



Australian All Cap Portfolio

Individually Managed Account

Monthly Update

July 2019

TAMIM Asset Management
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Australian All Cap Portfolio Update

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July was a strong month for equities, particularly small caps. All indices were up during the month, most notably the ASX Small Ords Accumulation index (+4.51%) compared to its big brother ASX200, up a more modest +2.97%.

The TAMIM All Cap portfolios delivered yet another strong month in July (+5.66%). The portfolio is up +22.63% calendar year to date and +12.91% over the past twelve months.

Technology names continued to perform during the month and small resource stocks carried the heavy load with the Small Resource Index up just under +8% for July. **Considering we have ZERO exposure to resources in the portfolios, we are quite pleased with our strong performance.**

In July the ASX finally breached the all-time high set in 2007 prior to the GFC. The ASX200 is in the midst of its best year since 1991 driven by a second consecutive RBA rate cut, bringing it to 1.00%. This is the first time we have seen back to back cuts since 2012. As we go to print, the Federal Reserve in the US had also cut rates and even the Reserve Bank of New Zealand surprised markets by cutting their rates by a full 0.5% to join Australia at 1.00%.

Money markets are now pricing in a further two rate cuts over the next twelve months in Australia and the world is now in a currency war. Governments are trying to stimulate economic activity all over the world and devalue their currency faster than their trade partners. The main driver of this behaviour stems from the continued divide on a trade resolution between China and the US.

For us as investors, **we welcome volatility with open arms.** In fact, as we see increased volatility recently, we view it as a healthy short-term correction in what we believe is **the beginning of a multi-year bull market for Australian equities.** With the AUD hovering around a decade low of 67 cents versus the USD, we have positioned the Fund to benefit from offshore earners.

Positive contributors to performance during the month of July were EML Payments (EML.ASX), Resimac (RMC.ASX), People Infrastructure (PPE.ASX), PointsBet (PBH.ASX) and Dreamscape Networks (DN8.ASX). Detractors were Noni B (NBL.ASX), Collection House (CLH.ASX) and Isentia (ISD.ASX).

In July we received a takeover offer from Web.com for our holding in Dreamscape Networks (DN8) at 27 cents per share. **We bought DN8 at below 9 cents earlier this year (~200% total return)** and have discussed the business on multiple occasions. Pleasingly, this is now **the fourth company in the portfolio that has received a takeover** offer in the last twelve months.

It's important to note that as part of our stock selection analysis and due diligence, we try and identify businesses that also have specific industry leadership or value to a strategic acquirer. We have noticed over time that companies with **strong intellectual property, industry leading market share, a recognisable brand and a compelling valuation tend, more often than not, to get acquired.**

As we enter August, we will be extremely busy analysing full

year company results and we will share our views and some highlights in our next monthly report. Below we discuss updates and news flow from some of the portfolio holdings during the month in the portfolio update section of the report.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Updates

EML Payments (EML.ASX) made several announcements that didn't move the share price materially this past month yet were quite significant in our view. The company acquired the remaining 25% of Irish based Perfectcard acquired earlier last year. Perfectcard provided EML with the all-important E-Money license in Europe. EML, being a self-issuer of card programs, will see **Gross Margins lift towards their stated target of 80%** over time. In addition, the acquisition adds incremental earnings that we estimate at \$400-\$500k.

EML also acquired the Merchant Coalition software and related IP they use in their salary packaging solution from EML's partner in the US, PayWith Worldwide Inc. In addition, EML has bought out a trail commission based agreement it had with a salary packaging industry consultant who helped EML navigate the complex regulatory structure when signing up key clients. Both transactions cost \$3.5M in cash and shares and should, including cash savings, **add an incremental \$1.8M of earnings from the end of next year.** As per the first transaction, these deals will help lift Gross Margins for the group.

EML remains our highest conviction holding and we look forward to their results later this month. We are expecting a guidance beat and, potentially, a maiden dividend to be declared. We expect further news flow in the coming months and value the company at \$4.00+.

