

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 28 February 2021

During the month of February the ASX300 was up +1.48% while the Small Ords was up +1.55%.

**The TAMIM Fund: Australia Small Cap Income portfolio continued its strong outperformance for 2021 and finished the month up +3.88% net of all fees.**

Calendar year to date, the portfolio is up +7.70% net of fees. The strategy has now delivered a return of +20.43% p.a. since inception.

February was a busy period as companies reported their half year results. In most cases, due to covid disruptions, many companies have regularly updated investors on their financial performance. Therefore, the devil was in the detail, so to speak.

One key feature of this reporting season and the first half of FY21 generally, was the way companies adapted their businesses to the new covid environment. In most cases cash flows were quite strong as management teams focused on working capital and cutting costs. This resulted in increased dividend payments which will flow on to investors from March.

Covid has forced companies to operate more efficiently and invest in digital capabilities in order to manage a remote workforce. We see these efficiencies remaining in the future even with the full reopening of economies and easing of restrictions.

Overall, our holdings delivered strong results. We added some new positions and cut some underperforming ones where we have lost confidence in management. We are seeing a lot of new opportunities and value emerging in many companies that should benefit from a post-covid world.

Finally, the biggest topic of discussion and concern for investors this month was long term bond yields increasing due to expectations of inflation. Generally speaking, higher yields lead to lower valuations of growth stocks as investors use this metric to value these businesses future cash flows. We have somewhat anticipated this shift and have recently moved away from some of the "Covid Winners" we have previously discussed and into companies that should benefit from the reopening trade in a post-covid world. We remain focused on the fundamentals of the businesses we own rather than macroeconomic noise. We see that alone, as the ultimate recipe for long term performance.

### Portfolio Performance

Inception: 1/1/2019	1 month	3 months	6 months	1 year	2 years (p.a.)	Since inception (p.a.)	Since inception (total)
<b>Small Cap Income</b>	3.88%	10.90%	27.51%	15.04%	18.19%	20.43%	49.41%
<b>ASX 300</b>	1.48%	3.16%	14.26%	9.53%	9.14%	13.38%	31.16%
<b>Cash</b>	0.01%	0.02%	0.07%	0.20%	0.60%	0.67%	1.46%

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. ASX300 refers to the S&P/ASX 300 Accumulation Index.

### Key Facts

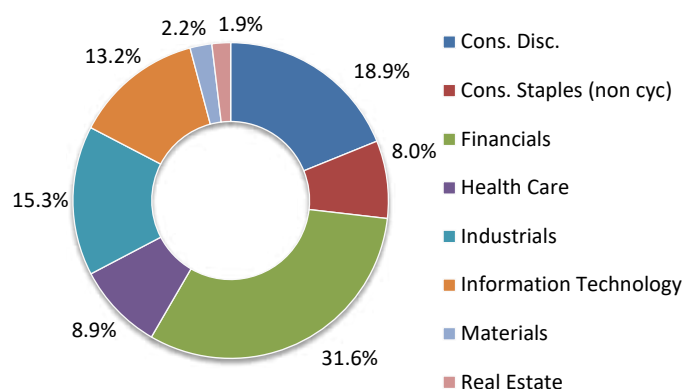
<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Monthly
<b>Redemptions:</b>	Monthly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Semi-annual
<b>Management fee:</b>	1.25% p.a.
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	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>	\$1.4482	\$1.4445	\$1.4409

### Portfolio Allocation

<b>Equity</b>	95.20%
<b>Cash</b>	4.80%



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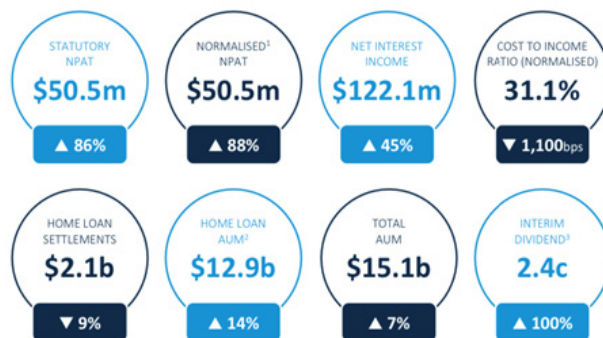
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### Portfolio Update:

**Resimac (RMC.ASX)** is a leading mortgage originator in Australia, delivering an excellent result that the market, in our view, misunderstood. They are currently investing heavily in their digital capabilities and are fully expensing the spend this year. This is why profit after tax wasn't at the top end of guidance and probably why some investors were disappointed.

