

# Australia Small Cap Income Unit Class

## TAMIM Fund

At 31 May 2024



Dear Investor,

We provide this monthly report to you following conclusion of the month of May 2024.

The TAMIM Small Cap Fund was down -0.35% (net of fees) during the month, versus the Small Ords down -0.05% and the ASX300 up +0.85%.

Over the last 12 months the fund is up +21.0% net of fees versus the Small ords up +10.9%.

We are continuing to identify undervalued opportunities for the Fund from both emerging growth companies that are highly profitable, or unloved turnaround stories that are not yet fully appreciated by the market. We continue to see the overall small to mid cap part of the market as considerably undervalued.

**Exhibit 2: Small caps remain historically cheap vs large caps**  
Relative Forward P/E: Russell 2000 vs Russell 1000, 1985-4/30/2024



Source: BofA US Equity & Quant Strategy, FactSet

As we have flagged previously this year, we believe the latter part of the calendar year is well positioned to deliver better returns to the overall market and in particular the small end as investors begin to see inflation come off (In the US for example, CPI excluding shelter is low versus the headline figure) and rate cut expectations increase. If our assessment is correct then our portfolio holdings should see a significant re-rating as we saw towards the end of last year.

### Portfolio Performance

Inception: 1/1/2019	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
<b>Small Cap Income</b>	-0.35%	21.00%	3.38%	9.37%	11.36%	79.01%
<b>ASX Small Ords</b>	-0.05%	10.92%	-0.09%	4.18%	6.70%	42.04%
<b>Cash</b>	0.36%	4.25%	2.34%	1.57%	1.57%	8.77%

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\$100,000
<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

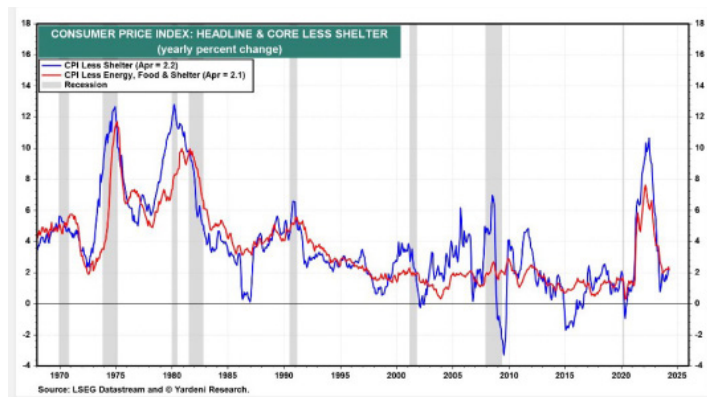
	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.5951	\$1.5911	\$1.5872

### Portfolio Allocation

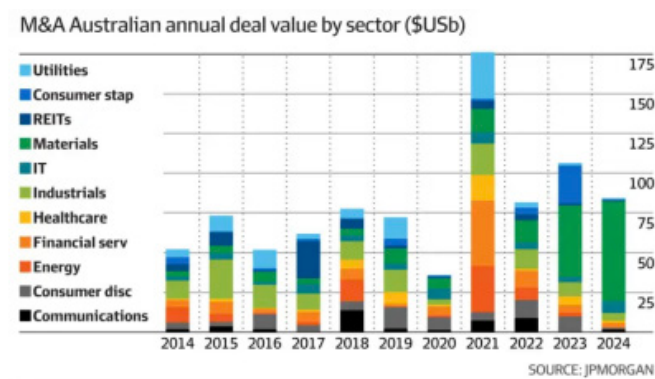
<b>Equity</b>	91.90%
<b>Cash</b>	8.10%
<b>Industrials</b>	31.10%
<b>Information Technology</b>	22.00%
<b>Cons. Staples (non cyc)</b>	15.50%
<b>Financials</b>	11.20%
<b>Health Care</b>	9.80%
<b>Cons. Disc.</b>	7.00%
<b>Real Estate</b>	3.40%

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We also expect M&A activity to pickup and accelerate through the year with 2024 already seeing activity but mostly driven by the recent BHP/Anglo bid. History shows M&A activity rebounds strongly following the type of drop off we have seen in the last 2 years.



