

Australia All Cap Unit Class TAMIM Fund

At 30 September 2020

The ASX300 was down -1.38% in September while the Small Ords down -2.82%.

Following such strong performance in July and August (+23.94%), September was always going to be a struggle as short-term valuations ran too high across many of our holdings.

The TAMIM Fund: Australia All Cap portfolio finished the month slightly down at -0.52%.

September provided us and other investors the opportunity to meet management teams and discuss their recent results in more detail and gauge their sense of the outlook for the next few months. Overall, we feel very comfortable with our portfolio holdings. We have also identified some new and exciting opportunities with significant upside.

As we head into October, AGM season begins and, along with a raft of conferences, we expect most companies to provide trading updates and outlook commentary. We believe any positive updates will be well received by investors and this will be a catalyst for further share price gains. We are very bullish on many of our holdings and anticipate the reporting of strong outlook statements.

Below we provide a brief update on some portfolio news in the Portfolio Update section of the report. **We also spotlight one of our largest holdings in Resimac (RMC.ASX).**

Sincerely yours,

Ron Shamgar and the TAMIM Team.

NOTE

Covid-19 is a situation that continues to evolve; 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.

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%				2.84%

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

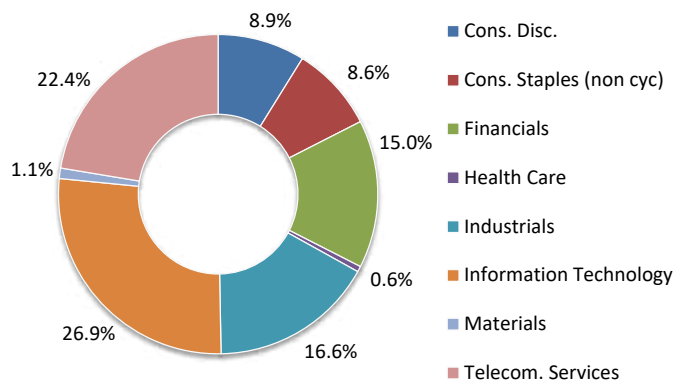
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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\$	\$1.1129	\$1.1102	\$1.1074

Portfolio Allocation

Equity	90.82%
Cash	9.18%



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Portfolio Update:

Uniti Group (UWL.ASX) saw their takeover for Opticomm (OPC) scuttled in the ninetieth minute by Aware Super, a Queensland-based super fund. Aware has offered a cash bid for OPC at \$5.80, compared to the original UWL offer of \$5.20. UWL responded by matching the offer and securing a 19.9% holding in OPC. As we go to print in October, Aware has upped the offer again to \$6.40 and UWL has once again outbid with a slightly higher offer at \$6.55.

We won't know for another two weeks if Aware will spoil the party with a superior bid again. There are two ways of looking at this situation though. The first is that, by forcing UWL to pay a much higher price for OPC, the accretion of any deal becomes less attractive. The flip side is that this interest shown by Aware highlights the value that lies in a business like UWL (with or without OPC) and reassures us of the long-term value. **We will continue to hold UWL and let this play out.**

Smartpay (SMP.ASX) provided a business update in September showing 4,432 transacting terminals at the end of August, with management expecting the number of transacting terminals to reach 5,000 once the Victoria lockdowns ease. The **company is benefitting from record levels of customer leads and originations** as COVID-19 drives more businesses to accept card payments.

The Smartcharge offering is resonating well with new customers and we expect strong growth to continue. The NZ business is stable and, now that lockdowns have been removed, we think there is a chance that a renewed takeover bid will emerge, especially considering the fact that the Commerce Commission approval is valid for twelve months. **We value SMP at 90 cents.**

Quickfee (QFE.ASX) announced a partnership with Splitit (SPT.ASX) to allow smaller accounting and legal firms in the US to offer their clients an instalment plan using the SPT credit card solution. As a part of the deal and to drive growth, QFE announced a \$17.5m equity raise to increase marketing spend and sales efforts.

Broadening QuickFee's product suite Capturing a greater share of the market

Existing solutions		+	New solution
PayLater <ul style="list-style-type: none"> • Full recourse • Firm credit applies • Min. firm revenue applies • Cost paid by client 	PayNow <ul style="list-style-type: none"> • Online payments • EFT • Credit card 		Interest Free <ul style="list-style-type: none"> • No recourse • Client credit card pre-authorised to protect unpaid balance • No min. revenue • Cost paid by firm

Source: QFE company filings

The SPT deal makes a lot of sense as QFE counter party risk is too high with smaller professional services firms in the US and, by using the SPT solution, any bad debt risk is eliminated

completely. Although the Australian division of QFE has seen a drop in demand, the focus is in the US market and we expect another re-rate to occur once the company shows some traction with new customer wins and channel partner integrations. **We value QFE at 80 cents for now.**

Significant global opportunity

Huge professional services market in the US



Source: QFE company filings

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Stock Spotlight

Note: This spotlight was first published online under the title *Stock Review: A Capital-light Compounder* on 24 September 2020.

