



Global High Conviction Portfolio

Individually Managed Account

Monthly Update

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Global High Conviction Portfolio Update

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Portfolio & Market Update

World markets staged a good recovery in Q1 following the heavy sell off at the end of 2018 on recessionary and valuation concerns.

As events unfolded it became clearer that though a slowdown in world growth was occurring, a recession was not imminent. Further positive noises from the China-USA trade talks suggest that a deal is likely in the near future.

China's growth — and therefore the rest of Asia's growth — has been a concern for some time, with outright contraction in some sectors like Autos. The government has introduced some measures; these together with the trade talks have lifted the markets in the region. However, it remains unclear whether we have seen the worst in Chinese economic performance.

Europe remains the biggest concern to us. It has barely recovered from the 2009 Financial Crisis. The rigid one currency fits all policy of the Euro is the main culprit along with other rigidities in many economies. For instance the ability to turnover and redeploy workers make companies reluctant to hire in the first place. Brexit of course continues to overshadow the Continent and the path to resolution is still unclear at the time of writing.

We traded Dow DuPont for KLA Tencor in the USA increasing exposure to Information Technology to 18% of portfolio allocation. We remain fully invested in the portfolio and unhedged for AUD based investors.

Stock Spotlight



We prefer to pay less for future earnings and dividends. If we can find a stock whose future prospects are even only a little better than the market expects, we make good money. Human biases and desires to be in crowds often produce unloved stocks which are merely misunderstood and yet very likely to be re-rated. We think this pool of unloved stocks is a fertile fishing ground. Our fundamental research work tries to identify the source of change and the catalyst for a re-rating. Spotting the cheap bit isn't too hard! Anyone can run a screen for low P/E! Not everyone can see what's hidden.

Very often the market fails to appreciate the benefits of 'hidden technology', a subject on which we have written before with reference to auto parts companies. One such stock which was misunderstood and had considerable hidden technology, and therefore growth potential, is Ping An Insurance in China. We have owned this for a while and like many of our investments we have had to be patient. Now looks a good time to describe the business a little more because the share price is certainly making up for lost time. Below we show a 2 year chart (roughly our holding period) and then show another where we compare its return (orange) against a market darling Facebook (purple). You don't have to pay a high P/E to get good growth in capital. In fact, you shouldn't. We can't repeat this enough.



Source: Thomson Reuters Eikon



Ping An Insurance is the world's second-largest insurer by market value at almost \$200 billion. The company also has sizable banking, asset-management and fintech arms, and has made very heavy investment into technology particularly large data analysis known as Artificial Intelligence. (A.I.)

China is arguably ahead globally in A.I. because of minimal personal protection on data privacy. For example, CCTV covers much of China's cities and facial recognition technology means that even litter bugs are noted and receive 'social demerit points'. Consequently there is massive amounts of data to be explored and used by government and companies. Compare that to Australian attitudes where the government recently asked if citizens wished to share their medical records in order to better deal with emergencies, and received a resounding 'No'.

Ping An can therefore implement and use technology based on this data collection in ways impossible in tighter regulated U.S. Australia and Europe.

Let's list 2 examples of technology in action to drive growth and improve profit quality. Ping An made a record \$16 billion net profit in 2018, over 20% up from 2017.

1. Ping An's consumer-lending business uses facial-recognition technology that can assess when a customer's answers seem forced. If the system suspects a potential borrower is lying about their address, for instance, it may decide to withhold funds. It will then check via an app on the loan applicant's mobile phone whether he or she returns to that location overnight.
2. Ping An also its huge database to cross-sell products from its multiple business lines to China's growing cohort of middle-class consumers. Cross selling has long been a dream of European and USA 'bancassurance' models and yet a recent entrant, Ping An appears to be succeeding where they have failed? Last year, 34.6% of Ping An customers held more than one of the company's products, up from 28.5% in 2017 and 24% in 2016.

We have had first hand interaction with the asset management business and can testify they know what they are doing and appear to be reasonably independent from government interference in what kinds of debt in which they invest. No slush fund for politicians there.

We have been concerned and wrongly so about China's banking system and Ping An bank was a worry. However an improving capital ratio and a declining share of poor quality loans has reduced that concern and this has probably been a catalyst for a re-rating of the business?

We still continue to own this in the global portfolios and at about 10x next year's earnings it appears cheap to us given the demographic and middle class thematic in China.

Proof if you like that a global portfolio should explore outside the USA and invest in companies whose share price will be driven by local investors realising the potential, rather than simply paying up for USA companies?



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

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

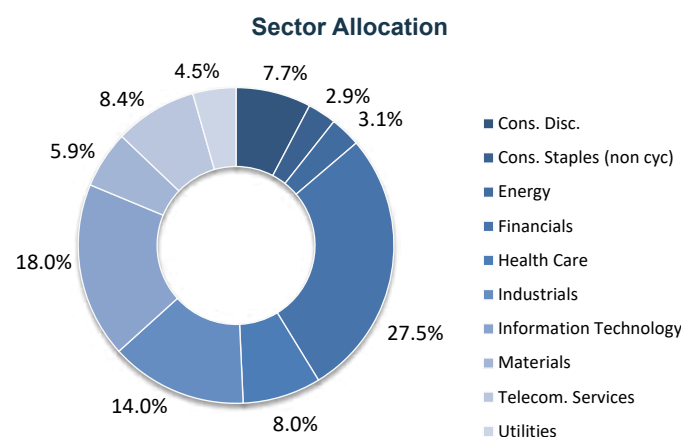
Returns

	1m	6m	1y	3y (p.a.)	5y (p.a.)	Since inception (p.a.)
TAMIM Glob. High Conv.	0.43%	-1.72%	5.40%	8.23%	12.34%	15.24%
MSCI World	1.47%	-0.80%	12.32%	13.58%	12.80%	14.57%
Cash	0.12%	0.75%	1.51%	1.55%	1.83%	2.42%

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

Equities	96.42%
Cash	3.58%



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.

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