

Australia Small Cap Income 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 JobSafe 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: Small Cap Income portfolio outperformed the market with a return of +16.46%.**

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. **We are focussing on companies that can continue paying dividends. The current estimated yield on the portfolio is over 6.30% fully franked.** So far, into mid-May, the overall market is down while our portfolio is up strongly again.

Investors should keep in mind that volatility in markets will continue through the year and, until we have a vaccine for the virus, we expect reported active cases to increase as lockdowns ease. The future of our economy and markets will be dictated by our government response to any future outbreaks and new cases.

Monthly Return Stream

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2019	-1.07%	7.97%	1.03%	3.07%	1.99%	-0.97%	5.05%	3.79%	4.76%	0.91%	5.67%	0.69%	38.93%
2020	2.19%	-8.52%	-40.88%	16.46%									-35.63%

Note: Returns are quoted net of fees and assuming distributions are reinvested. Past performance is no guarantee of future performance.

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Key Facts

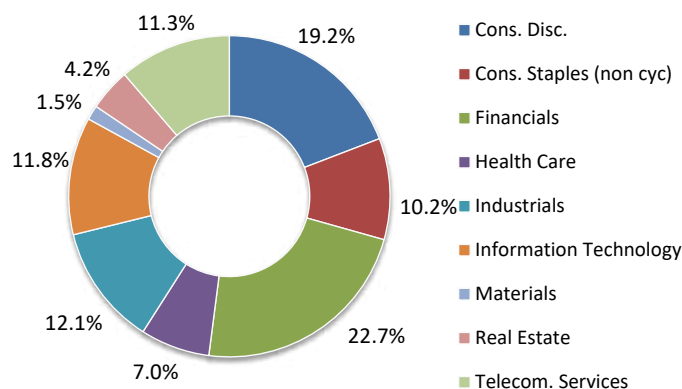
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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\$	\$0.8649	\$0.8628	\$0.8606

Portfolio Allocation

Equity	70.09%
Cash	29.91%



Contact

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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 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:

Bell Financial Group (BFG.ASX) is a new position. BFG is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients across fifteen offices in Australia. The business was founded fifty years ago and, **unlike many broking peers, BFG has always been highly profitable and conservatively managed.**

In CY2019 revenues were up 16% to \$254m and NPAT was up 33% to \$32.4m. The company paid an 8 cent fully franked dividend for the year. BFG has \$59bn of Funds Under Advice (FUA). **Pleasingly, Q1 trading in CY2020 has been extremely strong** as the company benefits from market volatility and increased trading volumes. This has also been bolstered by elevated corporate transactions as companies look to raise capital and shore up their balance sheets. We expect this trend to continue through the year.

So far Q1 revenues are up 37% to \$62m and profit before tax is up 147% to \$9.4m. BFG should continue to do well this year and benefit further from receiving a third-party clearing license from the ASX. BFG is trading on a single digit PE while offering an estimated 15% grossed up dividend yield. **We value the stock at \$1.80.**

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.

NOTE

The fallout from Covid-19 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.



Source: Money3 company filings

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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.**

Infomedia (IFM.ASX) took the opportunity to raise capital for opportunistic acquisitions in April. IFM raised \$85m at \$1.50 and we expect some large deals to be significantly accretive for the group. The company is highly profitable with **over 95% of revenue coming from recurring software subscriptions.**

In the short term we expect growth to slow down as the auto industry they service is going through a prolonged downturn. Over the long term though, IFM software solutions should see increased demand as auto dealers look for greater efficiencies in their business. Although the stock is currently fully priced, **we expect any major acquisition to significantly increase the value of the company.** We patiently wait for news flow.