

Australia Small Cap Income Unit Class

TAMIM Fund

At 31 August 2020

During August the ASX300 was up +3.05% while the Small Ords up +7.24%.

We are pleased to report another double-digit return month for the TAMIM Fund: Small Cap Income portfolio, up +13.73% net of all fees in August.

August also marked the 2020 financial year end reporting period, and expectations were quite low heading in. As we have mentioned previously, investors did not expect any major surprises in most cases as companies have been regularly updating the market. So, it was more a case of meeting expectations rather than surpassing them for share prices to respond positively.

Generally, most companies reported strong balance sheets and cash flows, in some cases boosted by JobKeeper payments, and others benefitting from cost cutting during 2H FY20. The sectors that provided the strongest results were retail, where government stimulus to consumers was a significant boost to sales, and technology, where Covid created strong demand for remote working solutions.

The portfolio's holdings met our expectations and we have added to some positions where we feel there is more good news to come and we expect strong growth to continue in FY21 and beyond.

As we head into September, **we expect volatility to increase**, as markets and investors take a breather after such strong performance the last two months. We welcome any healthy pullback in equities as a huge positive and will look to accumulate on any weakness in companies that we are confident will continue to outperform investor expectations.

Below we provide a brief update on some of the news flow from our holdings in the Portfolio Update section of the report.

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

	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%	10.24%	0.73%	3.75%	13.73%					-15.66%

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

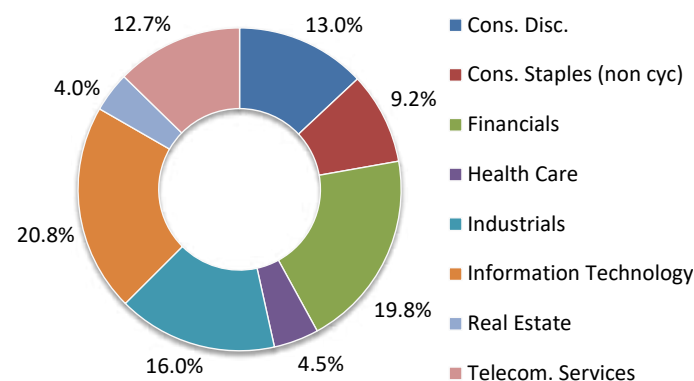
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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\$	\$1.1357	\$1.1329	\$1.1301

Portfolio Allocation

Equity	89.55%
Cash	10.45%



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Portfolio Update:

Resimac (RMC.ASX) reported FY20 profit up 79% to \$56m with their mortgage book now at \$14bn. The company was targeting a \$15bn loan book by 2022 but they should now exceed that this year. We see management as extremely conservative with an additional special Covid provisioning of \$16m. This assumes that economic conditions will worsen much more than any Big Four bank is currently predicting, underscoring the conservative tendencies of management. We see this as a potential buffer for profit clawback next year.

Shaver Shop (SSG.ASX) delivered *one of the best and highest quality results of all the listed retailers on the ASX. The company did so while not receiving any JobKeeper payments.* Sales were up 16% to \$195m with online sales doubling to now represent 23% of group sales. EBITBA profit was up 45% to \$19m and net cash is at \$12m or 10% of the current market capitalisation. A final dividend of 2.7 cents was declared which, with the recent catch up interim dividend paid in July, represents an 8% gross yield.

PERFORMANCE HIGHLIGHTS

KEY METRICS

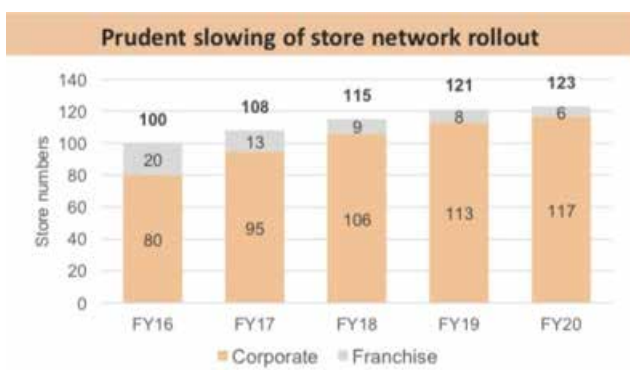


Source: RMC company filings

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.** Most importantly, 2H NPAT (excluding the Covid provision) was \$42m which gives a \$84m profit start for FY21 plus growth. **We are forecasting a potential net profit of \$100m in FY21 which will then see the stock valued at \$3.00.**

Shaver Shop has a strong growth trajectory

Online sales now the dominant driver of growth and accelerating



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Total Online Sales as % of Total Network Sales



Most importantly, FY21 started strong with the **first seven weeks of sales up 28% and online sales up 187%, which we estimate will represent 30% of group sales next year.** New customers who have recently shopped at SSG are coming back which is encouraging. We see SSG as a high growth retailer that is beginning to emerge as a high growth online business in a segment (personal care) where penetration is only 3%. **We believe the current forward multiple of 8.5x PE is undervaluing the company and we expect any good sales update in the next few months to see the stock head towards our valuation of \$1.50.**

