

Australia Small Cap Income Unit Class

TAMIM Fund

At 31 May 2020

May continued to see markets around the world resume their upward trajectory following historic performance in April. US markets finished the month 10-15% off their pre Covid19 highs and in Australia the market closed just under 20% off its previous highs.

Technology stocks have been leading this market rally with the NASDAQ hitting all-time highs as we go to print in mid-June. **There is no doubt in anyone's mind that the Covid-19 pandemic has accelerated the digital take-up of services.** Many, if not all, technology companies being beneficiaries of this adjusted environment, working from home, online shopping, and digital payments.

As the markets roar higher at almost the same ferocious pace they were sold off during February and March, the debate between bulls and bears only intensifies.

On the bull side, investors claim record low interest rates and the opening of economies from government lockdowns around the world, are the reasons for their enthusiasm. On the other hand, the bears are pointing to the horrific economic data of record unemployment, a significant drop in consumer spending and negative GDP data.

Our view is that both sides of the argument definitely have merit. We would argue that the savage selloff during March was an overreaction, while the current euphoria in some sectors and stocks is overdone. **We believe the global economy, and more importantly Australia, will continue to show month on month improvements over the coming months.**

After such a strong rally in shares we expect volatility to return as investors take a breather and, in many cases, undergo some profit taking. **Overall we do not try and predict markets in the short term.** We are focussed on investing in specific companies that we believe will recover quickly or are in fact thriving in the new environment.

Longer term, we see equities as offering the best investment returns, as interest rates will remain close to zero for many years to come.

During the month, the ASX Small Ords was up +15.6%. The TAMIM Small Cap Income portfolio had another strong return of +10.24%. At current prices and dividends, the dividend yield across the equity component of the portfolio is an attractive 8.65% fully franked. While we obviously hope otherwise, do not be surprised if this comes down as companies continue to adjust to their new environment.

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%								-29.04%

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

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Key Facts

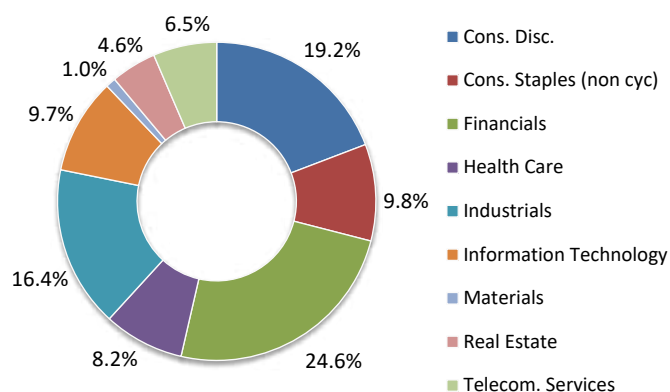
Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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\$	\$0.9555	\$0.9531	\$0.9508

Portfolio Allocation

Equity	92.51%
Cash	7.49%



Contact

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We provide a brief update on some of our portfolio holdings in the Portfolio Update section of the report. We will provide further commentary in our next monthly report.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

NOTE

Covid-19 and its effects 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:

Shaver Shop (SSG.ASX) provided a strong sales update in May with record sales growth during the worst economic downturn in Australia's history. The performance was led by online sales growth as consumer's preference for online shopping took off during the lockdown period.

	Last 6 weeks (1 Apr 20 to 10 May 20)	H2 FY20 18 weeks (1 Jan 20 to 10 May 20)	FY20 YTD (1 Jul 19 to 10 May 20)
SSG Sales Growth %			
Total SSG sales	32.1%	17.6%	14.3%
Like for like* sales (inc. online sales)	44.1%	17.8%	12.2%
Online sales growth	387%	171%	102%

* Like for like stores are those stores that were owned and operated by Shaver Shop on or before 1 July 2018 and that traded in the normal course (i.e. not affected by store closures, refits or center redevelopment activities) in the current and/or prior period. Like for like sales include online sales fulfilled through a like for like classified store.

Source: SSG company filings

During the six weeks between April 1 and May 10 online sales increased 387% with total sales increasing 32% and 2H YTD sales up 17.6%. These sales results should lead **SSG to report record profits this year and we forecast a strong net cash position to finish the year.** Pleasingly, this sales growth was driven by many new customers and an emerging female customer base that are finally embracing the SSG product offering for themselves. **We value SSG at around the 80 cents mark.**

National Tyre & Wheel (NTD.ASX) is a tyre and wheel wholesaler in Australia, New Zealand, and South Africa. The group has exclusive rights to import and distribute Cooper and Mickey Thompson branded passenger, SUV and light truck tyres. We took a position in the company in May as we anticipate tyre demand to increase as car usage becomes a preferred method of transport. In addition to people being increasingly wary of being confined in close quarters with strangers, public transport while enforcing social distancing is simply not equipped to handle a full-scale return to work. NSW's "No dot, no spot" system, for example, has reduced capacity drastically.



Source: NTD company filings

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We are attracted to NTD's undemanding valuation with a net cash position, asset backing of 48 cents per share (compared to the current share price of 35 cents), forecast cash EPS of 5 cents (PE multiple of 7x) and an estimated dividend yield of 10% grossed up for franking credits.

During May NTD reported better than expected trading conditions with EBITDA guidance of \$9m, net cash of \$6m and a reinstatement of their dividend policy. We expect NTD to capitalise on the current environment and look to acquire other tyre distributors to add scale and volume in the lower price point of the market. **We value the company at about 50 cents.**

Vita Group (VTG.ASX) reported an update that Telstra stores have remained open but have seen lower foot traffic and supply chain disruption, resulting in lower revenues. Business demand has remained relatively steady as customers transitioned to work-from-home arrangements. VTG's clinics commenced re-opening and have a strong pipeline of pent-up demand.

Cash flow has been tightly controlled, with all capex projects not underway being deferred until conditions improve. **VTG's financial position is strong and management does not anticipate any requirements for new equity or debt financing.** Whilst there will be some negative earnings impact from COVID19 in the short term, we believe the longer term impact on the business is likely to be minimal.