

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 December 2019

The month of December saw the market take a breather after what was mostly a fantastic year to be invested in equities. 2019 saw the best returns the Australian market has had for a decade and one of the best overall in a broader historic sense.

During December the ASX Small Ords was down -0.29% while the ASX300 was down -2.02%. After such a strong year it seems fatigue set in and investors signed off for an early holiday period.

**The TAMIM Fund Small Cap Income unit class bucked the market trend and continued to perform strongly with a return of +0.69% in December.**

**We are pleased to have delivered our investors a strong +38.93% return for the 2019 calendar year.**

This is almost double the index return last year (ASX300 was +23.77%) and we are extremely pleased with this strong performance in year one of the Fund. The strategy of investing in dividend yielding small cap stocks that exhibit value and growth characteristics has proved successful across the portfolio.

Back in January 2019 we told our investors that we see significant value emerging across the broader market after what was one of the worst quarterly market corrections in recent memory. At that stage we were tentatively bullish.

As we went through the year Australians voted in what was a more stable federal government (on regulatory and tax policies at least) and our reserve bank cut interest rates to historic lows, signalling the willingness to support the economy at all cost. This resulted in our tune changing to a very bullish one.

**Since mid-last year we have regularly stated that we believe the Australian markets (after a lost decade since the markets peaked in 2007) are at the onset of a multi-year bull market for equities.** As we explained on numerous occasions, interest rates at close to zero and a loose monetary policy by the RBA will continue to drive equities higher as investors look for better returns outside property and cash.

So far, our conviction has been vindicated and, as we go through the first month of 2020, the Australian market is already hitting record highs on a daily basis.

While all this is happening it is important to block out the noise coming from media commentators and headline seekers alike. Just because we are finally hitting record highs, that doesn't mean it's the

### Key Facts

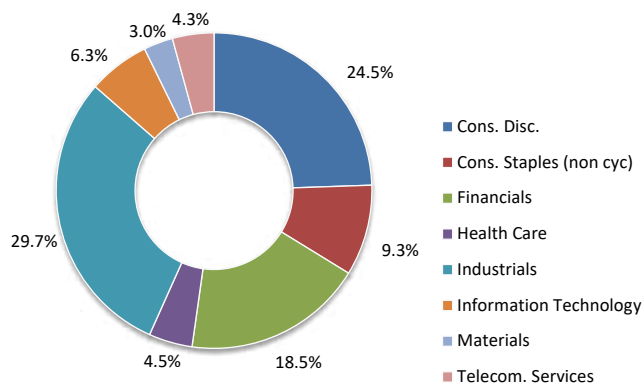
<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Monthly
<b>Redemptions:</b>	Monthly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Semi-annual
<b>Management fee:</b>	1.25% p.a.
<b>Performance fee: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

### NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.3427	\$1.3404	\$1.3370

### Portfolio Allocation

<b>Equity</b>	78.8%
<b>Cash</b>	21.2%



### Contact

**Darren Katz**      darren@tamim.com.au      0405 147 230

### Monthly Return Stream

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>2019</b>	-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%
<b>2020</b>													

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

The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). 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. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document.

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 December 2019

end of the party.

***In fact, this is just the beginning!***

We believe that the next three to five years will be a golden era for Australian equities with our markets reaching new highs along the way. ***We would not be surprised to see our index reach the magical 10,000 number in five years' time.***

All that being said, investors should also be reminded that equities never go up in a straight line. ***We will have plenty of corrections and negative months along the way.*** Investors in general tend to get distracted from time to time and forget about fundamentals, they will always come back to front of mind soon enough though.

A good example of the above was last year. On more than one occasion markets sold off aggressively as investor concerns focussed on a potential hard landing economic impact from Brexit and the risk of a prolonged US/China trade war. In both instances we always insisted that these issues would resolve themselves in time and this has turned out to be the case.

The key, as always, is to ***block out the noise and stay disciplined by sticking to fundamentals.*** We will keep searching for great businesses that are growing, operate in industries with tailwinds, and (more importantly) are run by management teams we can trust and value. ***From time to time, we will get one wrong.*** This is exactly why we are always diversified across 30 or so companies.

There is a significant amount of cash still sitting on the sidelines looking for a home and ***we are confident that we can continue to outperform for our investors in 2020 and beyond.*** Investors will seek better returns than what are essentially negative real returns from cash in a bank account.

There wasn't much by the way of portfolio holdings news flow this month so we will keep this report shorter than usual. The only meaningful news came from our holding in ***CML Finance Group (CGR.ASX).***

CGR is currently under a friendly takeover offer from Consolidated Operations Group (COG.ASX) which is mostly script based. While we believe that, as previously highlighted, the combination of both companies makes sense and offers upside, we feel the offer of about 52 cents significantly undervalues CGR.

***This view was validated in December as CGR's largest competitor, Scottish Pacific Group (SCO), made a superior bid at a combined cash value of 61 cents.*** The bid is conditional on due diligence. We feel that the SCO bid is still undervaluing CGR but is at least more realistic and fairer compared to the offer made by COG. We will retain our holding and let this play out as, in both cases, we feel there is still upside from the current share price.

We will provide further updates and commentary in our next monthly report.

We would also like to take this opportunity to once again wish our investors a happy new year and a prosperous and healthy new decade.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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

The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). 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. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document.