

Australia All Cap Unit Class

TAMIM Fund

At 31 March 2020

The events of the last eight weeks have not only been extraordinary but unprecedented. During March markets collapsed around the world with the ASX200 falling -22% and at one point the ASX Small Ords Accumulation Index was down -41% at its lows. The TAMIM Fund: Australia All Cap class was down -34% as small and mid-caps were the worst hit during this selloff.

I know you have all heard this phrase a lot in the past month but just stop for one moment and think about the enormity of what we are currently witnessing. We are seeing an almost total shut-down of economies, consumption and day to day life in most countries around the world. No-one has seen this in their lifetime. **The Covid-19 pandemic is truly a once in a 100-year event.**

At TAMIM, we make sure that we manage investments for risks and, in particular, the downside for each company we invest in at all times. Our portfolios have the ability to move to cash if the situation warrants it. In hindsight, this is where we made our biggest error. We did not move to cash as we never envisaged a global economic shutdown due to an external biological shock on this scale. This is not something we ever modelled or even imagined possible. If one does model for this, then you are likely to never invest.

To make matters worse, the virus outbreak took hold in the midst of Australian reporting season. For our portfolio, this is where we normally generate significant returns and we were expecting strong results through the reporting period. **The companies in our portfolio did deliver strong results.** In fact, the portfolio had been up strongly until mid-February. This meant we entered the sell-off with 25% cash in the Fund.

As we met and spoke to management teams during the first week of March, it was mostly business as usual as the coming economic effect of the outbreak had yet to be realised. We also saw many company directors buying significant amounts of shares as stock prices plummeted. This is usually a sign of insider confidence in the health of a company.

The markets reacted aggressively. Between February 21st and March 23rd global share markets dropped over 35% to **record the fastest correction in history.** Since we invest significantly in small- and mid-caps, the lack of liquidity, margin call

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%	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%	4.55%	11.79%	0.68%	7.19%	0.71%	55.78%
2020	5.80%	-10.67%	-34.25%										-37.86%

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

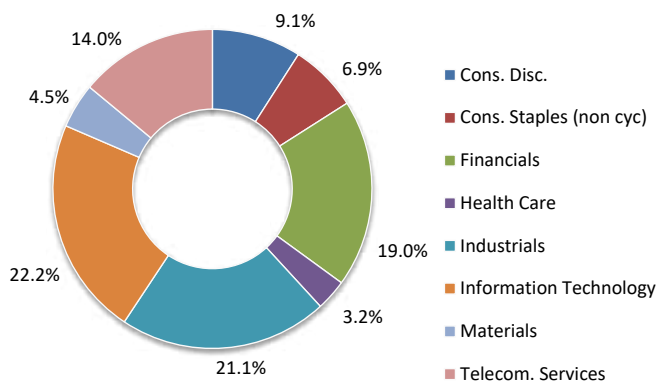
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash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

NAV

	Buy Price	Mid Price	Redemption Price
AU\$	\$0.6725	\$0.6708	\$0.6692

Portfolio Allocation

Equity	50.62%
Cash	49.38%



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We chose to exit any company which we felt was more vulnerable to the new economic reality in the near term. We now have the flexibility to invest into significantly oversold opportunities that can adapt and thrive in this new economic environment as consumer behavioural changes take place. We discuss one such opportunity in the stock spotlight section of the report with online lottery company - Jumbo Interactive (JIN).

Major economic events, such as this, have historically provided significant opportunities for wealth generation. While we can debate whether this will be a short or long recovery, we do know that we will recover. We are investors in the portfolios alongside you, and we have been adding to investments over the last week and will continue to do so over the coming months.

During the month Governments around the world and particularly here in Australia, have announced significant monetary and fiscal stimulus measures. In Australia these measures will provide assistance to businesses with a particular focus on keeping people employed and businesses intact so that they can continue to operate at the other end of this crisis. These measures will help bridge the current pause in economic activity and should reignite the economy when the virus is contained and infection rates decline as we are currently seeing across Australia and many other countries.

The current situation has been likened by many to travelling through a dark tunnel. Long before you see the light at the end of the tunnel, the darkness, to paraphrase Jeremy Grantham, becomes a shade less dark. **We are already seeing that today is less dark than yesterday.**

The good thing about tunnels is that they do have an end. Wuhan, the centre of the original outbreak, has now reopened **some two and a half months after their lockdown commenced.** Seeing these actions in Asian countries has provided western governments with valuable lessons. Lockdowns and social distancing measures in some European countries and in Australia are yielding good results.

As we recently wrote, we believe containment of the virus here and overseas will begin to show results in mid-April, which is what we are now experiencing. This could *possibly* see lockdowns relaxed and people going back to work, although with strict social distancing measures, by early- to mid-May. The markets are already reacting positively to this with the Fund portfolio, as of mid-April, already up double digits. Although this may very well change by month end, it is nonetheless a good start on a gradual road to recovery.

