Australian All Cap Portfolio

Individually Managed Account

Monthly Update

June 2019

TAMIM Asset Management
ABN 97 608 304 963 | AFSL 421469
1300 750 007

Australian All Cap Portfolio Update

Ron Shamgar
Head of Australian Equities, Portfolio Manager

The month of June saw a strong bounce back in equity markets. The US markets reversed their savage sell off from May and managed to recover most of the previous declines. The S&P500 was up 6.89%. In Australia, the ASX300 was up 3.64% and led largely by the banks and other large cap stocks. The Small Ords index did not perform as well and was up 0.92% for the month.

Investor enthusiasm was high on the back of several key factors. Overseas, The US Federal Reserve held rates steady but, more importantly, signalled their willingness to lower rates if economic conditions do not meet their expectations in future. In addition, trade talks between the US and China took a positive turn as it seems both sides are now willing to make some good will gestures and compromises to get a deal done.

In Australia, the Reserve Bank (RBA) cut rates by 25 bps to 1.25% in June and, as of the first week of July, they cut rates again to 1.00%. As we have predicted all year long, we expect interest rates to continue going lower as the Australian economy is not currently showing signs of growth as hoped. So far retail sales have been mixed and car sales are still falling off a cliff. On the positive side the markets are continuing to climb higher and are now finally at the previous pre-GFC highs of 2007.

Since the GFC the US and European central banks have lowered their interest rates to near zero and engaged in Quantitative Easing (QE) to promote credit growth and spending. The result has seen their respective markets, especially the US, rally significantly over the last ten years. In Australia we have not quite seen that yet, but we are about to. The RBA has effectively signalled to the market that, if the current lower interest rate environment does not work, it will engage in its own version of "Down Under" QE. The consequences of that will likely be higher equity markets.

There is one place investors do not want to be right now - and that is cash!

The TAMIM All Cap portfolios delivered a return of +1.44% during June. Calendar year to date the portfolios are up +16.06%.

We continue to find attractive stocks to invest in and are focusing on companies that are showing positive earnings growth and, more importantly, exposure to offshore markets. One such example is PointsBet (PBH.ASX) which we have recently taken a position in. We spotlight our investment thesis in this month's report.

Positive contributors to performance during the month of June were EML Payments (EML.ASX), People Infrastructure (PPE.ASX), CountPlus (CUP.ASX), PBH and Dreamscape Networks (DN8.ASX). Detractors were Global Traffic Network (GTN.ASX), Janison Education (JAN.ASX) and CML Group (CGR.ASX).

We discuss updates and news flow from some of the portfolio holdings during the month in the Portfolio Updates section of this report. We will share further insights in our next monthly update.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Updates

Countplus (CUP.ASX) announced the brilliant acquisition of Count Financial from Commonwealth Bank (CBA.ASX) for $2.5M this the month. The acquisition brings with it 160 firms and 369 advisors, $25M revenue, and more importantly $12M of net cash. Yes that's right, ***CBA is paying CUP to take Count Financial off their books.***

The late Kerry Packer once said that ***"you only get one Alan Bond in your lifetime"***, well it is possible that ***CUP could say the same about CBA a year from today.*** Keeping the fallout of the Royal Commission in mind, the deal also includes full indemnity from any potential remediation costs for inappropriate advice above the $200M that is already guaranteed.

Post-acquisition, CUP management will be busy transitioning the acquired firms to the new financial advice "fee for service" model and extracting synergies from the business. We estimate $2M EBIT contribution next year from Count. The ***CUP share price has rallied by around 70% since the deal was announced*** and is getting closer to our near term valuation of $1.00+. Any further acquisitions or better than expected earnings from Count Financial could see that valuation increase dramatically.

Global Traffic Network (GTN.ASX) is a radio advertising company operating in Australia, Canada, UK and Brazil. The business has been around for twenty years and has performed consistently through both the economic and advertising cycles. The company model revolves around providing stations short traffic report radio segments and, in return, the GTN receives discounted radio advertising slots which it can then on sell to advertisers on a national level. The model has proven very profitable in both Australia and the UK and is gaining traction in Canada and Brazil.

Unfortunately, GTN reported a second downgrade for the year in June. This was mainly driven by their Australian division which still makes up over 50% of profits. The company has blamed this on a loss of focus by their sales team which led to some loss of major advertising customers. Additionally, higher costs associated with launching new radio station partnerships in Canada and Brazil also impacted the bottom line.

