

Australia All Cap Unit Class TAMIM Fund

At 31 October 2020

The ASX300 was up +1.89% in October while the Small Ords was slightly up +0.46%.

The portfolio was off to a strong start in the first three weeks of October as holdings reported solid updates. Unfortunately, most of the gains were lost in the last week of the month, as investors turned their attention to the upcoming US election and renewed concerns over Covid-related lockdowns in Europe.

The TAMIM Fund: Australia All Cap portfolio finished the month up +1.50%. CYTD the portfolio is up +4.38% and +12.69% over the last twelve months.

October is a busy month as many companies provide first quarter updates and some hold AGMs, providing outlook statements. Generally, we have seen the continuation of a strong recovery from the last quarter of FY20 and many sectors, such as retail spending, e-commerce, payments and telco/data providers, are seeing record levels of demand. Cyber security is also a hot thematic.

The good news is we have heavy exposure to all of these sectors and we believe this should see continued share price gains over the medium to long term as some of our stocks are quite undervalued compared to their peers.

We have also identified several new "old world" economy businesses that are currently unloved and overlooked by the market but should see good recovery in the next six months. **There is no lack of opportunities to invest in right now and we see significant value in many companies despite some in the media offering contrasting views.** Investors should keep in mind that the media primarily focuses on the most popular stocks on the market. These tend to be overvalued and over hyped. We try and uncover companies that are yet to be as popular and look to profit when they become so.

On a final note, as we go to print the 2020 US Election has been decided and Joe Biden has been elected. Although there is still a court case or twenty to be brought by the Trump campaign, we struggle to see any indication that this will change the outcome. The good news is that the Senate should remain in control of the Republicans which means most, if not all, of the unfavourable policies proposed by the Democrats will not get through. **This is an investor's ideal outcome** and should see the

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 | 6.83% | -11.44% | -34.25% | 16.54% | 13.54% | 1.44% | 11.34% | 11.31% | -0.52% | 1.50% | | | 4.38% |

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

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

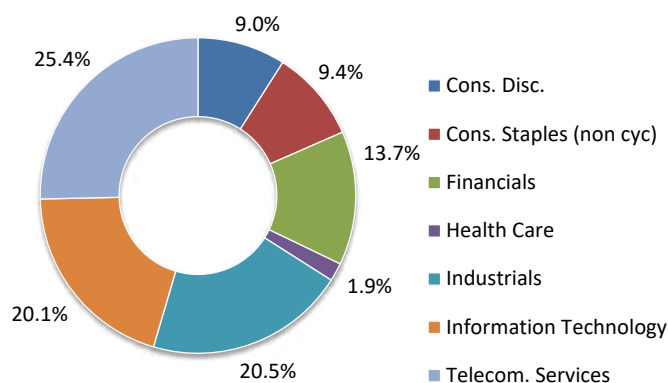
| | |
|---|--|
| Investment Structure: | Unlisted unit trust |
| Minimum investment: | A\$100,000 |
| Applications: | Monthly |
| Redemptions: | Monthly, with 30 days notice |
| Unit pricing frequency: | Monthly |
| Distribution frequency: | Semi-annual |
| Management fee: | 1.25% p.a. |
| Performance 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\$ | \$1.1297 | \$1.1269 | \$1.1240 |

Portfolio Allocation

| | |
|---------------|--------|
| Equity | 88.00% |
| Cash | 12.00% |



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market continue to perform well over the next few years.

We provide a brief update on some news flow from our holdings in the Portfolio Update section of the report. **We also detail our successful SPV investment in Amaysim, a significant holding in the Australia All Cap portfolio too.**

