

# Global High Conviction Unit Class

## TAMIM Fund

At 28 February 2022



World equity markets fell in February. Russia's incursion into the Ukraine and a rapid and concerted response by the West raised tensions; increased commodity supply constraints and prices and guaranteed a period of higher inflation and lower growth – or stagflation.

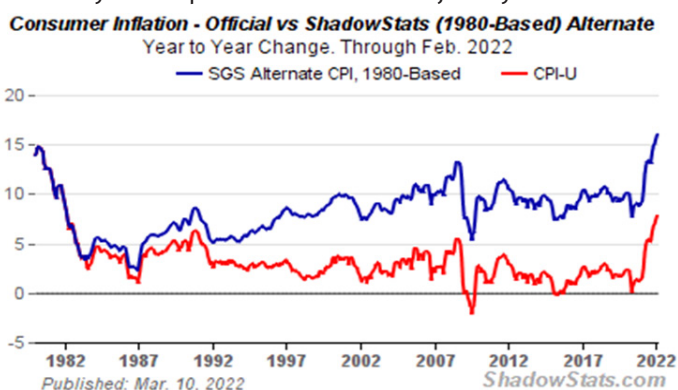
The capitalisation weighted indices fell -5.5% in AUD. The value oriented fell about -4.0%; so, less (as would be expected). The TAMIM Fund: Global High Conviction portfolio, -4.83%, outperformed the MSCI World, -5.36%, in February.

With Russia holding the West to ransom over the supply of oil and gas, it is now clear that the transition to 'carbon neutral' has been badly conceived and executed. Projections regarding the underinvestment in oil and gas by Western companies are as high as US \$500bn. That is, the companies have been disincentivised to invest in securing production to reach 2050, the presumed date by which we can be fully powered by 'renewables'.

We are completely in favour of less pollution, less waste, and taking care of 'The Commons' but hard analysis of the current trajectory casts serious doubt on the feasibility of the objective. Anyway, here we are, and the new German coalition has already had to raise the prospect of restarting the nuclear programme while Britain is tiptoeing toward fracking of the reserves of natural gas underneath its north-west region. Reducing energy costs and increasing the reliability of its supply is now essential for Western economies. The USA begrudgingly realised this several years ago and is now an exporter of LNG. As we write this, the Defense Procurement Act is being suggested as a way to circumvent the blockage of energy infrastructure investment by certain US State governors. Essentially, US manufacturing is being placed at an advantage compared to Europe.

Our investments in the Global High Conviction strategy have exposure to what we classify as 'useful companies', not advertising platforms for pointless messaging but companies that extract raw materials safely, make things, and operate capital stock that make life in general better, safer and reduce inequality. This includes oil and gas producers, pipelines and basic resources companies.

Inflation was never 'transitory' and never actually has been 'transitory'. We reproduce below the trajectory of inflation in



the last forty years using the previous methodology, courtesy of ShadowStats. In terms of inflation as we once measured it, we're above the levels in the dark days of the late 1970s.

Real yields do remain meaningfully negative which will be supportive for equity valuations. However, inflation and positive real yields will become a problem for sustaining these equity valuations and so we hope for a rapid response to these commodity shortages and some tightening of monetary policy to squeeze inflation NOW. We also need supply side reform to increase the availability of goods and services.

Wall Street banks seem to have fallen over themselves with ever louder and more dramatic estimates of the number of rate increases required – five or even nine being the latest. This seems attention seeking and crazy. At current levels of debt which have been issued by governments and facilitated by central bankers, it won't take much in the way of higher interest payments to suppress consumer demand, reduce price pressures, and squeeze company profit margins. This outcome doesn't sound great for equity investors but is actually better than doing nothing and letting inflation expectations build and build. If the latter occurs then the rise in the rates at the long end of the curve will essentially create the idea of governments controlling yields, capital prices and dividends. So, it's the lesser of two evils to raise interest rates soon; a little would do a lot.

A general rule of thumb is that when inflation runs at over 4% p.a. then it becomes a problem for equity valuations. Up to that point they provide a measure of inflation hedging.

Markets are currently volatile and therefore difficult to trade actively, so we have done little to our positions. We did sell Pfizer (PFE.NYSE) at a considerable profit seeing as Covid has clearly peaked in the mind of the markets. We have made some 'good' calls; Kroger (KR.NYSE), the US food retailer, rose strongly after good results from cost containment and rising selling prices. UPS (UPS.NYSE) and Emerson Electric (EMR.NYSE) had big 'beats' and raised dividends as did Quanta (PWR.NYSE), Cheniere Energy (LNG.NYSE) and ONEOK (OKE.NYSE) - all involved in energy infrastructure. The worst performing position remains Alibaba (9988.HKG) but we plead guilty to a common fund manager failing in not being able to let go of an investment which is universally disliked, and yet enjoys both rising profits and a cheap earnings multiple.

We currently anticipate effective remedial action to curb inflation and to solve the Ukraine-Russia conflict. We remain fully invested and defensive with exposure to Industrials, Staples, and non-bank financials.

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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

<b>Investment Structure:</b>	Unlisted Unit Trust
<b>Minimum investment:</b>	A\$100,000
<b>Management fee:</b>	1.00% p.a.
<b>Admin &amp; expense recovery fee:</b>	Up to 0.35%
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	MSCI World Net Total Return Index
<b>Exit fee:</b>	Nil
<b>Single security limit:</b>	+/- 5% relative to Benchmark
<b>Country/Sector limit:</b>	+/- 10% relative to Benchmark
<b>Target number of holdings:</b>	50-80
<b>Portfolio turnover:</b>	Typically < 25% p.a.
<b>Investable universe:</b>	MSCI World Net Total Return Index
<b>Cash level (typical):</b>	0-100% (0-10%)
<b>APIR code:</b>	CTS5590AU

## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.1613	\$1.1584	\$1.1555

## Portfolio Performance

<i>Inception: 15/07/2011</i>	1 month	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
<b>Global High Conviction</b>	-4.83%	-4.06%	-3.28%	14.13%	10.55%	9.70%	13.97%	301.44%
<b>MSCI World</b>	-5.36%	-5.94%	-3.96%	18.15%	13.69%	13.36%	14.29%	313.36%
<b>Cash</b>	0.01%	0.02%	0.05%	0.10%	0.43%	0.86%	1.86%	21.64%

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 World 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.

## 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

<b>Equities</b>	98.13%
<b>Cash</b>	1.87%

