# Australia All Cap Unit Class Fund

At 31 May 2023

Dear Investor,

We provide this monthly report to you following conclusion of the month of May 2023.

The TAMIM All Cap Fund was slightly down -0.37% for the month of May. Calendar year to date the fund is up +10.31% net of fees versus the ASX Small Ordinaries at +1.89%.

During the month the ASX 300 declined -0.95%, with consumer discretionary, financials and materials leading declines, while small caps continued their period of underperformance versus large caps, with the ASX Small Ordinaries down -2.69%.

Following a very strong April the Fund had a consolidation as investors took profits and sentiment once again shifted towards macroeconomic newsflow.

Australian equities were weaker through the month, as softening commodity prices weighed down on the resources and energy sectors (no exposure), while weaker than anticipated economic data, a surprising 25bps RBA rate hike and firmer CPI print, impacted listed businesses with exposure to the domestic economic cycle.

In our April monthly report we noted the following:

“We see the first half performance as more volatile and lumpy, whilst our further performance may be more skewed to the second half of the year.“ This played out during May as the Fund continued to experience volatility in underlying holdings.

It seems this lumpiness in performance may continue in the short term, although we expect some of the portfolios larger holdings to deliver certain milestones this year which should see their share prices react positively once expected newsflow materialises.

## Key Facts

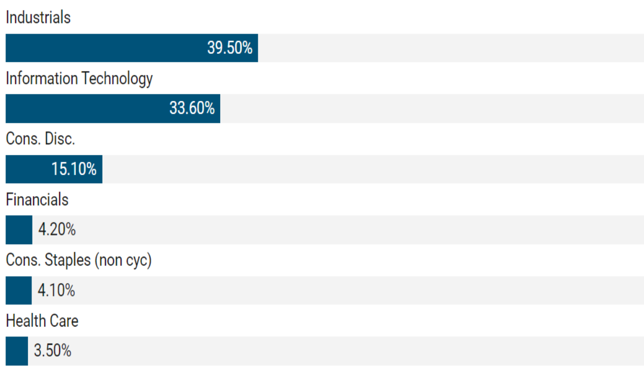
| | |
|---|---|
| **Investment Structure:** | Unlisted unit trust |
| **Minimum investment:** | A$100,000 |
| **Applications:** | Monthly |
| **Redemptions:** | Monthly, with 30 days notice |
| **Unit pricing frequency:** | Monthly |
| **Distribution frequency:** | Semi-annual |
| **Management fee:** | 1.25% p.a. |
| **Performance fee:** | 20% of performance in excess of hurdle |
| **Hurdle:** | Greater of:<br>RBA Cash Rate + 2.5%<br>or<br>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:** | CTS9748AU |

## NAV

| | Buy Price | Mid Price | Redemption Price |
|---|---|---|---|
| **AU$** | $1.095 | $1.0923 | $1.0896 |

## Portfolio Allocation

| | |
|---|---|
| **Equity** | 90.20% |
| **Cash** | 9.80% |




## Portfolio Performance

Note: Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio. Should you wish to see your individual return, please log in to your account online.

| *Inception: 31/12/2016* | 1 month | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.) | Since inception (total) |
|---|---|---|---|---|---|---|
| **Australia All Cap** | -0.37% | -2.45% | 10.60% | 9.33% | 10.04% | 84.64% |
| **ASX 300** | -0.95% | 4.02% | 11.93% | 7.78% | 8.07% | 64.51% |
| **Small Ords** | -2.69% | -5.23% | 4.66% | 2.58% | 5.68% | 41.20% |
| **Cash** | 0.32% | 2.69% | 0.99% | 1.03% | 1.14% | 7.52% |

Portfolio Performance for Australia All Cap refers to the aggregated cumulative performance of all TAMIM Australian All Cap individually managed account portfolios since inception (31 Dec 2016) in AUD net of fees up to 31 October 2019. From 1 November 2019 the performance reflects the return on the TAMIM Fund: Australia All Cap unit class. Both are managed according to the same portfolio. ASX300 refers to the S&P/ASX 300 Accumulation Index. 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.

Over the last few weeks we have seen a flurry of M&A deals emerge at significant premiums in the small end of the market, which does reflect the mismatch in valuations between institutional investors in listed equities and private companies expectations. We expect M&A to dominate the headlines this year in the absence of economic growth, as larger companies look to grow by acquisitions.

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

Sincerely yours,

Ron Shamgar and the TAMIM Team.

**Portfolio highlights:**

**PeopleIN (PPE)** finally announced that it has concluded the strategic review process which began back in November 2022. The strategic review was conducted with the intent of maximising value for all PeopleIN shareholders and considered an array of strategic options.

The strategic review has confirmed that PeopleIN is best positioned to continue executing on its existing three-year strategic plan, with a focus on resilient sectors with a long-term demand for staff, cross-selling between our specialist brands and international recruitment.

The Board also took into consideration the Company's growth opportunities considering economic conditions and strong industry tailwinds, including a significant improvement in visa processing times in recent months and broader migration reforms which if implemented have the potential to dramatically improve Australia's global standing as a work destination. Considering the resolution of the Board to commit to the current strategy, PeopleIN has concluded its strategic review.

In other words, the company couldn't find a suitable acquirer for the business at a multiple that was much better than what equity markets are valuing the business. PeopleIN also reaffirmed its FY23 earnings guidance with normalised EBITDA of $62m - $66m. A slight change to the original top of the range guidance in February.

Overall this was not a favorable outcome and saw the share price sold off -20% since then. At current levels, PPE is trading on a PE of less than 6.5x and dividend yield of 8.5%. Although we are entering a tougher environment for labour markets, PPE is diversified and exposed to some defensive sectors such as health and nursing and Food packaging.

**Close the Loop Group (CLG)** delivered a positive business update during the month with the following highlights:

- ISP TEK and CTC have delivered over the past six months (to 30 April 2023) US$7.9m EBITDA, 15% growth compared to the prior corresponding period, demonstrating momentum within the recently acquired business

- Following the acquisition settlement the Group has gained significant inroads with key appointments secured and operational structures evaluated to improve efficiency and synergies

- ISP TEK's primary OEM has approved the annual contract rollover, with the partnership now entering its third year.

- CLG is expecting to deliver statutory EBITDA of $22m in FY23 (including a two-month contribution from ISP TEK and CTC)

- FY24 guidance for revenue is forecast to be approximately $200m, with EBITDA of at least $43m. The FY24 forecast does not account for previously identified synergies, nor the expansion of contracts and product lines.

**Reckon Limited (RKN)** held its AGM with the Board highlighting the disconnect between the share price and implied valuations based on revenue or EBITDA multiples usually applied to software companies, including the multiple applied to the sale price of the Accountants Practice Management Group. The board believes that there is considerable value to be unlocked in Reckon, and the management team are working hard to crystallise this value.

To that end, a new cash incentive plan for the CEO and CFO was announced. The reward under the plan is significant, but so too are the targets. A potential return in cash of approximately three times the current market capitalisation of Reckon for any payment over the next six and a half years, up to approximately six times the current market cap for the maximum payment.

We believe there is significant upside in both the cloud business division which could be sold alone for more than double the current market cap to a potential bank, and the small but faster growing Legal software division in the US which if successful is worth at least the current market cap. In the meantime we getting paid a 7% dividend yield to wait.