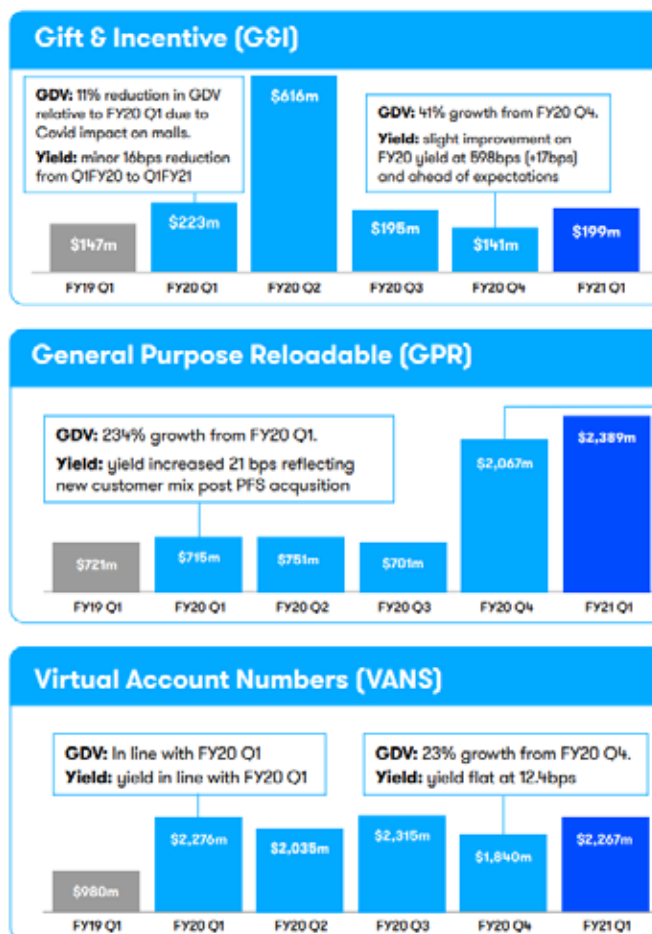
Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Update:

EML Payments (EML.ASX) provided a trading update for Q1 with revenues of \$40m and EBITDA of \$10m. EML's transaction volumes have recovered strongly since the depths of the pandemic crash with GDV and revenue increasing +20% on Q4. The Gift & Incentive (G&I) segment was only down 11% on last year as shopping malls reopened globally. There is still uncertainty for investors as the Q4/Christmas period still is a key seasonal driver of earnings for the gift card segment with an incremental \$19m of profit generated in the November/December period.

EML Payments Investor Briefing & FY21 Q1 Update Q1 Trading Update



Source: EML company filings

NOTE

Covid-19 is a situation that continues to evolve; the facts and figures are changing day by day and affecting investment markets accordingly. What applies today may not apply tomorrow. One must stay informed and have their opinions and actions evolve appropriately. Stay safe, take appropriate precautions and be sensible.

EML is currently annualising over \$60m of EBITDA based on last year's seasonal peak, which is over 10% higher than consensus expectations. Our discussion with management in November points to steady volumes so far. **There is a decent possibility that we see consensus analyst upgrades come in February next year.**

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Tesseract (TNT.ASX) is now **officially an "8x bagger" for us since we bought in at 5 cents last year**. The company continues to aggressively acquire cyber security firms in Australia but, more importantly, is winning new contracts organically which shows that the strategy is working so far. TNT provided the market with a bullish update in October, Q1 revenue was up 42% to \$15m and annualised revenue run rate in excess of \$100m.

HIGHLIGHTS

| | | | |
|---|--|---|---|
| Q1 Revenue \$15.1M up 42.5% from previous Quarter | \$405K Operating Profit for the Quarter* | Cash Flow Positive for the Quarter | \$100M+ Revenue per annum run rate** |
| \$14.2M Customer Receipts in Q1 Up 21.3% from Q4 | \$13.76M Available Cash as at 30 September | Over \$4.1M received from conversion of options | Four Acquisitions Three completed, one announced. |

*excludes one-off third-party acquisition costs

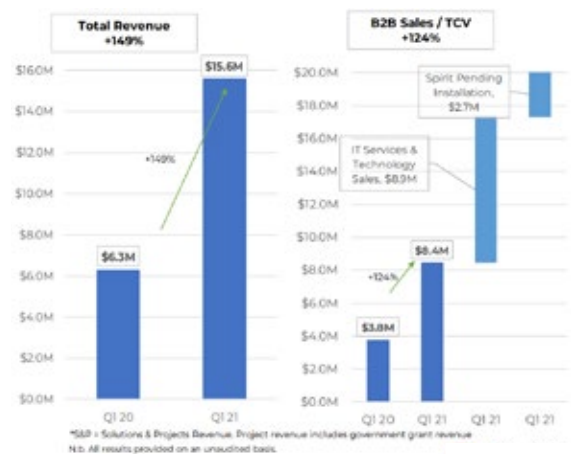
**per annum revenue run rate based on TNT + combined FY20 acquisition revenue

