sales enablement software allows companies to better improve the skills and training of sales staff within an organization, helping create a more efficient and productive work force. The company is led by an impressive management team that we have successfully invested alongside previously.

BTH has been growing sales at 30-40% p.a. for the last few years and recently exceeded the \$20M annualised recurring revenue (ARR) mark that many SaaS software companies covet so much. BTH is now at a point where monthly revenues exceed operating expenses and management has taken the view that better shareholder value can be created by raising additional funds and reinvesting further to accelerate growth. During April the company raised \$15M at an attractive price and we took up our entitlements to maintain our holding. **We are now up over 60% since we first invested in the company**. We value the business at ~80 cents.

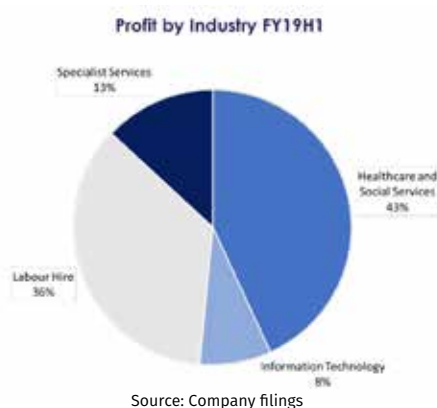


Stock Spotlight:

PEOPLE INFRASTRUCTURE

People Infrastructure (PPE.ASX) is a workforce management company operating across Health, IT, social care and general labour hire. PPE's strategy is to drive growth via acquisitions and has continued to outperform since listing.

Nearly 50% of PPE's revenue is derived from the health and social services sector and another 35% from general labour hire. IT services comprise another 10% of their revenue. Important to note is the fact that the **health care market is a \$2.65B sector and is forecast to grow at 5% p.a.** The labour hire division is benefiting from civil infrastructure and mining project spending. We don't foresee any impediments to these tailwinds in the immediate future.



PPE listed eighteen months ago and has grown revenue from \$192M in FY17 to a FY19 forecast of \$280M. During that period **EBITDA has almost doubled from \$10M to a \$19M** forecast for this year. This growth, achieved partly through acquisitions and organic initiatives, and has made PPE the largest nursing agency in Sydney and the largest workforce manager in the disability sector nationally. The company is led by Managing Director Declan Sherman who, as the largest shareholder, owns 12.5% of the company.



PPE has made four acquisitions since listing and they have indicated that they intend to continue to consolidate the sector. During March this year PPE acquired Victorian Nurse Specialists, a leading nursing agency in Melbourne, for \$2.5M. In addition, PPE acquired the remaining part of Recon Solutions and Project Partners for \$2.8M. Both deals will contribute an additional \$1.1M EBITDA.

PPE is currently forecast to earn 19 cents cash EPS for FY19. The **business generates strong cash flows and is not capital intensive**. This allows management to pay dividends and reinvest into further acquisitions with the addition of debt. The

balance sheet has ample capacity to borrow for any further deals should that be deemed necessary. The dividend yield this year is forecast at 9 cents or a 3.6% fully franked yield. We estimate earnings will grow at ~15% p.a. over the next couple of years with the company generating ROE in the low 30% range. Earnings growth could accelerate if larger deals are done. So far PPE have been prudent in their acquisition approach.

With Labor currently the favourite to get elected this month (Sportsbet currently has them paying \$1.30 against \$3.50 for the Coalition) we see further tailwinds with the proposed increase in funding for the healthcare sector and female dominated professional roles such as nursing. As the leading provider to the health sector work force, PPE should benefit.

We value PPE in excess of \$3.00 per share. Key catalysts for this year are further acquisitions flagged by management, August results beating analyst estimates and further market awareness as the market cap increases to over \$150M.

Overview

The TAMIM Australian All Cap IMA uses a value based approach to identifying companies that meet our fundamentals based investment process. We aim to generate long term capital growth by targeting companies exhibiting strong financial capabilities of growing earnings, cash generation and industry tailwinds.

Key Facts

Investment Structure:	Individually Managed Account (only available to wholesale or sophisticated investors)
Minimum investment:	A\$250,000
Pricing & Reporting:	Daily
Investment horizon:	3-5+ years
Management fee:	1.50% p.a.
Expense recovery fee:	Nil
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash Rate + 2.5%
Administration fee:	Nil
Exit fee:	1% if exit within 12 months
Single security limit:	10%
Benchmark	ASX 300
Target number of holdings:	10-40
Portfolio turnover:	< 25% p.a.
Investable universe:	ASX
Cash level (typical):	0-100% (10-40%)

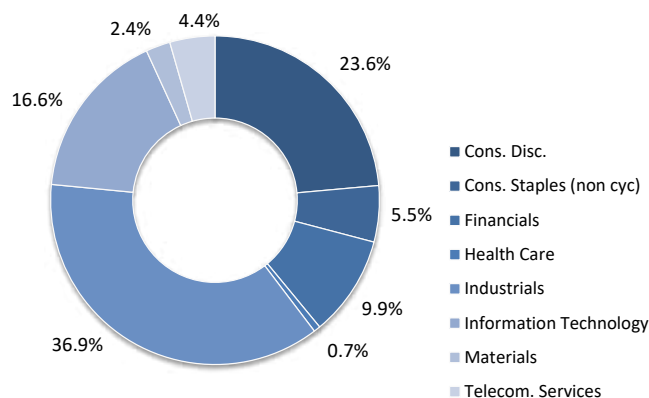
Selection of 5 Holdings

Stock	Code
People Infrastructure	PPE
Infomedia	IFM
EML Payments	EML
Collection House	CLH
Noni B Group	NBL

Portfolio Profile

Equities	79.80%
Cash	20.20%

Sector Allocation



Monthly Return Stream

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2016	-	-	-	-	-	-	-	-	-	-	-	0.07%	0.07%
2017	0.37%	-0.94%	1.46%	2.04%	0.43%	1.46%	0.17%	-0.15%	1.58%	3.21%	3.01%	1.20%	14.66%
2018	-2.12%	1.98%	0.60%	1.50%	1.13%	-1.40%	-0.70%	-0.10%	0.61%	-4.23%	-1.67%	-2.72%	-7.08%
2019	-0.52%	4.45%	0.44%	3.26%									7.77%

Monthly Return Stream 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.

Note: Portfolio returns are quoted net of fees. The ASX 300 refers to the S&P/ASX 300 Accumulation Index. Returns shown for longer than 1 year (other than Inception) are annualised. Year to date (YTD) figures are accumulative. 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.



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