

# GLOBAL EQUITIES HIGH CONVICTION



TAMIM

Has the Game Just Changed?

PRESENTED BY ROBERT SWIFT  
GLOBAL EQUITIES PORTFOLIO MANAGER  
NOVEMBER 2024



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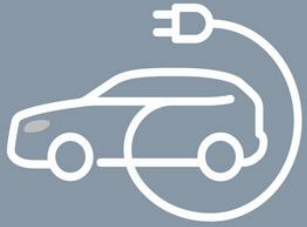



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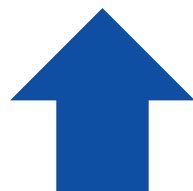
# Disclaimer





# Our Investment Platform

| EQUITIES  |  |  |   | OTHER ASSET CLASSES  |   |   |
|---|--|--|---|--|---|---|
| AUSTRALIAN  |  | GLOBAL   |   | PROPERTY   |   | PRIVATE DEBT  |
| <br>AUSTRALIA<br>ALL CAP | <br>SMALL CAP<br>INCOME | <br>GLOBAL HIGH<br>CONVICTION | <br>GLOBAL<br>MOBILITY | <br>TAMIM<br>PROPERTY | <br>LISTED<br>PROPERTY | <br>TAMIM<br>CREDIT FUND |



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## What we said last time – June 2024

- Choosing between recession, with asset price shocks, and inflation? Inflation will be preferred
- Base effects will soon allow talk of rate cuts, which will support equities.
- The conundrum is WHEN will the market broaden to favour active risk and valuation bias?
- We still like our 7 themes (Our magnificent 7?)
  - Infrastructure, Food, Defence, Japan, Electrical Grid, Industrial Commodities, Traditional Energy
- We intend to remain both diversified and fully invested – we favour USA, Japan and not so much Europe

# Discussion Points

Still a good place to hedge inflation risk

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## More Importantly! Today!

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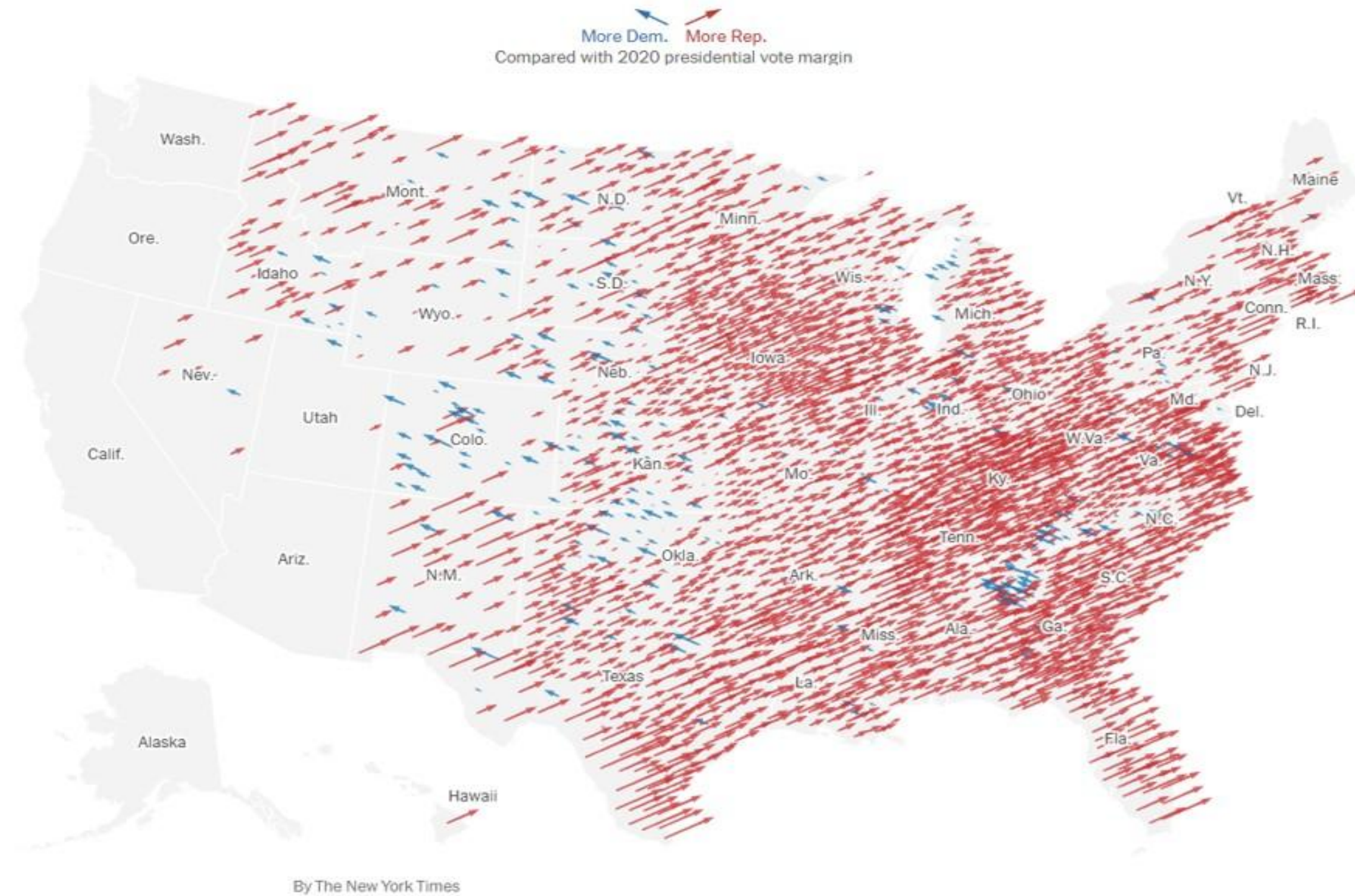
- Choosing between recession, with asset price shocks, and inflation? Inflation will be preferred = Equities have to be owned
- Change of US Government. The mandate for change in direction is overwhelming. **“Turbo Trump” or “Tamed Trump”?**
  - Do we truly know what will be done? If not, how to hedge? E.g.
    - Tariffs – do they incentivize **inward investment**? ie NOT inflationary
    - Tax cuts – linked to private sector capex?
    - Government headcount reduction – does it get redirected to private sector?
    - Energy stocks – less risk around stranded assets
    - Defence spending up or down? Europe buys US product?
    - China/Japan – their reaction to Trump? China is cheap....maybe misunderstood? Japan still is.
- We like these structural developments
  - Re-industrialization (Infrastructure, Energy and Materials sources, Profitable Industrial Companies, Power generation & transmission
  - “Friend-shoring/tech and defence spending alliances”
  - Japan and ...China!
- We intend to remain both diversified and fully invested – we favour **USA outside the MEGA Caps, Japan**, and not so much Europe

# Discussion Points

Still a good place to hedge inflation risk



# The Mandate for a Change in Direction – is USA economy good?

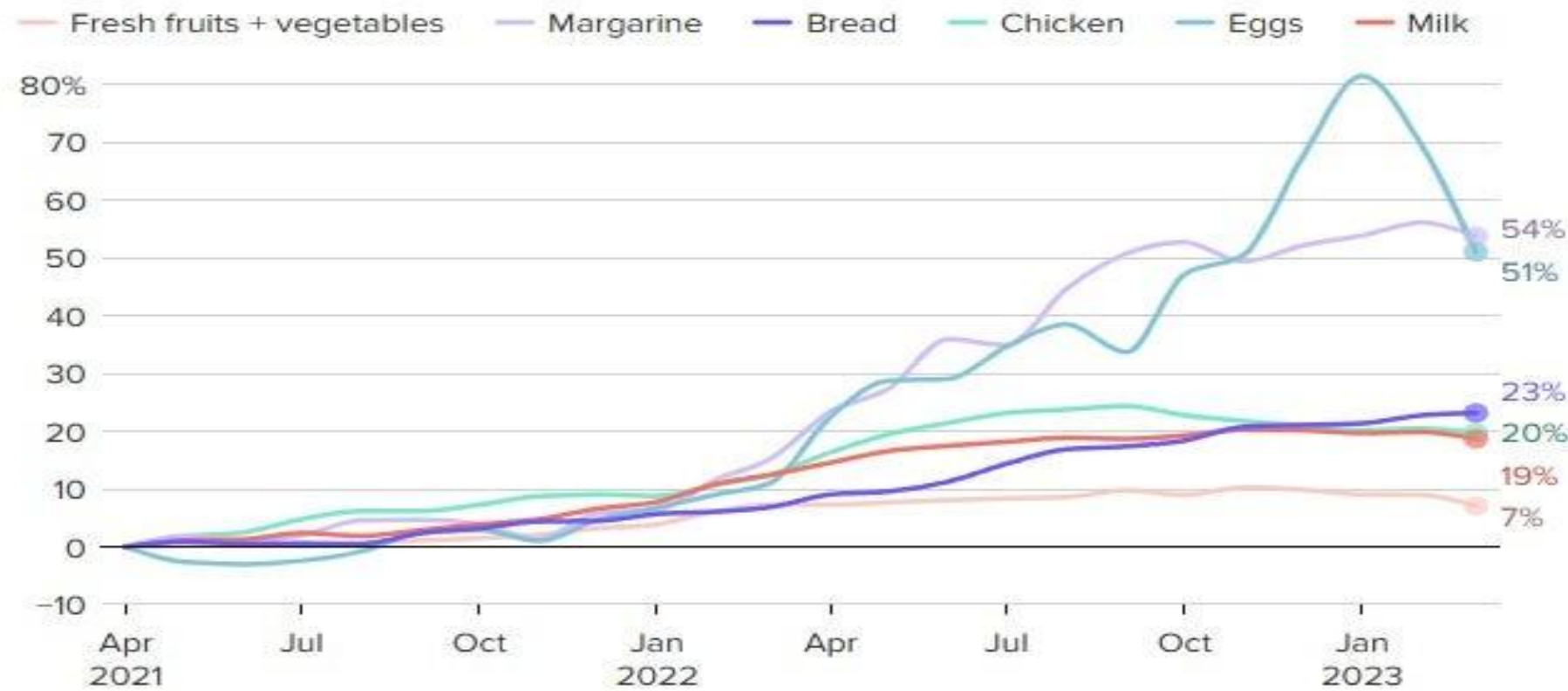


# The Stretched Consumer – it's not George Clooney!

## The cost of groceries is up by almost 20%

### Food at home

Percent change in the consumer price index since April 2021



Note: **Food at home** is a major category in the CPI.

Chart: Gabriel Cortes / CNBC

Source: CNBC analysis of the U.S. Bureau of Labor Statistics' seasonally adjusted consumer price index

Data last updated April 12, 2023





# George Clooney has a beard!

## Gillette Custom Plus 3

Nick B. buys his razor blades at Costco and he sent us this picture showing that their 36 packs of Gillette Custom Plus 3 razors now only have 30 of them — a 17 percent reduction. And the price stayed the same at \$31.99.

**\*MOUSE PRINT:**



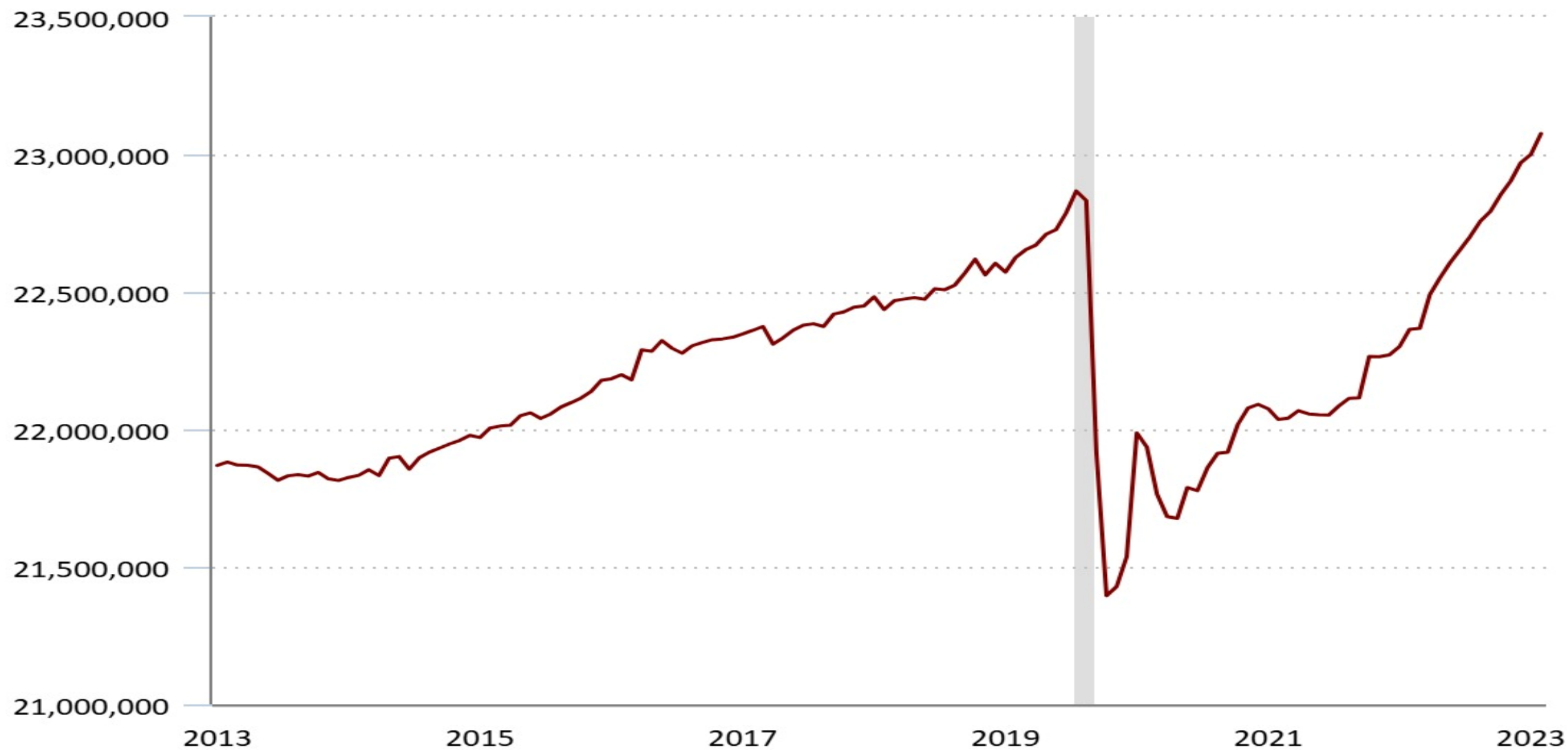
[www.mouseprint.org](http://www.mouseprint.org)