Dreamscape Networks (DN8.ASX), as mentioned above, received a 27 cents cash takeover offer from Web.com in the US this month. We believe the offer represents fair value and we are quite pleased. **We bought DN8 below 9 cents a share earlier this year.** We also believe there is a reasonable chance of a competing offer from another industry player like Go Daddy. **DN8 is now the fourth company to be taken over in our portfolios in the last twelve months.**

Noni B (NBL.ASX) provided a brief trading update during the month and reaffirmed market expectations of 21% earnings growth to \$45M EBITDA. Like for like sales growth ended down -4.3% for the year as expected. This was mostly due to higher priced sourced inventory inherited from the Specialty Brands (SFH) acquisition.

The key catalyst for the share price going forward, and an important milestone for our investment thesis, will be at the full year results in August. We expect NBL to provide a potential upgrade in the quantum of cost outs they have achieved from SFH. Additionally, we expect Gross Margins to improve next year with improved garment procurement. Should this eventuate,



procurement. Should this eventuate, the upside risk to our thesis could materialise in terms of like for like sales growth. **We value NBL at ~\$4.50.**

PointsBet (PBH.ASX) provided its maiden quarterly update during the month with total turnover at \$567M and revenue of \$28M. The company maintains over \$70M in cash to invest in rollout and marketing in the emerging US sports betting market. Based on our quarterly update analysis, we now estimate that PBH is averaging approximately \$21M in monthly bets in the US. That is in the state of New Jersey alone. **On an annualised basis, we expect their run rate to exceed \$250M of bets.**

The company has also signed a game changing deal with listed US gaming company PENN National to begin August. The deal gives PBH access to a further five states and exposure to a total additional population of over 81M people. In return, PBH has awarded PENN a 5% equity stake and further options with a \$4.75 exercise price. In our mind this is **a huge vote of confidence in PBH**. We expect PBH to go live in four new states during FY20 (Illinois, Iowa, Indiana and West Virginia).

PBH is up over 50% since we took our position and first wrote about it. We think the company has a bright future ahead and look forward to further news flow in the next few months.

Resimac (RMC.ASX) is one of our largest holdings and we have written about it before. We entered the position around 50 cents several months ago. During July RMC provided strong NPAT guidance of \$30-32M. We expect the company to hit the top end of guidance. That translates to **EPS of 8 cents and an historical PE multiple of 9.5x**. The sector is currently on a 12.5x forward multiple and we would argue RMC growth rates are superior.

FY19 total loan settlements were \$3.8B and the group loan book ended the year at \$10.2B (20% growth on last year). Pleasingly, loan growth was skewed to the fourth quarter and, due to the recurring nature of the revenue that is interest income, this means **FY20 profits are now set at a minimum of 10c EPS** based on our analysis. **We value RMC at over \$1.20** and believe there is still significant upside from the current price.



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% (typical)
Benchmark:	ASX 300
Target number of holdings:	10-40
Portfolio turnover:	< 25% p.a.
Investable universe:	ASX
Cash level (typical):	0-100% (10-40%)

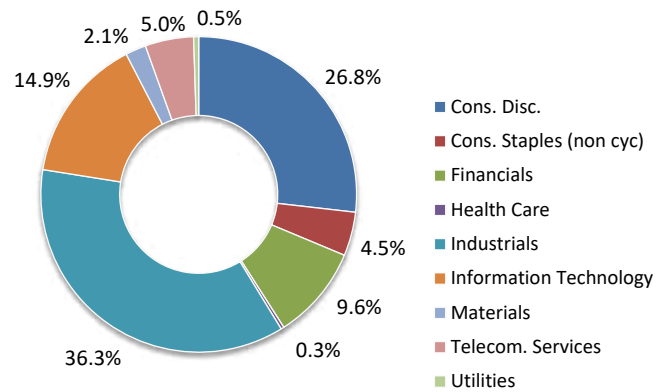
Selection of 5 Holdings

Stock	Code
PointsBet	PBH
People Infrastructure	PPE
EML Payments	EML
Resimac	RMC
Noni B Group	NBL

Portfolio Profile

Equities	81.25%
Cash	18.75%

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%	6.17%	1.44%	5.66%						22.63%

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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