We have a clear strategy in place for the portfolio. The stocks we own should recover in the next few months as they move through this shutdown. We believe these stocks offer huge upside. We have also identified a selection of large caps and some very particular small cap companies that we believe will not only survive this crisis but will be beneficiaries from changes to the way we shop, work and transact. **Some of these**

as we expect the market to provide good buying opportunities in the short term. We strongly believe that when markets recover from this crisis - and recover they will - **it is important to be invested** as remaining in cash will be to an investor's detriment over the long term. This has proved to be the case throughout history in the wake of market crashes. This is even more pertinent today with cash rates close to zero.

Going back to December 2018, many investment managers were too cautious and ended up missing out on one of the best years of equity market returns ever seen. Our Australia All Cap portfolio ended up being one of the top performing portfolios in the country, more than doubling the return of the index. We didn't sit on the sidelines and took advantage of depressed valuations. While March has seen worse than market returns for the portfolio, **we are now holding a collection of businesses at significantly lower prices than at the end of 2019.**

We are confident in our ability to pick good companies that are profitable, that can continue to grow earnings, and have strong balance sheets. We will continue to find these companies for our investors, and **we are confident we can outperform the market over time** as rational investment sentiment prevails.

As always, we will keep you updated on portfolio developments and new positions we initiate over the next few weeks and months. We remain committed to clear and open communication as always.

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

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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.

Portfolio Update:

This month we discuss some key updates for holdings and some new positions recently initiated. Investors should keep in mind that the situation is fast evolving and things change on a daily basis.

EML Payments (EML.ASX) announced a restructured deal on new terms to acquire UK fintech, PFS. The deal sees EML emerge in a much better financial position than before with **over \$100m**

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

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Prior to the virus outbreak PFS was exceeding expectations in the first two months of the year. The company continues to win significant contracts across Europe in government disbursement funding programs and digital banking. Unfortunately, the current situation has delayed the launch of some of these programs.

It is too difficult for management to currently predict impact on revenues and earnings and we will have to wait until June/ July for an update. The good news is that **EML is positioned well to come through this crisis as strong as ever** with no risk of a liquidity event. This may provide opportunities to acquire struggling competitors for depressed valuations down the track.

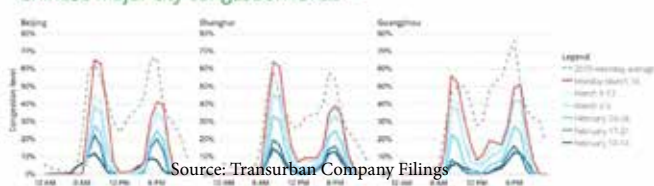
For now it is too difficult for us to accurately estimate what EML can earn next year, but our best guess is EBITDA of \$55-60m (50-60% growth). **We see FY22 as the year more likely to show the benefits of the PFS acquisition** and the new payment solutions EML has developed, coming to fruition. We value EML, at a baseline scenario, at \$3.70 in the current times.

Transurban Group (TCL.ASX) and **Sydney Airports (SYD.ASX)** are new positions we took during the month as their shares fell by over 40%. These two companies provide for **monopolistic like assets** that we believe will survive this crisis. Although both companies have debt, we see these companies having significant support from both lenders and investors in the event that the economic impact is too large and both companies are required to raise equity. In fact, we believe any move to raise equity will see share prices rally further as any balance sheet risks are removed.

Transurban

- Other countries more advanced in COVID-19 virus and government response provide insight to different scenarios
- Chinese highway congestion levels indicate progressive recovery
 - Overall levels of traffic in major Chinese cities remain below normal, however traffic increases week-on-week since Feb 10 are starting to exhibit recovery, as lockdown restrictions are lifted and industries re-commence operations
 - Highway traffic has rebounded faster than public transport, suggesting that social distancing is encouraging more people to commute using their cars
- Traffic in other highly affected markets (e.g. Italy, France, Germany) is still deteriorating with the duration of the disruption unclear

Chinese major city congestion levels^{1,2}



TCL should be the first to bounce back as enforced distancing measures ease and people get back (drive) to work. In the new Covid-19 reality, we see people being more comfortable using private, rather than public, transport for the fear of being in close contact with others. SYD will take longer to bounce back as international travel will not, we assume, return for the remainder of the year. In saying that, SYD is the only international airport in the largest city in Australia, with a roughly 75-year lease

p.a. of free cash. It may take time to see those levels again, but we are patient investors are we not?