Australian M&A by sector. AFR

We provide a brief commentary on portfolio holdings results during the month in the portfolio section of the report. We look forward to providing further updates in our next monthly report in July.

Sincerely yours,

Ron Shamgar and the TAMIM Team.

## Portfolio highlights:

**Southern Cross Engineering (ASX: SXE)** is an electrical contractor servicing the Commercial and Mining sectors but more recently a fast growing exposure to data centers and Renewable energy projects. During May SXE announced a string of good news including:



- SCEE Electrical awarded by Synergy the Balance of Plant works for the Collie Battery Energy Storage System with a Contract value of circa \$160m
- This was the largest initial award by value in group history
- The acquisition of MDE group, a Sydney-based electrical and communications specialist, for an enterprise value of up to \$10.55m
- MDE enables expansion of east coast offering for the group with a growing data centre project pipeline containing significant communications elements
- Forecasting EBIT contribution from MDE of at least \$5m for FY25 and beyond
- Following announcement of acquisition of MDE Group, SCEE Group anticipates FY25 EBITDA of at least \$53m (2nd upgrade for the year)
- Management is confident this growth is sustainable with expectations of further earnings growth in FY26 and beyond

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We built a position in SXE at \$1.10 and we believe the company strong balance sheet of \$50m net cash provides further upside from M&A opportunities and contract wins. SXE is a picks and shovel play on the AI and Renewable energy thematic. We think the stock is worth \$1.90+ and pays a 5% ff dividend.

**IPD Group (ASX: IPG)** provided FY24 earnings guidance during the month. Ebitda of \$39m versus \$27.7m last year and Ebit of \$34m versus \$23.4m last year. The guidance was within market expectations. FY24 has been a transformative year for IPG with the completion of two strategic acquisitions, EX Engineering and CMI Operations. Having expanded their EV infrastructure team, the company is capitalising on the growth in the market by securing a number of major projects during the year, including the electrification of Australia's largest bus depot, and further data center wins.

The logo for ipdgroup, featuring the lowercase letters 'ipd' in blue and 'group' in red.

Similar to Southern Cross (SXE), IPG is a dual - pick and shovels - play on both Australia's transition to electric vehicles, the renewable energy transition and the accelerated growth in data center construction due to AI demand. Trading on 10x forward EV/Ebitda multiple and a 3% ff dividend yield the stock offers further value over time.

**COSOL (ASX: COS)** is a global Asset Management technology-enabled solution provider that optimises operations in asset intensive industries such as natural resources, energy and water utilities, public infrastructure and defence. We initiated a position in COS a year and half ago having followed the previous success and track record of the board and largest shareholders.

The logo for COSOL, featuring a stylized orange and red circular graphic above the word 'COSOL' in a dark blue, sans-serif font.

During the month COS won significant contract wins including with Qbuild. Under the contract, COSOL will deliver managed services and an infrastructure refresh of QBuild's Hitachi Ellipse enterprise asset management system. The initial term of the QBuild contract is three years with a value of approximately \$10 million. There are two extension options of one year each that, if exercised, would have a combined additional value of approximately \$5.2m if both 1 year extensions are exercised.

COS also finalised the acquisition of asset management consultancy Core Asset Co for \$6.1m. Management anticipates that Core Asset will contribute approximately \$6m in revenue and approximately \$1.6m in EBITDA in FY25. Overall we see COS generating \$130m revenue and \$23m Ebitda in FY25. This places the stock on a net profit multiple of 16x and dividend yield of 2.9% ff. As per the founders previous success, we envisage the business to be acquired by a larger player over time.