Australia Small Cap Income Unit Class
TAMIM Fund

At 31 October 2021

During the month the ASX 300 was flat (+0.10%) while the Small Ords was up 0.92%.

The TAMIM Fund: Australia Small Cap Income portfolio finished the month strong, up +5.55% net of fees, and continuing the strong performance for this year.

For the 2021 calendar year, the portfolio is up +34.65% net of fees.

While the Aussie market was broadly flat for the month, US markets including S&P500 and the NASDAQ were both up significantly after the September sell off. Quarterly reporting saw 80% of S&P500 companies beat consensus earnings. The US economy is continuing to recover from the slowdown last year.

In Australia, the index is being, and continues to be, dragged down by the large weighting to ex-growth businesses, the big four banks and the large miners. We see the key to outperformance going forward as picking stocks that can continue to grow; this is where we believe our portfolio is well positioned.

The biggest concern for investors going forward seems to be inflation and there is no doubt that inflation is here. That being said, we do see it tapering off later in 2022 and 2023 as the world moves on from Covid-19 restrictions, border closures and supply chains globally catch-up with the backlog of demand.

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

Sincerely yours,

Ron Shamgar and the TAMIM Team.

Key Facts

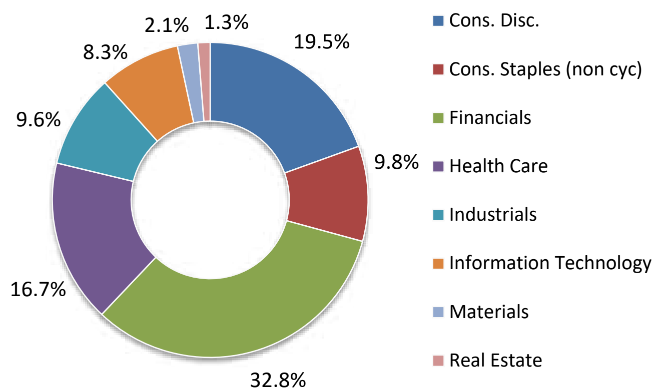
Investment Structure:	Unlisted unit trust
Minimum investment:	A$250,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Semi-annual
Management fee:	1.25% p.a.
Performance fee:	20% of performance in excess of hurdle
Hurdle:	Greater 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$	$1.6647	$1.6605	$1.6564

Portfolio Allocation

Equity	95.78%
Cash	4.22%



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	5.55%	8.64%	15.67%	56.41%	19.60%	24.70%	86.79%
ASX 300	0.10%	0.77%	6.59%	28.58%	8.81%	14.02%	44.98%
Cash	0.01%	0.02%	0.05%	0.10%	0.26%	0.54%	1.52%

Note: Portfolio returns are quoted net of fees. Returns shown for longer than 1 year (other than "Since inception (total)") are annualised. The information provided in this factsheet is intended for general use only. 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. Please consider our Information Memorandum and Services Guide before investing in any of our products. Past performance is no guarantee of future returns. Returns displayed in this document are unaudited. For wholesale and sophisticated investors only. ASX300 refers to the S&P/ASX 300 Accumulation Index.

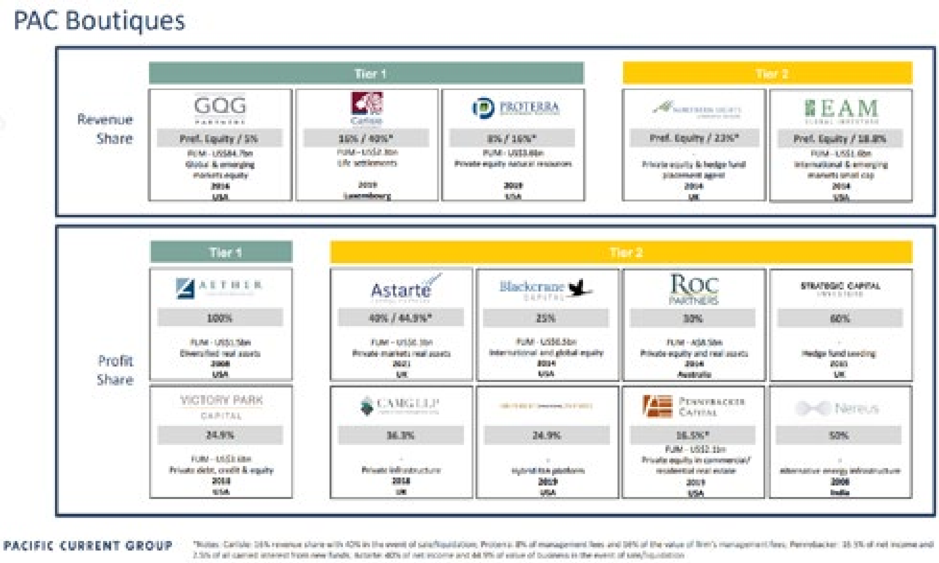
Portfolio Update:

