# Australia Small Cap Income Unit Class
# TAMIM Fund

At 30 November 2021

The ASX300 was down -0.53% in November while the Small Ords was up -0.31%.

The TAMIM Fund: Australia Small Cap Income portfolio finished the month -0.87% net of fees but broadly maintained its strong performance for the year. For the 2021 calendar year to date, the Fund is up +33.48% net of fees. For comparison, the ASX300 is up +14.52%

November was a very busy period for us as many of our holdings held their AGMs and/or provided trading updates during the month. Overall, updates across the portfolio were in line or ahead of our expectations with cautious but optimistic outlook statements by management teams.

In the last few days of the month, we saw a fresh variant of Covid-19 take the headlines. This caused some heightened volatility for equities as governments both here and abroad have once again reacted, rightly or wrongly, with varying degrees of border restrictions, closures and longer quarantine requirements. While research is obviously ongoing, scientists can tell from its closest sequences that Omicron evolved from a strain that was circulating in mid-2020.

While it is early days, Omicron looks to be far more transmissible but notably less severe. This is typically how viruses evolve - it's simple, they can't survive without a host so why get deadlier - and this should be good news in the sense that it could mark the beginning of the end of this pandemic, as a more infectious but weaker virus strain becomes the dominant strain. Unfortunately, there are many considerations and variables at play right now and it doesn't help that the issue has been politicised. We hope sanity prevails and the world continues to reopen and move on from Covid.

It's important to remember that investors aren't necessarily worried about Covid itself. The virus is doing what it's meant to (mutate) and so, in that sense, it's being predictable. It is the inconsistent reactions by governments (at both state and federal levels in Australia) around the world that is the real element of unpredictability. And here we go back to Investing 101, one of the few certainties in the market is that the market hates uncertainty. When and if governments allow the virus to "run its course", backed by vaccines, then Covid will no longer loom so large on investor sentiment.

Finally, while we are quite pleased with the performance of the

## Key Facts

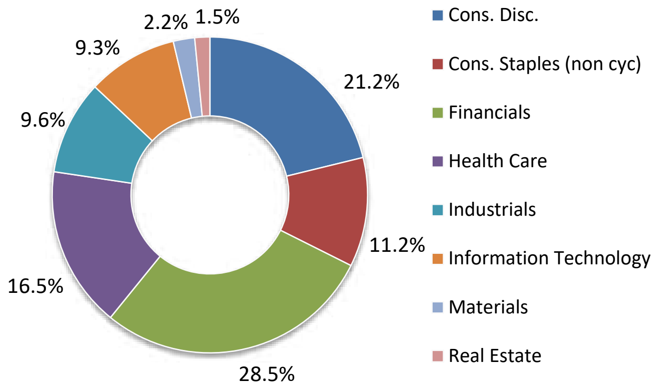
| | |
|---|---|
| **Investment Structure:** | Unlisted unit trust |
| **Minimum investment:** | A$250,000 |
| **Applications:** | Monthly |
| **Redemptions:** | Monthly, with 30 days notice |
| **Unit pricing frequency:** | Monthly |
| **Distribution frequency:** | Semi-annual |
| **Management fee:** | 1.25% p.a. |
| **Performance fee:** | 20% of performance in excess of hurdle |
| **Hurdle:** | Greater of:<br>RBA Cash Rate + 2.5%<br>or<br>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$** | $1.6503 | $1.6461 | $1.6420 |

## Portfolio Allocation

| | |
|---|---|
| **Equity** | 93.82% |
| **Cash** | 6.18% |




## Portfolio Performance

| *Inception: 1/1/2019* | 1 month | 3 months | 6 months | 1 year | 2 years (p.a.) | Since inception (p.a.) | Since inception (total) |
|---|---|---|---|---|---|---|---|
| **Small Cap Income** | -0.87% | 5.28% | 14.28% | 37.44% | 15.84% | 23.55% | 85.17% |
| **ASX 300** | -0.53% | -2.31% | 3.63% | 16.03% | 6.84% | 13.39% | 44.21% |
| **Cash** | 0.01% | 0.02% | 0.05% | 0.10% | 0.23% | 0.52% | 1.53% |

portfolio so far this year, we have a few positions that have been significant laggards in the last six months. These companies are highly profitable, growing and extremely cheap. All are on single digit profit multiples. We see these stocks re-rating materially in the next three to six months as they report earnings in February. We believe these underperformers will drive our next leg of performance in 2022.

Below, in the Portfolio Update section, we provide a brief update on some of the highlights from our portfolio during the month.

We would like to wish our investors a happy new year and a festive season. We are living in quite remarkable times and we wish you all the best during the upcoming break and hopefully we all get to where we want to go, overseas or otherwise, in peace.

Enjoy the break!

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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**Portfolio Update:**

**Probiotec (PBP.ASX)** is a fast growing and acquisitive manufacturer of over-the-counter pharmaceutical products alongside various packing facilities for FMCG (fast moving consumer goods) manufacturers. The AGM update given this month was very bullish with four months of YTD trading ahead of expectations, sitting at $57m in revenue and $10.1m EBITDA. This implies EBITDA of $15m for 1H with 2H being the seasonally stronger half as cold & flu season drives increased demand.

Current consensus is for EBITDA of $29m so we expect an upgrade next year. PBP also indicated that they have won $15m of new work as they are benefitting from the current onshoring trend, manufacturers bringing production back home due to Covid-19 constraints. PBP is on 5x EV/EBITDA and we anticipate further acquisitions in FY22. We value the company at $3.00

**Ridley Corp (RIC.ASX)** is Australia's largest animal feed miller (24% market share), the largest white meat renderer (22% share) and also a provider of aqua feed products (14% share). Under new management over last couple of years, they have reduced costs, paid down debt and grown earnings. This new management implemented a regional and divisional management structure that allows each divisional manager to compete for their budget based on P&L performance.

During November, the AGM update was an upgrade to consensus estimates as EBITDA is currently tracking along in excess of 16% growth, meaning around $80m of EBITDA in FY22 (~10% higher than expectations). RIC is priced on 12x PE and pays a 4.5% yield with little to no debt. We think the stock is undervalued for what is a strategic agricultural asset in Australia. Our valuation is $1.80.

**IVE Group (IGL.ASX)** is Australia's leading printing, marketing, and leaflet distributor. Having survived the downturn last year, IGL has emerged in a better competitive position while its major competitor, Ovato (OVT.ASX), is under financial stress. IGL is also a beneficiary of the onshoring of printing and the pickup in retail activity as we emerge from lockdowns.

We see next year's elections as a further boost to revenue. The company is highly profitable and on track for $80-90m of EBITDA and $32m of NPAT. IGL is trading on a PE multiple of 8x and paying a dividend yield of 8% fully franked. IGL has been a consistent dividend payor and the balance sheet has capacity for further bolt-on acquisitions at low single digit multiples. Our valuation is $2.20.

**SDI Limited (SDI.ASX)** is a manufacturer and distributor of dental products; they specialise in whitening and aesthetic products, certain equipment for dentists, and the traditional silver amalgam fillings. Amalgam is in structural decline and is now a small part of the group's revenue. The key growth for the group is coming from the whitening and aesthetics segments, growing fast at 55% and 27% respectively.

The group is very profitable with $82m of sales and $9m NPAT in FY21. The AGM update was buoyant with sales benefitting from strong exports, up 25% YTD. We value SDI at $1.50 and sales should continue growing due to pent up demand for non-essential dental services along with new product releases in FY22.