

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 December 2023



Dear Investor,

We provide this monthly report to you following conclusion of the month of December and of the 2023 calendar year.

December continued the strong run of equities from November to finish the year on a high note. During the month the ASX300 was up +7.22% and Small Ords was up +7.24%. For CY23 the Small Ords finished up +7.63% and the ASX300 up +12.00%.

To put that into context, up until the end of October the Small Ords index was down -6.24% CYTD and yet in the last 2 months rallied from the lows to finish well in the green. This highlights what we always say - that timing markets is impossible and staying invested over time is key to long term returns.

The TAMIM Small Cap Income Fund was up +11.95% in December. CY23 the fund finished up +14.32% net of fees. A strong year of returns outperforming all indices. December was a strong month of M&A activity with 4 of our holdings receiving takeover offers. We provide details on these in our portfolio commentary section.

Before we discuss our outlook for 2024 it's important to briefly reflect back on 2023. Back in April last year we held a webinar and wrote in our monthly reports the following:

*"We are positive on the outlook for our portfolio holdings. Each holding has a clear thesis and we have taken the opportunity in our last monthly report as well as the current one to explain how we believe these will play out this year. If the majority of these thesis play out as we think, we are of the view that we can generate very strong double digit returns this calendar year and beyond."*

*"We expect these returns to start playing out from the middle of this year as both the current rate hike cycle comes to an end, and inflation continues to fall significantly."*

At the time the fund was slightly negative CYTD yet we were confident of delivering a strong year due to the strong fundamentals in our portfolio holdings and the extreme undervaluation of these companies.

The reason we are highlighting this is not to gloat, but to emphasise that sticking to fundamentals, ignoring market noises, and more importantly being patient and remaining

### Portfolio Performance

Inception: 1/1/2019	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
<b>Small Cap Income</b>	11.95%	14.32%	8.10%	11.87%	11.87%	75.22%
<b>ASX Small Ords</b>	7.24%	7.63%	0.88%	6.35%	6.35%	36.06%
<b>Cash</b>	0.36%	3.89%	1.75%	1.34%	1.34%	6.86%

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.

### Key Facts

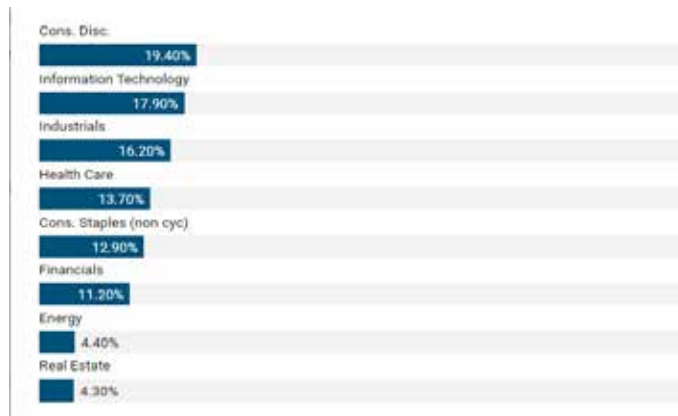
<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Monthly
<b>Redemptions:</b>	Monthly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Semi-annual
<b>Management fee:</b>	1.25% p.a.
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	Greater of: RBA Cash Rate + 2.5% or 4%
<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%
<b>APIR code:</b>	CTS8008AU

### NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.5613	\$1.5574	\$1.5535

### Portfolio Allocation

<b>Equity</b>	92.50%
<b>Cash</b>	7.50%



# Australia Small Cap Income Unit Class

## TAMIM Fund



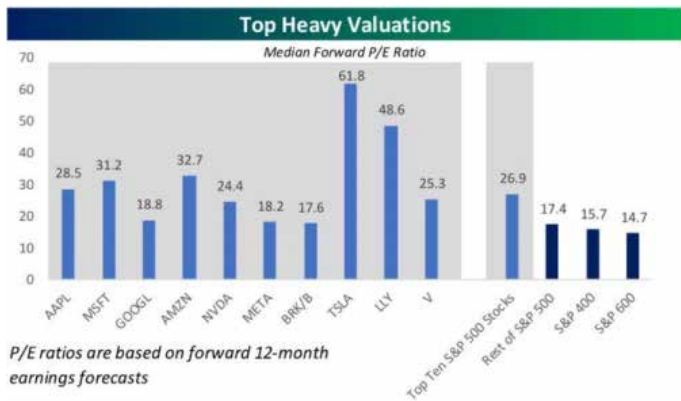
At 31 December 2023

invested through market drawdowns - will eventually lead to strong returns in the long run.