For perspective, net profit after tax grew 90% to \$51m and full year guidance is \$105m net profit after tax. What investors are missing is that guidance doesn't include any covid provision write back. Something which their competitor, Liberty Financial Group, already wrote back in their half year results. **We believe there is an upgrade coming later this half and our valuation is \$3.50.**

Our 1H21 performance highlights  
(v 1H20)



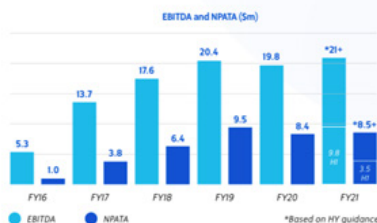
Source: RMC company filings

**Earlypay (EPY.ASX)** is an invoice financing and equipment funding business that has reported their first result as a true fintech. Unlike others in the sector, EPY is actually making real profits and paying dividends to investors. In December, 56% of new business came from their online portal Skipper, which they acquired last year. Already, in January and February, more than 76% of new business is coming from this online channel. Online on-boarding takes two days, compared to the previous system taking two weeks.

We believe that when government stimulus begins to taper off in March, many businesses will require further working capital and think that Earlypay will continue to benefit and continue to grow this year as they pick up some of the slack. We are currently forecasting FY22 net profit after tax of \$14m and we value the stock at 70 cents. There is always a possibility that Scottish Pacific or Consolidated Operations Group (COG.ASX) or another player in the finance industry will make a takeover bid for Earlypay.

EPY Snapshot

Earlypay is reinventing the way invoice finance is delivered



Source: EPY company filings

**Empired Group (EPD.ASX)** delivered a stellar result with revenues up 7% to \$90m, EBITDA up 107% to \$16.2m and NPAT of \$7.7m. Operating cash flows were strong at \$17.5m and the company is in a net cash position of \$6m. A 1.5 cent interim dividend was also declared for the first time in six years. EPD is a beneficiary of the digital transformation undertaken by large corporates and government agencies. In addition, there is less competition from offshore IT services providers due to border closures.

EPD expects strong Business Applications growth to further strengthen in 2H21 with an outstanding pipeline of material contract opportunities. We see EPD delivering approximately \$32m EBITDA in FY22. This translates to \$15m NPAT and makes EPD look cheap at 8x PE and EV/EBITDA of 3.5x. **Our valuation is \$1.00.**

ANZ Digital Powerhouse				
<b>Empired (ASX:EPD)</b> Modern Workplace & Security Digital & Data Business Applications Cloud Platforms	<b>Competitive Advantage</b> Digital Transformation to Digital Operations Industry based software & solution accelerators Deep end-end Microsoft Expertise	<b>International Reach</b> ~1,000 people Australia New Zealand USA	<b>Sticky Predictable Revenue</b> Multi-year services contracts High repeat revenue from long term clients Recurring Software as a Service (SaaS) Revenue	<b>Strong Growth Platform</b> Attractive market thematic \$30B+ market Extensive capability Scalable platform
Leveraged to growth segments of the market	Unique differentiation	Scalable platform	Long term value drivers	Double digit EPS growth FY21

