

# Australia All Cap Unit Class TAMIM Fund

At 30 April 2020

April saw markets rebound ferociously from the March 23rd lows. In fact, **April went down in the history books with the S&P500 up +12.7%, the third best month on record since World War II.**

We said it in March, and we will say it again, "it is always darkest before the dawn" and, when all seems doomed, that is usually when markets turn. Investors have responded positively to both fiscal and monetary stimulus during the month. **An unprecedented amount of money is being thrown at both consumers and businesses all over the world** to assist them through lockdowns.

As we have said before, **this economic downturn is government led.** The government has created this economic/financial crisis (as a response to the health crisis) and so it should be the one supporting those affected. In many cases, consumers, especially Australian consumers, are better off now than they were before. In some cases, the JobKeeper and JobSeeker programs are both providing higher income than what recipients were earning before.

This has seen **online retail sales in certain categories reach record highs** as consumers regain confidence and, instead of spending their income on going out and travel/holidays, have resorted to shopping online for clothes, electronics and home furnishings.

**We are expecting to see significant pent up demand from consumers wanting to go out, shop and travel (domestically) as our economy and country opens up over the next 4-8 weeks.** This should see a strong rebound in economic activity and spending month on month. We are already seeing this as companies are reporting improved sales from the lows of early April.

The ASX300 was up +9.02% in April. **The TAMIM Fund: Australia All Cap portfolio outperformed the market with a strong return of +16.54%.**

We still have a long road ahead to make up for the selloff of March, but we have been working hard to reposition the portfolio into companies that are either thriving in the current environment, resilient to the downturn or will bounce back quickly once lockdown measures are eased. So far, into mid-May, the overall market is down while our portfolio is up

## Monthly Return Stream

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.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2016	-	-	-	-	-	-	-	-	-	-	-	0.07%	<b>0.07%</b>
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%	<b>14.66%</b>
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%	<b>-7.08%</b>
2019	-0.52%	4.45%	0.44%	3.26%	6.17%	1.44%	5.66%	4.55%	11.79%	0.68%	7.19%	0.71%	<b>55.78%</b>
2020	5.80%	-10.67%	-34.25%	16.54%									<b>-27.58%</b>

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 up to 31 October 2019. From 1 November 2019 the Monthly Return Stream reflects the return on the TAMIM Fund: Australia All Cap unit class. Both are managed according to the same portfolio. Note: Portfolio returns are quoted net of fees. 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.

## Key Facts

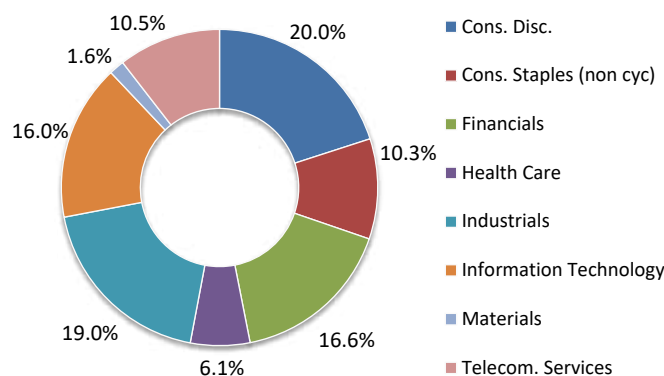
<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Monthly
<b>Redemptions:</b>	Monthly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Semi-annual
<b>Management fee:</b>	1.25% p.a.
<b>Performance fee: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

## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$0.7838	\$0.7818	\$0.7799

## Portfolio Allocation

<b>Equity</b>	67.45%
<b>Cash</b>	32.55%



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economy and markets will be dictated by our government response to any future outbreaks and new cases.

We would also like to take this opportunity to thank our investors for their faith and fortitude during these difficult times. We are thankful we have seen net inflows since the crisis began and we look forward to repaying the trust our investors have placed in us.

We provide a brief update on some news flow from our portfolio holdings and spotlight our holding in Uniti Wireless (UWL) in the Portfolio Update section of the report.

We will provide further commentary in our next monthly report.

