

INVESTMENT STRATEGY

We look for stocks which we believe are under-priced with near term catalysts likely to generate share price appreciation over the medium term. A key feature will be companies that can fund, maintain and grow dividend payments out of free cash generation. The Australia Small Cap Income unit class will invest into a portfolio of growth and value stocks. The portfolio is structured around the key themes of:

1. Strong businesses with value and growth characteristics; and
2. Cash generating businesses paying regular dividends. .

Investment Objective: To outperform the benchmark over rolling 5 year periods via an actively managed ASX-listed equity portfolio constructed of a concentrated mix of dividend paying companies exhibiting value and growth characteristics.*

*Returns not guaranteed

INVESTMENT PROCESS

The portfolio will contain two components to capitalise on the two themes mentioned above:

1. Value Component

The Value component of the unit class' portfolio ($\leq 50\%$) focuses on value companies through the construction of a portfolio of between 10 and 20 companies that pass TVG's proprietary value investment filters. The Value Component targets companies with an annualised gross dividend yield of at least 4%, a history of paying dividends in at least 3 out of the last 5 years and that are trading at a minimum 20% discount to their Intrinsic valuation.

The portfolio primarily seeks to identify smaller companies that are trading at a discount to their intrinsic value and have earnings momentum over the next two years. We favour companies that operate businesses that can be easily understood, have earnings that are less exposed to economic cycles, generate (or expect to generate) good cash flows, have gearing levels that are appropriate with regard to the cash generative abilities of the business and are sustainable in the future, and are run by management preferably with verifiable track records whose interests are demonstrably aligned with those of shareholders.

Overlaying all these factors, we are always conscious of identifying near term catalysts that are likely to turn an undervalued and overlooked, or an emerging growth company into a market darling.

The investment process, primarily, involves three key steps:

- Firstly, fundamental, bottom-up investment research involving a thorough analysis of all available information;
- Secondly, applying several valuation methodologies to work out a company's inherent value and;
- Thirdly, meeting or speaking with the company's management.

Should appropriate investment opportunities not be available, the unit class will keep a large percentage of the investable assets in cash.

The investment process for the unit class ultimately consists of the following:

1. Idea Generation – identifying companies within our investable universe (ASX ex200) through traditional screening of financial metrics and industry dynamics.

2. Fundamental Research – The investment team conducts rigorous analysis on potential investment opportunities including company management visits, industry analysis, financial modelling and valuations and talking to industry experts. A key focus is on sustainable free cash generation of a company.

3. Macro considerations – focus and understand key macroeconomic factors that may impact the intrinsic value of the company.

4. Key catalyst identification – seek to identify key events that can serve as valuation catalysts.

5. Fund portfolio – will be made up of 20 – 40 stocks that pass all of our investment criteria and filters and are paying dividends. Investment will be weighted towards companies that we feel provide the best upside and near term catalysts.

6. Portfolio review – Ongoing review by the portfolio manager and rebalancing as investment theses and risk profiles change.

Ron Shamgar

Portfolio Manager, Head of Australian Equity Strategies

Ron Shamgar is CIO of TVG Capital and the Head of Australian Equity Strategies at TAMIM Asset Management and is also the manager of the TAMIM Australian Equity Small Cap Income unit class and IMA service.

Ron was the co-founder of TBF Investment Management (The Boat Fund) and was Portfolio Manager of the TBF Small Cap Value Growth Fund from 2013 to 2018. At TBF, Ron

was responsible for research, company analysis, portfolio construction and marketing the fund. Ron has a passion for value investing and believes in a systematic approach to researching and evaluating businesses with a strong bias on assessing management teams. He has been investing actively on the ASX for over 15 years. Ron holds a Bachelor of Manufacturing and Management Engineering from the University of New South Wales.

INVESTMENT STRUCTURE

KEY FACTS

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| Investment structure: | Unlisted Unit Trust (only available to wholesale or sophisticated investors) | Management Style: | Active |
| Minimum investment: | \$100,000 | Investable universe: | ASX ex200 |
| Management fee: | 1.25% p.a. | Number of securities: | 20 - 40 10 - 20 Value 10 - 20 Growth |
| Administration & expense recovery fee: | Up to 0.35% | Single security limit: | +/- 5% |
| Exit fee: | Nil | Market capitalisation: | Typically < AU\$1bn |
| Performance fee: | 20% of performance in excess of hurdle | Derivatives: | No |
| Hurdle: | RBA Cash Rate + 2.5% | Leverage: | No |
| Lock up period: | Nil | Portfolio turnover: | < 50% p.a. |
| Buy/Sell spread: | +0.25%/-0.25% | Cash (typical): | 0-100% (0-50%) |
| Applications: | Monthly | | |
| Redemptions: | Monthly with 30 days' notice | | |

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