

Australia Small Cap Income Unit Class

TAMIM Fund

At 31 March 2019

Markets continued their positive momentum during March with most indices flat to modestly up. Large technology stocks and resource stocks continue to trend higher. Value stocks seem to be left behind at this point in time. Eventually that trend will reverse. Our portfolios are diversified across value and growth dividend paying stocks so we should benefit over time.

On the economic front, the ABS Retail Sales data for the month of February were released. The numbers were reasonably strong compared to last year with sales up 3.2% for the month. We believe that **well managed retailers that offer the right customer experience and have a high proportion of online sales will continue to perform well**. We also believe budget stimulus measures by both political parties will improve retail spending. Currently, our top dividend paying retail picks are Noni B (NBL), City Chic (CCX) and Baby Bunting (BBN).

The market is now pricing in an interest rate cut later this year and a 50% chance of another cut by early next year. We see the AUD remaining weak for the foreseeable future and so **we generally favour dividend paying companies with USD and offshore exposure**. Our top picks here are Global Traffic Network (GTN), Navigator Global Investments (NGI), Infomedia (IFM) and Rhipe (RHP).

We have continued to meet companies during March as this is the peak period for smaller company roadshows. We have added some new positions to the portfolio and sold or taken profit in others and we currently own 29 companies. The portfolio delivered a +1.03% return for the month, taking the calendar year to date number up to +7.92%.

Positive contributors to performance were Dicker Data (DDR), RHP, and Vita Group (VTG). Detractors were QANTM Intellectual (QIP), NBL and Collection House (CLH). We discuss updates and news flow from some of the portfolio holdings during the month and also provide half year results summary from February, in the portfolio update section of the report.

Looking ahead, we are entering a quieter period for markets and with an election next month we expect investors to take a more cautious approach. April is also a key month for dividend payouts for our holdings. **Regardless of short term noise, we still believe a well-diversified portfolio of cash generating and dividend paying companies with earnings growth will outperform over the long term.**

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Monthly Return Stream

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2019	-1.07%	7.97%	1.03%										7.92%

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

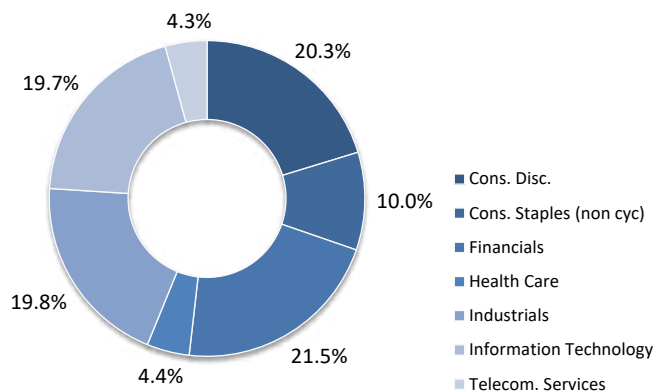
The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). The information presented does not take into account the investment objectives, financial situation and advisory needs of any particular person nor does the information provided constitute investment advice. Under no circumstances should investments be based solely on the information herein. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document.

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:	BBSW + 2.5%
Lock up period:	Nil
Buy/Sell Spread:	+0.25%/-0.25%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.35%

Portfolio Allocation

Equity	82.88%
Cash	17.12%



Contact

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

Australia Small Cap Income Unit Class

TAMIM Fund

At 31 March 2019

Portfolio Updates:

People Infrastructure (PPE) is a workforce management company operating across Health, IT, social care and general labour hire. PPE's current strategy is growth by acquisitions and has continued to outperform since listing. During March PPE acquired Victorian Nurse Specialists, a leading nurse agency in Melbourne, for \$2.5M. In addition, PPE acquired the remaining part of Recon Solutions and Project Partners for \$2.8M. Both deals will contribute an additional \$1.1M EBITDA. PPE is currently forecast to earn 19 cents cash EPS for FY19. As the leading provider to the health sector work force, we like the general industry tailwinds the company is experiencing. **We value PPE at \$3.**

Collection House (CLH) announced the acquisition of the purchased debt ledger (PDL) book of ACM Group for \$40M. The book is made up of mostly telco debt and is expected to add \$5.5M EBIT in FY20. The company also reaffirmed it will exceed FY19 EPS guidance of 15.5 cents after incurring \$1.3M of acquisition related costs. **This means 16.2 cents underlying EPS compared to the current price of \$1.26.** The market is obviously concerned about the company's recent spending spree and its debt levels. Management keeps highlighting its balance sheet flexibility and an upcoming Balbec Capital off balance sheet funding transaction. We view CLH as a good risk/reward investment and are willing to be patient as we wait for the market to re-rate the stock over time.