From all of us at TAMIM, please stay safe and healthy.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

## Portfolio Update:

**Money3 (MNY.ASX)** provided an update in April and we have spoken to management several times through the crisis. **We are now confident that the business is generating record cash collections and is seeing negligible bad debts.** In fact, many of its customers are already on some form of welfare and are working in jobs that are in thriving industries like groceries or resilient government jobs. **MNY is one of the few companies on the ASX to pay an interim dividend during this crisis.**

Management is now seeing a rebound in loan originations and is already back to same levels of business as this time last year. We expect MNY to come out of this crisis in a stronger position. **We have added to our position while others were selling.** We value MNY at over \$2.00.



Source: Money3 company filings

**People Infrastructure (PPE.ASX)** conducted a \$17.6m capital raise to pay down debt and retain balance sheet flexibility for future acquisitions. PPE workforce management divisions are seeing varying degrees of conditions that are now starting to stabilise. We expect the community health services and nursing divisions to be resilient going forward as non-essential procedures in hospitals resume.

The IT segment is seeing resilience in contracting demand while permanent placements have slowed down. **PPE remains one of the few staffing companies seeking acquisition opportunities.** We took the opportunity to participate in the \$1.10 equity raise and SPP and that has been a lucrative trade for our investors. **We value PPE at over \$2.50.**

**Empired (EPD.ASX)** is a WA based IT services business. The business provides IT infrastructure services to government, mining and utility customers across Australia. Historically, management has not delivered on expectations and was sold heavily by investors. We took the opportunity to build a position under 30 cents, as the business showed signs of a turnaround

## NOTE

*This is an evolving situation; the facts and figures are changing day by day. What applies today may not apply tomorrow. One must stay informed and have their opinions and actions evolve accordingly. Stay safe, take appropriate precautions and be sensible.*

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

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cash flows and lower debt levels.

Pleasingly, **EPD reported the largest contract win in its history** with Western Power, a WA based transmission business, this past month. The \$61m / 7-year contract provides both a master services and an IT hardware supply contract. We estimate EPD will report \$180m revenue and EBITDA of \$22m in FY21. We estimate earnings per share (EPS) of 5.5 cents next year. **This places the stock on an undemanding PE of 6.5x.** We anticipate potential corporate activity or the resumption of dividends as key catalysts to re-rate the stock to **our valuation of 60 cents.**



Source: Empired company filings

**Tesserent (TNT.ASX)** provided a quarterly update on business performance in the cyber security sector. Q3 revenue exceeded budget at \$8.3m and recent acquisitions have integrated well. TNT is on target to achieve their stated goal of \$40m annualised revenue by June this year. The company exited the quarter with a healthy cash balance of \$5.2m and a pipeline of acquisitions.

More importantly, organic growth continued with over 800 customers contracted, including fifteen government clients. The company also won a multi-year federal government contract of \$3m. **In total, they secured new wins of \$5m in the quarter.** The company did indicate that some future work for Virgin Airlines may be in question as the airline goes through the administration process. **We expect TNT to turn profitable in Q4. We now value TNT at 9 cents.**



Source: Tesserent company filings

**Marley Spoon (MMM.ASX)** reported a record March quarterly performance but, more importantly, an even better April performance. We spotlighted MMM last month and predicted

home and flock to its meal kit cooking services.

During the quarter, MMM saw global sales improve +46% to €43m with customer numbers up +26% to 240,000. More importantly, **April saw revenue up over +100% and the business is now annualising almost \$500m (€250m) of revenues.** Management has also predicted the group will turn cash flow positive and profitable during the current second quarter. The stock has rallied hard into the result and the next catalyst will be the June quarter update in July. **We value MMM at about \$1.75.**

Preliminary & unaudited	Q1 20	Q1 19	V%
<b>Group</b>			
Active customers <sup>1</sup> (k)	240	190	26%
Number of orders (k)	945	705	34%
Orders per customer	3.9	3.7	5%
Meals (m)	7.5	5.1	46%
Avg. order value (€, net)	45.6	41.7	9%
<b>Australia</b>			
Active customers <sup>1</sup> (k)	81	50	62%
Number of orders (k)	327	209	57%
Meals (m)	2.7	1.6	69%
<b>USA</b>			
Active customers <sup>1</sup> (k)	117	100	17%
Number of orders (k)	432	316	37%
Meals (m)	3.4	2.2	55%
<b>Europe</b>			
Active customers <sup>1</sup> (k)	42	40	5%
Number of orders (k)	186	180	3%
Meals (m)	1.4	1.3	8%

