Australia Small Cap Income Unit Class
TAMIM Fund

At 31 December 2022

Dear Investor,

We provide this monthly report to you following conclusion of the month of December and the 2022 calendar year.

During the month the ASX300 was down -3.29%, while the Small Ordinaries was down -3.73%. The TAMIM Small Cap Fund finished the month down -1.25% net of fees. For CY2022 the fund was down -19.32% compared to the Small Ordinaries down -18.40%, the S&P500 down -19.40% and the Nasdaq down -33.10%.

The month of December finished as one of the worst December returns in history (Nasdaq -8.70%, S&P500 -5.90%) which coincided with what was a very difficult year for equity markets. On a historical level, 2022 will be remembered as having some of the worst monthly returns on record with June and December being among the worst ever months for Australian and US markets.

Our fund performance this year has been extremely disappointing, and although we could not avoid losing money in such a difficult year for equities, we could have reduced our losses by avoiding stock specific issues. This is easier said in hindsight, but we can summarise more specifically what went wrong:

- We didn't anticipate earlier in the year that rising treasury yields would de-rate PE multiples by as much as -30% (especially in higher growth small caps)
- We stepped on too many landmines (stock specific issues/ downgrades)
- We had no energy thematic exposure until the latter part of the year

In saying all of the above, we did position the portfolio going into 2022 in profitable, dividend paying stocks with reasonable valuations in most instances. Unfortunately, the PE de-rating was indiscriminate whether a stock was on 20x PE or 8x.

We could have avoided a handful of downgrades by exiting any economic sensitive businesses in finance and retail, although some of the downgrades took us and others by surprise in sectors of the economy such as software and telco.

Key Facts

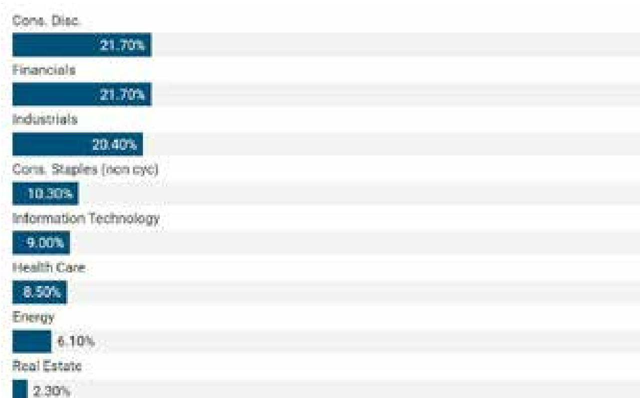
Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	Greater of: RBA Cash Rate + 2.5% or 4%
Lock up period:	Nil
Buy/Sell Spread:	+0.25%/-0.25%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.35%
APIR code:	CTS8008AU

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$0.13660	$1.3626	$1.3592

Portfolio Allocation

Equity	85.99%
Cash	14.01%



Portfolio Performance

Inception: 1/1/2019	1 month	6 months	1 year	2 years (p.a.)	3 years (p.a.)	Since inception (p.a.)	Since inception (total)
Small Cap Income	-1.25%	−0.93%	−19.32%	5.11%	3.33%	11.28%	53.27%
ASX Small Ords	-3.73%	7.02%	-18.40%	-2.33%	1.37%	6.04%	26.41%
Cash	0.25%	1.16%	1.30%	0.70%	0.57%	0.71%	2.86%

Note: Portfolio returns are quoted net of fees. Returns shown for longer than 1 year (other than "Since inception (total)") are annualised. 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. ASX Small Ords refers to the S&P/ ASX Small Ordinaries Index.

Finally, we don't normally invest in resources given their cyclical nature and so we didn't have any exposure to the best performing sector in 2022 up until July when we identified the developing global energy crisis and positioned ourselves in thermal coal producers which benefited our 2H performance.

So now that we have identified what went wrong, you may be asking what will we do differently this year. For starters we are not panicking, we having been investing in the markets for 25+ years now. The key market drivers of our investment process were not present during the 2022 year. We have been through many cycles and this one is no different , we see these return drivers returning in 2023. It's important to ignore the noise of the financial press, and the doomsayers who seem to only pop up after markets have already collapsed.

We know that our investment process works, it's important to continue to stick to our fundamentals and continue to invest in companies that are growing, have strong balance sheets to withstand a downturn, and any cyclical businesses that may recover quickly in time. We must remember that the strongest gains in markets tend to happen right after markets bottom, and since there's no one there to ring the bell, timing the markets is impossible. This is why we remain invested and will outperform when markets recover.