# Some things will change



**Employment in government, January 2013–December 2023**



**Bidenomics at work**

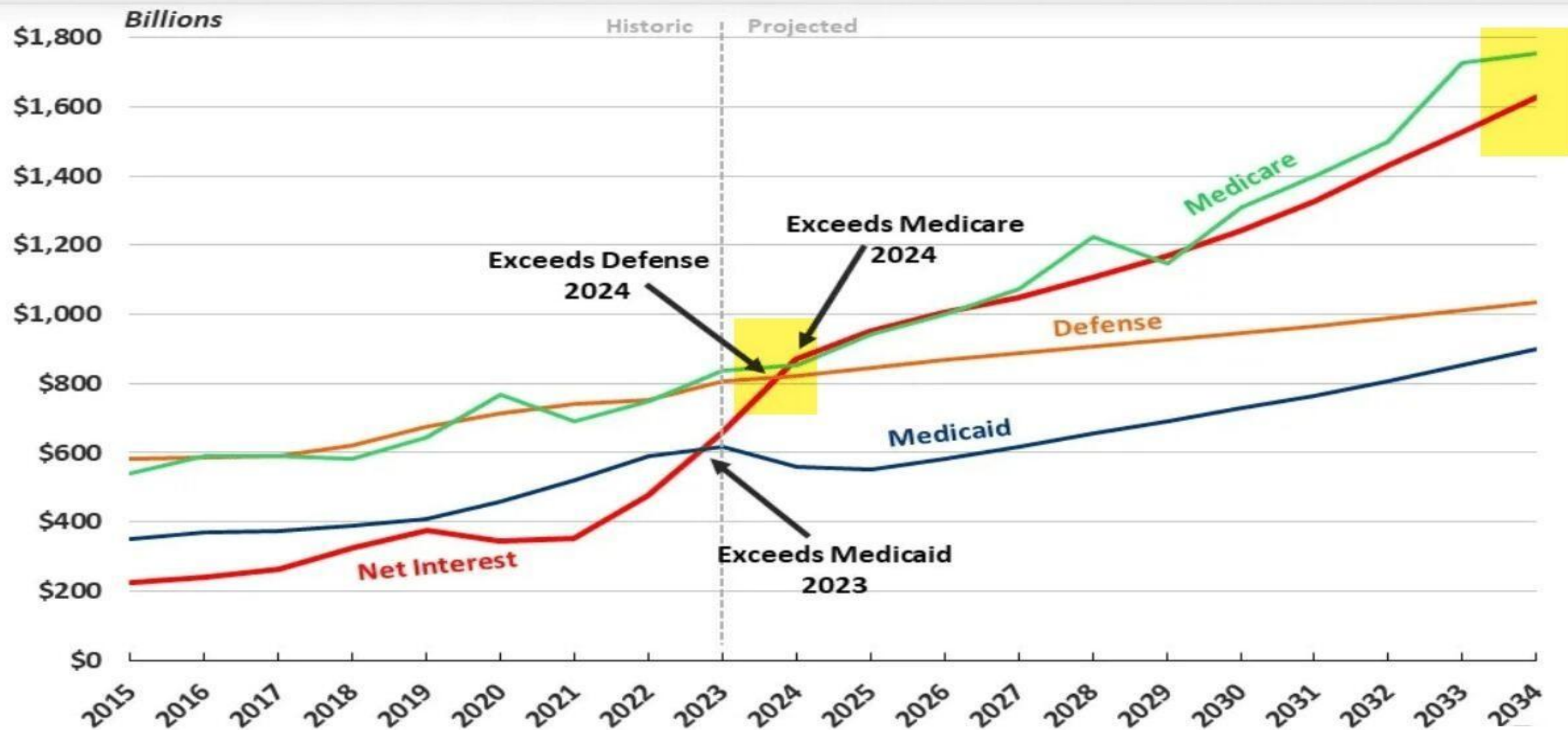
**Removing \$2 trillion of spending needs replacing though**

Click legend items to change data display. Hover over chart to view data.  
Data are seasonally adjusted.  
Shaded area represents a recession as determined by the National Bureau of Economic Research.  
Source: U.S. Bureau of Labor Statistics.



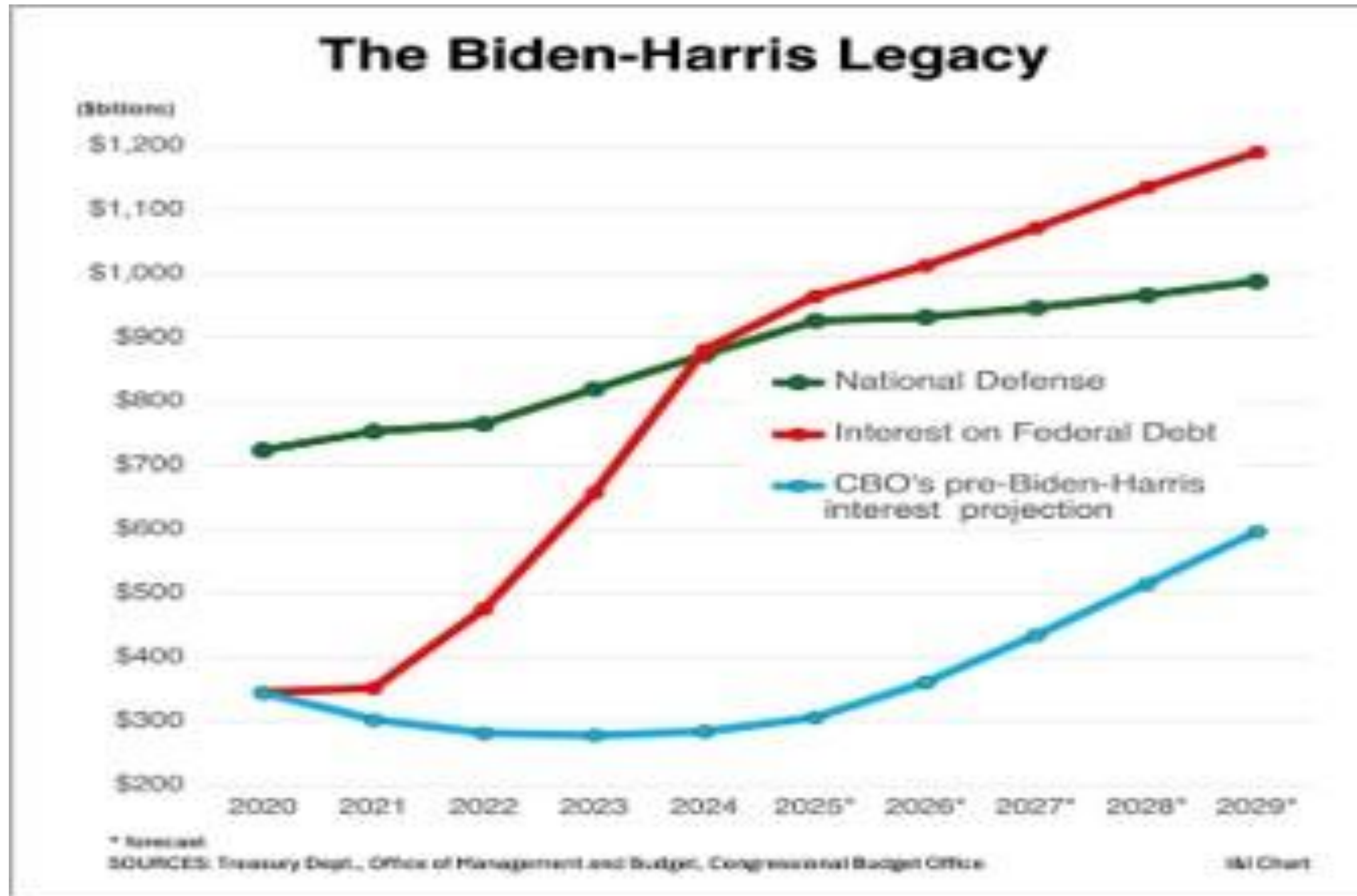
# Debt is a Burden – rates are effectively capped

## Interest Costs Will Top Defense & Medicare in 2024



Sources: Congressional Budget Office & Office of Management and Budget.

