Global High Conviction Unit Class
TAMIM Fund

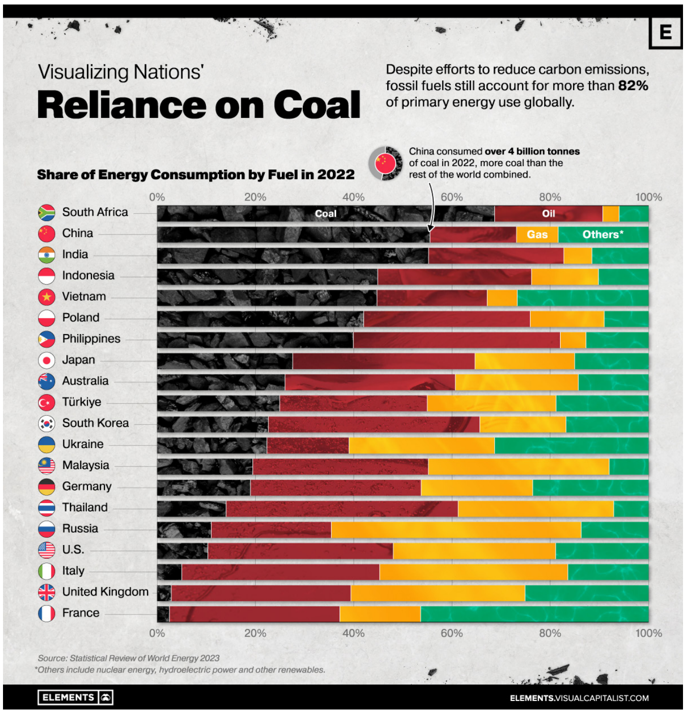
At 31 July 2023

The TAMIM Global High Conviction unit class was up +2.53% for the month of July 2023, this was in comparison to the index return of 2.10%. Pleasingly the strategy has generated a return of 15.54% over the past 12 months. Since the inception of the strategy it has returned 13.24% p.a. net of fees to investors.

Global equity markets rose in July as investors continued to scramble to buy equity risk seemingly on the basis that rate increases are nearing an end. Investors in the bond market are discounting a cut in May 2024, but the rhetoric from the Fed is for no cuts at all next year. Our stance coming into 2023 was to remain fully invested (as usual) but to focus on less volatile stocks. We got that wrong but our positioning in Japanese technology has helped alleviate the discomfort from being underweight the US MAMAA 'tech' stocks.

The ECB like the Fed increased rates as inflation continues to remain uncomfortably above a notional 2% target. The RBA saw a change in leadership with Philip Lowe being replaced by Michele Bullock. Interestingly the frequency of decision making on bank rates will decrease from 11 to 8 annually. If this means a deliberate REDUCTION in "forward guidance" or hinting to markets what rates are to be rather than setting rates where they should be, then we applaud. Too much effort has been put into verbally persuading and guiding rather than simply following sound money and letting borrowers decide for themselves what debt they can bear.

We think that rates should remain higher for longer than anticipated. Inflation is not beaten and reducing demand is only part of the solution. More investment is needed to improve supply.



Source: Elements.VisualCapitalist.com

The pursuit of "Net Zero" appears to be losing steam. There are many science-based articles on the current impossibility of 'renewables' replacing organic (fossil) fuels in terms of both cost and efficacy and discussing the true environmental damage of 'renewable' technology. We note the unpopularity of the push as the cost of the Net Zero agenda and the absence of a similar push from Asia become more apparent. The Australian government revenues are also buoyant from coal tax receipts but Net Zero is strongly in the Zeitgeist here so any climb down will have to be subtle. If only nuclear were acceptable...

Our expectation remains that oil, gas and nuclear will be beneficiaries of both their political and stock market rehabilitation. Invest in Industrials which build and service the power grids as they become fully dependent on oil gas and to a lesser extent renewables. Quanta, BWX, Sterling, Cheniere, ONEOK, Tokyo Gas, Kinder Morgan, Marathon Petroleum, Dycom and OMV which recently discovered a new gas field in Austria, the largest find in 40 years, are all key holdings in either the Global and/or Infrastructure strategies.

We've been arguing in favour of Japan for a long while; and we remain positive and are enjoying the 'discovery' of its attributes. We continue to suggest investors look more closely at Japan. From our May 2023 commentary:- "In our view, global under-investment in Japanese equities offers a reason to be upbeat about the future relative performance of the market. Several factors are primed to give the market the much-needed support in the future, shaking the deflation mentality that has held back the Japanese economy and its financial markets. This week, investors' minds will be focussed on the Bank of Japan meeting. While it is a close call, the central bank may not yet be ready to change its monetary policy position. Nevertheless, we still believe that it is only a matter of time before the Japanese central bank abandons its yield curve control and allows long-term interest rates to normalise higher. In our view, the central bank's acceptance of higher bond yields would be a critical factor in generating more of an inflation mentality in corporate and household thinking. More inflation should encourage consumption and investment, reinforcing robust GDP growth. Companies have survived and some thrived by maintaining highly productive capital investment and driving costs down. Any pricing power will have rapid and meaningful benefit to the bottom line given this high operating leverage. Bear in mind the USA equity market currently constitutes 65% of the global equity market by value but the US economy represents about 15% of Global GDP."

We sold Amgen and Schneider in the Global High Conviction unit class and increased the weighting in Tokyo Gas and ONEOK. Positive returns from Union Pacific (+13%) Alibaba Group (+22%) and Woodside Energy (+10%) aided performance.

