Australia Small Cap Income Unit Class
TAMIM Fund

At 31 May 2022

Dear Investor,

We provide this monthly report to you following the conclusion of the month of May 2022.

Equity markets around the world experienced yet another challenging month in May.

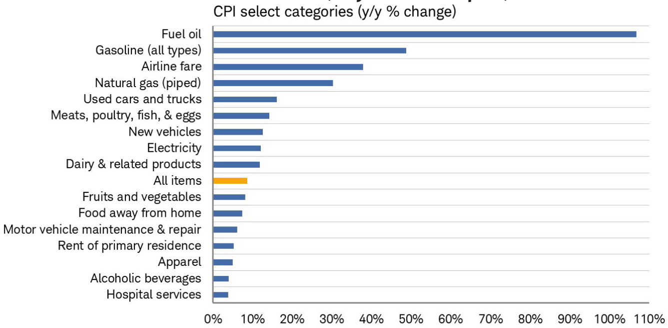
The main concern on investor's minds is persistently rising inflation rates and how far central banks will have to raise interest rates to curb this.

During the month the ASX300 was down -2.76%, while the Small Ords was down -7.01%. The TAMIM Fund: Australia Small Cap Income portfolio finished the month down -6.46% net of fees.

Although the current inflationary environment is partially influenced by government stimulus and zero interest rate policies, we believe a significant proportion of the price increases are a result of supply side shocks. Covid-related lockdowns across the globe and more recently in China has massively disrupted supply chains, the ongoing Russia/Ukraine war has had a major impact on energy and food prices and, finally, environmental impacts have had a major impact on food prices (i.e. Australia's floods). All these factors are contributing to price increases and supply chain bottlenecks.

US CPI Contributors (May 2022 CPI Report)

CPI select categories (y/y % change)



Source: Charles Schwab, Bureau of Labor Statistics, as of 5/31/2022.

Raising rates will slow economic growth and dampen consumer spending (i.e. crushing the demand side). While higher rates and pressure on the consumer is painful, this blunt instrument (plus higher prices) does ultimately solve inflationary pressures. It will however be a delicate balancing act between keeping inflation from getting out of control and accepting a higher

Key Facts

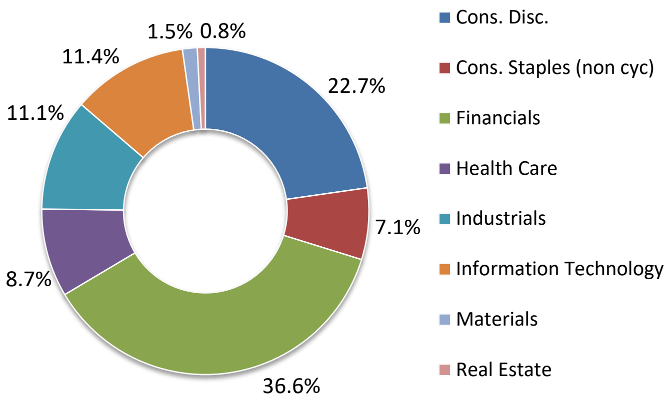
Investment Structure:	Unlisted unit trust
Minimum investment:	A$250,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	Greater of: RBA Cash Rate + 2.5% or 4%
Lock up period:	Nil
Buy/Sell Spread:	+0.25%/-0.25%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.35%
APIR code:	CTS8008AU