Resimac (RMC.ASX) is one of the largest non-bank mortgage originators in the country. Over the last four years, RMC has grown AUM from \$8.9bn to \$14.9bn, a CAGR of 14%. Over that same period **NPAT has grown from \$13m to \$56m, or 44% CAGR, demonstrating the strong operating leverage in their business model.** This was driven by strong net interest margin (NIM) improvement to 190 bps, compared to 153 bps last year, and a significant improvement in their cost to income ratio, now 37.9% compared to 56.6% in FY19. Return on equity (RoE) increased from 17.3% to 25.5%, given the capital light nature of the business. The final dividend was raised from 1 cent to 1.8 cents while the net cash balance rose to \$23m.



Source: RMC company filings

More importantly, RMC is benefitting from favourable cost of funding while its banking peers are seeing deposit margin pressure. RMC is growing at 7x system growth by offering quick turnaround time for brokers and an excellent service proposition and **positioning itself as more of a digital non-bank with a strong direct to consumer digital brand in [homeloans.com.au](https://www.homeloans.com.au).**

LAUNCH OF



Launch of [homeloans.com.au](https://www.homeloans.com.au), our new 'direct to consumer' online brand. Customers are transacting more online today than ever before, further accelerated by the COVID lockdowns.

- Market leading online application
- Instant conditional approval
- End-to-end digital home loan solution
- Diverse product range
- Marketing strategy using brand ambassador Adam Gilchrist

Source: RMC company filings

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RMC has the most extensive funding of any Australian non-bank both through their international RMBS issuance program and their seven warehouse facilities. This is a key competitive advantage while other lenders have struggled. **This was demonstrated by RMC's AUM growth over the Covid period, where their rate of growth was maintained despite a significant dip in the market.** Other non-banks were forced to reduce volume over funding and capitalisation concerns.

PERFORMANCE HIGHLIGHTS

KEY METRICS

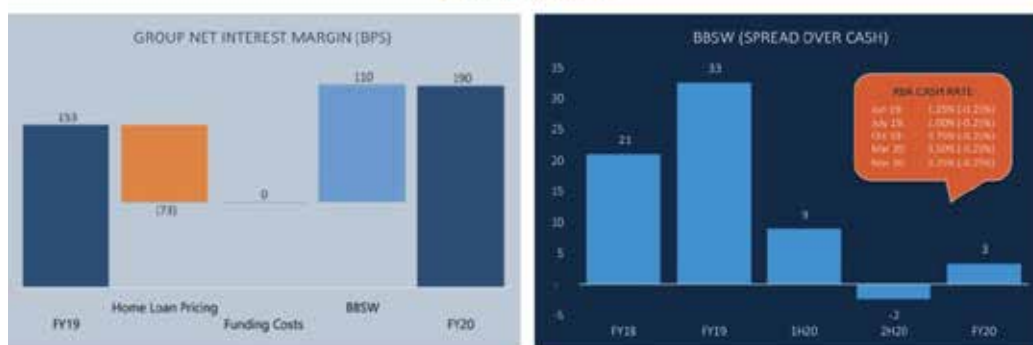


Source: RMC company filings

Also important is the fact that RMC's profit is driven not just by NIM but also strong volume growth and a tightly managed cost structure. **Their AUM base is 22% higher as a starting point so, in the absence of any further growth in the loan book, RMC could still grow profit in FY21.** Dissecting the NIM movement further, NIM increased from 153 bps to 190 bps in FY20, noting that NIM was 183 bps in the 1H FY20 and 197 bps in 2H. The increase was driven by a reduction in the spread between the BBSW and the Cash Rate and RMC only passing on three of the four rate cuts in FY20 (noting that 1 bps is worth \$1.3M of PBT).

PERFORMANCE HIGHLIGHTS

GROUP MARGIN



Source: RMC company filings

If conditions remain as they are today, we believe RMC could deliver a NIM result in excess of 204 bps. If this is the case, RMC could see NPAT in the range of \$74m to \$105m or a PE multiple of 5-7.5x based on a range of scenarios. Another way to look at the FY20 result is that in spite of the \$16m special Covid provision, RMC were still able to grow 2H NPAT to \$28.8m. This absorbed 100% of the incremental provision which gives a potential \$90m profit start for FY21 plus additional growth.

We are forecasting potential for \$100m net profit in FY21, which should then see the stock valued at around \$3.00, more than double its current price.