Source: TNT company filings

The company is cashed up and now profitable. In addition, management has given a new annualised revenue target of \$150m by June next year. Investors have responded well with the stock hitting our valuation of 40 cents during the month. We took the opportunity to continue taking profit. We expect more acquisitions and probably an expansion overseas. **Based on their June forecast, we value TNT closer to 50 cents.**

Spirit Technology (ST1.ASX) provided a Q1 update with revenue up 150% to \$15.6m, 70+ new resellers signed and \$30m of cash and debt for further acquisitions. We expect a deal to be announced before Christmas and we see greater focus on enhancing the company's cyber security offering. We expect ST1 to finish FY21 with an exit run rate of \$150m of revenues and EBITDA in excess of \$22m.

The business is operating in two segments of the market where we are seeing strong customer demand and consolidation (Telco/IT and Cyber Security). We believe management aspirations are to crystallise value for shareholders via a transformational transaction in the next couple of years. **We value ST1 at over 50 cents.**



Source: ST1 company filings

| | | | |
|---|--|--|--|
| RESELLERS GROWING 70+ new resellers signed nationally – further growth in play | SPIRIT BRANDED MOBILE PRODUCT TO LAUNCH New Spirit branded mobiles products and bundles to be launched nationally across Q2-Q3 | LiveCall & LivePBX LAUNCHED First unified voice communications platform operating from Spirit's own infrastructure at 75% gross margin | FEDERAL GOVERNMENT BUDGET TAX INCENTIVES Spirit see's material demand from businesses refreshing IT&T needs – taking advantage of tax incentives |
| TRIDENT TECHNOLOGY SOLUTIONS ORDERS RECEIVED Q1 CIRCA \$6.6M Including several major Schools PC Programs re-signed | NBN ENTERPRISE ETHERNET PROMOTIONS Spirit see material upside in light new NBN EE geographic expansion and reduced pricing | SPIRIT X DIGITAL PLATFORM RECORD SQ'S Over 18,000 new leads / service qualifications since 1 Jan 20. | ACQUISITION OPPORTUNITIES Multiple targets under consideration & DD |

Source: ST1 company filings

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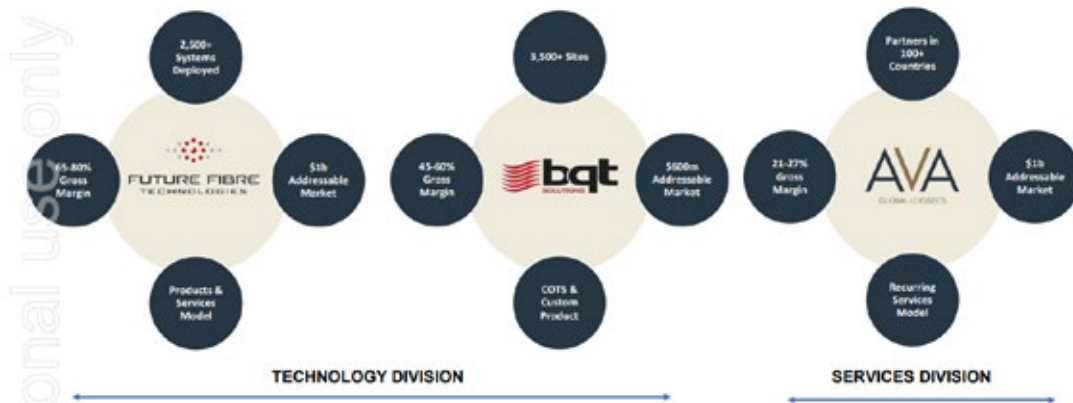
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AVA Risk Group (AVA.ASX) is a technology company comprising of AVA Global, providing risk management and logistics solutions, and Future Fibre Technologies, providing security solutions through electronic locks and fibre detection technologies. We took a position in AVA mid-year at 15 cents as we saw a new management team turn the business around and reduce costs while growing revenues. During October, the company provided a robust Q1 update with revenues up 73% to \$17m and EBITDA up 522% to \$7.7m. The company is cashed up with a net cash position of \$11.5m.