Overall the company is now guiding to flat revenues of $185M and EBITDA around $38M. This equates to EPS of 10.5 cents for this year. The share price since the downgrade has fallen to 85 cents, which makes the stock look cheap with a forecast dividend for the full year of 4 cents fully franked and a strong balance sheet. Unfortunately we don't see a clear catalyst to re rate the stock unless performance can turn around next year. In addition there's some concern that radio is no longer the resilient advertising medium it once was with the advent of music streaming in cars. ***We reduced our holding post the update and will review it again at the August results.***

People Infrastructure (PPE.ASX) continued their acquisition strategy in June with two more deals announced. PPE has acquired a pair of Queensland based healthcare staffing agencies, First Choice Care and Carestaff Nursing. These two firms are the leading nursing placement agencies in the state. The acquisition, costing $16.8M, will bring $3.4M of EBITDA to the group next year. Funding was provided from the recent $20M share placement. ***PPE is now forecast to earn at least 25 cents of cash EPS next year. We expect further acquisitions to come and value the business at $4.00.***

Dreamscape Networks (DN8.ASX) provided a pleasing profit upgrade in June, the ***third upgrade in the financial year***. The company now expects revenues of $73M (up 19%), EBITDA of $11.5M (up 80%), and NPAT of $5M (up over 80%). In addition, Adjusted EBITDA, which is based on upfront cash received from forward bookings, is now at $14M. This is quite encouraging as that is the starting point for reported profits next year

The company has seen good sales growth in their dominant Australian business and strong growth of 20% in their Singapore Vodien division. ***The shares are now up over 100% since we first bought*** and we took the opportunity to take some profit. We still view DN8 as relatively good value with a valuation of 20+ cents.

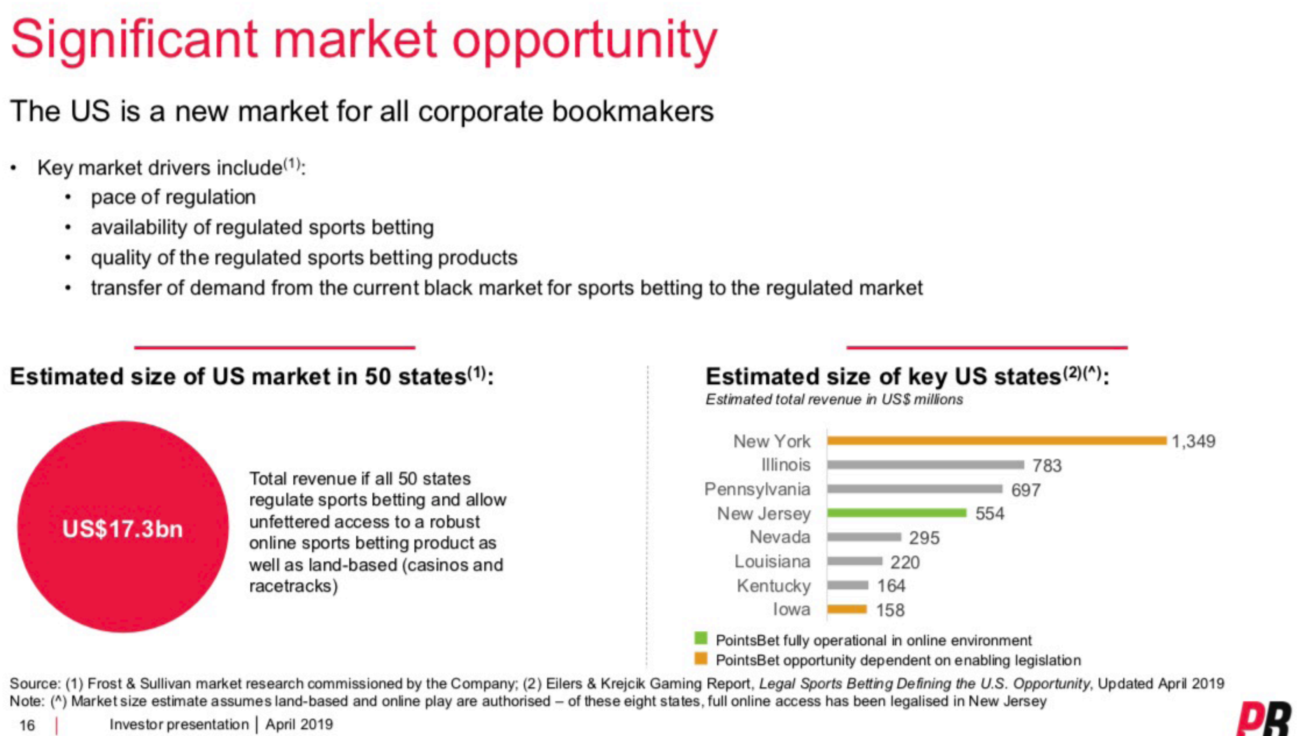
Stock Spotlight: PointsBet (PBH.ASX)