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$1.5124	$1.5087	$1.5049

Portfolio Allocation

Equity	94.79%
Cash	5.21%



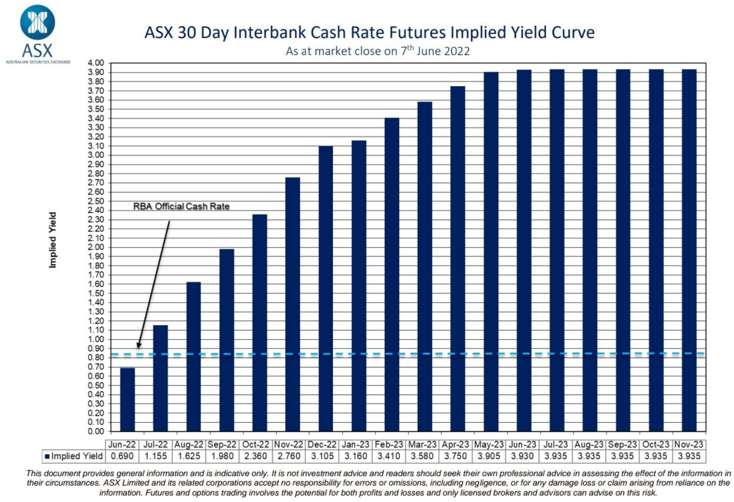
Portfolio Performance

Inception: 1/1/2019	1 month	6 months	1 year	2 years (p.a.)	3 years (p.a.)	Since inception (p.a.)	Since inception (total)
Small Cap Income	-6.46%	-8.35%	4.74%	31.20%	14.05%	16.77%	69.70%
ASX Small Ords	-7.01%	-11.04%	-4.57%	9.98%	5.50%	4.79%	17.30%
Cash	0.03%	0.07%	0.12%	0.14%	0.33%	0.47%	1.60%

medium-term inflation target range without forcing economies into a hard landing and a deep recession.

The chart showing the Australian implied yield curve is what markets are currently grappling with (rapidly increasing interest rates in Australia and globally). To exacerbate this further, we are currently seeing an aggressive tax loss selling period leading into June 30 in Australia, adding to relentless selling pressure on many stocks and, in particular, the small- and mid-caps we tend to be invested in.

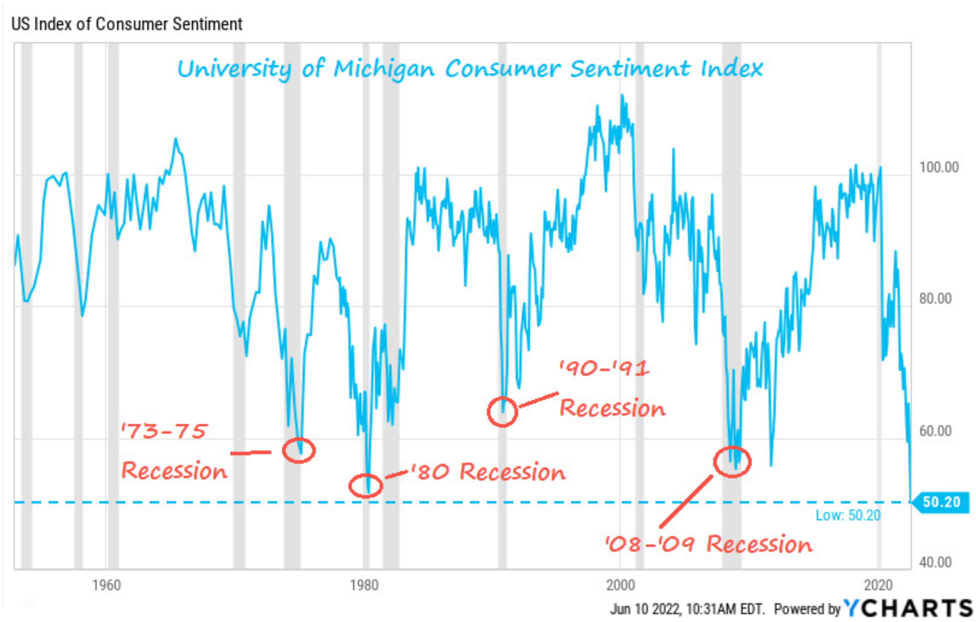
Looking to history, current conditions somewhat resemble the 1970s where the 1973 oil crisis caused prices to spike. Inflation topped at 13% back then. By mid-1974 Australia was in an economic recession. Markets sold off aggressively between 1973 and 1974. This was then followed by a significant rally on the ASX that saw markets triple in value up until the 1980s. This all happened during an interest rate hiking cycle and an inflationary environment.