High Security & Sensing Experts



Complimentary Mix of Revenue Streams & Margins



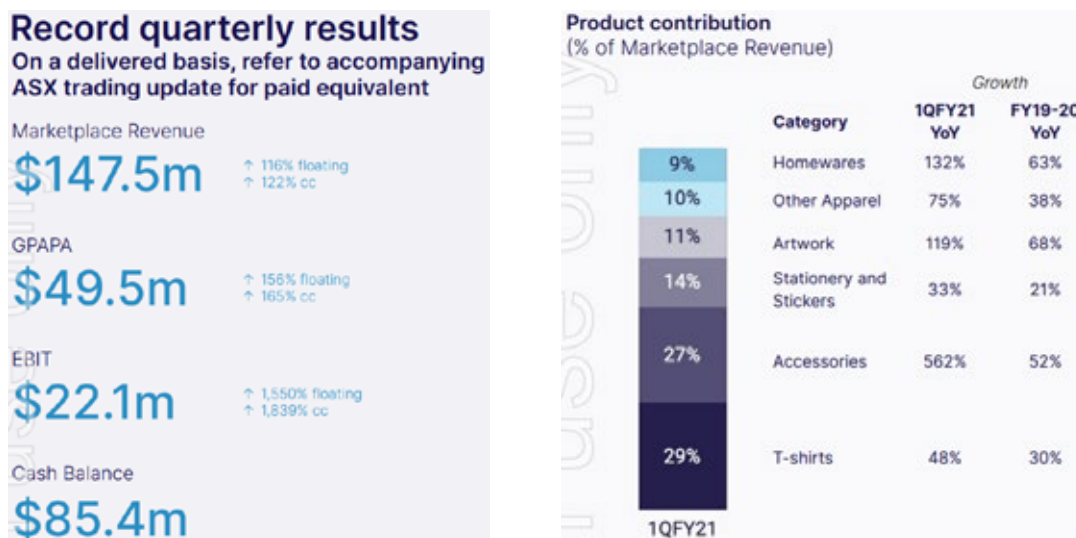
Source: AVA company filings

We estimate FY21 EBITDA of \$20m and a cash balance of \$25m. The company has a strong pipeline of new business opportunities of which management expects to win a large share. In addition, the services division is looking to participate in ongoing industry consolidation and we believe a possible sale of the business could yield \$40m+. **The stock is now up 4.5x since we bought and we have taken the opportunity to take profit.** The next catalysts to watch for are contract wins and corporate activity.

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Redbubble (RBL.ASX) provided a strong trading update for Q1 that saw sales up 116% to \$148m and EBIT of \$22m with strong free cash flow generation of \$27m. The business' cash balance is at \$90m. Historically, Q1 accounts for 22% of annual revenues so, on the current run rate, RBL is on track for EBITDA of \$120m in FY21. The market is currently pricing in \$70m. We track RBL's global web ranking regularly as it's a good measure of its growth trajectory over time.

