Australia Small Cap Income Unit Class
TAMIM Fund

At 31 July 2020

July was generally a good month for equities with the small- to mid-cap stocks outperforming the larger cap ones. The ASX300 was up +0.60% and the Small Ords up +1.39%.

We are pleased to report the TAMIM Fund: Small Cap Income portfolio was up +3.75%.

July saw many companies provide quarterly or unaudited full year financial result updates, and, in most cases, these were extremely positive for the businesses we own in the portfolio. ***We are also seeing some M&A activity emerging which is encouraging.***

As we head into August reporting season, this year more than any other year, it is fair to say that there is more uncertainty than we have seen in a very long time. The good news is that market expectations are quite low and companies have provided regular updates in the last few months, which means fewer nasty surprises (or "land mines" as some like to call them) for investors.

We continue to find tremendous opportunities and value in companies that are benefiting from the current new "normal" of the Covid world. The structural shift to online shopping, electronic payments, and demand for data and connectivity for working from home has seen many companies operating in those sectors thrive and grow.

On the economic news front, GDP and unemployment data being released isn't pretty but in our mind this is all rear view mirror stuff. ***Markets are forward looking and we believe governments will continue to stimulate*** the economy and consumers until we have a vaccine and better treatments for Covid.

In saying this, we are expecting volatility to continue and we think that, post-August results, we will see it emerge further as investors attention will focus on the upcoming US elections and the uncertainty that will create. ***Our portfolios now have some built-in market downside protection*** as we mentioned last month.

Regardless, and as we always remind investors (sometimes sounding like a broken record), ***we are not here to predict the next market correction***. We are solely focused on finding companies that are growing and often overlooked by the broader market. As we head into August, we are seeing positive initial updates from some of our holdings so far and, although it is too early in the month, the portfolio is performing well.

Key Facts

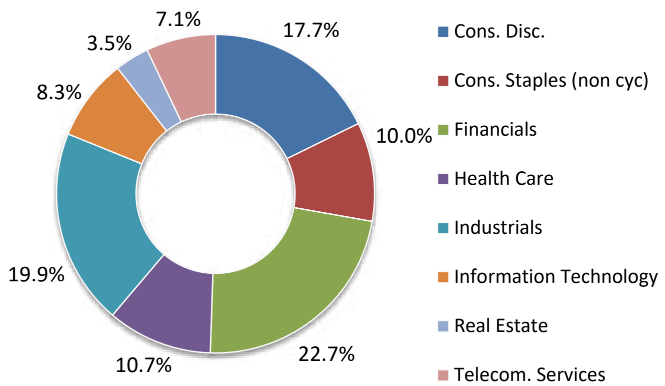
Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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$	$0.9986	$0.9961	$0.9936

Portfolio Allocation

Equity	90.58%
Cash	9.42%



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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%						-25.84%

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

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We provide a brief update on some news flow from our holdings during the month in the Portfolio Update section and ***spotlight a retail holding in Adairs (ADH).***

Sincerely yours,

Ron Shamgar and the TAMIM Team.

NOTE

Covid-19 is a situation that continues to evolve; the facts and figures are changing day by day. What applies today may not apply tomorrow. One must stay informed and have their opinions and actions evolve accordingly. Stay safe, take appropriate precautions and be sensible.

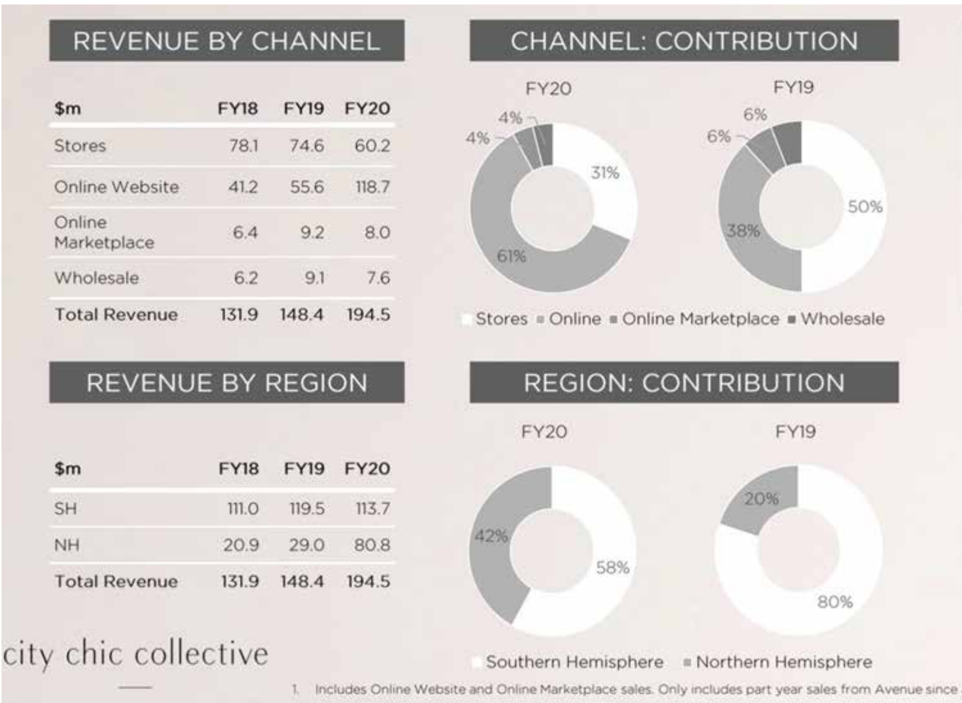
Portfolio Update:

Cardno (CDD.ASX) is an environmental, government and community consultancy firm which operates with over 4,400 staff globally. The company has been overlooked by the market recently as it has been in turnaround mode for the last few years and also demerged its lab testing division, Intega (ITG.ASX), more recently, making it too small for some index funds to hold. ***We took advantage of this to build a position around 23 cents ($100m market cap) recently.***

CDD released a strong trading update in July with the business not being impacted by Covid, benefitting in fact, as governments and corporates require help with community planning due to Covid restrictions. CDD is guiding to EBITDA of $41-$43m in FY20 and a positive net cash position. ***Operating cash flows were also strong and we believe there's a good chance of dividends being reinstated.*** We estimate that FY21 will see further earnings growth as management has indicated a strong backlog of work. ***CDD is trading on a 6x PE multiple and we value it at 55 cents.***

City Chic (CCX.ASX) is a leading online plus size women's retailer. During July CCX announced the acquisition of the e-commerce assets of US based plus size retailer Catherines from bankruptcy proceedings. T***he deal, when successful, should add up to $90m in online sales in the US.*** To support the acquisition, which we estimate will cost $30m, CCX raised $90m in new equity. We have participated in this at $3.05 a share.

Management also provided FY20 financial results of 30% growth in revenues, to $195m, and about $29m in underlying EBITDA. The company finished the year with a net cash position and, together with the proceeds of the raise, should have over $60m to deploy on future deals. ***We expect 80% of group sales next year to come from online.*** The global opportunity in North America and Europe provides CCX a long runway for growth and management are astute in their opportunistic buying of other businesses. ***We value CCX at over $4.00.***



REVENUE BY CHANNEL

$m	FY18	FY19	FY20
Stores	78.1	74.6	60.2
Online Website	41.2	55.6	118.7
Online Marketplace	6.4	9.2	8.0
Wholesale	6.2	9.1	7.6
Total Revenue	131.9	148.4	194.5

REVENUE BY REGION

$m	FY18	FY19	FY20
SH	111.0	119.5	113.7
NH	20.9	29.0	80.8
Total Revenue	131.9	148.4	194.5

Source: CCX company filings

CML group (CGR.ASX), which provides invoice financing to small and medium businesses, provided both a business update and a technology acquisition during the month. Pleasingly, CGR financed over $1.7bn in invoices during FY20 and achieved EBITDA of $20m and $8m NPAT. The company will also pay a 1.75-2 cents dividend which is an attractive yield. ***FY21 outlook is positive with demand increasing in June and July.***

During tough economic times, invoice payments get delayed, and we are already seeing this with industry data showing invoice payment delays in June now at 49 days (compared to 15 days last year), with some industries seeing delays of over 60 days. ***This bodes well for CGR.*** The acquisition of Skippr in July provides an automated technology platform for the company to acquire smaller customers at a lower cost and thus increase their market size opportunity. ***We think investors will gradually begin pricing CGR as more of a fintech rather than a traditional finance company***. CGR currently trades on 7.5x PE and a 6% ff yield. ***We value the company at more than 50 cents.***

Skippr – Streamlining the process

Automates several previously manual tasks, leading to a more streamlined

	Key Processes	CML Group	skippr
1	Client Acquisition	Manual	Automated
2	Onboarding of clients	Manual	Automated
3	Funding of eligible invoices	Manual	Automated
4	Payments monitored and reconciled	Manual	Automated
5	Reporting	Manual	Automated