PointsBet (PBH.ASX) is a newly listed company that operates an online sports betting business in Australia and, as recently as January this year, has entered the enormous and emerging opportunity that is the US sports betting market. ***Management is highly experienced in the industry and their technology platform is wholly owned.***

There are many companies that look to raise money from investors every year and we have met hundreds of them in our time. Each one of them has a story to tell and along with every story there's always a huge market opportunity up for grabs.

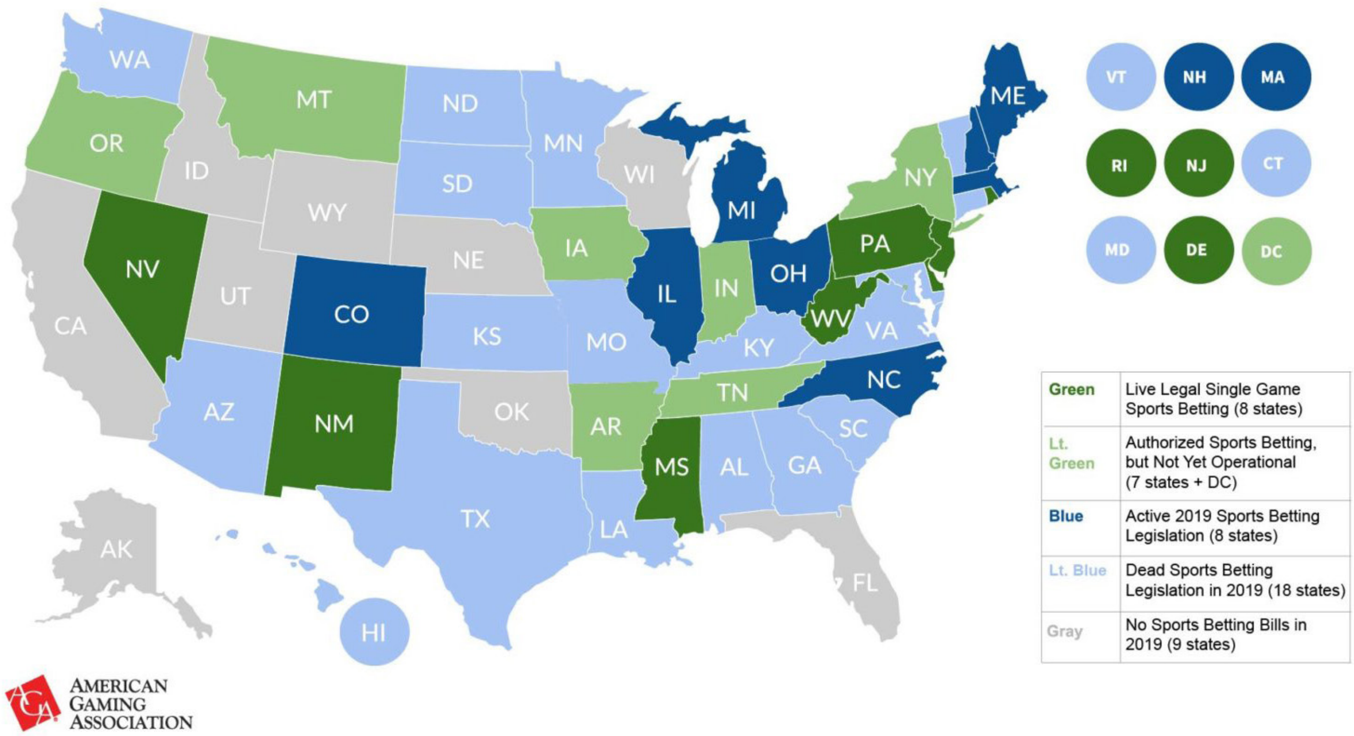
Unfortunately, in most cases, the reason these hopefuls fail is because to win that potential market share they either need to displace large and incumbent operators or they fail to properly educate their customers about their new offerings and why their product or service is the way of the future. ***In our mind, and in the case of PBH, this potential market opportunity does not require any of the above.***