Source: EPD company filings

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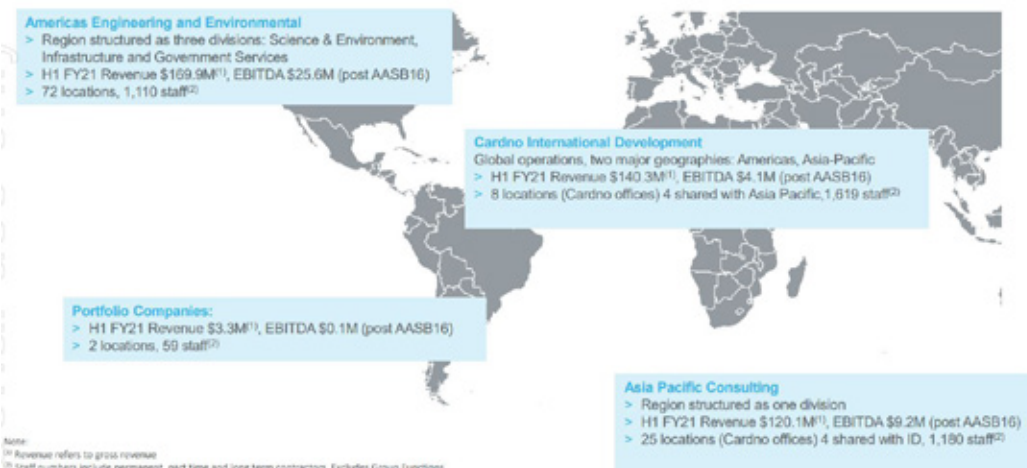
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**Cardno (CDD.ASX)** is a professional infrastructure and environmental services consultancy. 1H revenues were down 11% to \$434m while underlying EBITDA was up 10% to \$25m and NPATA was \$14m. We expect full year EPS to be in the range of 6-7 cents which makes the stock look incredibly cheap at the current price of 47 cents. Our entry was 33 cents. CDD's strong balance sheet and cash flows allowed the company to buyback 10% of shares on issue during the half. Accordingly, management declared a 1.5 cent franked dividend.

We see CDD as a beneficiary of the reopening trade in the post-covid world. Management also provided an upgraded guidance of EBITDA range of \$45-50m (a 10% upgrade). We believe CDD is a potential takeover target if the shares remain undervalued. **We value the stock at about 70 cents.**

### 2021 Half-Year Segments



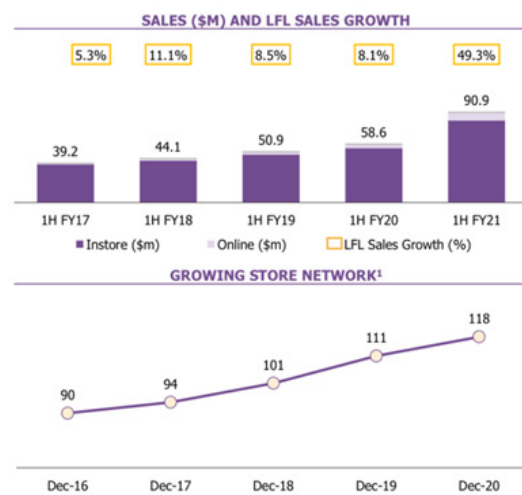
Source: CDD company filings

**Dusk (DSK.ASX)** results came in at the top end of their guidance as, like many retailers, DSK benefitted from covid consumer demand for home fragrances and decor. Sales were up 49%, online sales up 120%, and EBIT of \$28.3m (excluding JobKeeper) which was up 194%. DSK also has a net cash balance of \$35m. An interim dividend of 15 cents was declared. Pleasingly, management also provided a trading update for the first six weeks of 2H with sales up 55%.

DSK opened six new stores during the half with the store network now up to 118. Another four new stores and the refurbishment of thirty-six legacy stores is also planned for this year. Longer term, we believe DSK will have to show investors that the company can expand beyond Australia and NZ and into other markets in order to receive a higher valuation compared to peers like Lovisa (LOV.ASX). We took some profits above \$3.00 as we have almost doubled our investment since our entry at around the \$1.60 mark.

### Sales

Record sales underpinned by strong LFL sales growth and new stores op



Source: DSK company filings