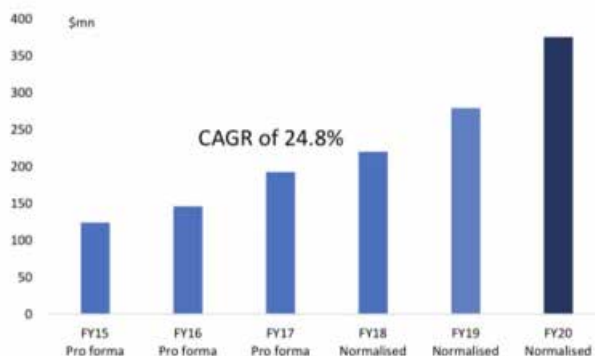
Class (CL1.ASX) is a cloud-based software company for accountants and financial advisors, helping them administer their client's SMSF and Trust accounts. CL1 is profitable and reported a good set of FY20 results with a very strong outlook for growth in FY21. Revenue was \$44m and EBITDA was \$18.8m (43% margin). CL1's management guided to \$53m revenue and \$21m EBITDA in FY21. Growth is mostly driven by recent acquisitions and the expected early launch of the Class Trust product.

The company is flagging further M&A and expanding into new solutions that offer a larger market opportunity than just SMSFs. The company is trading on 20x FY22 PE with a 2.5% dividend yield, which we think is attractive for a market leader. **We believe CL1 is a potential takeover target for any software companies targeting the accounting and advice industry. We value the stock about \$2.40.**

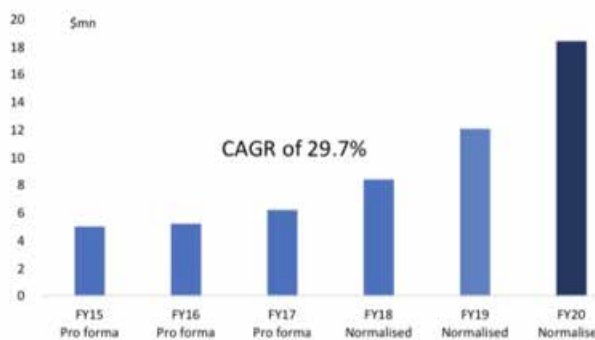
People Infrastructure (PPE.ASX) exceeded expectations with revenue growth (see right) up 34% to \$374m and EBITDA growth of 49%, to \$26.4m. Cash EPS was up 23% to 20.5 cents. EBITDA margins improved to an industry best 7.1% with strong operating cash flows leaving the balance sheet with \$10m net cash, enabling a total 8 cent dividend for FY20.

The business has now seen **demand for staffing bounce back to pre-Covid levels and the company has up to \$90m in funding capacity to undertake acquisitions in the next 12-24 months without raising capital.** We think the business is currently in a sweet spot with demand for workforce in the health sector only increasing. **We value PPE at about \$3.65.**

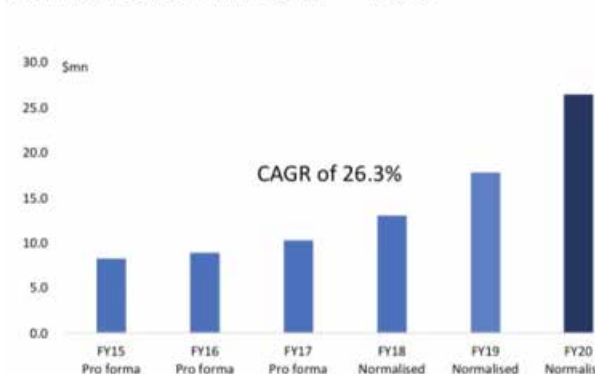
5 YEARS OF 20%+ COMPOUND GROWTH IN EARNINGS REVENUE GROWTH 2015 – 2020



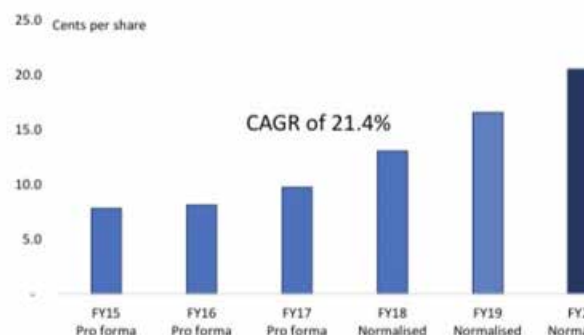
NPATA GROWTH 2015 – 2020



EBITDA GROWTH 2015 – 2020



EPS GROWTH 2015 – 2020



Source: PPE company filings

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Reckon (RKN.ASX) is one of the leading accounting software businesses in Australia with a growing legal document software suite in the US. The company has been in turnaround mode for the last few years as the software was being redeveloped in the cloud to catchup with market leader Xero. The business is highly profitable and cash generative and has been the target of takeover activity for some time.

A focus on Growth

More than just a technology company!



RKN is probably the cheapest software stock listed on the ASX, trading on 10x PE with a 10% grossed up yield. We believe the stock will begin to rerate in the next twelve months as green shoots of growth in the cloud software solution emerge and the US division continues to grow under the new joint venture with ZebraWorks. There is the potentially huge upside for any private equity player acquiring RKN and selling off its parts. **We value RKN at \$1.20.**

Source: PPE company filings