Australian All Cap
Portfolio

Individually Managed Account

Monthly Update
May 2019

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Portfolio Update

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The month of May was possibly one of the most surprising election months in modern Australia's brief history. News polls widely predicted a Labor victory and even the bookies proclaimed it a done deal, in some cases deciding to pay out all bets on Labor prior to the day (Sportsbet – ouch!). Labor managed to lose the supposedly unlosable election.

The people have spoken. We at TAMIM believe hardworking investors are likely the biggest beneficiaries from the Coalition regaining power with what is believed to be a more stable government.

Since the election results, we have already seen profound enthusiasm return to the property market with auction results the weekend after the election at the high for the year, with 60-70% clearance rates in Sydney and Melbourne. CBA was also reporting home loan applications jumping to a ten month high and AFG's broker networks reported increased levels of activity immediately following the election. We believe this shall continue with the recent interest rate cut and the indication of more rate cuts to come. We attribute this resurgence to the continuity of negative gearing and capital gains tax concessions for investors, the proposed change to the APRA serviceability buffer and further interest rate cuts.

With an improved outlook for the housing market and lower interest rates, consumer confidence should improve from the positive wealth effect of rising home equity and stock markets. This should lead to improved retail sales in the second half of the year, and we expect this renewed confidence to spill over to improved business spending as well.

During May, international and domestic markets fared differently in dramatic fashion. US markets sold off aggressively on the back of increased tension between China and the US around trade negotiations, the S&P500 was down -6.58% during the month. In Australia, markets were more positive, driven mostly by the election results and expectations of interest rate cuts. The ASX200 was up +1.13%.

The TAMIM Australian All Cap IMA portfolios had a fantastic month overall, delivering +6.17% during May. Calendar year to date the portfolios are up +14.42%.

We believe this performance is due to two key factors. The first has been a concentrated effort to position the portfolio in businesses we believe are undervalued, growing, and able to pay sustainable dividend yields from free cashflows. We have also taken a cautious approach to separate what, to some, is "perceived value" from a potential "value trap" in structurally challenged businesses.

Secondly, we blocked out all the noise about the global economy slowing down, trade wars, Brexit and other concerns played up by the media. We focus purely on company fundamentals, the particular industries they operate in, what will drive earnings growth, and finally identifying clear catalysts for share price appreciation.

We believe that, by continuing to do so, we can outperform and deliver solid returns for our investors. In saying that, we would also like to remind investors that the returns for the last five months cannot realistically continue at this rate month-on-month. We hope investors take a medium to long term approach where, on that time frame, we are confident of further positive results to come.

Positive contributors to performance during the month of May were EML Payments (EML.ASX), People Infrastructure (PPE.ASX), City Chic Collective (CCX.ASX), iSentia (ISD.ASX) and Dreamscape Networks (DN8.ASX). Detractors were Global Traffic Network (GTN.ASX), Collection House (CLH.ASX), Janison Education (JAN.ASX) and Countplus (CUP.ASX).

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

Sincerely yours,

Ron Shamgar and the TAMIM Team.

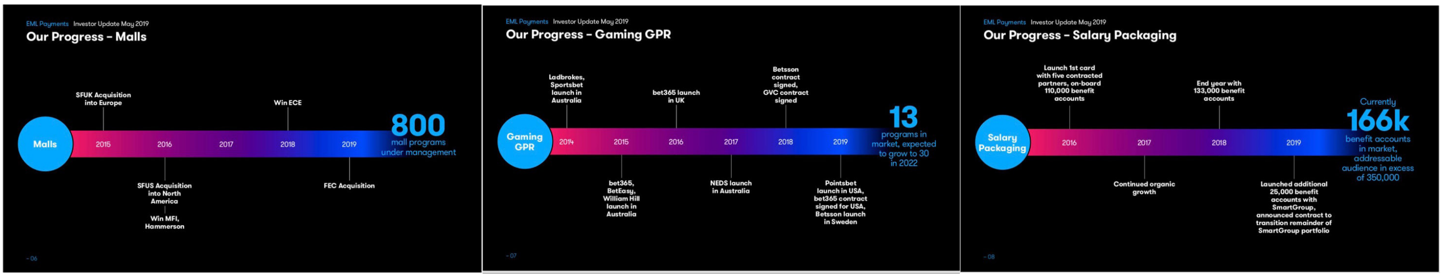
Portfolio Updates

EML Payments (EML.ASX), our largest holding, had a stellar month. They announced an accretive acquisition of their main European mall competitor, Flex-e-Card, for ~$40.5m, utilising their growing mountain of cash. Flex-e-Card will add ~$4M of EBTDA, geographical diversification into Eastern Europe and UAE, and ***transforms EML into the largest mall gift program operator in the world***. In addition, EML also signed an 8 year salary packaging contract with Smartgroup (SIQ.ASX), which will add a further 100,000 accounts to the 160,000 currently under management. At full roll out, this contract will contribute over $8m of revenue and takes their payroll vertical to $2b of Gross Debit Volume. ***We estimate ~$5m of EBTDA in two years from SIQ alone.***