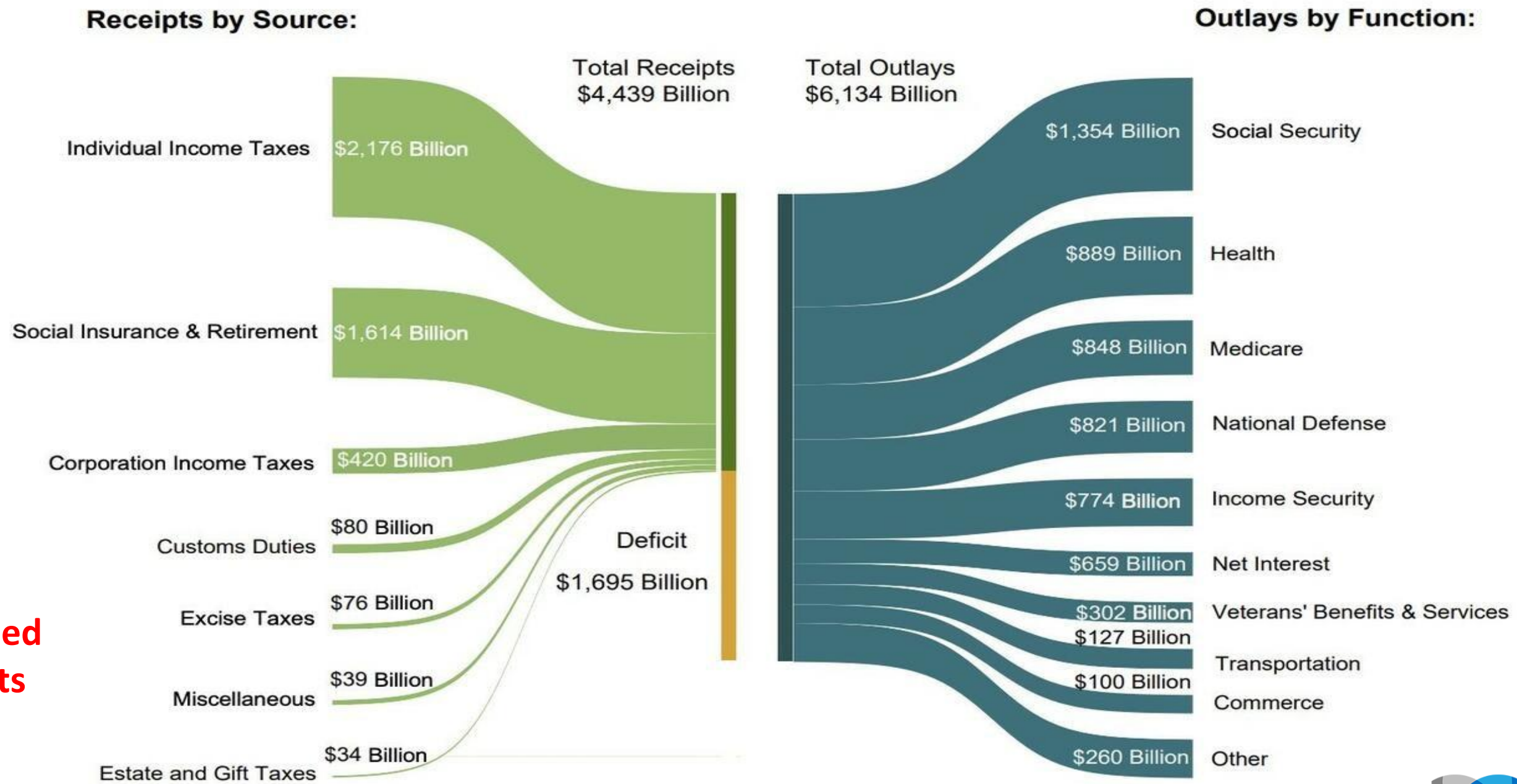
# Debt is a Burden





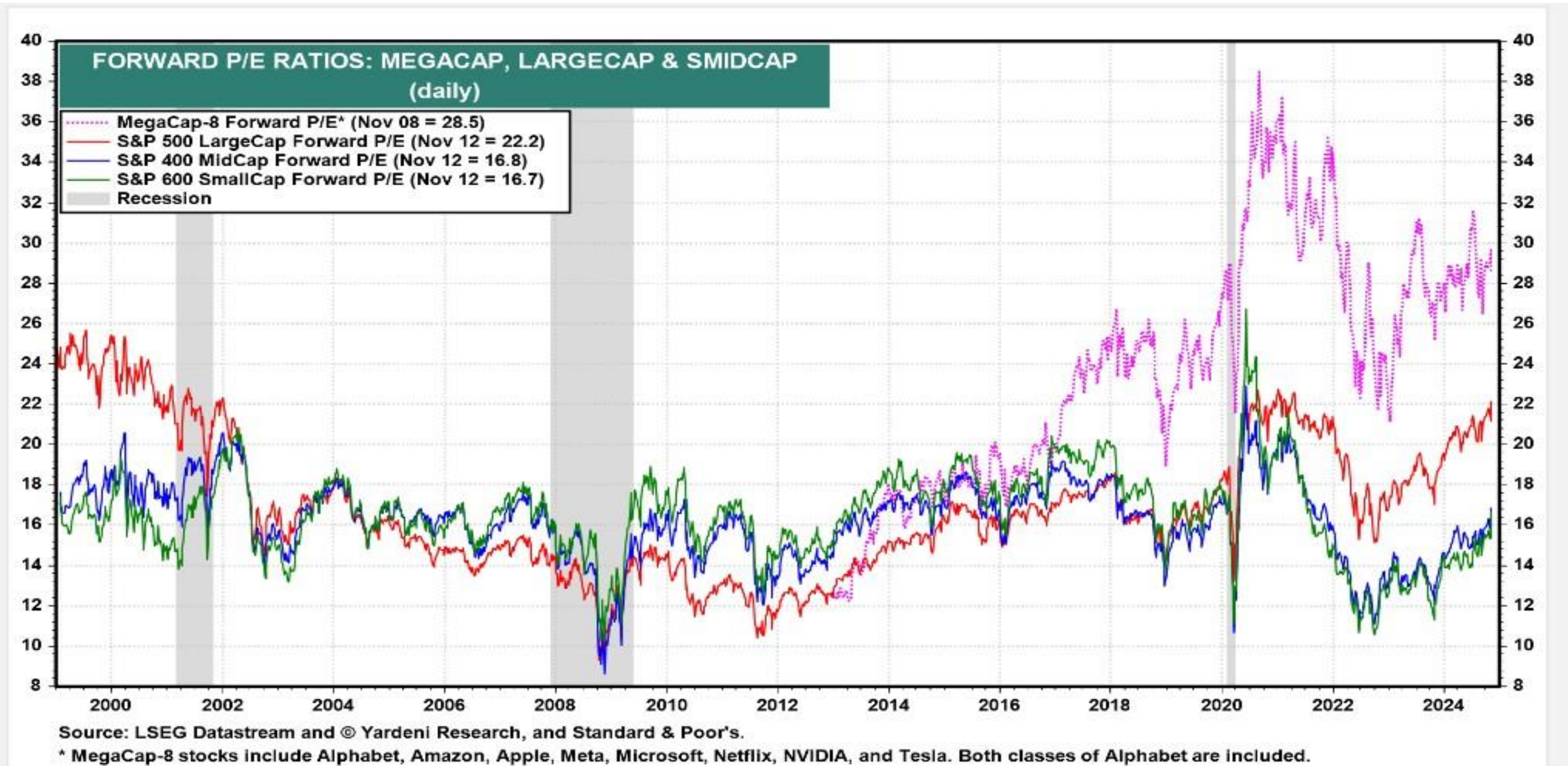
# Some things will change

Figure 2. Cumulative Receipts, Outlays, and Surplus/Deficit through Fiscal Year 2023



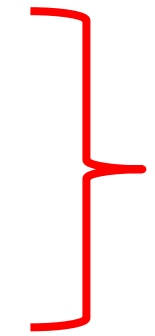
**Private Sector Jobs and wages matter = Don't get too concerned about 'corporate tax cuts for the rich'! Better to have private sector jobs**

# US Relative Valuations also Favour Change?...





# Is a Change in Market Leadership also coming?...



Not quite as extended as 2000

Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.





# Obsessions end – ask Taylor Swift! Time for a leadership switch?



Over 10 years to 2016  
equal weighted  
worked better

Source: Capital IQ



# Obsessions end – ask Taylor Swift! Time for a leadership switch?



And then it didn't

10 Years to end October 2024

Source: Capital IQ



# Some Things will Change – Perhaps...



### Annual New Stock Buybacks



If capital investment were to be encouraged instead?...

TSMC

Hitachi ~ nuclear power

VW ~ fleeing Germany?

BYD?...!

“Friend-shoring”

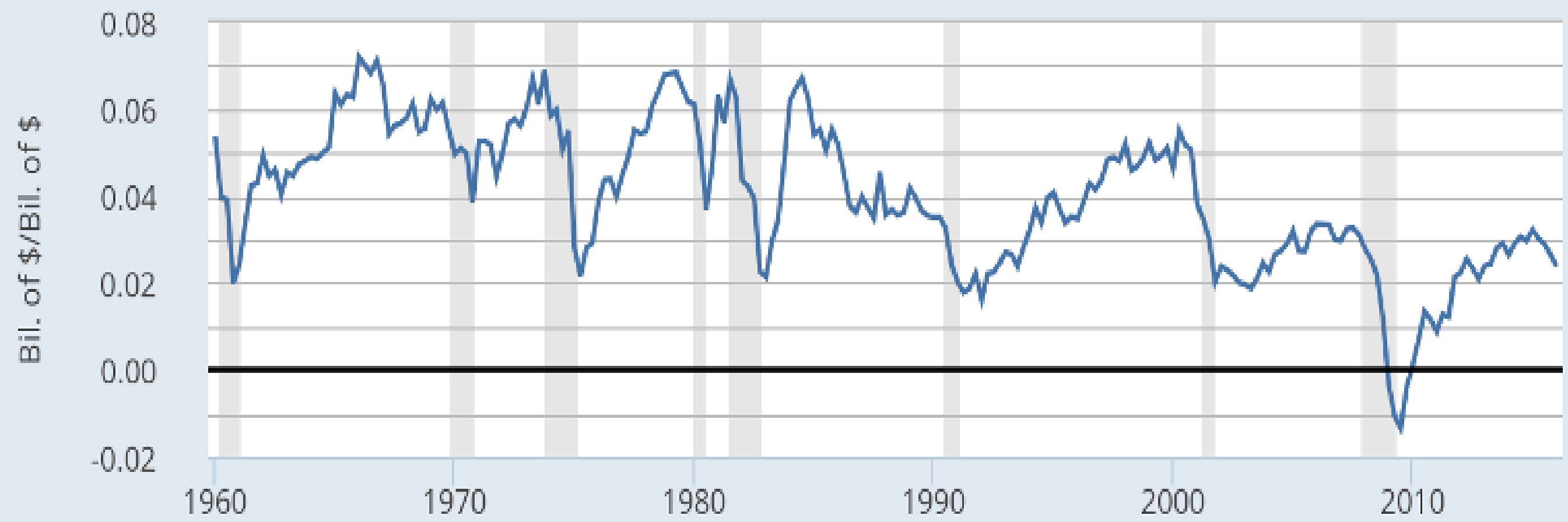


# Some Things will Change



**FRED** 

— Net domestic investment: Private: Domestic business/Gross Domestic Product

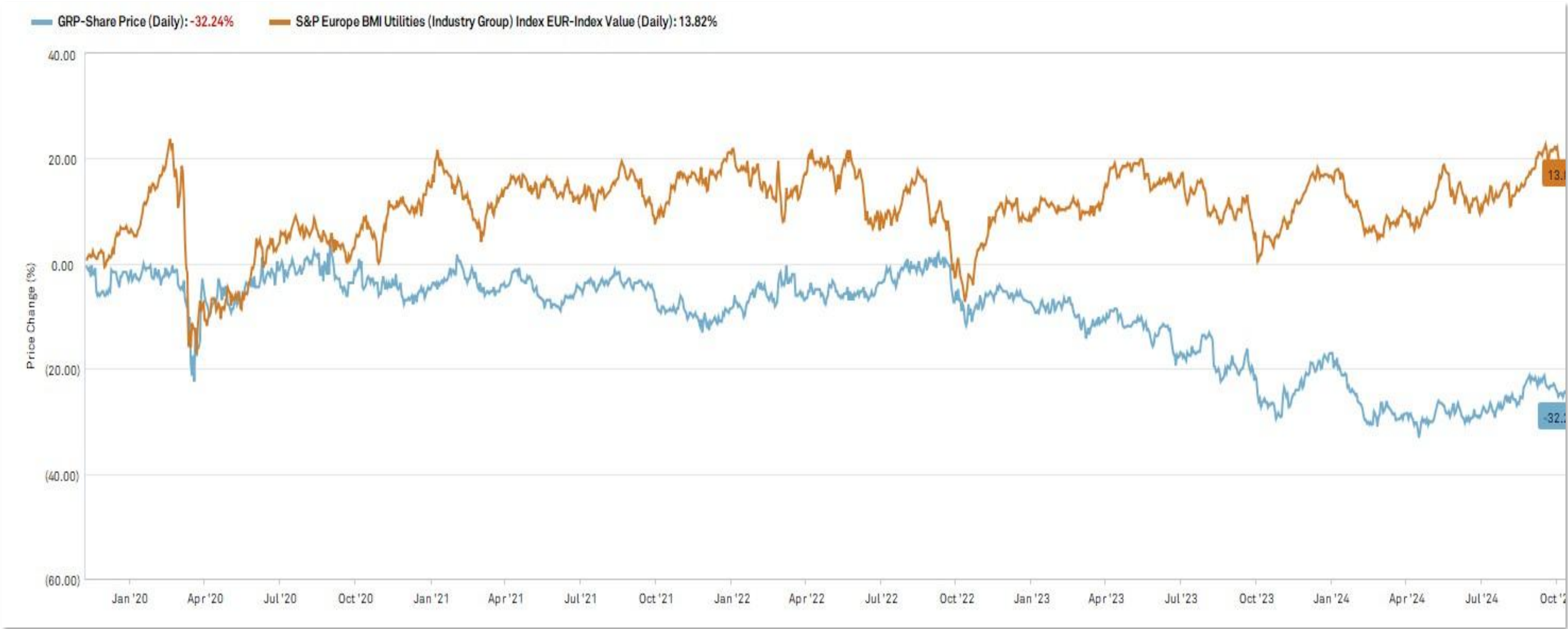


fred.stlouisfed.org

myf.red/g/69aN



# Green doesn't mean "Green"



Greencoat Renewables PLC vs Europe Utilities  
Capital IQ



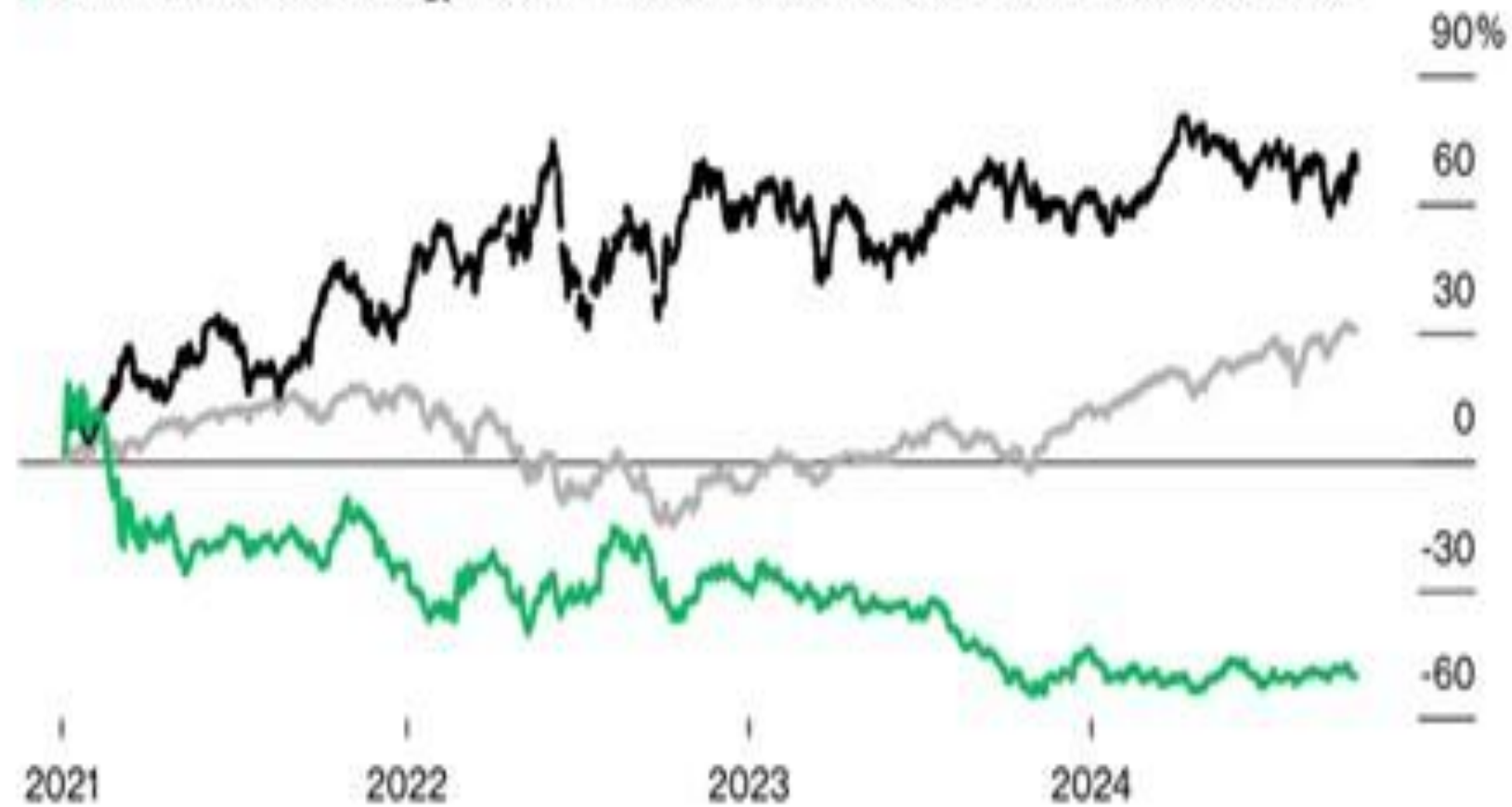
# Green doesn't mean "Green"