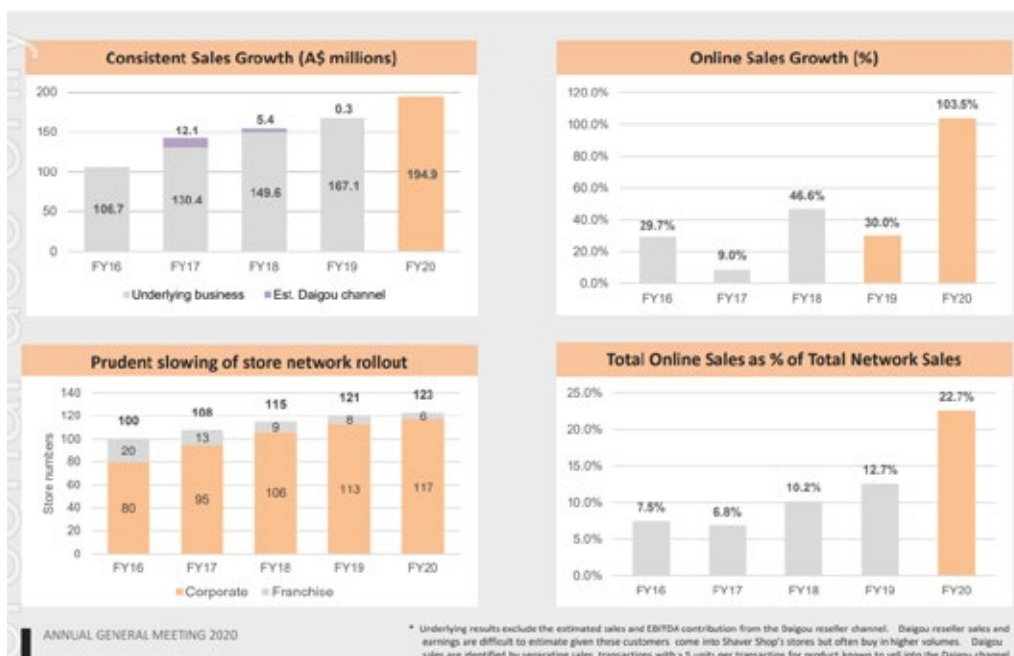


Source: RBL company filings

Based on the data at hand and a seasonally strong Q2 sales period, we expect the next update to be very strong and well received by investors. RBL is currently the fastest growing and most profitable cash generating e-commerce company on the ASX, yet trades at a material discount on all metrics to its local and global peers. The recent CEO sell down of shares has dampened sentiment for the stock but we see this as a buying opportunity on a longer term basis. **Our valuation is currently \$7.00+.**

Shaver Shop (SSG.ASX) provided a stellar first quarter update with sales up 20% to \$49m, online sales growing 192% (now 33% of group sales), and NPAT up 185% to \$4.9m. For perspective, SSG reported \$11m profit for the whole of last year! Unlike many other retailers, SSG never received JobKeeper. We see the company benefitting from the structural shift online as consumers are still discovering the Shaver Shop brand.

Shaver Shop has a strong growth trajectory Online sales now the dominant driver of growth and accelerating