COG Financial Services (COG.ASX) provided a Q1 update and announced a $20m capital raise to acquire further interest in Westlawn Finance, taking ownership interest to 75%, and broking aggregator Platform Consolidated Group, taking ownership to 100%. We see the transactions as low risk and highly accretive, adding around $5m of EBITDA.

Source: COG company filings

Q1 saw a strong start to FY22 with results up 147% on pcp; NPATA of approximately $4.7m and on track to exceed $20m. Historically, COG was a difficult story to explain to investors but management is gradually simplifying things and cleaning up their structure. We see the business as beneficiary of a post lockdown economy.

Pacific Current Group (PAC.ASX) is a global multi-boutique asset management firm with carrying/ controlling interests in several boutique asset managers. During October, PAC provided an update with total FUM increasing 5.5% to $150bn during the quarter. The strong inflows came mainly at GQG, Victory Park, Roc and EAM.



Source: PAC company filings

PAC is highly profitable and pays a high proportion of dividends to shareholders. We saw a major catalyst occur this month with the IPO of GQG Partners on the ASX, valuing it at $6bn. PAC's holding of 5% is now worth $300m with around $60m received as cash and the remaining 4% as equity in GQG. This potentially leaves their remaining stakes in the other boutique managers significantly undervalued. We expect capital management or other investments to re-rate the shares higher.

Stock Spotlight: Michael Hill (MHJ.ASX)

This article was originally published online on 2 November 2021 under the title "A Diamond in the Retail Rough."

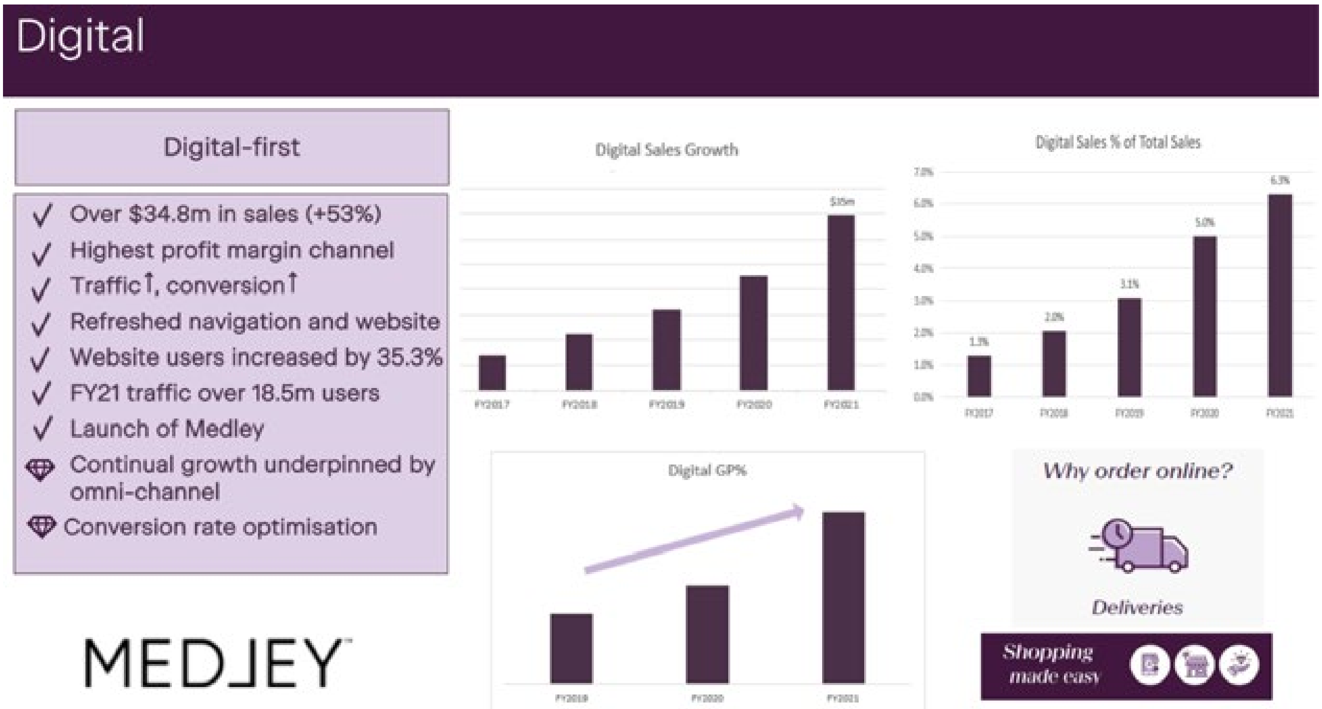
Michael Hill International Limited is a global specialist retailer of jewellery with 285 stores operating in Australia, New Zealand, and Canada. The company was founded in 1979 by current group president Sir Michael Hill. Jewellery stores are a bit different from normal retail stores, people typically want to visit jewellery stores and talk to a diamond specialist when making big purchases, such as engagement rings. This sees them occupy a more stable position in the retail market place.