February Reporting Period Highlights:

As mentioned in the February report, we will expand on how a number of stocks performed through the reporting period:

CityChic (CCX), the Australia's leading plus size women's retailer with an estimated 10% market share of a billion dollar market, reported an impressive set of half year numbers. Sales were up 7% to \$76M, with comparative sales up 10%, EBITDA up 22% to \$16M and an impressive margin of 21%. NPAT came in at \$10M or 5 cents EPS with a maiden dividend declared of 5 cents. We estimate a FY19 EPS of 8 cents.

What is perhaps more impressive is that the group's **online sales currently make up 40%** of total revenue and this number is growing fast. This is amongst best of class globally. Management has flagged a 30 store rollout opportunity and a further 20 stores to be upgraded to a larger format. In the US, the company is continuing to develop brand awareness and drive customers directly to their website. The balance sheet has over \$30M in net cash and we value the stock in excess of \$1.50.

CountPlus (CUP), an accounting and financial advice national network of 18 firms and growing, continued its two year turnaround progress with pleasing results. EBITA came in at \$4.7M of which 78% converted to free cash flows. The NPATA

result was, for the first time, clean with no adjustments at \$3.44M. Partner firms EBIT margin, a key metric to watch out for, improved to 18% from 15% last year and 12% when the turnaround strategy was announced.

Well managed accounting firms can earn up to 25% margins. The balance sheet ended the period with over \$10M of net cash and a 1 cent dividend was declared. In addition, another financial advice firm acquisition was announced and more deals were flagged. We estimate the company will earn \$6M NPATA this year which places it on an **undemanding PE of 9.5x.**

Noni B (NBL) delivered a solid result following the acquisition and integration of the Specialty Fashion brands (SFG) acquired in July last year. Sales were up 140% to \$465M, EBITDA was up 31% to \$29M, cash balance almost doubled to \$65M and the company declared a 9 cent dividend for the half. The key takeaway from the results was that the integration of the SFG brands is ahead of expectations and further material synergies have been identified. Management has retained its historical conservatism and has refrained from quantifying this upside.

We believe investors are underestimating the potential synergies and are taking a wait and see approach heading into FY20. Consensus is currently sitting at \$75M EBITDA for next year but, **by our maths, we can realistically see it being in excess of \$100M.** Further upside will come from an identified new store roll out opportunity of 850 stores. Our base case for next year is 45 cents EPS with 70 cents EPS as an upside scenario. With the stock trading at around \$2.90, **we see NBL as the most undervalued retail stock on the ASX.** We value NBL at \$5.00+.

Infomedia (IFM) reported another strong result and outlook. IFM is a leading global software provider of parts catalogues and services to the automotive industry. 1H19 revenue was up 14% to \$40M, EBITDA increased by 36% and NPAT was up 28% to \$7.3M. The company is looking for acquisitions in adjacent verticals or additional products it can sell into its global customer base. **We value IFM at \$1.80+.**

Money3 (MNY) is a fast growing lender to the second hand automotive market in Australia. The company delivered a strong growth in the 1H and provided further good news with the sale of its pay day lending retail network (SACC) for \$46M and an acquisition of an established smaller competitor in New Zealand. 1H19 saw 9% increase in revenue to \$66M, 13% increase in EBITDA to \$31M and similar increase in NPAT to \$17.5M. The gross loan book is currently sitting at \$352M with ample funding capacity to accelerate growth.

The stock is currently trading on FY19 PE multiple of 10x and we see this multiple expanding in future as the company is no longer dragged down by sentiment from its SACC division and can further achieve a reduction in its cost of funding. We view MNY as a beneficiary from the royal commission as banks further retreat from lending in this space. **We value the company at \$2.50+.**

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). 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. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document.