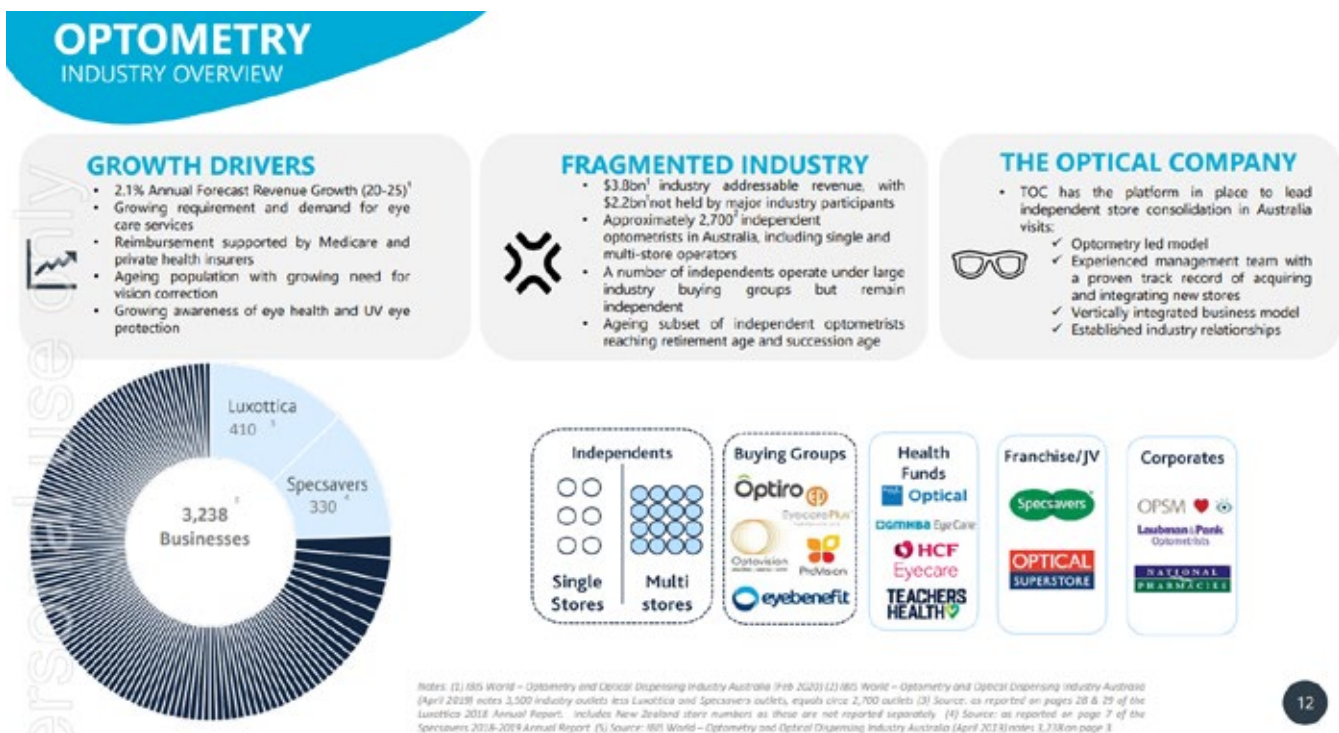
Source: SSG company filings

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We believe the company is taking market share away from traditional brick and mortar retailers and department stores. The personal care market in Australia is worth \$11bn and we believe SSG will continue to grow and take share for the next few years. The stock is trading on an estimated 9x PE and a 7% fully franked yield. We see the 2H sales momentum as key for the stock to re-rate to a multiple that is more reflective of its growth rates, a quality cashed up balance sheet and relative peer valuations. **We value SSG at \$1.50.**

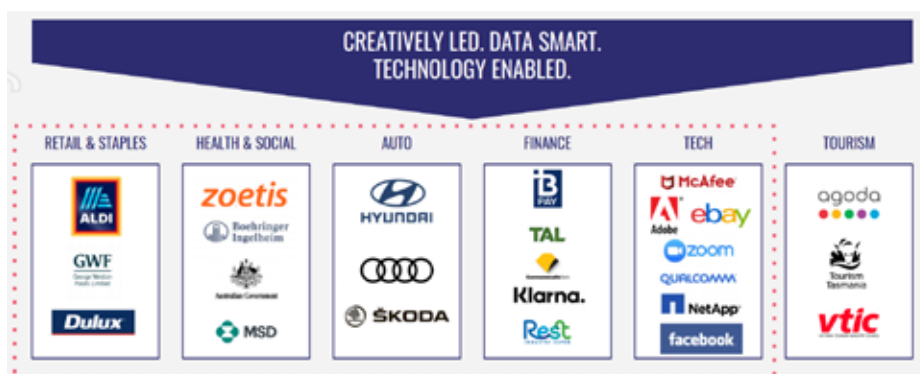
Healthia (HLA.ASX) announced a transformational deal to acquire the Optical Company for \$43m. The business generated \$36m and \$5.7m EBITDA last year and diversifies HLA into the highly fragmented and defensive optometry sector. On a combined basis, the group is now a substantial allied health company with \$180m of revenues and \$30m EBITDA in FY22. Since listing, HLA management has delivered on expectations and has shown to be disciplined in its progressive acquisition of podiatry and physiotherapy clinics.



Source: HLA company filings

Pleasingly, the organic growth rate was 11% in Q1 showing that the business is not just growing via acquisition. The stock is currently trading on 5x EV/EBITDA, 8x PE for FY22 and has a 5% fully franked dividend. We believe the stock is now in the crosshairs of most fund managers based simply on scale and the market cap exceeding \$100m. We expect a significant re-rating of the earnings multiple in the next few months. **HLA is a conviction holding and we value it at \$2.25.**

Enero Group (EGG.ASX) is a digital marketing and creative brand agency with offices in Australia, US and UK. The company is not being impacted by the reduced media and advertising spend experienced by peers as the majority of their customers are either in defensive sectors, such as fast-moving consumer goods (FMCG), and technology companies, which are prospering. The Q1 update released in October was almost jaw dropping with revenues up 11% to \$37m but EBITDA up 81% to \$9.8m (this number includes \$1m of JobKeeper).



Source: EGG company filings

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Trading update for the three months ended 30 September 2020 (unaudited):

| \$A million | YTD 30 Sept 2020 | YTD 30 Sept 2019 | Variance |
|-------------------------|---------------------|---------------------|----------|
| Net Revenue | 37.2 | 33.3 | 11.0% |
| Operating EBITDA | 9.8 | 5.4 | 81.4% |
| Operating EBITDA margin | 26.3% | 16.2% | 10.1 bps |
| EBITA | 9.2 | 4.9 | 87.8% |
| EBIT | 9.0 | 4.6 | 95.7% |
| EBIT margin | 24.2% | 13.8% | 10.4 bps |

Source: EGG company filings

Underlying EBIT margins are now an industry best at 21%. Although revenue visibility for EGG is short, management expects Q2 to remain strong. The business is cashed up and we expect dividends and further acquisitions next year. We forecast 25 cents EPS and 15 cents of franked dividends. We took the opportunity to acquire shares as some long term stale holders have lost patience. **We value EGG at about \$2.50.**

Stock Spotlight

Note: This spotlight was first published online under the title *An Amaysim Opportunity* on 5 November 2020. AYS has been a holding in the TAMIM Fund: Australia All Cap portfolio for some time, the SPV mentioned below was launched in October.