## Clean Energy Shares Have Lagged Oil, Global Stocks

Change since January 2021

— S&P Global Clean Energy Index / MSCI AC World Index / S&P Global Oil Index

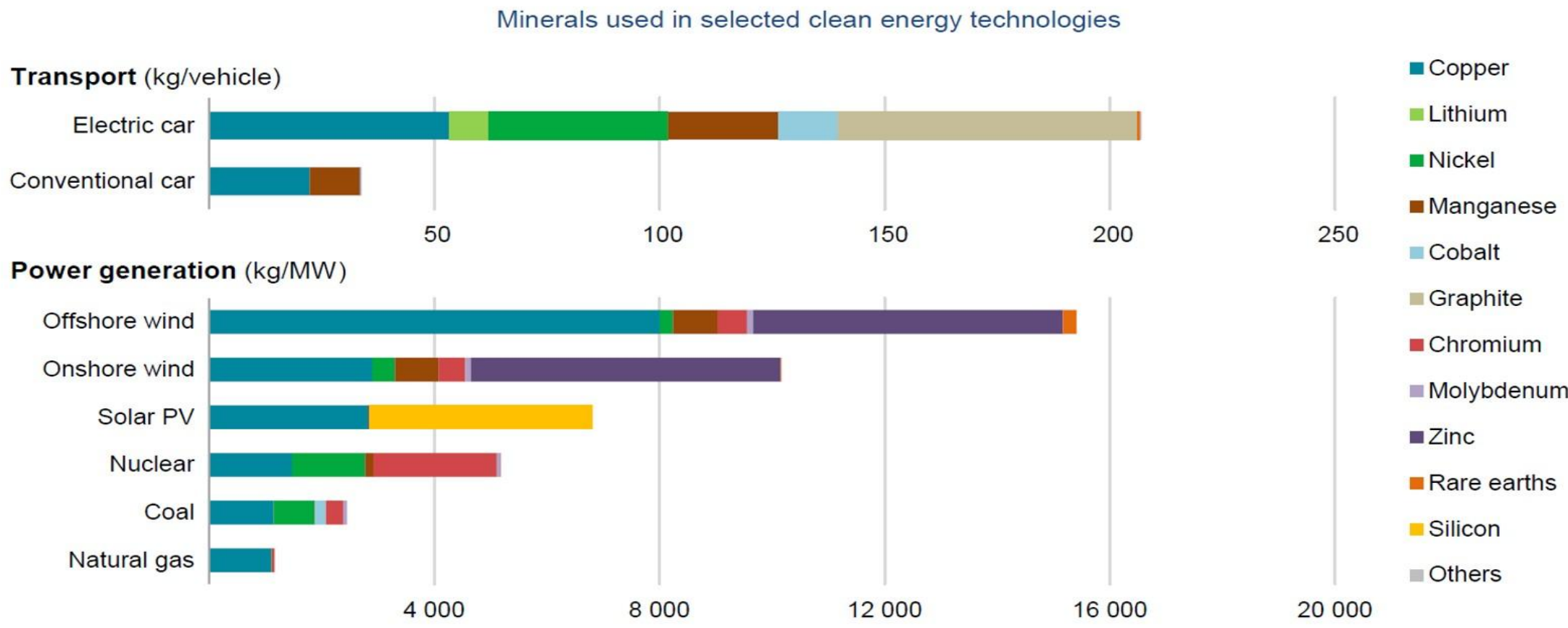


Source: Bloomberg



# Green means Brown – ‘Drill baby drill’?

March 2022: “All Revolutions eat their young”. The Green one will too



“An energy system powered by clean energy technologies differs profoundly from one fuelled by traditional hydrocarbon resources. Building solar photovoltaic (PV) plants, wind farms and electric vehicles (EVs) generally requires more minerals than their fossil fuel based counterparts. **A typical electric car requires six times the mineral inputs of a conventional car, and an onshore wind plant requires nine times more mineral resources than a gas-fired power plant.** Since 2010, the average amount of minerals needed for a new unit of power generation capacity has increased by 50% as the share of renewables has risen.”

IEA. All rights reserved.  
 Notes: kg = kilogramme; MW = megawatt. Steel and aluminium not included. See Chapter 1 and Annex for details on the assumptions and methodologies.

Source: IEA 2021

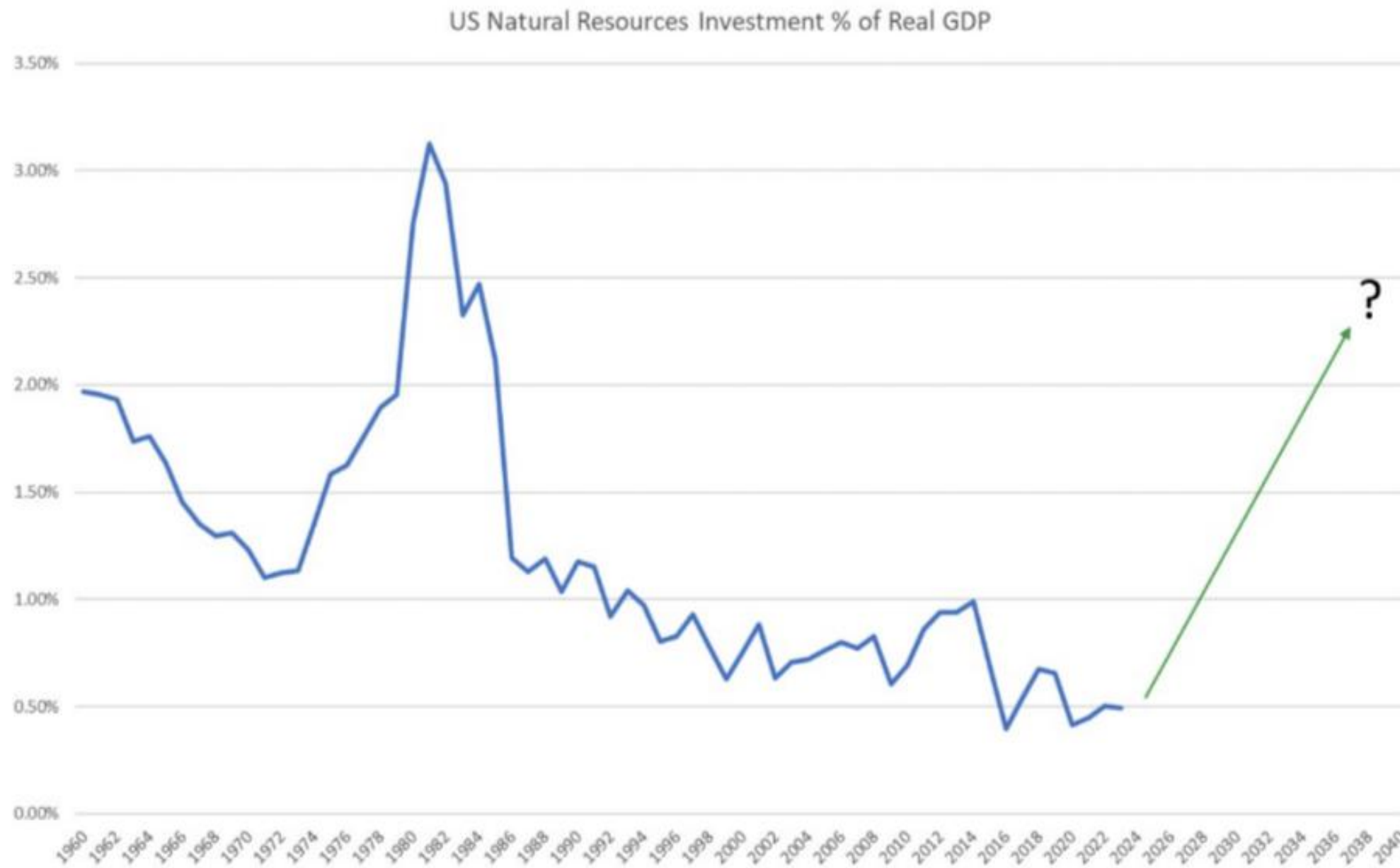
See also: [Leading scientists set out resource challenge of meeting net zero emissions in the UK by 2050](#) Natural History Museum



# Green means Brown – “Drill baby drill”?



**Exhibit 60:** Domestic investment in mining and exploration has declined ~4.0x from ~2.0% of GDP in 1960, and a peak of ~3.1% in 1981, to its current level of ~0.5% in 2022



- Schlumberger
- BHP
- RIO
- Sumitomo Electric Industries
- ...

\* Mining investment as % of Real GDP = (Real Private Investment: Mining Exploration/Shfts/Wells)/Real US GDP  
Source: Fred Economic Data



# We're not Ready

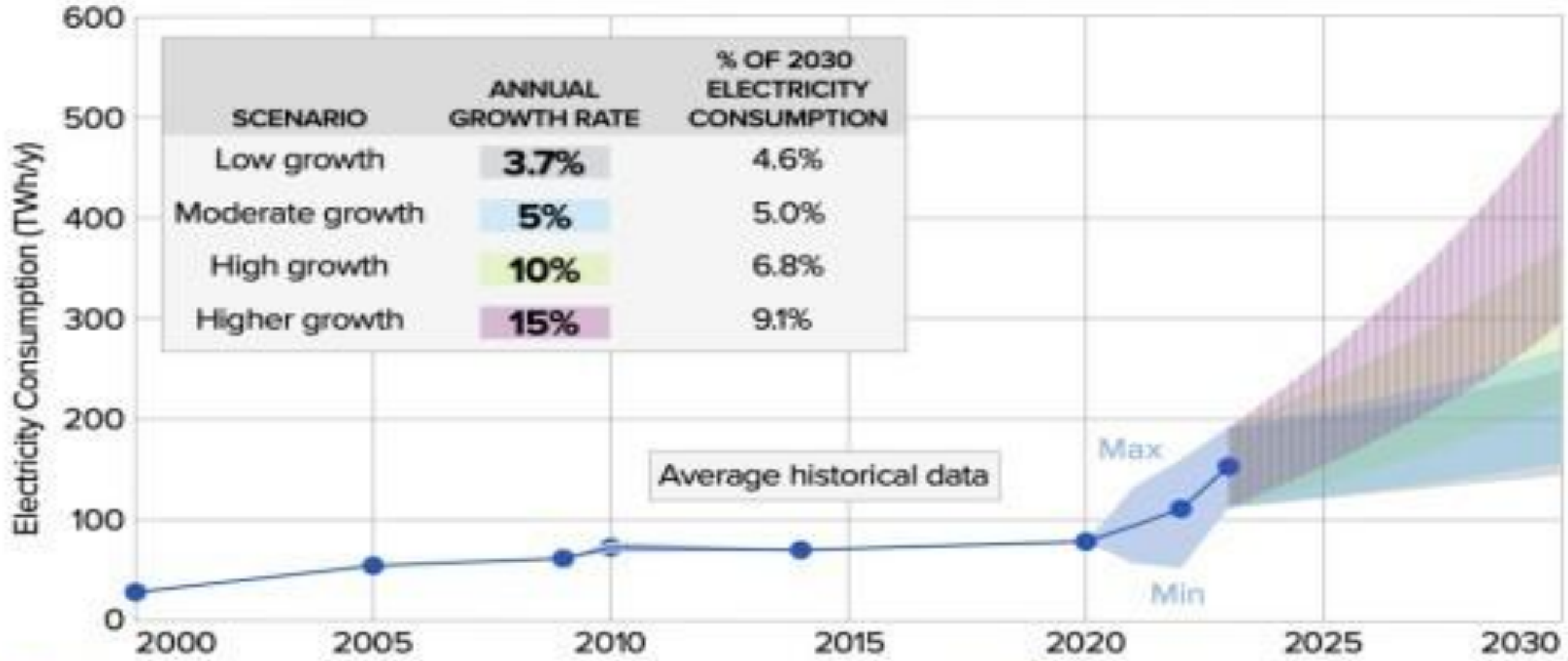


Figure ES-1. Projections of potential electricity consumption by U.S. data centers: 2023–2030 . % of 2030 electricity consumption projections assume that all other (non-data center) load increases at 1% annually.

