



# Global High Conviction Portfolio

Individually Managed Account

## Monthly Update

February 2019

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# Global High Conviction Portfolio Update

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February was a less volatile month for global equities with the net result being a strong positive return. The MSCI World index in USD terms increased +3%, while the return in AUD was +5.57%, helped by a weaker Australian dollar. The Global High Conviction Strategy model portfolio increased by 5.55% in AUD terms during February bringing the calendar year to date return to over 9%. From here a pause or set back is likely but unless you are expecting 20%+ returns, equities remain an attractive part of any portfolio.

The major events during the month included:

- The USA Federal Reserve signalled a pause in rate hikes and balance sheet reduction; although the composition of the balance sheet is to be changed which is likely to result in spreads widening between treasuries and everything else.
- It is now very unlikely the ECB will raise rates and shrink its bloated balance sheet as it had promised. “Extend and pretend” continues. Meanwhile European bank shares continue to fall primarily on worries over exposure to Italian assets.
- Corporate capital investment plans look promising in the USA which is a central part of our thesis for 2019 and beyond. Steel Dynamics, Verizon, Valero all announced plans to invest more. While the market prefers buy backs to re-investment currently, the penalty for NOT investing in growth was made apparent in the announcement by Kraft Heinz of a serious write-down in brand value, poor revenue growth, and an SEC investigation into cost recognition accounting.
- We repeat our view on ESG that buy backs at the expense of re-investment, is a short-term boost to EPS, but can be signs of poor Governance.

- Asia looks relatively attractive to us despite softer GDP from China. The progress in trade talks and the separation of trade issues from tech theft is a positive development. We anticipate a fiscal boost from China at some point this year.
- We switched Subaru, which is a great car manufacturer but has been a poor investment, into Sony where we believe the media assets are severely undervalued and a catalyst is present – namely the advent of 5G in the next few years and the plethora of viewing platforms it is likely to produce. Content will matter.
- We also sold Evonik in Germany and purchased General Mills (GIS) in the USA. Unlike Kraft Heinz, GIS has been re-investing in its product line-up to capture trends toward higher quality food.

The short-term outlook for Global equity markets is likely to continue to be dominated by the outcome of trade talks between China and the United States, sentiment on the US Federal Reserve stance toward tightening, and the extent to which any economic slowdown impairs corporate profitability in 2019. In the long-term we take comfort from our portfolio P/E of 13x and yield of almost 4%: our companies have the scope to generate strong investment returns.



## Overview

The TAMIM Global Equity High Conviction IMA is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 25 of the best ideas from our investment manager's portfolios. The portfolio uses a systematic and consistent approach to stock selection and portfolio construction to deliver strong risk adjusted returns to our clients while focusing on attempting to preserve their wealth.

## Key Facts

<b>Investment Structure:</b>	Individually Managed Account (only available to wholesale or sophisticated investors)
<b>Minimum investment:</b>	A\$250,000
<b>Pricing &amp; Reporting:</b>	Daily
<b>Investment horizon:</b>	3-5+ years
<b>Management fee:</b>	1.50% p.a.
<b>Expense recovery fee:</b>	Nil
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	RBA Cash Rate + 2.5%
<b>Administration fee:</b>	Nil
<b>Exit fee:</b>	1% if exit within 12 months
<b>Single security limit:</b>	10% (typically 2-7%)
<b>Benchmark</b>	MSCI World Index
<b>Target number of holdings:</b>	20-30
<b>Portfolio turnover:</b>	< 25% p.a.
<b>Investable universe:</b>	ASX
<b>Cash level (typical):</b>	0-100% (5-10%)

## Selection of 5 Holdings

Stock	Country
Verizon Communications Inc	USA
Legal & General Group PLC	UK
China Mobile	China
Macy's	USA
Apple Inc	USA

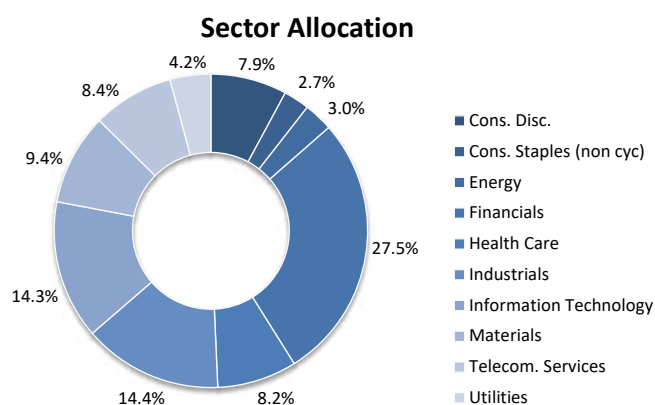
## Returns

	1m	6m	1y	3y (p.a.)	5y (p.a.)	Since inception (p.a.)
<b>TAMIM Glob. High Conv.</b>	5.55%	-2.60%	4.10%	7.85%	12.02%	15.35%
<b>MSCI World</b>	5.57%	-1.74%	10.00%	12.71%	11.72%	14.53%
<b>Cash</b>	0.12%	0.75%	1.51%	1.56%	1.85%	2.43%

Note: Returns are quoted net of fees and assume dividends are reinvested. Past performance is no guarantee of future performance. TAMIM Glob. High Conv. refers to the performance of the API High Conviction Strategy (Underlying Portfolio). The TAMIM Global Equity High Conviction IMAs mirror the Underlying Portfolio.

## Portfolio Profile

<b>Equities</b>	96.86%
<b>Cash</b>	3.14%



Note: Portfolio returns are quoted net of fees. The ASX 300 refers to the S&P/ASX 300 Accumulation Index. Returns shown for longer than 1 year (other than inception) 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.

## Contact

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