In the next monthly report we will discuss further new positions we have initiated. **This month we spotlight a company we believe will benefit from the current situation as consumers transition to online lotteries.**

Stock Spotlight: Jumbo Interactive (JIN.ASX)

As we spend more of our time at home, the online world has become our almost exclusive channel to shop and transact. Historically (and particularly in difficult recessionary times) people search and dream for hope, and nothing facilitates and encourages those dreams more than playing the lotto.

The **lotto industry has been relatively recession proof over the decades.**

The average weekly lotto ticket for 12-18 games has averaged between \$10-\$18. In difficult and sombre times, people tend to see lotto as affordable, fun, and something to hope for, chasing the dream of winning millions.

In Australia, each state runs its own lottery license which, outside of Western Australia lotteries, are operated by Tabcorp (TAH). TAH is required to provide resellers (mainly newsagents) with the license to sell lotto tickets nationally. The most popular games that are pooled on a national level are Oz Lotto, Saturday Lotto and Powerball.

Jumbo Interactive has been operating as a pure online reseller of lotto tickets for almost twenty years. Over the years, JIN has renewed its agreement with Tabcorp multiple times. Unlike TAH (which operates *The Lott*; an online website) and all newsagents, JIN sells tickets online at a premium of 10-15% on the normal ticket price. Despite this, JIN continues to win market share.

JIN has justified the premium by pointing to the service and many features and benefits it provides customers through their website and mobile app. For the ease of use and for an extra \$1-\$2 a ticket, customers have flocked to JIN's *Ozlotteries* website over the years.

In addition, JIN also licenses its proprietary software to charities so they can operate and run their own charity lotto draws to raise funds. JIN charges a SaaS-like fee and a commission on total ticket sales. So far JIN has signed over \$150m of potential ticket sales and is currently working on a pipeline of many charities both here and overseas who are all looking to transition online.



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SOFTWARE AS A SERVICE (SaaS) "POWERED BY JUMBO"

- **Large Global TAM**
 - US\$303 billion Total Addressable Market¹
 - Only 7% is online
 - "Powered by Jumbo" is a complete solution for lotteries seeking to move online
- **Initial target - Charity lotteries**
 - Smaller charity lotteries looking to improve their online offering
 - A\$3.5 billion initial TAM in Australia, UK & Canada²
- **Major Lotteries**
 - Agreement signed November 2018, Stage 1 live in June 2019
 - Complete onboarding scheduled for June 2020
- **Endeavour Foundation**
 - Agreement signed August 2019 (5+5 year SaaS agreement)
- **Deaf Lottery**
 - Signed 5 December 2019 (5+5 year SaaS agreement)

93%
Seeking to
move online



H1 FY20 Results Presentation | 8

¹Source: The WLA Global Lottery Data Compendium 2019; Jumbo Research
²Source: Jumbo Research, lotteryresearch.org.uk; charityintelligence.ca

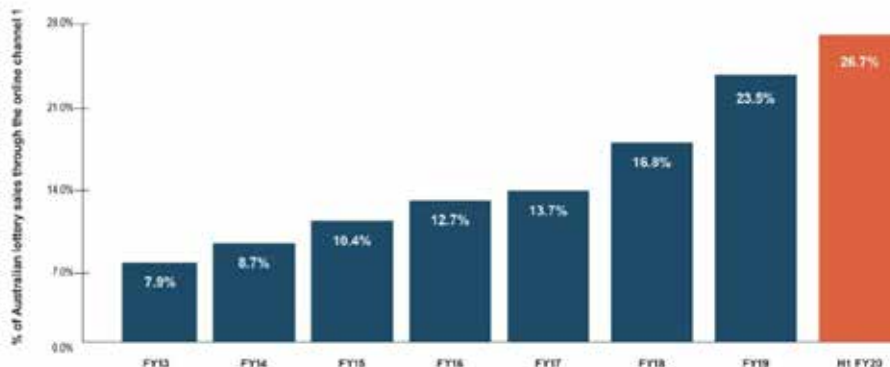
Source: Company Filings

Online sales of lotto tickets have been steadily growing over the last decade at approximately 3% p.a. As of 2019, online sales represent about 26% of all lotto sales in Australia. Outside of the state of Queensland, which does not permit online sales, every state allows residents to buy tickets online regardless of where they purchase their tickets. This is an important aspect to understand in order to better assess the risk for JIN and their reseller agreement with TAH.