Source: U.S. Energy Information Administration (EIA)

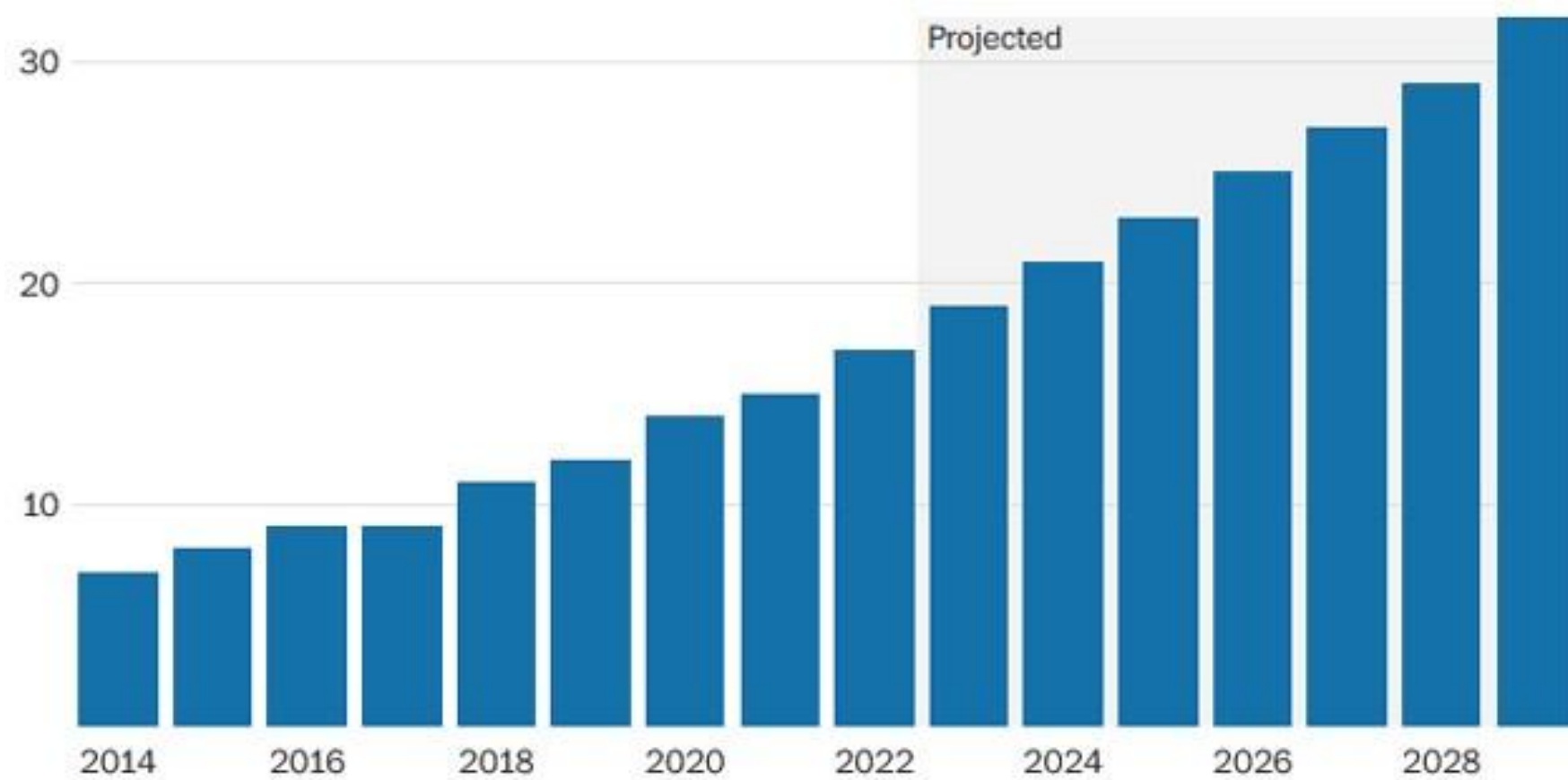




# We're not Ready



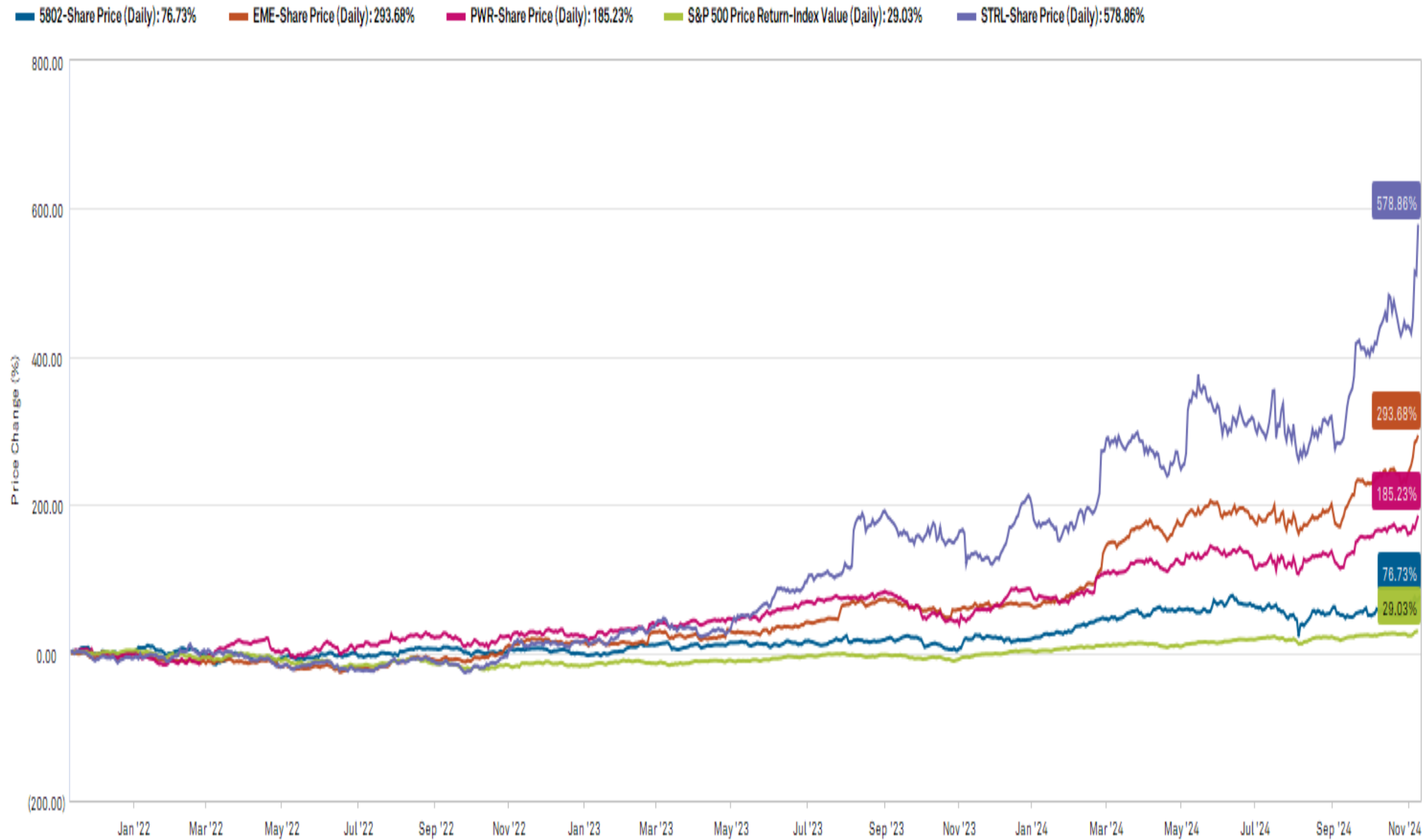
Data center energy demand, in gigawatts. Each gigawatt is roughly the amount of power generated by a large nuclear plant.



Source: McKinsey and Company, January, 2023.

Sumitomo Electric Industries ~ Core Grain Steel  
Sterling Infrastructure ~ Infrastructure Construction  
EMCOR ~ Power Infrastructure  
Quanta ~ Utility building  
NGK Insulators ~ Power Equipment manufacture

# We're not Ready – Some Stocks However are Discounting



Sumitomo Electric Industries ~ Core Grain Steel

Sterling Infrastructure ~ Infrastructure Construction

EMCOR ~ Power Infrastructure

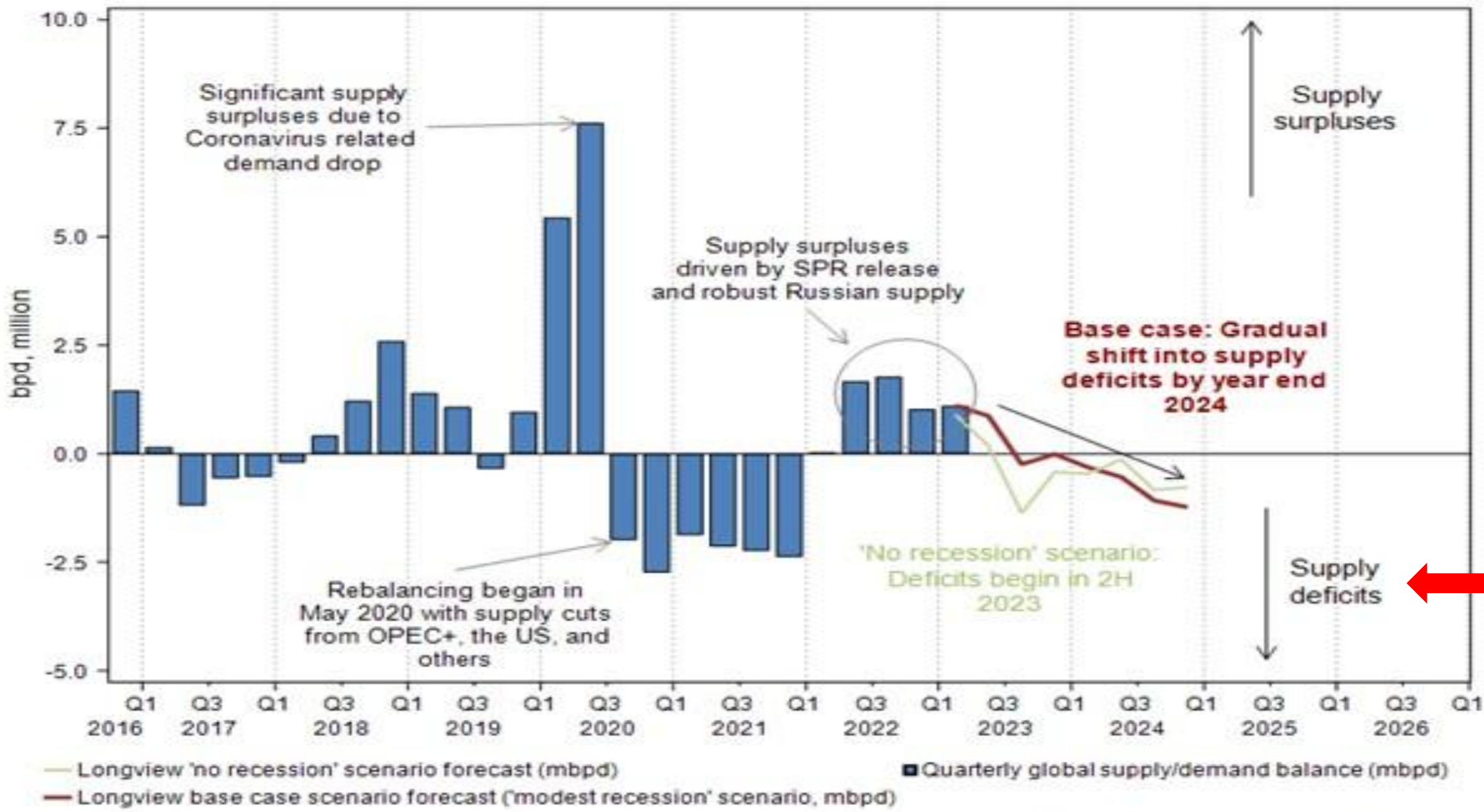
Quanta ~ Utility building

S&P 500



# Oil & Gas, Nuclear – Energy is Required in Modern Economies

**FIG 5: Global supply & demand balance (mbpd), shown with Longview forecast**



Guess what happens!