Source: Marley Spoon company filings

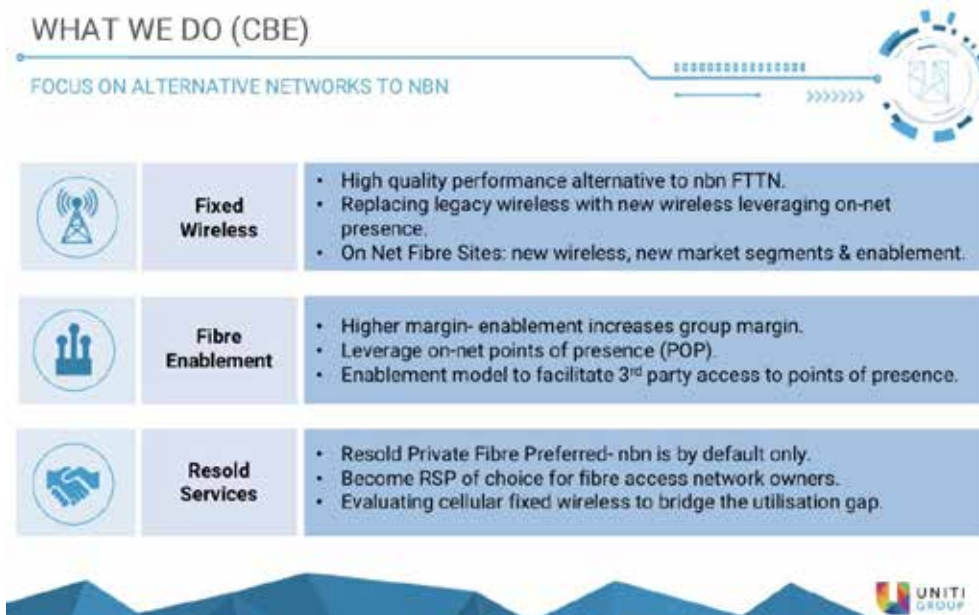
# Australia All Cap Unit Class

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### Stock Spotlight: Uniti Wireless (UWL.ASX)

**Uniti Wireless (UWL.ASX)** is a provider of telecommunications services specialising in fixed wireless, fibre and telco services to both consumers and small/medium sized businesses. UWL competes directly with the NBN and wholesales its fibre network to internet service providers in residential multi dwelling buildings and housing estates. This division of the company generates 55% of group revenues, has **very high margins and is cash generative**.



Source: Company Filings

UWL also provides businesses with connectivity solutions such as 1300 numbers, number porting and phone PBX (Private Branch Exchange, a private telephone network used within a company or organisation) hosting solutions. This division is approximately 45% of group revenues and, although it operates in a more competitive part of the telco market, we believe it will **continue to grow organically and through acquisitions**.



Source: Company Filings

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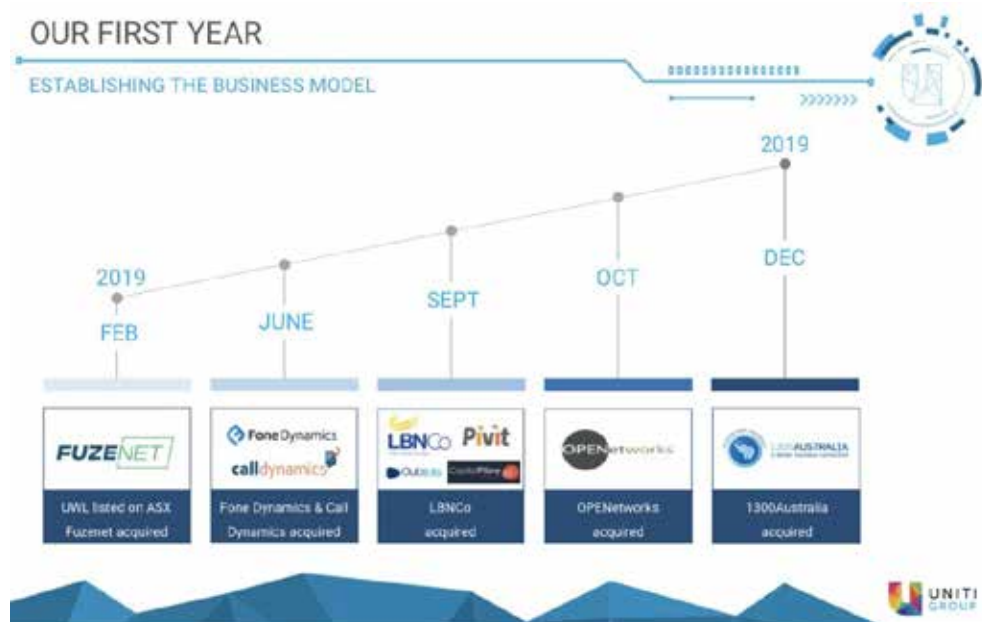