RESULTS HIGHLIGHTS (CONTINUED)

ONLINE LOTTERIES - A GROWING MARKET

- **26.7% of Australian lottery tickets now sold online¹**
 - 5 year CAGR 22% to FY2019
 - 5 year CAGR 29.6% to FY2019 of Jumbo flagship website ozlotteries.com (lottery and charity games)
- **The only pure digital play listed lottery company in Australia.**



¹Source: Tabcorp Holdings Limited | Tabcorp Group Limited public filings

Source: Company Filings

In a nutshell, **JIN can allocate ticket sales to the state license of its choice**. Investors over the years have had concerns about the risk of TAH not renewing JIN's license. If that were to happen, JIN could theoretically direct all ticket sales via WA lotteries which is not owned

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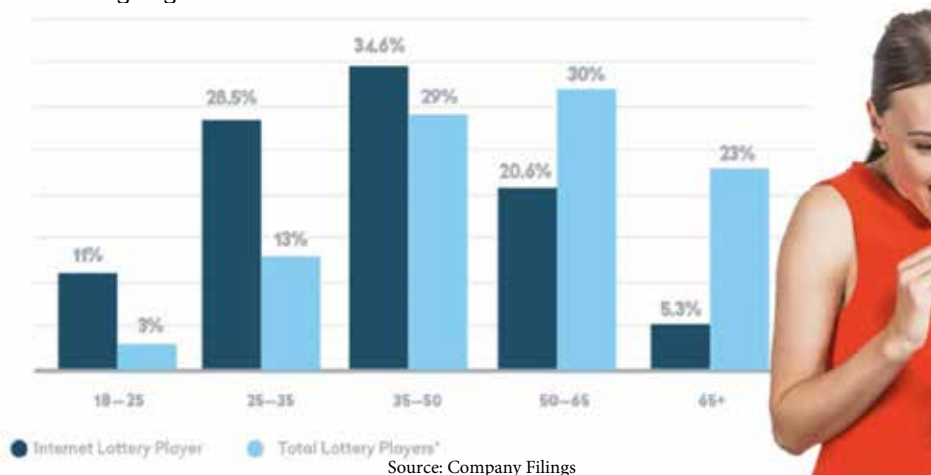
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would not only deprive TAH of JIN's current sales but also each state operating under TAH licenses. We do not believe that is an outcome that will be looked upon favourably by any of the states. Not to mention, **TAH owns 11% of JIN.**

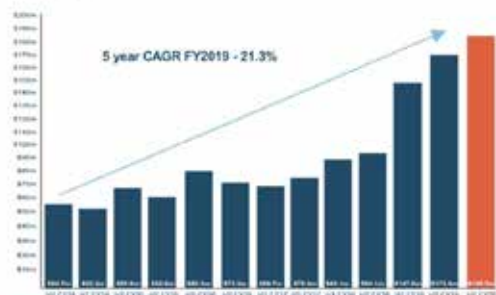
In our mind, **there is no logical reason, other than habit, for players to buy lotto tickets in a physical store.** There is nothing easier or more convenient than playing lotto on your mobile phone and there is never the risk of losing your ticket or forgetting to check if your numbers have won. The Ozlotteries app does all that for you and much more. The online user experience is fantastic.

The current pandemic and the restrictions on Australians movement outside the home is providing **a structural shift to online sales.** We have already seen an older demographic transitioning to purchasing tickets online over the last few weeks as, with the risk of catching the virus, they are concerned with going outside.



Overseas and in certain European countries, online lotto sales are over 40% of total sales. We believe the current shift to the online space will accelerate over the next 6-12 months in Australia and may reach as high as 35-40% of lotto sales by next year. Both TAH and JIN will be the ultimate beneficiaries here with **JIN providing the best upside to this structural trend.**

REVENUE



JIN revenues are dependent on the number of large jackpots (\$20m+) each year as those drive customer engagement. **JIN has over 850,000 active customers** and only last week management updated the market that they are on track to reach \$340m of ticket sales, generating \$70m of revenue and \$40m of EBITDA. This should result in around \$25m of NPAT.

The company has a net cash position of over \$65m and is confident it can keep paying out 70%+ of fully franked dividends out of profits. Unlike most other companies, JIN has a strong balance sheet and enviable EBITDA margins of 60%+. JIN is in a fortunate position to capitalise on opportunities that may arise and acquire international lotto operators in the charity space; going a long way to achieving its \$1bn ticket sales milestone by 2022.

EBITDA MARGIN - CONTINUING OPERATIONS



Source: Company Filings

CAN WE GET TO \$1 BILLION IN TICKET SALES?

- Ticket reseller business needs to grow at 24.7% pa (historical 5-year CAGR) over 3 years to reach \$680 million
- Remaining \$320 million will need to come from the SaaS business which currently has \$135 million under contract.
- Aiming for at least \$100 million in new SaaS deals each year
- UK market potential
- US online lottery market opening up

— SaaS business
— Reseller business



With a market cap of around \$600m, a capital light model and earnings growing at 40%+ p.a. historically, **we see JIN as a business that is truly set to benefit from the current situation.** We own JIN in both the TAMIM Small Cap Income and All Cap portfolios and value the stock at around \$13.00 a share.