

Global High Conviction Unit Class

TAMIM Fund

At 31 January 2022

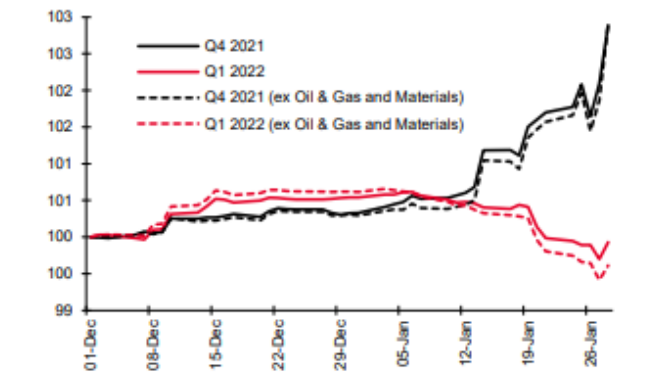


The month of January 2022 marks the worst start to a year for the S&P 500 since 2009, and the 8th worst in S&P 500's history. What happens in January does not necessarily portend a negative S&P 500 return year but this year will be a challenge with a

bifurcated USA market likely to see wide stock return dispersion as inflation feeds through to rate increases and thus shifts in investors' style preferences.

2022 has unusually started with EPS forecast declines which should be a wake up call to those positioned in long duration stocks vulnerable to a profit downgrade.

4Q21 EPS estimates have risen sharply as firms "surprise" the market, while 1Q22 forecasts are being "adjusted" downwards



Source: Société Générale

Having been 'dead forever' according to some 'teenage scribblers' in the last couple of years, Value strategies have been significantly outperforming growth recently. Although most Value benchmarks declined in January it was not nearly as much as Growth. Growth investors witnessed substantial declines across all capitalisations. This has been a rapid reversal. No bell rang in a timely fashion. Perhaps best to not try and time style exposures?

The TAMIM Fund: Global High Conviction portfolio fell -1.74% in January and is up +22.57% over the last twelve months.

Our expectations for equity returns and our portfolio's positioning are driven by the fact that in the USA, profits relative to wages are very high and will revert; and that while USA companies under invest and Japanese companies over invest, this is changing, and this change will drive the outperformance of Japanese companies relative to USA ones.

In Europe the stresses within the Euro will become apparent as inflation drives the yield spreads on government bonds wider in the single currency bloc. Capricious regulation and higher taxes and other impediments to equity returns are very likely to be unveiled in Europe. We have already seen Iberdrola (IBE.BME) in Spain and Électricité de France (EDF.EPA) in France receive instructions not to raise energy prices despite it being within their remit to do so, which has of course, hurt their share prices and tempered their enthusiasm for capital investment.

Inflation is now a clear problem after years of central bank balance sheet expansion (duh!) and yet we only expect a modest rate rise in most economies. This is because the burden of debt is so high that an increase in debt servicing costs will quickly cause slower consumption and fears of asset price declines, which will themselves feed into lower discretionary consumption. For a number of reasons, the cure for the inflation of the 1970s, ultra-high rates, is not needed today.

Our positioning has not been exposed enough to Value but we have outperformed the capitalisation weighted indices. We have navigated the Growth and Value swings of the last few months quite well and did not get whip sawed and longer term performance is rising relative to relevant benchmarks. We remain more Value biased than the capitalisation weighted indices but more Growth oriented than the Value index we use. Our models show us that small and value are attractive in the USA and so is Japan in general. Our observations of market behaviour tell us that earnings misses and bad balance sheets get heavily punished. Whereas meme stocks with no earnings and no balance sheets were all the rage twelve months ago, many are now showing heavy losses. We have exposure to companies whose revenues show low elasticity of demand, such as Kroger (KR.NYSE), General Mills (GIS.NYSE), General Dynamics (GD.NYSE), and companies with market share in growing or strategically important industries; KLA (KLAC.NASDAQ), Sony (6758.TYO), Valero (VLO.NYSE).

As mentioned, in Europe the stresses within the Euro will become apparent as inflation drives the yield spreads on government bonds wider in the single currency bloc. The below chart illustrates the incipient problem.



We had good results from Seagate Technologies (STX.NASDAQ), Shin-Etsu Chemical (4063.TYO), and Canon (7751.ASX) although the latter saw profit taking on the announcement.

We made very few trades in January although we did sell Pfizer (PFE.NYSE). Covid is not the story for 2022; it is inflation and inflation hedges. We invested a little cash received from dividends into Evercore (EVR.NYSE), Corning (GLW.NYSE), American Express (AXP.NYSE), and Regions Financial (RF.NYSE). Financial stocks should do a little better as the yield curve steepens, even if only a little.

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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\$	\$1.2203	\$1.2173	\$1.2142

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)
Global High Conviction	-1.74%	5.17%	3.48%	22.57%	14.43%	10.97%	14.62%	321.84%
MSCI World	-2.27%	2.97%	4.60%	26.90%	17.91%	14.95%	15.00%	336.79%
Cash	0.01%	0.02%	0.05%	0.10%	0.47%	0.89%	1.87%	21.63%

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

Equities	97.41%
Cash	2.59%