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Part of the appeal of UWL is the **high quality senior management team and a board of directors with extensive experience** in the industry. For instance, CEO Michael Simmons has over 30 years' experience and was the CEO of both SP Telemedia and Vocus. Similarly, director Vaughan Bowen was the founder of M2 Group which was established 20 years ago and eventually acquired by Vocus. **Directors have been continuously buying shares on market and in placements.**

We view UWL as a sector consolidator. The company has undergone a series of acquisitions since listing last year and will continue to be acquisitive going forward. **The company has over \$36m of net cash to deploy.** So far management has shown that acquired businesses are growing ahead of original expectations.



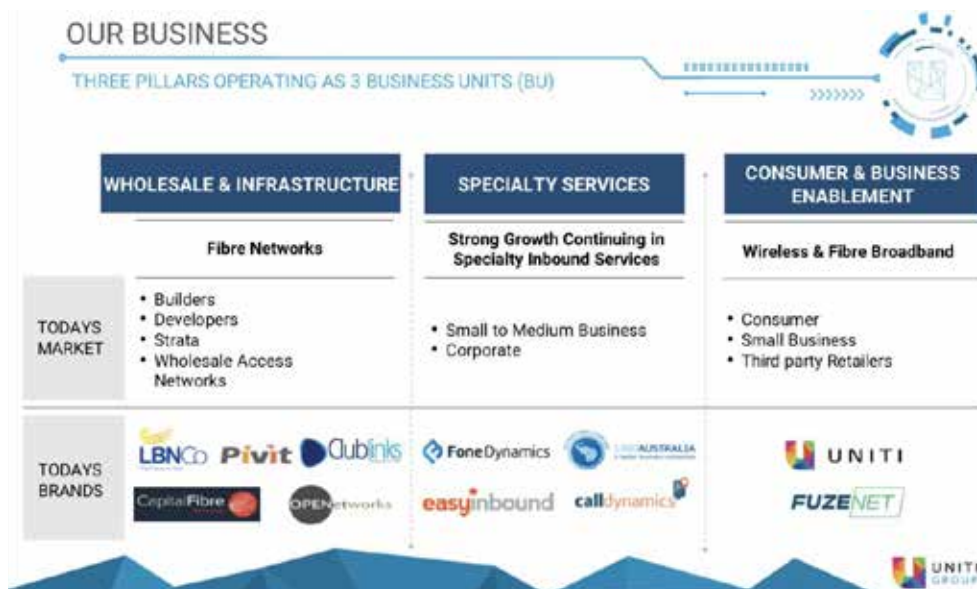
The company has **upgraded profits twice this financial year** so far while most other companies have been withdrawing their guidance. At the last quarterly update in April, UWL notes the following key developments:

- **March 2020 run-rate EBITDA is tracking above the internal forecasts** that underpinned the prior upgraded guidance released in February 2020.
- **All three UWL business units performed above forecast** in the March quarter, including revenue, earnings and cash collections.
- Increased levels of work-from-home, online learning and domestic internet consumption due to Covid-19 have **strengthened**

Source: Company Filings  
**underlying demand for UWL's superfast fibre-to-the-premises (FTTP) services.**

- UWL's fibre infrastructure business delivered **a record number of net new FTTP connections in March 2020.**

We estimate UWL will earn over \$80m of revenues and about \$45m of EBITDA in FY21. The sector is currently trading on EV/EBITDA of close to 10x. UWL is on 9.5x while growing at significantly higher rates and, unlike many of its peers, is debt free. **We believe UWL deserves a premium and we value the stock at about the \$1.80 level.**



Source: Company Filings