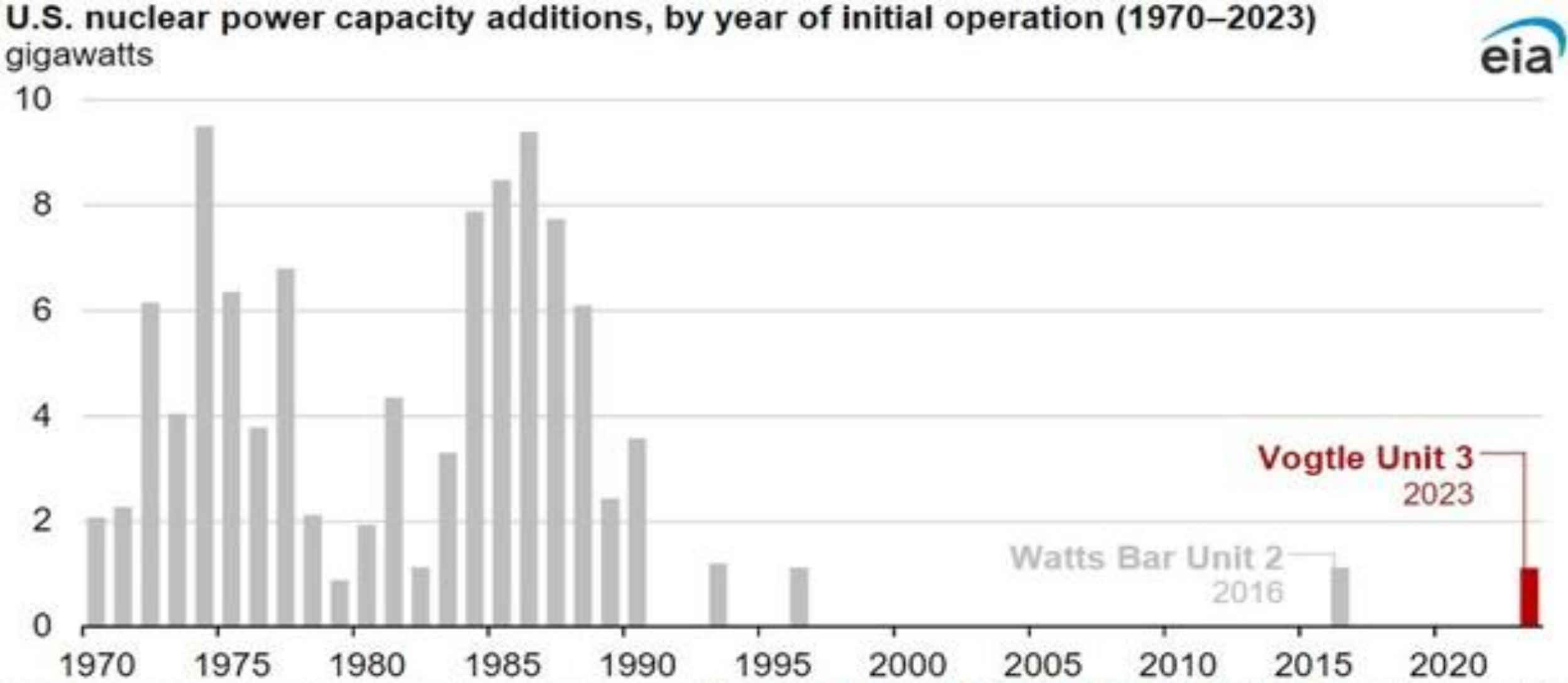


Source: Longview Economics, Macrobond



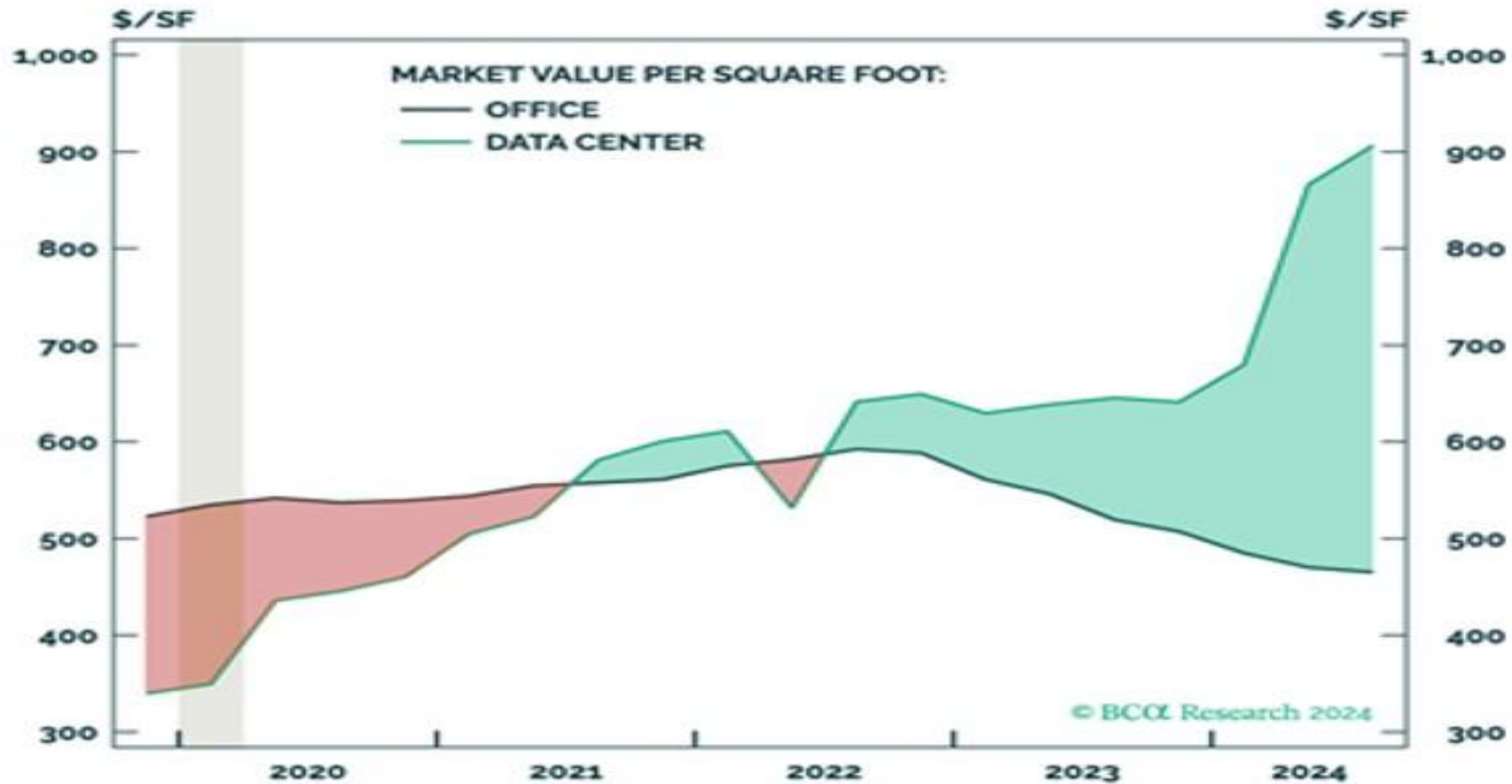


# Nuclear Power gap – gas and oil the answer? Coal is yukky



Data source: U.S. Energy Information Administration, *Preliminary Monthly Electric Generator Inventory*, and Georgia Power press release  
Note: Data excludes capacity built and retired before 2002.

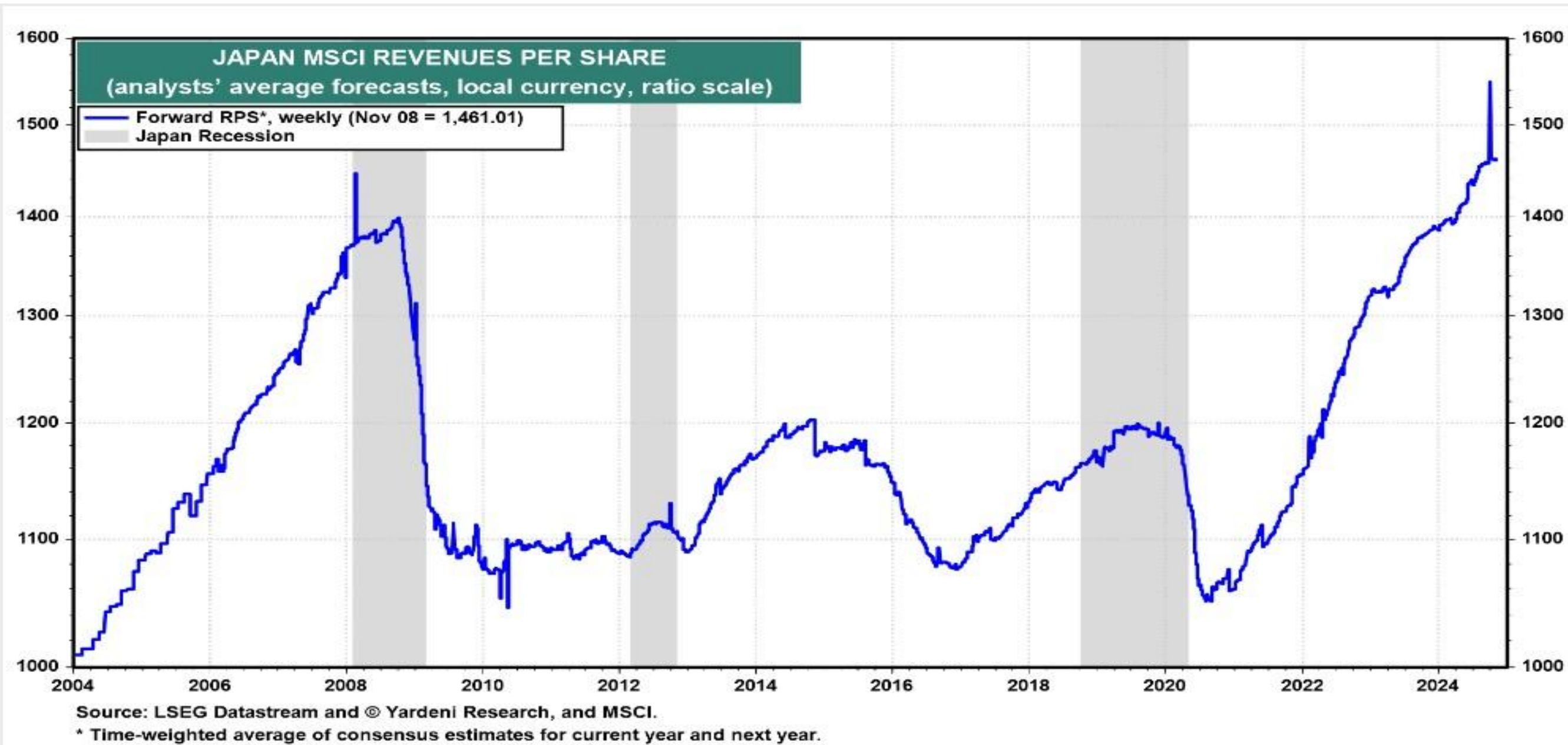
# The Great Re-set as we shift to more computers?



This has implications for banks  
Especially US Regionals  
Er, we got that wrong!!