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Portfolio Highlights:

Union Pacific (NYSE.UNP)

Union Pacific is the second largest owner and operator of freight railroad networks in the United States. During the month, the Union Pacific share price improved 13% on news Jim Vena would replace current chief executive Lance Fritz. Under Fritz's stewardship, Union Pacific has faced reliability issues leading to the share price underperforming that of its peers. Vena is a veteran rail executive with extensive industry knowledge. On his first day on the job, he outlined three priorities: service, safety and operational excellence. This, he said, would equal growth.

Union Pacific also announced second-quarter results, with profit falling 14%. Freight volumes are down across the rail industry, with competitors also noting declines. Weak market conditions – particularly among consumer-facing, industrial and premium segments – are reducing demand for goods. Positively, management took several proactive measures to right-size the business, including storing 200 locomotives, improving on-time freight deliveries and redeploying staff. The business is also investing for future growth, with over 2,000 employees either graduating or in training this year.

More broadly, railroads will benefit from the onshoring of supply chains and increased domestic manufacturing investments. Furthermore, the transport sector is one of the largest contributors to greenhouse gas emissions globally. Railroads are the most fuel-efficient method of moving freight across the land and use on average 75% less emissions than trucks. This is essential infrastructure and demand for freight will only increase over the long-term as populations grow and the world decarbonises.

Tokyo Gas (TSE.9531)

Tokyo Gas is a Japanese energy utility engaged in the production, supply and trading of gas and liquid gas in Japan. Activities also span energy retailing, electric power, overseas energy investments in gas and renewables and extensive real estate holdings. Recent results from Tokyo Gas have benefitted from elevated gas unit prices due to supply-chain constraints and the Russia-Ukraine conflict. This is unlikely to be repeated in future and thus we expect the supernormal profits to normalise. However, we are bullish overall on the role of gas going forward should the world hope to decarbonise and achieve net zero targets. Gas and LNG will play a crucial role as a reliable form of baseload power, with natural gas emitting around half of the carbon emissions of coal.

Management has moved quickly to establish renewable capacity, with a long-term goal to triple renewables transaction volumes. It will invest $7.7 billion in decarbonisation, including synthetic methane technology. Along with other growth investments, Tokyo Gas expects profit to reach $2.2 billion by 2030, up from $1.3 billion today. The company trades on an earnings ratio of 11. We think this looks cheap given the growth profile.

ONEOK Inc (NYSE.OKE)

ONEOK is a midstream natural gas operator in the United States. In simple terms, ONEOK transports and stores raw natural gas supplies from upstream producers to downstream refiners who then turn the raw commodity into finished products. Natural gas provides reliable and cleaner energy compared to other fossil fuels, while natural liquids (ethane, propane, butane) are used in a variety of end-uses such as packaging, batteries, clothing, building materials and healthcare products. ONEOK operates three segments, natural gas gathering and processing, natural gas liquids and natural gas pipelines. All involve significant transportation infrastructure such as pipelines, processing plants, storage facilities, fractionators and terminals.

During the month, ONEOK announced its second-quarter results. Earnings increased 13% to US$469 million, with management subsequently upgrading full-year earnings guidance to US$2.49 billion. The upgrade reflects strong volume growth, higher average fees and lower fractionation costs. Soon ONEOK will merge with Magellan Midstream Partners, a midstream operator of refined products and crude oil. The combined entity will result in greater diversification with exposure to both oil and gas in addition to significant cost synergies from increased asset utilisation and shared resources. The combined group will have more than 85% fee-based earnings, meaning profits will be less vulnerable to movements in underlying commodity prices. Infrastructure companies such as ONEOK will only become more valuable as governments and private enterprises shun fossil-fuel investment, despite the clear demand and role for intermediate fossil fuels. For income investors, ONEOK trades on an attractive dividend yield of 6% and has a 25-year track record without a dividend cut.

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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

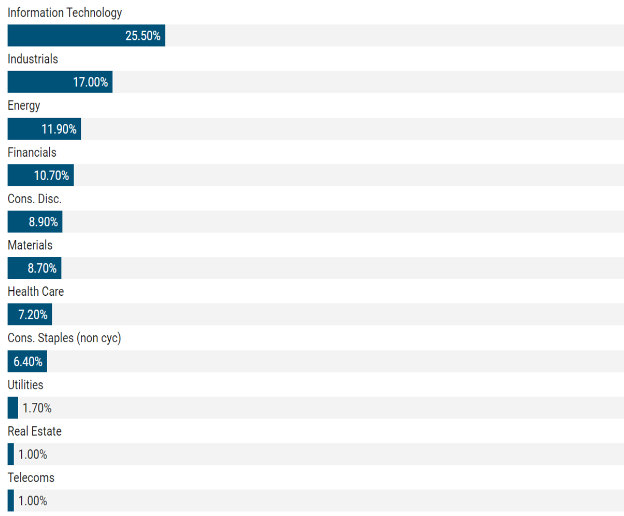
	Buy Price	Mid Price	Redemption Price
AU$	$1.2573	$1.2541	$1.251

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	99.50%
Cash	0.50%



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	2.53%	14.54%	13.02%	8.67%	13.24%	346.99%
MSCI World	2.10%	17.51%	14.01%	11.29%	13.70%	369.54%
Cash	0.34%	3.20%	1.20%	1.12%	1.92%	25.81%

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.