Global High Conviction Unit Class
TAMIM Fund

At 31 August 2022

August saw a return of 'risk-off' and the equity markets declined. Value beat Growth. The Tamim Fund: Global high Conviction unit class declined by -1.68% but outperformed the benchmark which was down -2.47%. The US$ rose against most currencies as the combination of higher US rates, the Fed balance sheet shrinkage and a rising share of GDP being taken up by US$ based commodities (notably) energy created a 'short squeeze. The Jackson Hole speech was brief and aggressive. Interestingly it also seemed to call for concerted action by other central banks. We read this as the Fed becoming concerned about an overvalued US$ driven by interest rate differentials. The Yen is getting very oversold. The Euro has problems about which we have frequently commented. The ECB will raise at least once but its credibility is eroding.

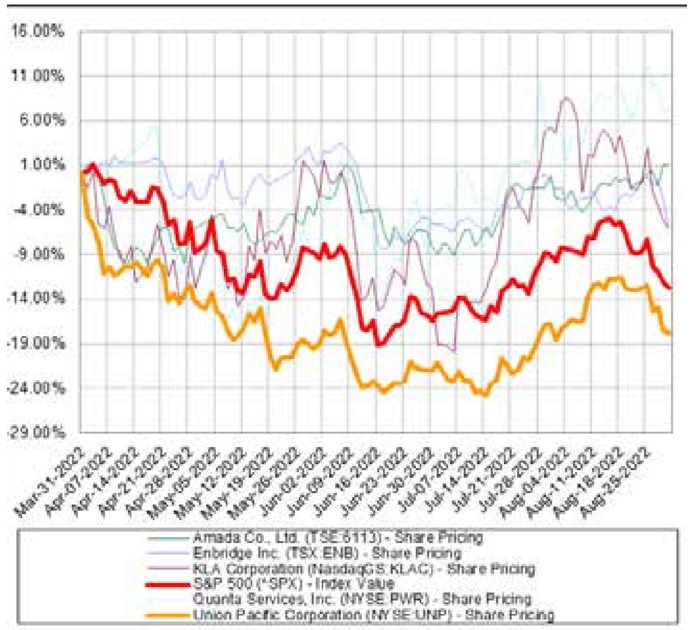
The chart below shows the forward rate expectations in the USA and the upward flattening over the month as markets came to believe the Fed has the necessary resolve.

Source: Refinitive, CME

For the moment the destruction of DEMAND through tighter monetary policy is the chosen path. This inflation is, however, fundamentally NOT a DEMAND problem but a SUPPLY problem, particularly the issue of energy inputs. Energy costs have been inflated by an unachievable, unaffordable, and undesirable Net Zero target. Currently, renewables technology is not capable of providing energy at the same price and flexibility/ usability as oil gas and other carbon-based fuels. It is very likely therefore that we see some form of rehabilitation of oil and gas producers and distributors by both politicians and the market. If we don't, then we will see many more street protests.

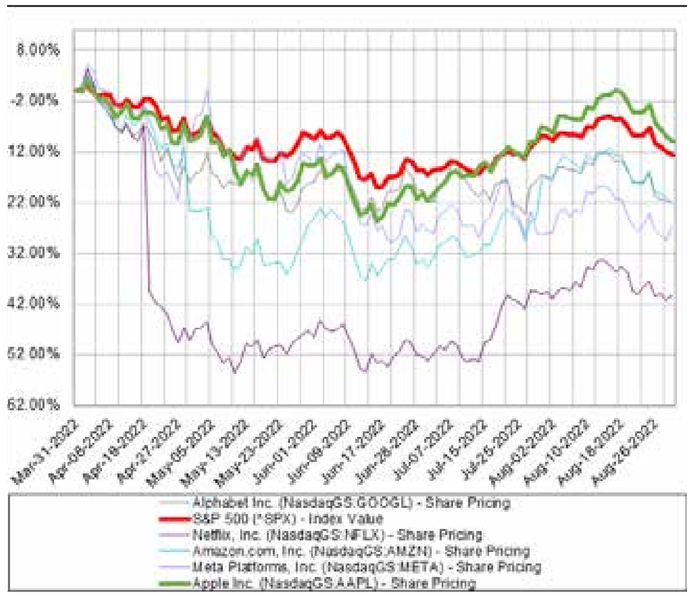
Our favourite stocks in this regard are oil and gas pipeline companies and engineering specialists in grid maintenance. We made very few changes to all portfolios and remain underweight Europe and the Euro and overweight Japan and the Yen. We hold a little cash and expect to re-invest that during the late September - October period, which is shaping up to be a traditionally wobbly month.

We argued recently that it was most definitely time to switch from expensive and momentum driven stocks to ones that did useful things, like repairing and building an economy's capital stock. The ones we suggested – QUAKE – Quanta Union Pacific Amada KLA Corp and Enbridge are charted below vs the S&P500 (red) over the last 6 months. Only one stock Union Pacific (orange) has fared worse.



Source: Delft Partners

The chart below shows the returns for the FAANG stocks. We got one wrong, APPLE (Green – (of course!)). The rest have underperformed the S&P 500 (Red) and most definitely the stocks we identified as 'useful' in the chart above.