MHJ has slipped under the radar in the FY21 reporting season; they saw revenues increase 13% despite 10,447 lost store trading days as a result of Government mandated lockdowns and some permanent store closures. Their Canadian segment has done very well since reopening in June/July and we see the same happening in their Australian and New Zealand segments which are showing a lot of upside.

Source: MHJ company filings

Digital Expansion

MHJ has been shifting the company toward a more digital footprint. Their digital sales increased by 53.4% and management expects to see digital sales accounting for north of 10% of total sales within the next few years. MHJ are also expanding through digital marketplaces, now offering their products through The Iconic, one of Australia's largest digital marketplaces. We expect to see MHJ find similar partners in Canada and New Zealand.



Source: MHJ company filings

Loyalty Program

Michael Hill launched their loyalty program, Brilliance, and within eighteen months memberships have already grown to over 800,000. The program is clearly resonating with customers and is aiming to deliver increased frequency, larger baskets, and higher margins. The program will provide MHJ with valuable data and insights which should help increase personalisation and enable the use of artificial intelligence to deliver further growth in the business.

Source: MHJ company filings

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Valuation + Outlook

To value MHJ we are going to look at their assets and then their earnings power. After paying down debt, MHJ is now in a significant net cash position of $72m. To be conservative, and taking into account the required working capital for the business (i.e. cash for the registers), we will use a reduced net cash figure of $65m. MHJ recently conducted a strategic review of their Canadian in-house customer credit book. The asset is held for sale and is considered probable and expected to be completed within a year, the sale of the customer finance book should bring in around $13m. MHJ is also currently sitting on inventory of around $170m, if we add the $13m of assets held for sale then we get a net cash figure of $78m. This puts MHJ at an enterprise value of approximately $310m, giving MHJ an EV/EBIT of 4.3x. MHJ's strong balance sheet gives us a huge margin of safety if things weren't to go as expected, an important consideration we take into account in our investment process.

Market Cap	Share Price	NPAT	EPS (cents)	PE	EBIT	Div. Yield
$388m	$1	$45.3m	11.63	8.6x	$72.4m	4.5%

Looking to MHJ's earnings power, we see MHJ starting to pick up up tailwinds on the back of a great FY21 result. They recently gave an FY22 Q1 update which saw same store sales up 15.5%, up from the corresponding quarter last year. Margins continue to rise on the back of their digital expansion and their additional omni-channel offerings - including Ship-from-store, Click & Reserve and Virtual Selling - all of which are higher margin channels. MHJ lost over 10,000 total trading days in FY21 and, while they lost 7,400 days in the September quarter heading out of lockdowns and into the Christmas spending season in Australia and New Zealand, they should see a surge in spending for retail across the board which should drive MHJ's sales. There is a lot of pent up demand for consumer spending and we have already seen how it positively affected sales in Canada upon reopening. Management recently noting that "our Canadian business has been flying, delivering impressive sales and margin growth every week." The play here isn't like most retail store strategies, which is typically to open up new stores and expand their physical presence. The strategy here is to increase digital sales through marketplaces like The Iconic, thus driving margins and opening up their products to new customers. MHJ has also done a terrific job at growing their loyalty program to over 800k members in less than eighteen months; this will be essential to leverage their digital capabilities.

If MHJ sees the demand that we expect upon reopening and heading into Christmas, they should see $50m+ NPAT for FY22 which will put them at less than 8x earnings. All while paying a cool 4.5% dividend yield. If MHJ were to rerate to 10x FY22 earnings then this would put them at a share price of around $1.30.

MHJ is one of our favourite stocks to take advantage of the reopening theme