Source: ASX

The above is not necessarily what will happen this time around. It does go to show that, after the initial normalisation of asset valuations, current conditions can be favourable for asset prices in general. After all, owning real assets and businesses with pricing power is the best hedge against inflation.

We are currently seeing a reset in valuations for all companies. Investors are searching for a “new normal” valuation benchmark in a higher interest rate environment. This may take some time to play out (depending on how much central banks front load rate rises); we’ll find out over the next few months. We believe we are currently closer to the bottom of this selloff than the top. Consumer sentiment (see below) would suggest that much of the negativity is already priced in at this point.



Source: Compound Capital Advisors

The current selloff is presenting some incredible opportunities in companies that will continue to do well, trade on low single digit profit multiples and, in some cases, paying double digit dividend yields. We are not standing still and, as always, we are adapting to the current environment.

We have reviewed our portfolio composition and the majority of our companies are highly profitable, with growing revenues, will continue to see demand for their services, paying dividends, and trading on PE multiples of 4-8x. Unfortunately, that’s not enough in this market.

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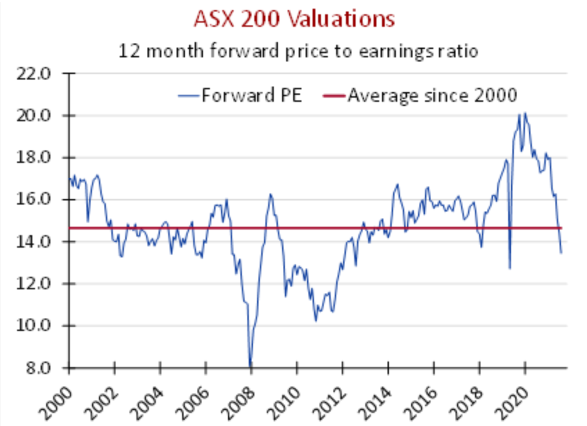

Source: Refinitiv, Evans & Partners

In response, we have begun to increase our exposure to the energy sector. During periods of high inflation these sectors tend to do well. We have identified the coal sector as attractive right now due to a combination of factors creating the perfect storm for “higher-for-longer” prices.

We are currently building positions in several thermal coal producers that are trading on 2x profit and may be paying 20% dividend yields this year and next. In the oil sector we have also identified large producers that are very profitable, leveraged to the oil price and paying large dividends. As we see price volatility in these names, we will start to accumulate positions. We are also looking at other service providers to the oil industry like refiners and, to a lesser degree, contractors.

We expect coal (and possibly oil prices) to remain elevated for longer than what the market is expecting. The accelerated transition to renewable energy sources has created significant underinvestment and shortages of coal and oil. The transition is happening, what people have been forgetting is that we still need these resources while the relevant infrastructure and technology is developed. This is exacerbated right now by sanctions on Russian oil and the increased nationalistic focus on reshoring supply seen around the world.

The final leg of our strategy is our market overlay option strategy. We implemented this following the March 2020 market crash to allow for some protection if this were to happen again. Unfortunately, this protection strategy has not worked in the current sell-off. The ASX200 is heavily weighted to resource and bank shares, these two segments have not sold off as much as the sectors we are primarily invested in through the portfolio.

Over the last six months we have noticed that our portfolios tend to be more correlated to the movements in the S&P500 and Nasdaq indices. We believe that these could be more appropriate markets to hedge against. As a result, we have broadened our hedging strategy to allow us to hedge utilising these indices as well.

In times like these it is important not to panic and remain focused on company fundamentals. Keep in mind that it always feels worst right before sentiment turns.

The current adjustment will take time to filter through. We are also increasing our cash levels to capitalise on future buying opportunities. In the meantime, we will provide further commentary and an update on our strategy in our June report.

Sincerely yours,

Ron Shamgar and the TAMIM Team.