

Australia Small Cap Income Unit Class

TAMIM Fund

At 31 December 2020

Back in our April 2020 report we described the market meltdown and associated covid-lockdowns as unprecedented. The word “unprecedented” is defined by Dictionary.com as “without previous instance; never before known or experienced; unexampled or unparalleled.” This word was voted as the people’s word of choice for 2020 by Dictionary.com for good reason.

There is no doubt that many of the events that occurred in 2020 fit that description. From the uncertainties of the covid situation, to the world effectively shutting down during lockdowns, to the market’s record meltdown in March, to the \$15 trillion of government stimulus globally, to the market rally since April, to the hotly contested and contentious US elections, to the riots and protests in the US and around the world and finally the vaccines which may signal the beginning of the end of this pandemic chapter.

During the month of December, the ASX300 was up +1.32% and the Small Ords was up +2.76%. **The TAMIM Fund: Small Cap Income portfolio finished the month up +3.01% net of all fees.**

In the 2020 calendar year, the ASX300 was up +4.08% while the Small Ords was up +9.20%. **The Small Cap Income portfolio was down -0.11% net of all fees.**

We are relatively happy with this performance, especially considering the portfolio was down over -40% in the wake of the March meltdown. Zooming out further, since inception on 1 January 2019, investors in the Small Cap Income unit class have returned +38.78% after fees, against the ASX 300 returning 28.82%. The current yield is 7.50% franked.

As we look to enter 2021, there are still uncertainties with covid-19, vaccines, and the global economy. What we are certain of is that interest rates will remain at record lows this year, equities will remain attractive to invest in (although picking the right companies will be key), and we are extremely bullish on the prospects of the portfolio of businesses we own.

We are quite optimistic for the Australian economy and the world in general at this stage. We believe our portfolios have the right balance between growth and value stocks. We do wish to remind our investors that volatility in markets will continue and any market pullback will be a healthy correction. Overall, we are quite confident better times are ahead for all of us, both here and abroad.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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%	-0.65%	2.58%	12.81%	2.97%	-0.15%

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

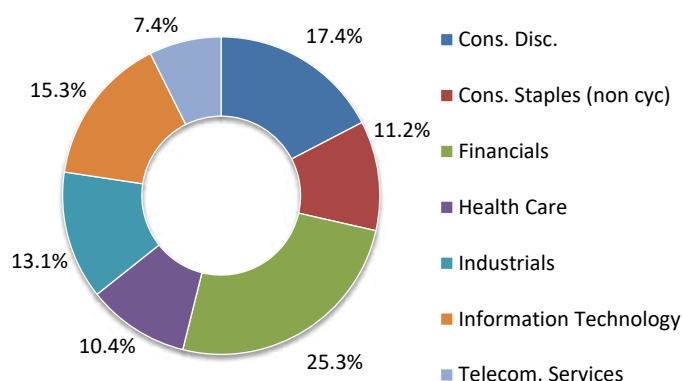
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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\$	\$1.3446	\$1.3412	\$1.3379

Portfolio Allocation

Equity	98.27%
Cash	1.73%



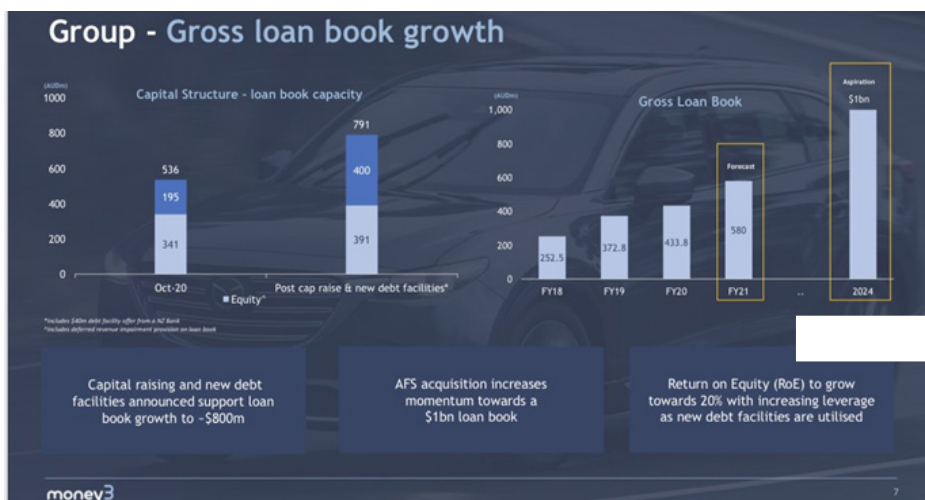
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Portfolio Update

Money3 (MNY.ASX) announced a \$50m equity raise to fund the acquisition of prime new vehicle lender Automotive Financial Services (AFS). AFS will add a \$49m loan book and entry into the commercial vehicle market. The deal is also \$2m NPAT accretive from FY22.



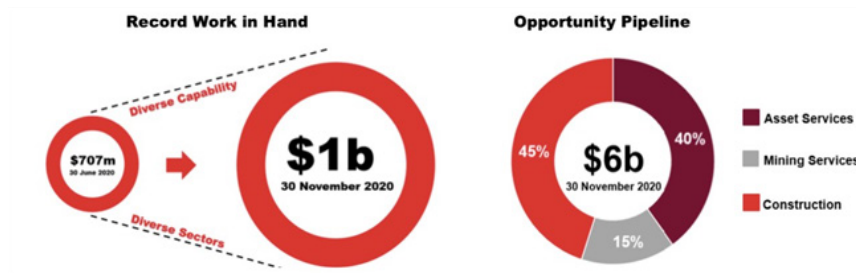
Source: MNY company filings

The combined group now has 4% of the annual \$6bn used vehicle finance market. The company is seeing strong demand for vehicle loans and expects record profits in FY21. **We believe MNY can achieve \$50m of NPAT in FY22. We value the business at approximately \$3.50.**

Dusk Group (DSK.ASX) is a specialty retailer, focussing on scented candles and fragrance diffusers, in Australia with over a hundred stores. The company listed at \$2.00 late last year and we managed to take a position at \$1.65 as investors sold off the stock (to our bemusement) while management was reporting better than expected sales in October (go figure).

Our buying was vindicated in late December when the company reported record sales and profits of \$91m for 1H21 compared to \$59m last year. They also reported EBIT of \$27m, compared to \$9.7m last year. In addition, **25% of the current market cap is sitting in net cash of \$33m.** This is an outstanding result and we expect FY21 EPS of 35 cents and a fully franked dividend of at least 35 cents grossed up. There is also potential for a special dividend paid on top. On the last price of \$2.30 **the stock is still trading on 7x PE and a 15% dividend yield; we believe this is too cheap. We value DSK at approximately \$3.50.**

SRG Global (SRG.ASX) provided another upgrade to earnings alongside a strong update and outlook during December. Management now expects EBITDA to be in the range of \$42-\$45m (an upgrade of over 10%). During 1H21 the company won \$550m in contracts and currently has a record \$1bn of work in hand. More importantly, the quality of revenue is improving with **65% of revenue in annuity or recurring work.**



Source: SRG company filings

SRG's diversification across geographies makes it a beneficiary of both a buoyant commodities market and government stimulus measures on infrastructure projects. We see the potential for another profit upgrade this year and **value the stock at 50 cents,** comparing favourably to our entry price of 30 cents.