What is unique about the new and emerging US sports betting opportunity is that it is not really new! ***There is currently an estimated $100 billion or more in illegal sports betting that is currently undertaken by Americans every year*** with offshore book makers. For some mind boggling and somewhat illogical reason, sports betting and especially online sports betting was illegal across all US states apart from Nevada (Viva Las Vegas!).



Source: Company filings

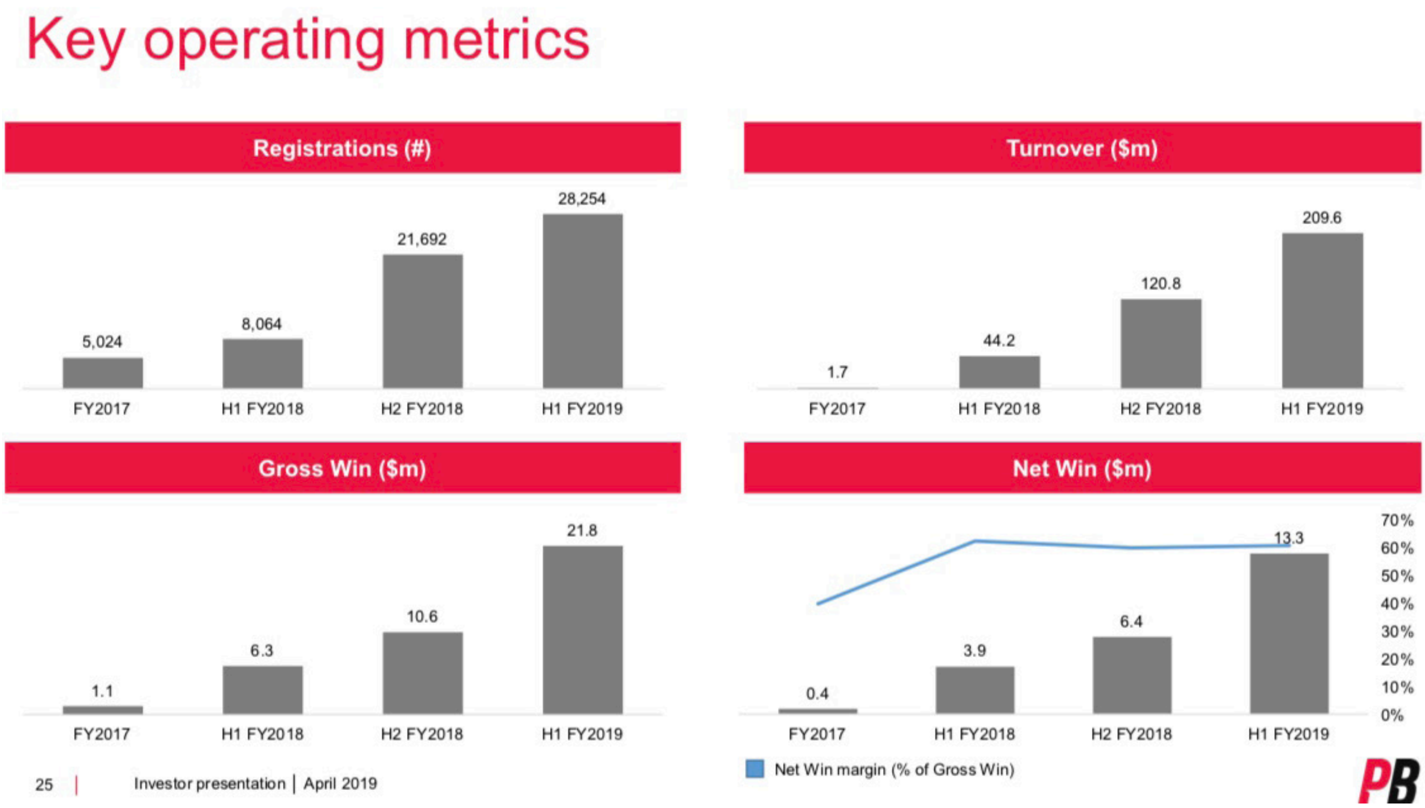
That Professional and Amateur Sports Protection Act of 1992, referred to as PASPA or the Bradley Act, was judicially-overturned by the US high court in May last year. This now allows each individual state in the US to draft their own sports betting legislation and, as a result, set their own tax rates, number of licenses available and other rules. So far fourteen states have passed legislation. New Jersey (NJ) is leading the way since last year and is already ***on track to turn over $5 billion in bets on an annualised basis.*** That's just in the first year alone....