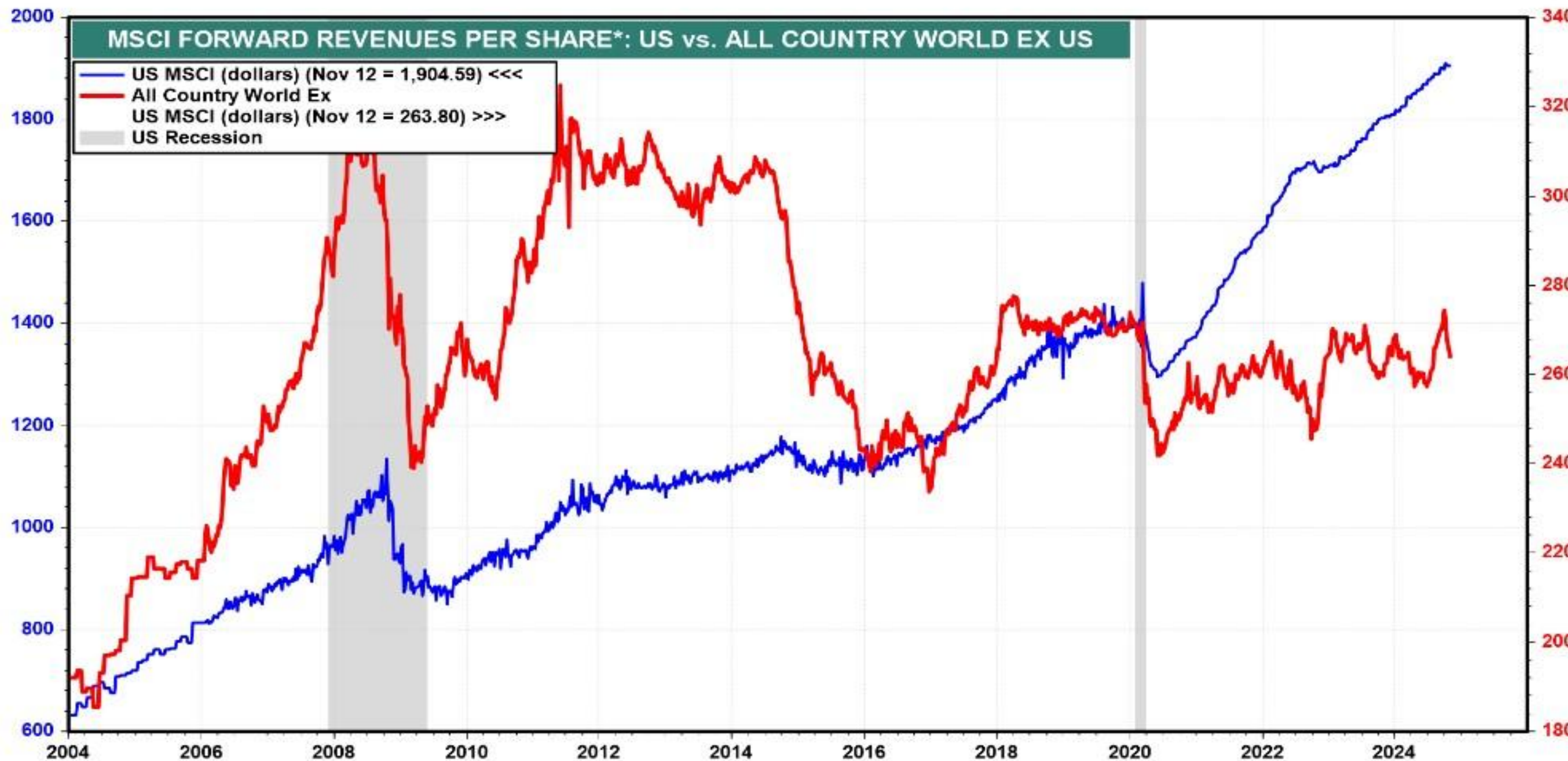


# Japan: Still badly Analysed



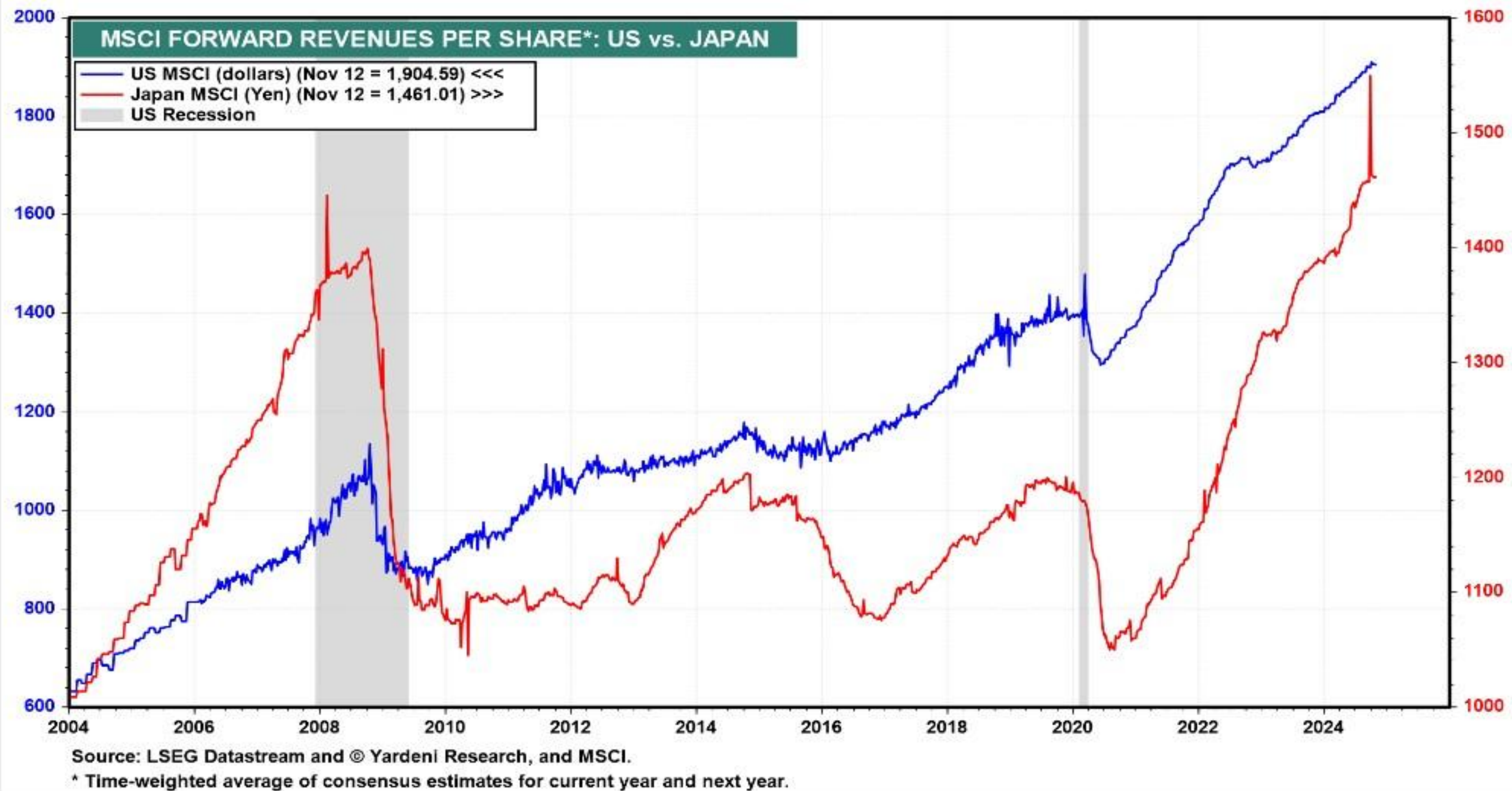


# Japan: Still badly Analysed. NOT at a revenue disadvantage



Not from Japan!

# Japan: Still badly Analysed. NOT at a revenue disadvantage



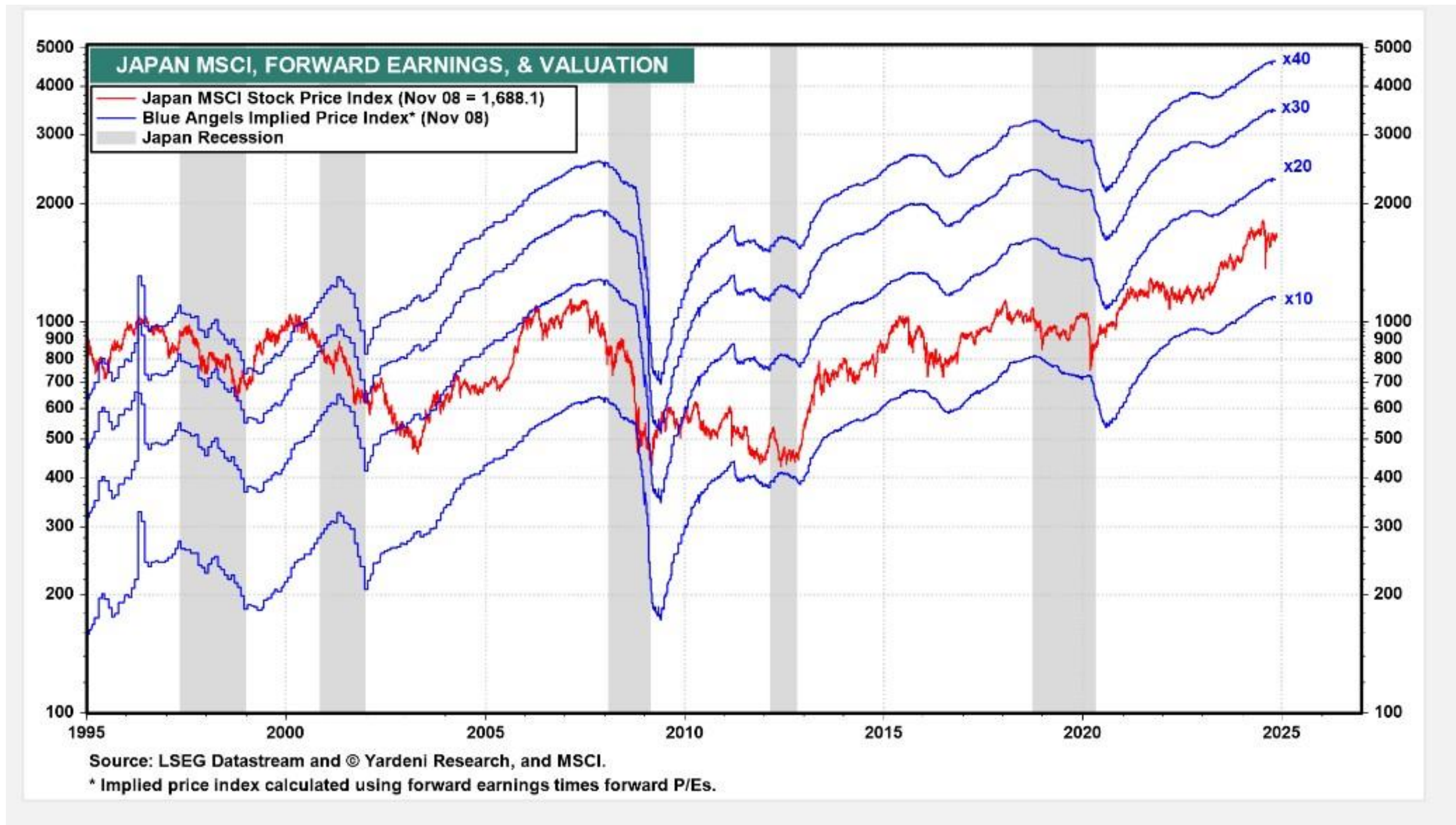
# Japan: Still badly Analysed



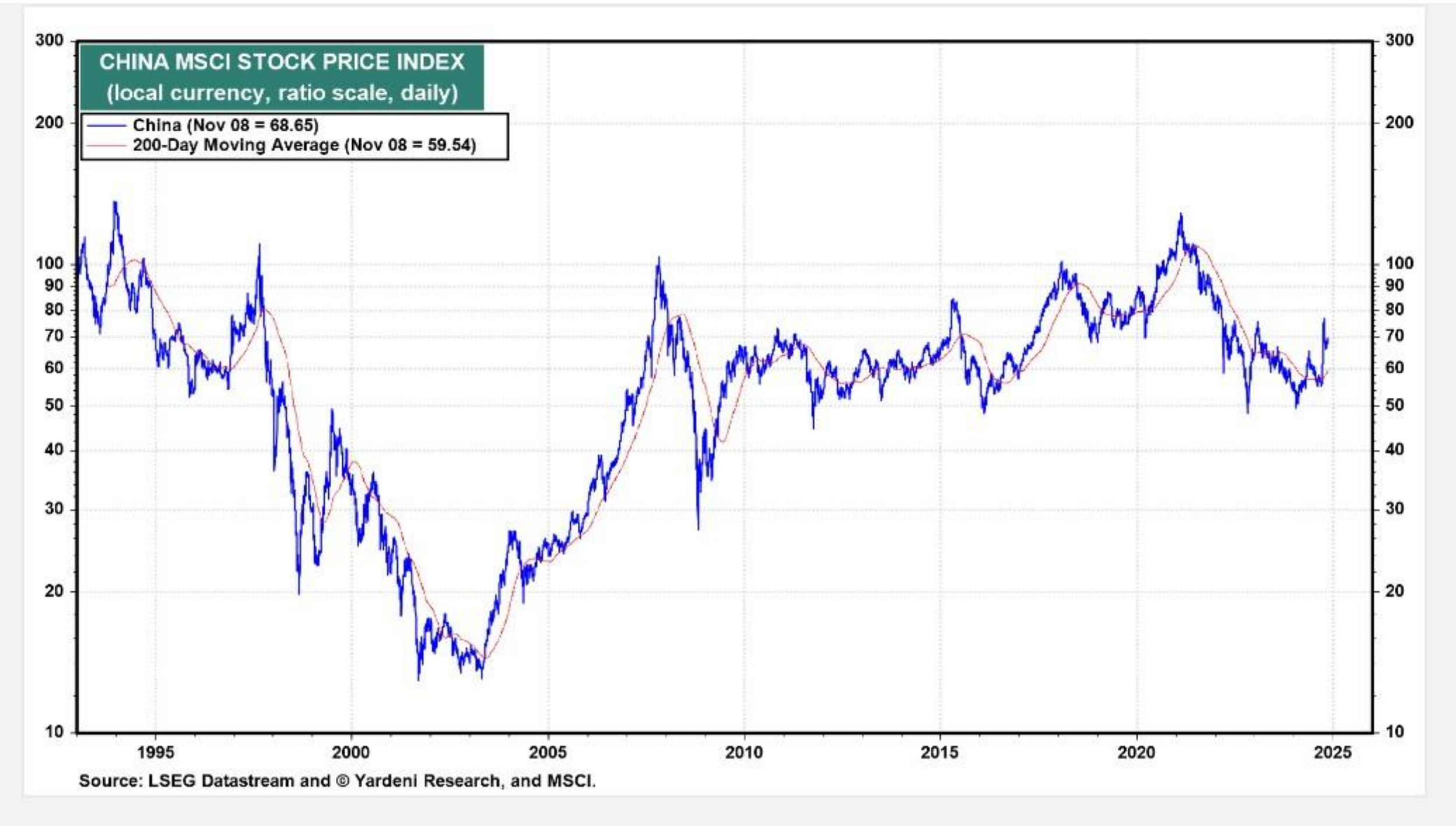
Source: LSEG Datastream and © Yardeni Research, and MSCI.  
\* Time-weighted average of consensus estimates for current year and next year.



# Japan: Still badly Analysed



# China: Peak Pessimism?

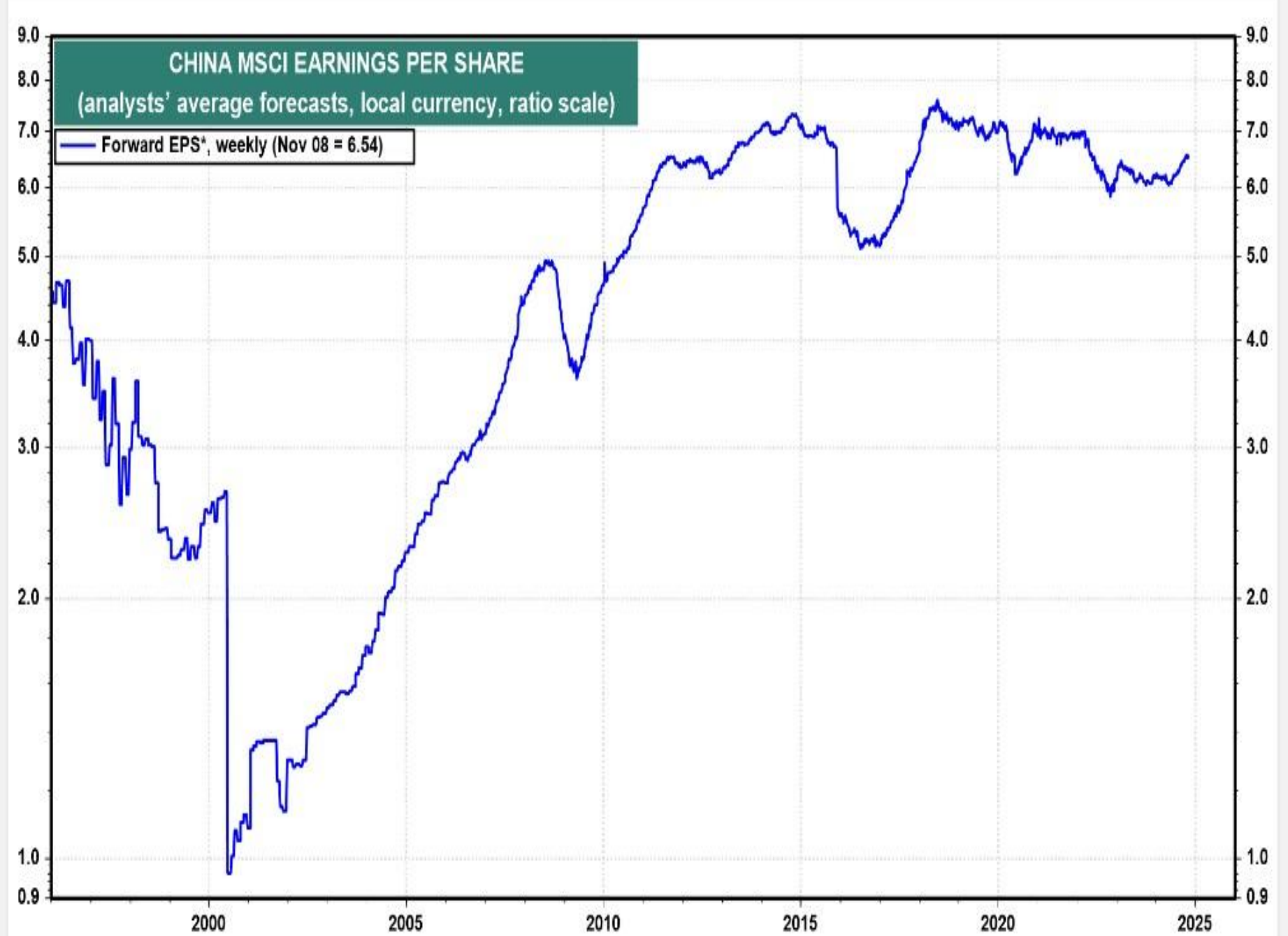




# China: Peak Pessimism?



Source: LSEG Datastream and © Yardeni Research, and MSCI.  
 \* Implied price index calculated using forward earnings times forward P/Es.



