Australia Small Cap Income Unit Class
TAMIM Fund

At 31 October 2019

October is the start of a two-month period where, in most cases, companies hold their annual general meetings and provide trading updates. Over the month the markets continued their back and forth obsession on whether a US/China trade deal is upon us. In Australia, the RBA cut interest rates again as certain parts of the economy are not performing to expectations. Recently released retail spending figures have shown a pickup in spending during August and September although results were mixed across different categories.

The housing market has had a strong resurgence in the last few months with lower interest rates and a loosening of lending by the big banks seeing investors jumping back in. Auction clearance rates are up back into the mid-70s as a percentage and house prices continue to increase month on month. We don't believe this is the beginning of a new booming property market, but rather a catch-up of investors who sat on the sidelines during the year due to political and regulatory uncertainty.

We are still of the view that, once the property market settles down and with interest rates remaining at close to zero, investors will turn to equities as the best source of returns over the next few years.

During the month, the ASX Small Ords Accumulation index was down -0.50% while the ASX300 was down -0.38%.

Following a strong return in September, the TAMIM Small Cap Income portfolio returned +0.91% during October. Calendar year to date we are up +30.57%. For reference, the Small Ords index is up +19.8% calendar year to date.

The portfolio's current yield is 3.87% fully franked.

Finally, we received a takeover offer for one of our holdings, QMS Media, during the month. ***This is the fifth company in the portfolio to be acquired in the last twelve months.*** We have identified several other holdings which we believe are potential takeover targets in the near term.

We see significant upside in our current holdings in addition to some new opportunities we have recently identified. Our cash levels are low and so we see now as a perfect opportunity for investors to consider increasing their investment. Any short-term market volatility will be capitalised upon to invest further.

We provide updates on a selection of our holdings in the Portfolio Update section of the report. We will provide further updates and commentary in our next monthly report.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Key Facts

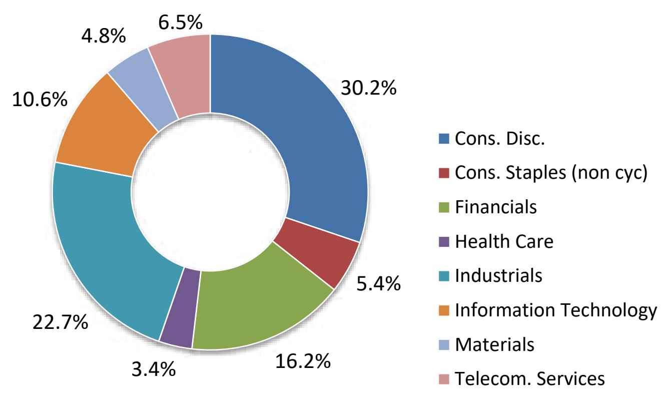
Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash 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$	$1.2629	$1.2598	$1.2566

Portfolio Allocation

Equity	74.7%
Cash	25.3%



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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%			30.57%

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

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Portfolio Updates:

QMS Media (QMS.ASX)

QMS Media (QMS.ASX) is a leading digital outdoor media company with operations in Australia and New Zealand. The company has been acquisitive over the years and had a complicated ownership structure. The company is made up of three divisions, the first being QMS Sport - providing unique sporting event advertising technology and media together with talent management. The other divisions are a NZ joint venture vehicle owning Mediaworks (outdoor media, radio and TV) and a division of pure digital outdoor media assets across Australia.

We have known management and the business for years, since IPO, and ***took the opportunity to buy into the stock at 70 cents when management signalled to the market their strategy to unlock value*** within the different business units. For us it was a case of the sum of the parts being worth much more than the whole company. Our thesis was for the NZ Mediaworks vehicle to be sold, the QMS Sport division to be demerged or sold, and for the Australian digital outdoor assets to then be acquired by one of the local players.

The outdoor media in Australia has been consolidating fast over the last 2 years with several deals done between APN, JC Decaux, Ooh Media and HT1. Most deals were done on 12x EBITDA multiples. QMS was trading on 6x at the time. ***Our thesis played out successfully this past month with Quadrant Private Equity bidding a $1.23 cash offer.*** Key management figures, who own 15% of the company, have agreed to take script in the deal.

We see the ***9.4x EBITDA multiple being paid as an absolute steal.*** Although our holding is not large enough to block a deal, we believe a higher bid is very likely. If we apply recent deal multiples and roll forward EBITDA to next year, we see an ***upside valuation for a takeover in excess of $2.00***. In the meantime, we will wait and see how this develops.

Shaver Shop (SSG.ASX)

Shaver Shop (SSG.ASX) is a specialty personal grooming retailer catering for both men and women. The company has had a disappointing track record of downgrading earnings since IPO several years ago. We have followed the business carefully from the sidelines over the years and ***waited for signs of a turnaround in sales growth coupled with an appealing valuation.***

We bought SSG below 40 cents several months ago as we felt the company was showing signs of sales growth, insiders were purchasing stock on market, and the ***valuation was ridiculously cheap trading on a PE of under 6x and a projected double-digit dividend yield***!

During October SSG provided an AGM trading update with sales YTD growing at +9% and both revenue and earnings set to increase over FY19. The shares have since re-rated materially to 67 cents and, although we have taken some profit, ***we value the business at over 80 cents***.

City Chic (CCX.ASX)

City Chic (CCX.ASX), the leading plus-size women's retailer with over 50% of sales coming online, has announced the acquisition of Avenue stores for USD$16.5m. Avenue was a US based plus size retailer that recently went into bankruptcy. CCX has picked up the e-commerce assets of the company which targets a more budget conscious consumer compared to their existing customer base in Australia where the average basket size is much larger.

We estimate CCX can generate ~$80m of sales for Avenue and if management can extract similar EBIT margins to the group of 13% over time, then the acquisition will be transformational. CCX is currently trading on 20x PE FY21 forecasts but we see that as reasonable compared to the projected profit growth of 25-30% we anticipate over the next 3 years. ***We value CCX at $3.20.***