

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 October 2022



Dear Investor,

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

During the month the ASX300 was up +5.96%, while the Small Ordinaries was up +6.46%. The TAMIM Small Cap Income unit class finished the month -2.37% net of fees.

Following a savage September, markets performed a stellar comeback in October as investors bet that weak economic conditions and a slowdown in inflation will cap the quantum of rate rises by central banks here and in the US.

The Dow Jones had its best month since 1976 rising +13.90% and the S&P500 was up +8.00%. The Nasdaq didn't perform as well rising +3.90% as large technology stocks like Meta, Amazon and Google disappointed investors with weaker than expected results. Investors should note this is a positive development in several ways.

First, we believe that any bad economic and company news is good news for the prospects of lower rate rises in future and eventually a pause. Second, having such large company weightings in the indices under-perform whilst the broad market rallies higher, is a sign that the market has either bottomed or is close to the bottom. This is more evident in small caps where we are seeing bombed out stocks holding up well on down days in the market.

We are of the view that the chances of a market crash have reduced markedly given the sell-offs we have seen in global equities in 2022. Therefore the need to hold downside protect through index put options is significantly lower. If markets continue to rally hard in the short term, we will look to reinstate these hedges.

As we go to print, the US inflation release for October was lower than expected at 7.7% compared to 8.2% in the previous month. If we exclude housing CPI data, which is not reflective of current market conditions due to the way it is measured, then we believe inflation is even lower. If our assessment is correct, then we expect rate rises to slow down within the next 2-3 months and for the Fed to pivot (conclude rate hikes) in early CY23.

### 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)
<b>Small Cap Income</b>	-2.37%	-13.21%	-15.70%	14.83%	6.44%	12.58%	57.46%
<b>ASX Small Ords</b>	+6.46%	-14.37%	-18.33%	3.45%	1.46%	6.03%	25.16%
<b>Cash</b>	0.21%	0.77%	0.82%	0.46%	0.44%	0.61%	2.36%

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. ASX Small Ords refers to the S&P/ASX Small Ordinaries Index.

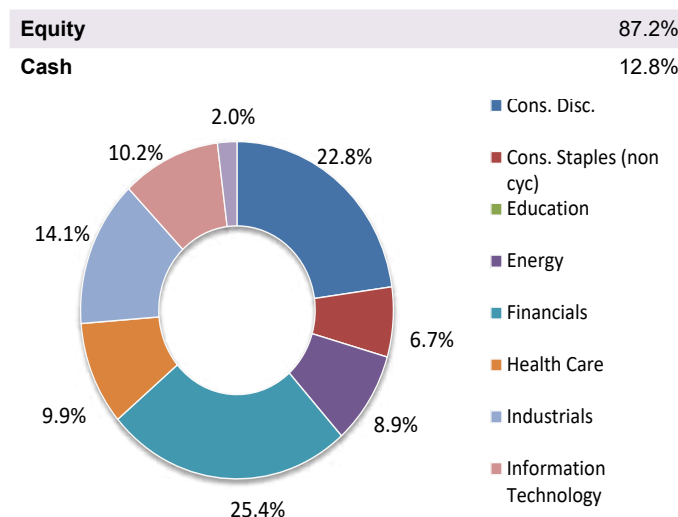
### Key Facts

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

### NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.4033	\$1.3998	\$1.3963

### Portfolio Allocation



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We see markets reacting positively to such actions and we believe next year will be a good year for equities - especially small caps where valuations remain depressed and below large caps. We are seeing a flurry of M&A activity recently with 4 of our holdings receiving takeover bids last few weeks (ELO, RDY, NTO, PPH). We expect more deals to emerge.

We believe our portfolios are positioned well to benefit from valuation re-rates and M&A activity. We are also of the view that now is as good a time to invest in equity markets as we have had in the last few years. Investors must remember - no one rings the bell for you at the bottom.

Finally, we provide company specific commentary in the portfolio section of the report. We will provide further updates in our next monthly report during December.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

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### Portfolio Update

**PeopleIn (PPE.ASX)** updated the market and reaffirmed the FY23 earnings guidance and positive operating conditions including, continued acute shortage of labour and strong market opportunity. The Healthcare & Community vertical is well-placed to address critical supply shortages within this high skills shortage sector. In addition, the Professional Services vertical is continuing to see strong demand, particularly for cyber security roles and professional management roles. And finally, the Industrial & Specialist Services vertical is seeing increased demand across multiple sectors. We expect further M&A to provide a key catalyst for the stock. The current valuation of 9x PE seems too low to us for such a quality business that has shown a consistent track record of performance over the last 5 years. Our valuation is \$5.00+.



**Humm Group (HUM)** provided its Q1 update with continued strong growth in Commercial lending volumes of \$387M up 88% and now annualising \$1.5B of new business per annum. Consumer finance volumes in the quarter continued to grow 8% to \$601M and with strong growth as shoppers return to in store shopping once again. More importantly net loss of 2.3% was an improvement and cost reduction initiatives continued to be well progressed with 1Q FY23 operating expenses below the prior period. We believe this update shows the group is on track to meet our estimate of \$60M in cash NPAT compared to the current valuation of \$250M and a strong balance sheet of circa \$70M net cash. As smaller unprofitable BNPL providers fall by the way side we see Humm emerging as the strongest player left standing and potentially acquiring loan books at attractive multiples. At a cash PE of 4x we think the risk reward is attractive. Our Sum of the part valuation is \$1.10.



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**SRG Global (SRG.ASX)** held its agm during the month, including an updated outlook on FY23. FY23 EBITDA guidance was reaffirmed at circa 25% higher than FY22 EBITDA. Management highlighted the diversity of the business providing ongoing protection against labour and cost pressures whilst still maintaining a strong balance sheet position to support growth in working capital requirements. SRG has an earnings profile of two thirds annuity earnings. SRG Global is well positioned for sustainable growth with positive exposure to growth drivers across the asset services, industrial and mining sectors as well as significant investment in the infrastructure and construction sectors. We value the stock at 90 cents.



**COG Financial Services (COG.ASX)** announced its unaudited Q1 FY23 results. COG's underlying profit for the quarter was \$6.1M of NPATA which represents an increase of 30% on the prior comparative period. Management commented that both segments have continued to perform strongly in what is normally their softest trading quarter and in the face of a higher interest rate environment. The finance broking segment result is particularly impressive given continued supply-chain constraints on acquiring new vehicles and equipment. The company starts the next quarter with a very strong forward order book reflecting strong activity in their core markets of infrastructure, mining, heavy haulage, and agriculture. The Funds Management and Lending Segment grew FUM 5.2% for the quarter as well. A key catalyst for COG is M&A and we won't be surprised if they make a play for Earlypay (EPY.ASX) in the near term which we also own.