Finally, with inflation in the US sitting around 3% and interest rate cuts are now a certainty this year, we are quite bullish on small and mid caps outperforming, as stocks perform well when rates are cut with smaller companies doing even better:



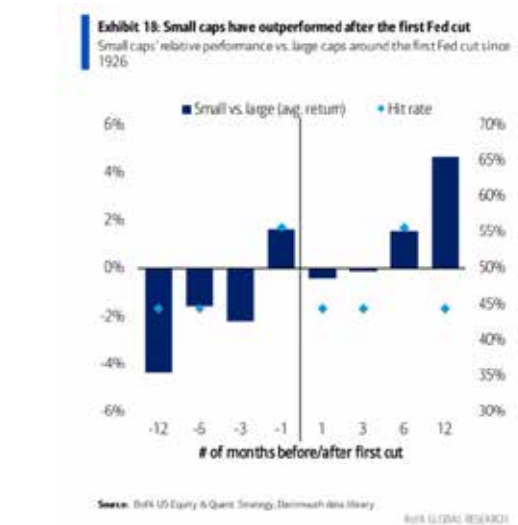
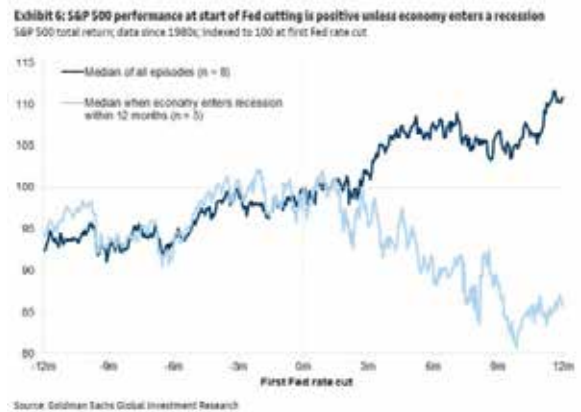
Looking into 2024 we are quite optimistic for several reasons. Gazing to the US markets and the S&P500 had a strong year up +26%. But digging further and if we exclude the 10 largest companies, the remaining 490 stocks were only up +7%. Hence valuations of companies outside these mega caps are below long term averages:



In addition 2024 is an US election year and the S&P500 has finished green in 13 of the last 15 US Presidential Election years with an average gain of +10%. The only 2 times the index finished in the red were the GFC and the Dot Com Bubble. Exclude those events and the average yearly gain is +15%:

Historical U.S. Presidential Election Results		
Election Year	President Elected	S&P 500 Index Total Returns
2016	Trump	12.0%
2012	Obama	16.0%
2008	Obama	-37.0%
2004	Bush W.	10.9%
2000	Bush W.	-9.1%
1996	Clinton	23.1%
1992	Clinton	7.7%
1988	Bush H.W.	16.8%
1984	Reagan	6.3%
1980	Reagan	32.4%
1976	Carter	23.8%
1972	Nixon	19.0%
1968	Nixon	11.1%
1964	Johnson	16.5%
1960	Kennedy	0.5%

Via Morgan Stanley



In summary, we expect 2024 to be another positive year but keep in mind after such a strong end to the year, we expect a pull back in the short term, before we continue to head higher.

On a personal note, it has now been exactly 5 years since joining TAMIM 01/01/2019. During that time the Fund has averaged a net return of +11.87% pa.

Investing is a journey, and arguably the last 5 years have been the most volatile I have seen in my 21 year investing career. Regardless all that has been thrown at us, we have managed to adapt and deliver. We hope investors join us for the next 5 years journey.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 December 2023

### Portfolio highlights:

**Probiotec (ASX: PBP)** is a pharmaceutical contract manufacturer and packaging company in Australia. We have owned PBP for a couple of years now having acquired shares between \$1.50 to \$2.00 over the last few years. PBP is founder led, highly profitable and pays a regular dividend. PBP will make \$37M of Ebitda this year and an EPS of 20 cents.



During December PBP agreed to be acquired by Indonesian pharmaceutical conglomerate, Pyridam, for \$3.10 including franking credits. The offer represents good value in our mind relative to our valuation of the company. Overall and including dividends, we have generated over +60% return in the stock over our holding period.

**Link Administration (ASX: LNK)** provides corporate market, registry services and software administration services to Australia's Superannuation funds. The company has been a perennial disappointment for many years now but during late 2023 presented a unique opportunity to buy the stock at all time lows of \$1.40 or 8x PE. The market was negative on the company due to a UK Fund subsidiary issues and claims, and a contract lost of a large super fund customer.



At the same time the company has a very resilient and sticky customer base and was upgrading profit for FY24. Although debt levels were elevated, the nature of the business and the strong cash flow generation gave us comfort in investing in the stock. In addition, the dividend yield represented a 10% yield. During late December LNK agreed to a takeover offer of \$2.26 by Mitsubishi UFJ financial group.

The offer values LNK at 14.2x NPATA. We don't believe the price paid is excessive which leaves the door open to a competing and higher bid. LNK has a history of several interested acquirers over the years trying to buy the company. Hence we wouldn't be surprised if a higher offer emerges in the next couple of months. Overall and once again, LNK delivered us a return closer to +60% in a very short period of time.

**Pacific Smiles (ASX: PSQ)** is the operator of 130 dental centres across Australia. In FY23 the company generated \$270M of patient fees and \$24M of Ebitda. The company is in net cash and pays a small divvy. FY24 guidance is \$27M. We have followed the stock for almost 10 years since ipo and could never justify investing in it due to the excessive valuation. Our patience has finally paid off in spades, as late last year the stock was aggressively sold off by long term holders who gave up, and sold the stock down to all time lows of below \$1.00.



We saw this an opportunity to finally buy a quality cashed up healthcare business at 5x Ebitda. Almost all dental care chains with scale have been acquired last few years at 9-15x Ebitda and we expected PSQ to get acquired as well. In late December Genesis Care made a \$1.40 offer to acquire the company. We believe a price closer to \$1.70 (9x Ebitda) is more fair and the board has engaged the bidder to improve its offer. Our average entry is \$1.05.