Last month we launched a unique TAMIM special purpose vehicle (SPV). This Fund has invested in what we saw as a special opportunity to invest in a company that had reached a seminal moment in its history. A milestone that would be the catalyst for crystallising significant shareholder value. Our thesis was bang on (if a little early) and we now expect further upside. Read on to find out why.

This TAMIM SPV was established to invest in just one company, amaysim Australia Ltd (AYS.ASX). No, the 'a' is not supposed to be capitalised in amaysim's case. AYS is Australia's largest mobile virtual network operator (MVNO) and is also the fourth largest mobile subscriber base in the country with 1.2m customers, but importantly 850k contracted subscribers.

AYS, as a MVNO, utilizes the Optus mobile network. A MVNO is essentially a marketing company that helps mobile carriers fill up capacity on their networks in order to get a return on their large infrastructure investment. AYS owns its customers and its brand. AYS has a network service agreement (NSA) with Optus which expires in June 2022. At that point AYS can take their customers to another network if they chose to.

What is a MVNO?

Broadly speaking (the definition varies a bit from one market to the next) in this context, a Mobile Virtual Network Operator or MVNO is an organisation that provides a mobile service to its customers but does not have an actual network of its own. That is, they don't own or manage all or part of the underlying physical network and infrastructure. They typically 'piggy back' on a larger mobile provider's network while retaining the actual subscribers via a network service agreement (NSA).

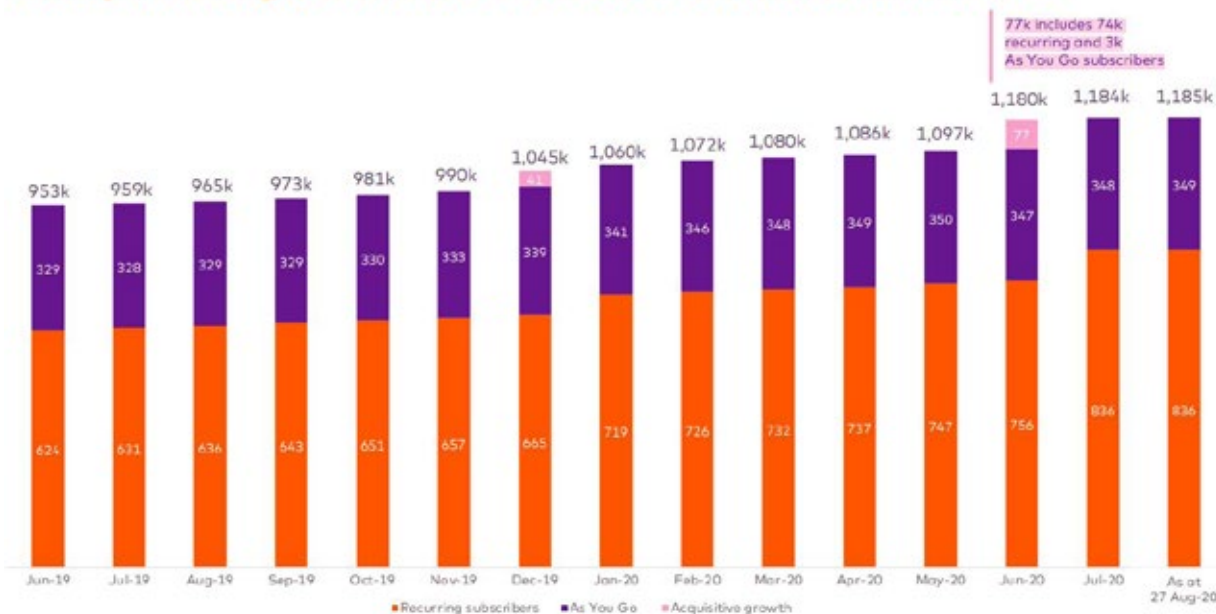
MVNOs are very common and every competitive mobile market around the world has them. For a MVNO, in order to make a financial return you need significant scale. From time to time a MVNO becomes extremely successful and even a dominant player in its industry. AYS is such a case. This leads to profitability and strong cash generation.