Source: CGR company filings

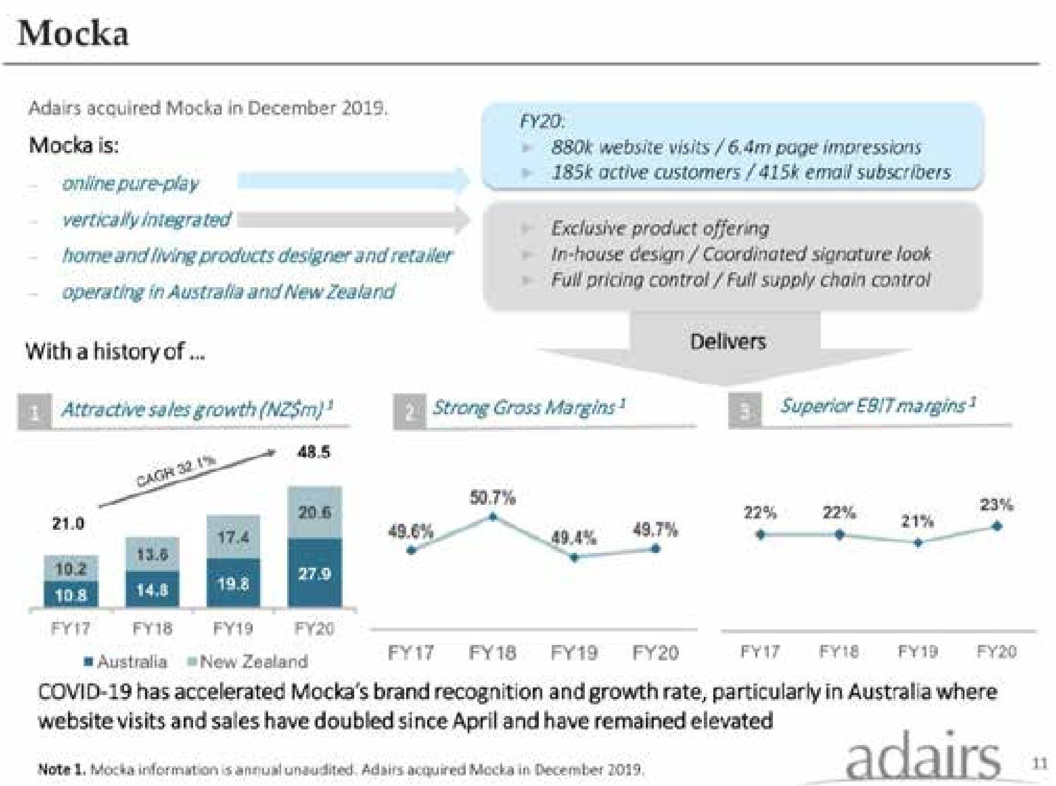
National Tyre & Wheel (NTD) is a leading national distributor of branded tyres and wheels. NTD announced the acquisition of Tyres4U for $50m in July. The acquired business is not profitable but presents an attractive opportunity for NTD to extract synergies and bring it to similar profit margins. ***The combined group will have over $450m of revenues and significant scale.***

The deal will be financed partly through cash and a new debt facility structure with CBA bank. Following the deal we estimate net debt of about $30m. This deal presents good upside, as the group can double earnings through cost outs, but also adds further risk as the debt levels are now high. Overall we think management have shown themselves to be conservative and we think the risk reward proposition is still attractive. ***We value NTD at 70 cents.***

Retail Stock Spotlight: Adairs (ADH.ASX)

ADH is a homeware and accessories retailer under the Adairs name and a baby furniture and homewares brand via the online only Mocka. Historically, the market priced Adairs as a bricks and mortar retailer with an online store. But with the ongoing shift to online and the acquisition of Mocka, ADH now boasts 35% of group sales from the online space.

We believe ADH will continue to benefit from consumers staying at home more as Covid-19 lingers (wear masks where appropriate people!) and, in some cases, are forced to stay home as with the Victorian lockdowns. Recent trends suggest that those cocooned consumers spend more on their homes and ADH is a direct beneficiary. The ***shift toward online sales has been mentioned and it is worth mentioning that 30% of online sales during lockdowns came from new customers.*** This suggests that ADH is winning market share from physical retail store operators.



Source: ADH company filings

FY20 results exceeded expectations with revenues up 13% to $390m but both EBIT and NPAT significantly exceeding expectations by 20%, with $63m EBIT and $35m NPAT. Online sales were up 110%, with Adairs sales up 60% and Mocka sales up 30%. ***Pleasingly, FY21 has started strongly*** with the first five weeks showing group sales up 32%, online sales up 103% and like for like store sales up 16%.

Source: ADH company filings

ADH has negligible debt and is well positioned to grow and pay higher dividends next year. ***We estimate FY21 EBIT of $70m with EPS of 26 cents and a fully franked dividend yield of 5%***. We think investors will gradually price ADH on an online retailer multiple rather than a more traditional brick and mortar one. ***We value ADH at $3.60.***