Source: Delft Partners

This ignores dividends and other "small beer" but since we favour dividend paying stocks, that would improve the relative return of QUAKE if we included them. There's still time to get set in the stocks which meet needs and not wants.

Portfolio Update

Kroger (NYSE: KR)
With nearly 2,800 stores in 35 states under two dozen banners and annual sales of more than $132.5 billion, Kroger today ranks as one of the world's largest retailers. Kroger has been outperforming tech stocks as investors have favoured consumer staples like supermarkets with inflation numbers heating up. Consumer spending is curbing as a result of aggressive rate hikes but Kroger remains well placed to weather the storm, fitting our 'needs not wants' thematic. Kroger currently trades on a next twelve month (NTM) PE of 11.5x and a dividend yield of 2.2%, a multiple we are comfortable with given Costco trades at 35x.

Chubb (NYSE: CB)
Chubb is the world's largest publicly traded P&C insurer, based on a market cap of $80bn. Chubb has a clear advantage in its underwriting capabilities stemming from experience and scale. Their combined ratio is well ahead of their peers. The ratio measures the profitability of an insurance company by adding the expense ratio and its underwriting loss ratio. Unlike most industries, insurance companies have a positive correlation to interest rates. As part of an insurance company's business model, they invest the premiums they receive from customers into bond-like instruments. As markets begin to price in a 75bp hike in the Feds next meeting, Chubb's investment portfolio should receive a material benefit. Insurance companies like Chubb offers investors a hedge against inflation and have held up much better than the overall market.

AES (NYSE: AES)
The AES Corporation is an American utility and power generation company. It owns and operates power plants, which it uses to generate and sell electricity to end users and intermediaries like utilities and industrial facilities. AES was one of the top performing stocks on the S&P500 in August, up 14.5%. AES isn't your typical utilities company, they are focusing on driving the acceleration of renewable power. Renewable energy accounts for over 40% of AES supplied power. AES continues to see stable cash flows that are supported by term power purchasing agreements and they are also protected by rising energy prices by pass-through fuel clauses. In 2021, AES signed more green energy contracts than any other company in the world, and this month AES reaffirmed FY22 guidance for EPS of between $1.55 to $1.65 and reaffirmed their 7-9% annualised growth target through 2025.

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Overview

The TAMIM Global High Conviction strategy is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 60 of the best ideas from around the globe. 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:	Unlisted Unit Trust
Minimum investment:	A$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
Country/Sector limit:	+/- 10% relative to Benchmark
Target number of holdings:	50-80
Portfolio turnover:	Typically < 25% p.a.
Investable universe:	MSCI World Net Total Return Index
Cash level (typical):	0-100% (0-10%)
APIR code:	CTS5590AU

NAV

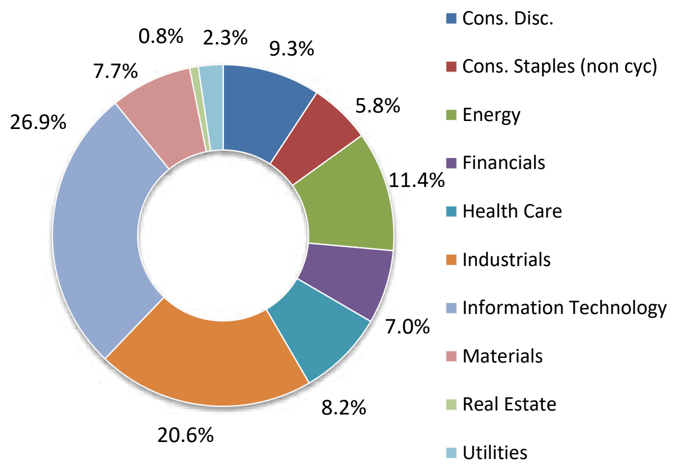
	Buy Price	Mid Price	Redemption Price
AU$	$1.0877	$1.0850	$1.0823

Selection of 5 Holdings

Stock	Country
Johnson & Johnson	USA
Home Depot Inc	USA
KLA Corporation	USA
Fujifilm Holdings Corporation	Japan
Sony Corporation	Japan

Portfolio Profile

Equities	95.80%
Cash	4.20%



Portfolio Performance

Inception: 15/07/2011	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	-1.68%	-7.55%	7.98%	8.53%	12.84%	283.72%
MSCI World	-2.47%	-9.46%	8.15%	11.05%	13.00%	289.69%
Cash	0.15%	0.43%	0.36%	0.79%	1.81%	22.09%

Strategy inception: 15/07/2011 | TAMIM Fund: Global High Conviction unit class inception: 31 December 2019

Returns prior to 31 December 2019 reflect the Individually Managed Account (IMA) underlying portfolio returns. IMA returns reflect a higher fee structure. Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio and TAMIM Fund portfolio. Should you wish to see your individual return, please log in to your account online. Returns are quoted net of fees and assume dividends/distributions are reinvested. Past performance is no guarantee of future performance. The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). 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. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document. The MSCI Word refers to the MSCI World Index in AUD. Returns shown for longer than 1 year (other than Inception) are annualised. All returns shown are AUD denominated.