Source: American Gaming Association

We believe that the pressure to legalise sports betting across the country will intensify. The majority of US states are currently missing out on billions of dollars of tax revenue due to the enormous amount of bets being taken each year by offshore book makers. As states that legalise begin to see the fruits of their newfound tax revenue ***we believe it is reasonable to assume that the majority of neighbouring states will not want to miss out and then look to pass their own legislation***. In Australia, a mature sports betting market, tax rates on book makers are around 45%. So far most US states have legislated tax rates in the comparatively low 6-14% rate range. This indicates that they are keen to incentivise book makers to launch and take market share aggressively.

To this point PBH is showing promising signs. In NJ, ***PBH launched in January this year and so far has taken over 4% market share and is the third largest online book maker in the state***. Since each state has a limited number of licenses available, first mover advantage is critical to success. ***PBH has so far secured licenses in New Jersey, Iowa, Colorado, New York (pending legislation) and soon Illinois.***



Source: Company filings

Based on management's presentation, there is ***over $2 billion of revenue up for grabs over the next few years.*** That is just from the states that have legalised so far. PBH has raised $75 million from investors, which we believe will accelerate their marketing initiatives and enable further license partnerships going forward. In the meantime, PBH is on track to break even in their Australian division and, as a group, ***should generate around $40 million in revenues in CY2019.*** Investors should not expect profits anytime soon as, we would hope, the company will continue to reinvest in the business and capture as much market share as they can while this unique and once in a lifetime opportunity in the US is occurring.

Even if PBH does not manage to capture a meaningful share of the US sports betting market over the medium to long term, we are confident that ***their licenses in each state will be an attractive and strategic asset for other sports betting companies to acquire.*** Tabcorp (TAH.ASX), for example, has not yet made public any real plans to enter the US market but it is possible that they are watching patiently from the sidelines and are ready to pounce on someone like PBH at some point in the future.

Disclaimer: We own PBH in the TAMIM Australian All Cap IMA Portfolios.

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.

Selection of 5 Holdings

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

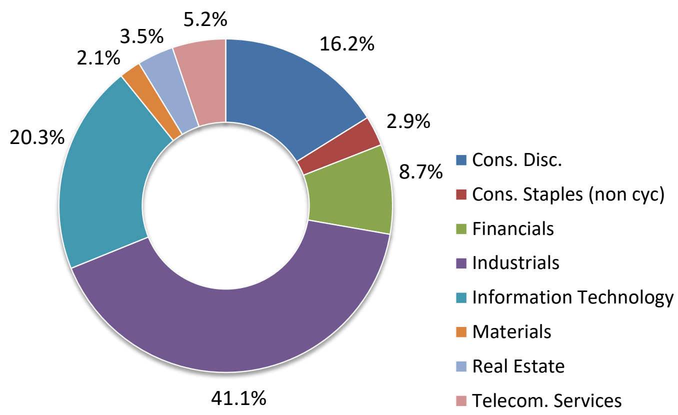
Key Facts

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%
Admistration 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%)

Portfolio Profile

Equities	78.21%
Cash	21.79%

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%							**16.06%**

Monthly Return Stream refers to the aggragated 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.

Contact

Should you wish to discuss your investments or the various TAMIM solutions please do not hesitate to contact us:

Darren Katz
Managing Director
TAMIM
M 0405 147 230
E darren@tamim.com.au

Jeff Taitz
Managing Director
TAMIM
M 0403 444 040
E jeff@tamim.com.au

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