It is worth noting that both on a historical and fundamental basis, 2023 is shaping up to be a strong year for equity markets. Historically after such market downturns as last year, it is rare to see another consecutive year of large losses. In addition, if the US enters a recession this year as expected, markets tend to rally when recessions are announced as investors anticipate an earnings recovery. Finally, China reopening post its zero COVID policy, will be a strong tailwind for the Australian and global economy.

In terms of inflation, it is now evident it is heading lower on a monthly basis in the US and entering possible deflationary territory in the latter part of 2023. We believe the Fed has done almost all of the heavy lifting in terms of rate rises and we expect the Fed to pause by April this year. This should all act as positive catalysts for markets. It is also important to note that the US will not be able to continue to service its debt at these higher interest rates and this will mean an adjustment to either debt levels (difficult) or interest rates (less difficult) will be required over the medium term.

In conclusion, we are determined to improve on this year's performance. It is important to judge our investments process by its long term results. In our case these long results annualise in the positive double digits. There is an old adage in investing which says that investment returns always return to their mean. So as we said last month, in years when we are above this mean, we expect to revert by coming down and in years where we are below we would expect to revert by going up. In other words, just like at the end of 2021 we didn't expect investors to extrapolate our 3 year 30%+ annual returns going forward, we also don't expect investors to extrapolate last year's negative return either.

We are now firmly of the view that the worst of this cycle is behind us and although markets will continue to be volatile in early 2023, we expect an overall strong performance during the year. As we go to print in late January, some of this optimism is already showing in the portfolios performance.

We provide company specific commentary in the portfolio section of the report. We will provide further updates in our next monthly report during February.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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Portfolio highlights:

Earlypay (EPY) was a large detractor for the month. In early December EPY updated the market that its largest customer exposure to a building products contractor of $29M was now in doubt with that customer going into administration. EPY had both invoice funding and Equipment finance exposure. Management was confident in recovering the full amount and reaffirmed guidance and dividend for the year. A week prior directors were buying shares on market.

After discussions with management, we came away with a better understanding of this exposure and taking into consideration the long history of EPY default and recovery rates, we were of the view that management can be trusted to have a handle of the situation. A day before Xmas and EPY updated the market that it was no longer confident it could recover the full amount and that it was withdrawing both earnings and dividend guidance. The stock was sold off aggressively.

We decided to exit the position post this downgrade, as we no longer believe management has clear visibility on its customer exposure risk, there's a high likelihood an equity raise will be required to support its balance sheet (NTA 29c prior to customer provision), and finally with a deteriorating economy there is risk of further defaults and solvency risk. We will reassess our decision to exit post the Feb results.

Retail Food Group (RFG) is a food services and brand franchisor. The company has been in cleanup and turnaround mode for the last couple of years post a turbulent period where it was found that previous management didn't act in the best interests of its franchisees. Since then new management has transformed the business to focus on its brands which include Crust pizzas, Gloria Jeans, Donut King and Brumbys Bakery to name a few.

The results are beginning to show with profits this year expected to grow up to 35% to $29M Ebitda. During the month RFG delivered good news with an agreed settlement with ASIC for previous misconduct. The outcome of circa $10M was favorable and below market expectations. Going forward we see RFG beginning dividend payments and resuming its store network growth. RFG is trading on circa 11.5x PE compared to peer multiples of double that.

Mayfield Education (MFD) is a Victorian based childcare provider with 28 centers. The company acquired another provider Genius Education for cash and script in 2021, making Genius its largest holder (35%). Last year the acquired 14 Genius centers underperformed relative to the original MFD centers, which caused earnings to miss expectations and the potential earnout payment to be cancelled.

During December Genius surprisingly made a takeover offer of $1.28 for the MFD shares it doesn't already own. The offer was quickly superseded by Busy Bees Early Learning bidding $1.35. Busy bees previously acquired Think Education (TNK.ASX) in 2021 in what ended up being a contested takeover battle. Even at the higher bid, the offer only values MFD on 11x PE and right before what we expect to be an earnings recovery for the sector in 2023. We will sit and wait for this to play out.

G8 Education (GEM) is one of the larger childcare players in Australia and provided a pleasing trading update during December. YTD trading EBIT was $71M and NPAT of $41M. Core occupancy improved to 77.3%. Better cost control and management of labour shortages has achieved cost savings to mitigate inflationary pressures. The balance sheet is also in a solid position with net debt at 1.2x Ebit and so far $32M has been spent on a current buyback.

We see 2023 as a positive year for the child care sector with both favorable government policies and improvement in occupancy levels as the COVID impact completely wears off. We also expect staff shortages to ease as the international visa backlog unwinds. Overall,we see the sector re-rating on the back of improved earnings and dividends and with MFD on the verge of being acquired, we see GEM as an attractive alternative exposure to the sector. Our valuation is $1.50.