In FY20 AYS' Mobile division generated \$191m revenues and \$10m in EBITDA. As MVNOs become large and a meaningful part of any given carrier's subscriber base, their NSAs become very strategic assets and valuable to their network partner or other carriers in the market. AYS' contracted subscriber base is now 8% of Optus' 10.5m subscribers and their only growth channel.

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Exceptional growth in FY20 and continued into FY21

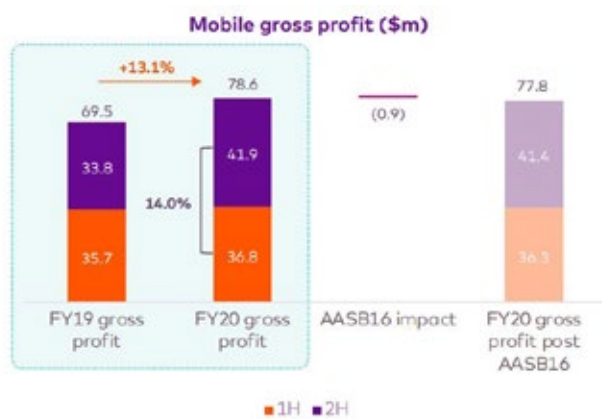


Source: AYS company filings

In a sense, Optus simply can't afford to lose the AYS contract in 2022. It is this unique situation that we saw as an opportunity and a catalyst for AYS to potentially be taken over. Although Optus is the natural owner of AYS, it is not too difficult to switch mobile subscribers onto another network and so AYS is a very attractive MVNO for the other players, including Telstra (18m subscribers) and Vodafone (now TPG with 5.4m subscribers).

| Service providers capacity | Telstra | Optus | TPG Telecom |
|------------------------------|--------------|--------------|-------------|
| Major city spectrum holdings | 238 MHz | 326 MHz | 223 MHz |
| Population coverage | 99% | 98.5% | 96% |
| Base stations | 10,000 | 7,000 | 5,613 |
| Mobile customers | 18.5 million | 10.5 million | 5.4 million |
| Mobile revenue | \$10.5b | \$5.7b | \$3.5b |

Source: TPG company filings



- Mobile gross profit increased by 13.1% to \$78.6m due to growing revenue in the second half and the strength of our new wholesale agreement.
- Gross margin improved significantly to 41.2% (pre AASB16), up from 34.2% in FY19.

Source: AYS company filings

As we researched the entire global MVNO industry, we noticed that most players that have hit scale get acquired at this point of their evolution. The reason being that the carrier cost of a MVNO is the revenues and margins to a carrier. In FY20, AYS generated Optus \$100m in revenues and this year we estimate that AYS will generate \$140m in carrier revenues which, by our analysis, is 70-80% increments EBITDA margin to Optus or \$100m EBITDA (Singtel is Optus' parent company).

Singtel, TPG and the like currently trade on 10x EV/EBITDA multiples, hence AYS is arguably worth \$1bn in market cap to either of these incumbents. We believe that AYS is the last remaining opportunity in Australia for a carrier to simply grab 850,000 contracted mobile subscribers in one hit and thus add significant profitability right away.

This can happen through a couple of avenues. The first is simply an improved NSA agreement, which AYS has tendered out, or an acquisition of AYS or AYS' Mobile business. The initial thesis presented to our investors estimated that an acquisition attempt would take place within six months of the SPV's launch. It ended up taking less than four weeks...

The current situation has Optus offering to buy the AYS Mobile business. The sale is for \$250m and is not, we believe, on favourable terms to investors. An outright scheme for AYS would be more attractive. The current offer will see AYS distribute approximately 84

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cents (including franking) after costs and taxes to investors.

We believe this is an opportunistic offer by Optus and sets the scene for other players such as Telstra, TPG, or even the likes of supermarket chains and AGL to make competing bids or even just match the offer as a scheme. In any scenario, **Optus can't afford to lose AYS's subscribers and Telstra and Vodafone/TPG can't afford to pass on the opportunity to grow their subscribers by 5% and 15% respectively.** Optus will have to match or counter bid. Either way, we see AYS' worth well north of \$1.00 per share and, with the AYS EGM slated for January 2021, we anticipate a bidding war emerging in the next couple of months.

Watch this space!