Australia Small Cap Income Unit Class
TAMIM Fund

At 31 July 2019

July was a strong month for equities, particularly small caps. All indices were up during the month, most notably the ASX Small Ords Accumulation index (+4.51%) compared to its big brother ASX300, up a more modest +2.97%.

The TAMIM Small Cap Income strategy delivered yet another strong month in July (+5.05%). The portfolio is up +19.00% calendar year to date. The current estimated yield across the portfolio is 4.10% fully franked (5.85% grossed up).

Technology names continued to perform this month and small resource stocks carried a heavy load with the Small Resource Index up just under +8% for July. ***Considering we have ZERO exposure to resources in the Fund, we are quite pleased with our strong performance.***

In July the ASX finally breached the all-time high set in 2007 prior to the GFC. The ASX200 is in the midst of its best year since 1991 driven by a second consecutive RBA rate cut, bringing it to 1.00%. This is the first time we have seen back to back cuts since 2012. As we go to print, the Federal Reserve in the US had also cut rates and even the Reserve Bank of New Zealand surprised markets by cutting their rates by a full 0.5% to join Australia at 1.00%.

Money markets are now pricing in a further two rate cuts over the next twelve months in Australia and the world is now in a currency war. Governments are trying to stimulate economic activity all over the world and devalue their currency faster than their trade partners. The main driver this behaviour is stems from the continued divide on a trade resolution between China and the US.

For us as investors, ***we welcome volatility with open arms.*** In fact, as we see increased volatility recently, we view it as a healthy short-term correction in what we believe is ***the beginning of a multi-year bull market for Australian equities***. With the AUD hovering around a decade low of 67 cents versus the USD, we have positioned the Fund to benefit from offshore earners.

Positive contributors to performance during the month of July were McPherson's (MCP.ASX), Resimac (RMC.ASX), People Infrastructure (PPE.ASX), CountPlus (CUP.ASX) and Australian Finance Group (AFG..ASX). Detractors were Global Traffic Network (GTN.ASX), Collection House (CLH.ASX) and Vita Group (VTG.ASX).

It's important to note that as part of our stock selection analysis and due diligence, we try and identify businesses that also have specific industry leadership or value to a strategic acquirer. We have noticed over time that ***companies with strong intellectual***

Key Facts

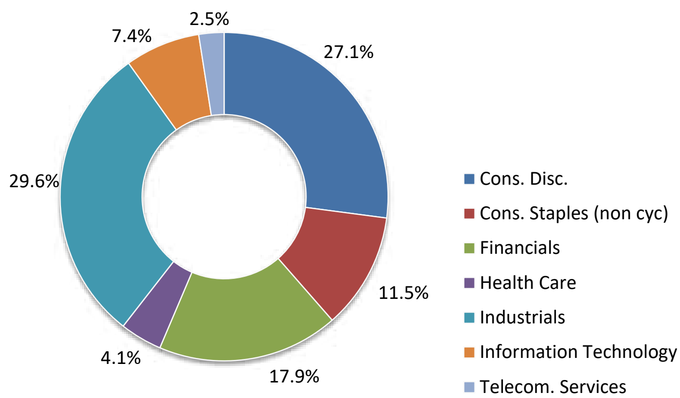
Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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$	$1.1357	$1.1329	$1.1300

Portfolio Allocation

Equity	71.45%
Cash	28.55%



Contact

Darren Katz	darren@tamim.com.au	0405 147 230
John Palmer	john@tamim.com.au	0421 092 446

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%						19.00%

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

property, industry leading market share, a recognisable brand and a compelling valuation tend, more often than not, to get acquired.

As we enter August, we will be extremely busy analysing full year company results and we will share our views and some highlights in our next monthly report. Below we discuss updates and news flow from some of the portfolio holdings during the month in the portfolio update section of the report.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Portfolio Updates:

Noni B (NBL.ASX) provided a brief trading update during the month and reaffirmed market expectations of 21% earnings growth to $45M EBITDA. Like for like sales growth ended down -4.3% for the year as expected. This was mostly due to higher priced sourced inventory inherited from the Specialty Brands (SFH) acquisition.

The key catalyst for the share price going forward, and an important milestone for our investment thesis, will be at the full year results in August. We expect NBL to provide ***a potential upgrade in the quantum of cost outs they have achieved from SFH***. Additionally, we expect Gross Margins to improve next year with improved garment procurement. Should this eventuate, the upside risk to our thesis could materialise in terms of like for like sales growth. ***We value NBL at ~$4.50.***

McPherson's (MCP.ASX) delivered impressive preliminary results during the month. Revenues from their owned brands were up 11% with key ***skin beauty brands Dr Lewinn's and A'kin growing 125% and 15% respectively***. Strong operating cash flows have decreased net debt to $7.5M and underlying EPS was up 5% to 13 cents.

A final dividend was declared at 6 cents fully franked bring total year dividends to 10 cents per share. Grossed up, that is ***over 12% yield on our $1.20 entry price***. The shares rallied strongly post the update as management commentary was bullish on FY20 growth prospects. The company has signalled FY20 guidance will be given much earlier this year in mid-August (a bullish sign in its own right). The shares closed the month over $1.80. ***We value MCP at ~$2.30.***

Healthia (HLA.ASX) is a new position we established in July. HLA is a roll-up of podiatry and physiotherapy clinics across Australia. The company owns close to eighty podiatry clinics and almost forty physiotherapy practices. Across July and early August, HLA acquired a further thirteen clinics (six podiatry, three physiotherapy and four hand therapy clinics). Total consideration was $9M and this will add approximately $2.2M of EBITDA.

The company has ample debt facility headroom for further deals. ***We estimate HLA pro forma EPS of around 10 cents (current PE multiple of 10x)*** and expect a dividend payout ratio of at least 40%. We have been watching HLA progress since their listing and waited patiently to acquire shares below their IPO price of $1.00. We are attracted to the defensive nature of the health segment of the market HLA is exposed to due to the aging demographics of Australia. We see their ***roll-up strategy as being in the early days***, and their acquisition structure of part cash and part shares appeal to us. ***We value HLA at ~$1.40.***

Resimac (RMC.ASX) is one of our largest holdings and we have written about it before. We entered the position around 50 cents several months ago. During July RMC provided strong NPAT guidance of $30-32M. We expect the company to hit the top end of guidance. That tran***slates to EPS of 8 cents and an historical PE multiple of 9.5x***. The sector is currently on a 12.5x forward multiple and we would argue RMC growth rates are superior.

FY19 total loan settlements were $3.8B and the group loan book ended the year at $10.2B (20% growth on last year). Pleasingly, loan growth was skewed to the fourth quarter and, due to the recurring nature of the revenue that is interest income, this means ***FY20 profits are now set at a minimum of 10c EPS*** based on our analysis. ***We value RMC at over $1.20*** and believe there is still significant upside from the current price.