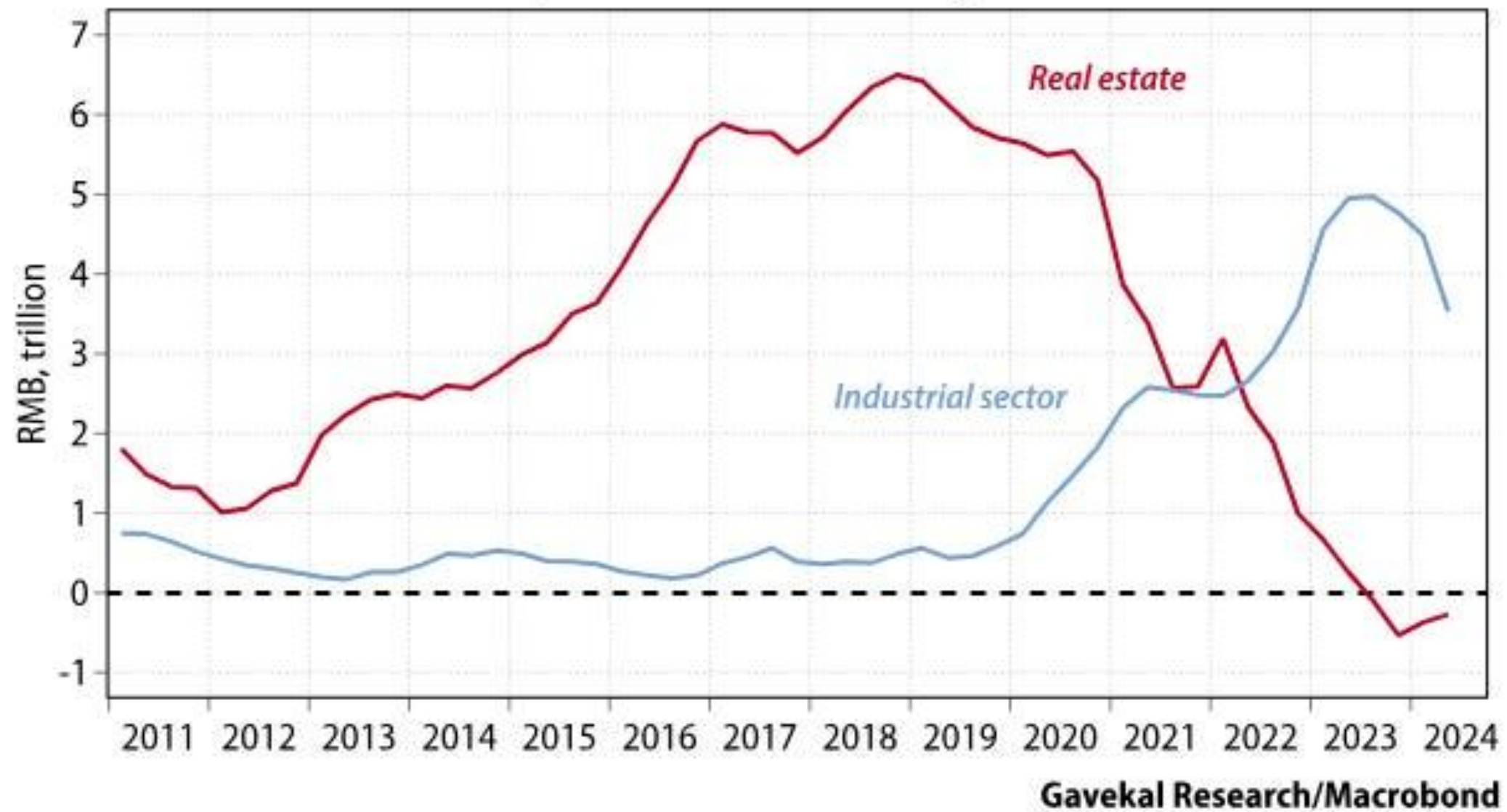
Source: LSEG Datastream and © Yardeni Research, and MSCI.  
 \* Time-weighted average of consensus estimates for current year and next year.



# China: Peak Pessimism?

## China's banks have dramatically increased their lending to industry

China, YoY increase in outstanding loans



Have recent policy changes tried to encourage an equity culture?

# China: Peak Pessimism?



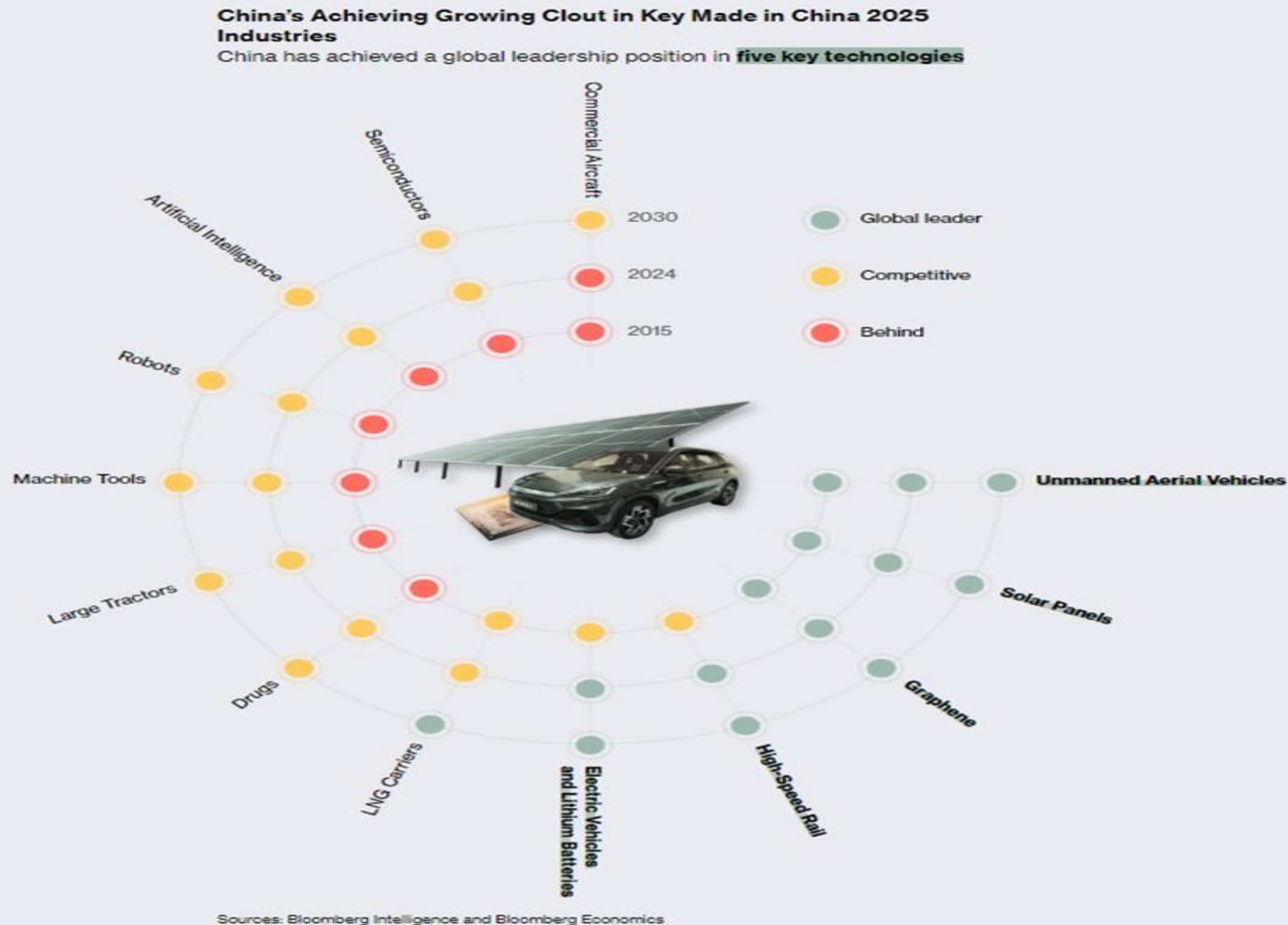
The screenshot shows the Financial Review website with the 'World' category selected. The main article is titled 'China's retail sales jump as economy shows green shoots' and is written by Jessica Sier, a North Asia correspondent. The article is updated as of November 15, 2024. A 'Listen to this article' button is visible, indicating a 5-minute audio version. The article text discusses China's property market and factory output growth, noting that consumers are spending more. A taskbar at the bottom of the browser window shows various application icons.

From last week...

Markets discount better news awfully fast



# China: Peak Pessimism?

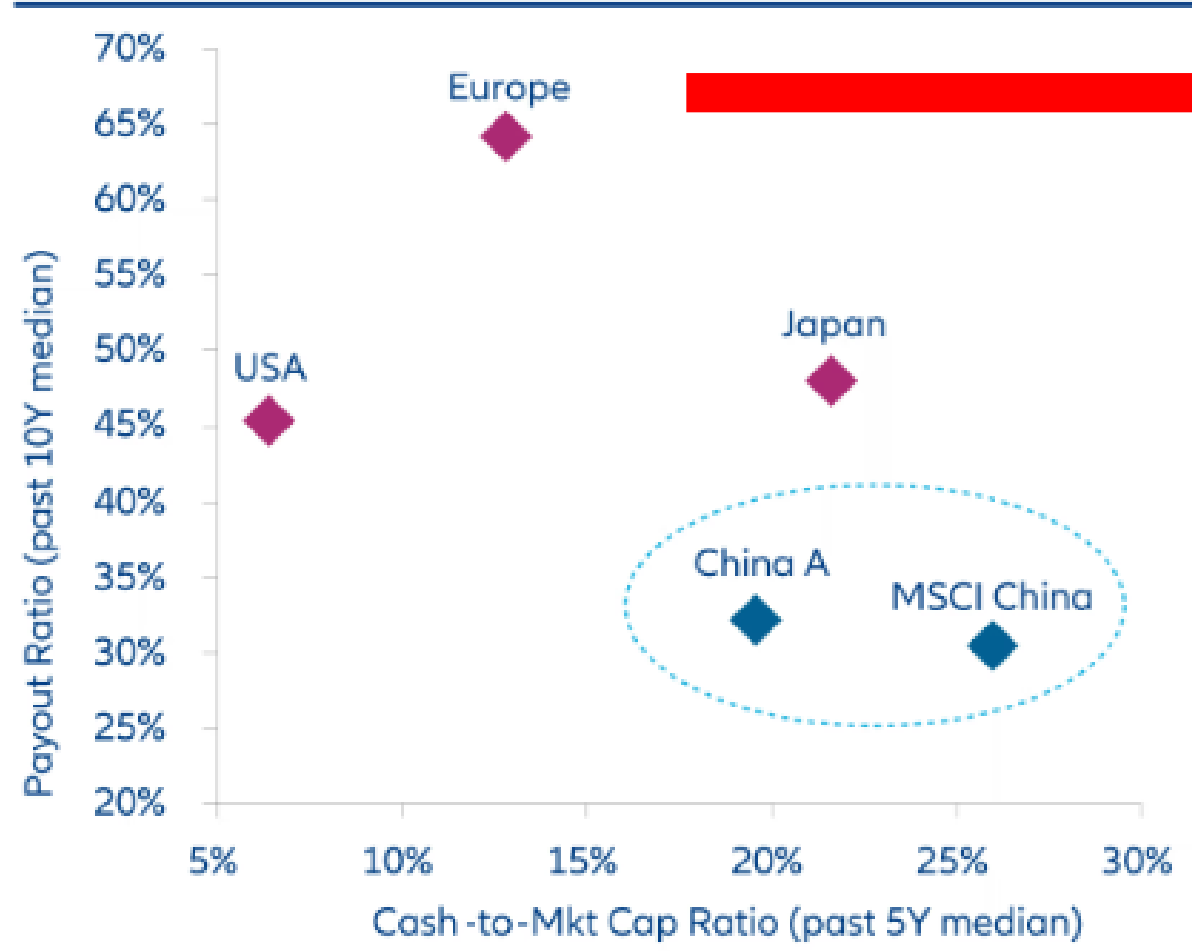


.....Ford chief executive officer Jim Farley. Freshly returned from a visit to China, Farley told The Wall Street Journal that the growth of the Chinese auto sector poses an existential threat to his company, and that “executing to a Chinese standard is now going to be the most important priority.”



# China: Peak Pessimism?

Chart 6: Cash-to-Market Cap and Dividend Payout Ratios of China equities



High Yield but reinvestment rate low

Lazy balance sheets and incentives to address

Source: Goldman Sachs Global Investment Research, as of 25 April 2024.



# What we own



**HITACHI**



HILLENBRAND

*ShinEtsu*

KLA+





**TAMIM**

[www.tamim.com.au](http://www.tamim.com.au)

**Q&A**



# PORTFOLIO MANAGER

Robert Swift



## EXPERIENCE:

- Robert Swift | Global High Conviction Portfolio Manager
  - 35+ years industry experience
- Team of similar skills and experience
- Proven Portfolio Management:
  - Global High Conviction strategy
  - CYTD return (30/09/2024) 17.18%
  - 1 year return (30/09/2024) 20.77% p.a.
  - 5 year return (30/09/2024) 11.19% p.a.



# TAMIM

[www.tamim.com.au](http://www.tamim.com.au)

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