Source: Company filings

The market rewarded EML by driving its shares up 30%+ during May and recent news flow has now solidified next years consensus earnings estimates. Consensus estimates for this year and next are about $28m and $38m respectively. We believe actual results will be closer to $30m and $42m. ***EML is our largest holding and we have been vocal, or "demonstrably loud", about this company for quite some time. We first bought in at $1.50.***

EML is now proving to the market that once it enters a vertical it tends to dominate that sector within a few years with innovative solutions delivered to customers. With entry into the enormous European and US sports betting markets and a recent foothold in the growing consumer finance vertical, there is no doubt in our mind that over time EML will also dominate these market verticals.



Source: Company filings

The market is not pricing that outcome into the share price as of yet, but when it does, we expect significant upside from the current valuation. We continue to hold EML and our valuation for next year alone is $3.60. ***For the first time ever, based on our internal analysis, we are willing to place a three year forward looking valuation on EML of ~$9.50.*** (Note this down and hold us accountable in 3 years from today).

DreamScape Network (DN8.ASX) is a leading domain name and website hosting provider in Australia and has a growing share in the emerging South East Asia region. The company listed almost three years ago at 20 cents and, at the time, we couldn't see value in the business as it was operating in a mature market (Australia). Fast forward to a few months ago and DN8 was trading around 8 cents, had completed several acquisitions to expand its services to a growing South East Asia region, and was showing signs of domestic growth again.

We took a position in the company below 9 cents earlier this year. During May the company provided a positive trading update with revenues up 17% to $72m, EBITDA up 75% to $11m and NPAT up 70% to $4.6m. ***Management also provided an indication for next year with FY20 NPAT forecast to $7m***. Based on this, we value DN8 around 20 cents.

Legend Corp (LGD.ASX) is a leading manufacturer and supplier of electrical and power measurement instruments and products. During May, the company surprised shareholders positively with a board approved takeover for the company at 36 cents per share which included a 7 cent fully franked dividend. With franking credits, the bid implies a 39.5 cent outcome. ***We have bought LGD over the past twelve months at ~30 cents on the basis that the company was undervalued and going through a cyclical uplift in industry conditions.***

We estimate LGD is being acquired on a very modest PE of less than 9x. Although this seems quite low to us (and a few other shareholders), we only invest in companies where we are willing to back management. In this case, management, who own a large portion of the business, have essentially raised the white flag. Being comfortable with management to this point, who are we to disagree with this decision. Overall, LGD has delivered a 30%+ return to us since our first purchase and is now ***the third company in our portfolios that is being acquired over the last twelve months*** (the others being TME and NTC).

TPG Telecom (TPM.ASX) is the fourth largest telco in the country and has a valuable fibre network across most major metropolitan cities. In a NBN led sector, we find this network attractive. During May the ACCC has decided to reject TPM's merger with Vodafone Australia on the basis that a merger will create a stronger third competitor in the market which in turn will reduce price competitiveness against Telstra and Optus. ***We totally reject this thinking as flawed.*** The companies involved have taken this view as well and are taking their case to the High Court for a decision.

We don't believe TPM has the balance sheet to build out an economically viable mobile network to effectively compete. This thesis has further strengthened following the banning of Huawei from supplying its cheap mobile equipment and hardware in Australia. In addition, overseas markets in Europe have shown that three well-funded telco providers can still compete fiercely on pricing. ***We think that TPM's core DNA is in its cost base efficiencies*** and, together with Vodafone's network, is highly motivated to take market share from Telstra and Optus who currently have ~70% market share. We value TPM around $7.00 if the merger ultimately fails and in excess of $9.00 if it is successful and goes ahead.

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%
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%)

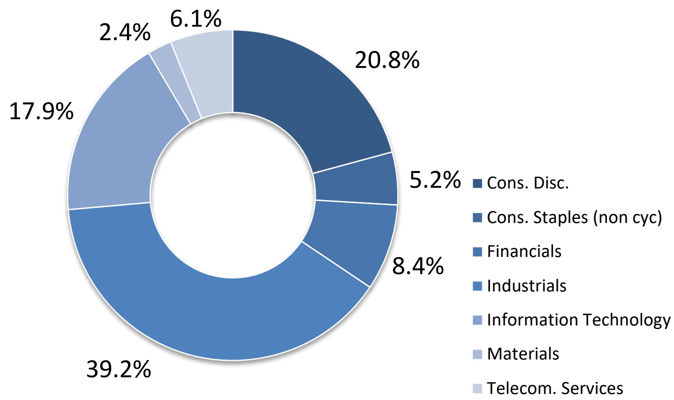
Selection of 5 Holdings

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

Portfolio Profile

Equities	81.84%
Cash	18.16%

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%								**14.42%**

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.

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