

Global High Conviction Unit Class

TAMIM Fund

At 31 May 2022



May was another volatile month in which it was eminently possible to lose money or make money depending on which day you bought or sold. The TAMIM Fund: Global High Conviction portfolio rose +0.62% in AUD terms. We're happy with that. We did

point out the benefits of being the tortoise in the investment race as well as the increasing need to focus more on investing in companies that met needs rather than wants. In May that was apparent. There's more, much more, to come in investing in companies that perform a useful purpose.

California politicians are, for example, proclaiming a climate crisis with a water shortage and imminent rationing as the consequence. The fact that the last time California completed a new dam/reservoir was 1980 and in that time the population has grown from approximately 24m people to over 39m people, appears not to be a relevant factor to the politicians. What can we say?

Consequently, they will look to a sub optimal solution (shorter showers and other such instructions) before stumbling upon the correct one which is to encourage reinvestment in the capital stock of the state. California is definitely not alone. It is this delay (stupidity?) which allows smart investors to make their investments. NOW (before others have finally decided to sell their SPACs). At some point even politicians will discover the root cause and plan accordingly. At that point the stocks will be getting a lot of attention and continue to rise even if they have already outperformed handily.

We gather it's not 'pretty' out there. SPACs, NFTs, Cryptos and anything on a price to sales valuation of over 10x have (appropriately) been "enjoying a correction".

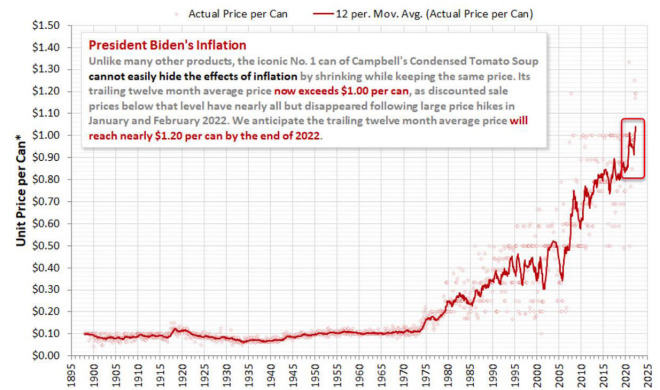
The chart below shows you what happens in the long run to anyone who systematically invests in companies with a P/S of over 10x. You might as well buy bonds because they don't have the volatility?



Long duration bonds haven't been a great place to be either and many a person will go "wtf!!@*?" when they see that any lengthy maturity in government bonds has cost them a c.20% capital loss in the last eighteen months.

It's because inflation is increasingly apparent (it never went away, see the price of a tin of Campbell's soup chart below) and the price and availability of central bank money is going up and down respectively. Not many people investing today with 10 years' experience have actually seen that!

Campbell's Condensed Tomato Soup Unit Price per Can*
January 1898 - May 2022



Data Sources: Selected Advertisements in U.S. Newspapers, 1897-2021
* Discounted sale price of an iconic 10.75 oz. No. 1 "picnic" can of Campbell's Condensed Tomato Soup
Source: Political Calculations 2022

Importantly the sources of this inflation are different from the last nasty bout in the 1970s but this will NOT be broadly recognised for a while. Again, the solution is for investment incentives to promote the supply side not restrict the demand side. This delay in recognition of the root cause of the problem will permit smarter investors to 'get set' in the right stocks now. The right stocks are companies which make, produce, repair and maintain a country's capital stock. It's not going to be SPACs or NFTs or even Meta that solves this. We previously stated that it wouldn't need nine interest rate increases as Wall Street was suggesting in March. Given the effects of QT or the shrinking of the Fed balance sheet as it runs off its bond portfolios, the de facto tightening will be a lot more painful than would appear.

"We have been told that 'tightening' is an imminent rise of 50 basis points in the Fed Funds rate (the short end) but also need to bear in mind that the size of the Fed balance sheet is going to be reduced. This represents an additional source of tighter monetary policy and so the effective tightening of policy is greater and quicker than most realise."

- ["Needs Not Wants?", 27 April 2022](#)

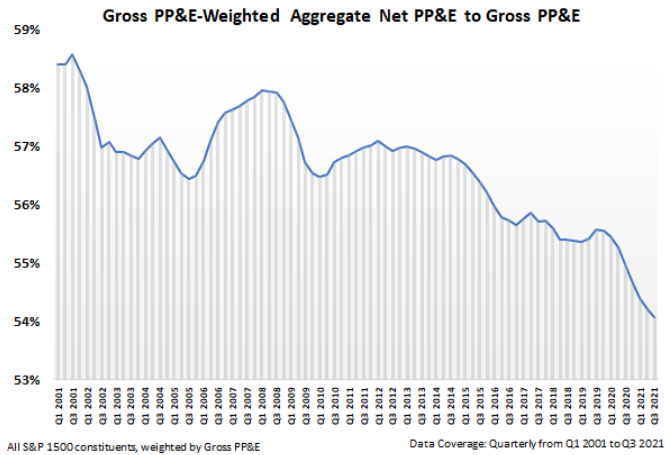
It's actually not interest rate increases that need to squeeze out excessive wage demands; it's the lack of supply and competition that has created the problem.

See the chart below which illustrates the net disinvestment by listed US companies.

They prefer buy backs which are currently running at about \$900bn p.a. and essentially favour short term profits over long term sustainability. This has to change.

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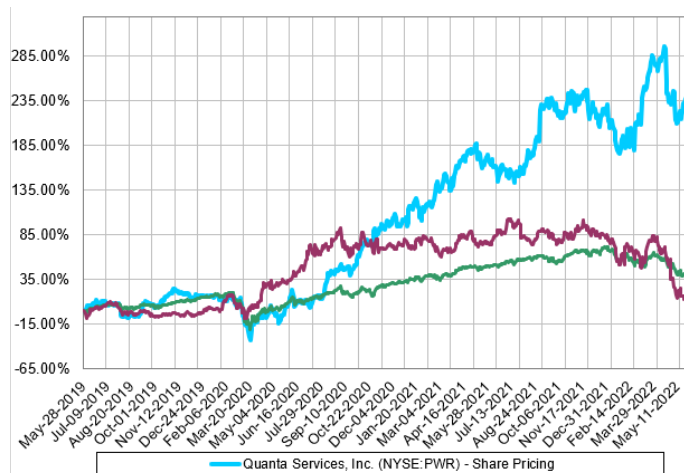
Source: Valens Research Analysis

Given the mistakes made in the Green transition in NOT investing in energy security nor raw materials, can policy makers quickly admit their mistake? (No and currently they appear to be interfering more by not removing green taxes and yet providing hand-outs funded by windfall profits' taxes!)

We'll sign off with a chart of the price performance of three entities over the last three years.

The blue line is a long standing favourite holding of ours, Quanta Services. They provide essential services to the gas and electric power grid.

The green line is the S&P 500. The magenta line is everyone's favourite stock, Amazon (AMZN.NASDAQ).



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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\$	\$1.1459	\$1.1431	\$1.1402

Portfolio Performance

Inception: 15/07/2011	1 month	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	0.62%	2.30%	11.91%	11.10%	8.92%	13.49%	296.11%
MSCI World	-0.86%	2.71%	11.29%	11.35%	10.54%	13.44%	294.23%
Cash	0.03%	0.12%	0.14%	0.33%	0.80%	1.82%	21.69%

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	98.48%
Cash	1.52%

