

Global High Conviction Unit Class

TAMIM Fund

At 30 November 2021



The past month has seen a 6% increase in the official number of Covid-19 cases globally, a small acceleration from the 5% growth rate recorded in the month of October. A new variant, called Omicron, appears to be more infectious but less potent. This appears to

thus be following the natural evolutionary path of such viruses and it is thus not necessary to lock down again. However, Europe and Japan appear to be preparing to do just that.

Global equity indices fell broadly in November with the best measure, the S&P Global benchmark index, declining almost 3% in US\$ terms but a sharp fall in the value of the Australian dollar resulted in a positive return when measured in A\$ terms. What was a moderate down month became large when the US declined 2% on the last day. Despite this, the US market is still up over 23% YTD. This compares with a World ex US rise of about 6% YTD in US\$. Underweighting the US or being heavily in cash, with negative real interest rates, would have caused serious underperformance.

The Global High Conviction strategy rose 4.32% in November.

In the US the 'inflation is transitory' narrative is to be officially retired. This is not a moment too soon. Anyone left out there who still follows money supply and other quaint notions of sound central bank policy, could have predicted this nasty bout of inflation. While it remains nascent and subdued, it will provide a tailwind to certain equities but there are a lot of overpriced companies out there whose business models will crumble in the face of higher interest rates.

The ECB in Europe meanwhile resembles the 3 Japanese monkeys' Shinto maxim – (see no evil, speak no evil, hear no evil) and they continue to argue that there is nothing wrong with continuing to provide endless liquidity to a region whose financial imbalances cannot logically support one currency,

even if that provision of liquidity is generating asset price bubbles, and persistent goods inflation. German headline inflation was calculated at 6% year on year. This is unacceptable in Germany. See the chart below for the 'dirty little secrets' of the ECB balance sheet as it attempts to hide the growing TARGET2 numbers.

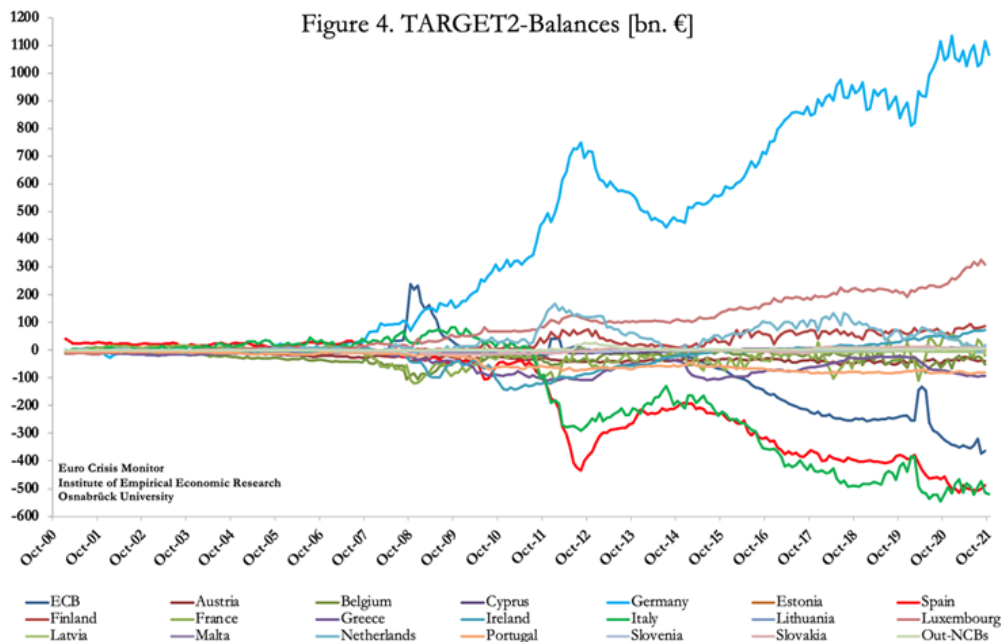
Fiscal union is needed, and maybe endless rounds of Covid-19 emergency debt issuance secured by general Euro taxation will achieve this? It will be by the back door and maybe Frau Merkel has left office at exactly the right time because fiscal union will not be popular in Germany.

We remain out of European banks and underweight European markets in general. The Euro fell in November making it four months in a row. Add the imminent banking crisis in Turkey to which European banks will have exposure, and there is a significant source of risk to stability in Europe.

In Japan, the cabinet approved the supplementary budget that was promised during the recent election campaign, a total figure of ¥36tn (equivalent to US \$314bn) will be put to an extraordinary session of the Diet next month. In an unusual move, Prime Minister Kishida urged companies that have earnings above pre-pandemic levels to increase wages by 3% or more when labour talks take place in 2022. Prime Minister Kishida is keen to reverse the trend of smaller wage hikes in the past few years, most recently 1.86% in 2021. Key government-controlled wages including those of nurses and social workers will receive increases of 3% in 2022.

This reflects a general global theme of rebalancing where different slogans are being used by different governments to broadcast their attempt to raise wages.

This rebalancing is much needed. Profits relative to wages, as a percentage of many economies, are very (too?) high. It needs



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rectifying by government edict or cajoling if companies won't do it themselves.

Our suggestions to achieve this would include the banning of share buy backs and positive tax incentives for increases by the private sector in capital investment, but we are getting no sense that this is on the agenda.

Instead, we are getting more government spending, not private sector investment. If this spending generates wage inflation (and government spending tends NOT to raise productivity despite what Joe Biden is being told), inflation expectations, and increases in the general price levels, then we are in for a repeat of the inflation of the 1970s and, of course, the possibility of capital controls and other forms of financial repression since government debt levels can't be supported if rates are allowed to go too high.

One might argue that at least we're getting SOME targeted fiscal spending and not just monetary stimulus that is clearly not doing much more than make rich people even richer? Defence spending and 'infrastructure' in the broadest sense (including healthcare and green energy) would be our best guesses as to which sectors receive this government largesse.

Our outperformance stemmed from stock selection (Alibaba being the exception) and underweight positions in Financials and Oils. Our IT stocks such as KLA Corp (KLAC.NASDAQ) and Tokyo Electron (8035.TYO) - what we call 'true Technology' - rose as SPE companies are now guiding for higher pricing and longer shortages. Japan remains a significant overweight and we are somewhat perplexed by its poor performance given that earnings are coming in above expectations and estimates being raised for next year. Typically, such events help raise equity prices.

Our expectation (and hope!) is that we have a 'Rational Rotation' in equities to favour more value style companies. There are serious and unusually high valuation and performance discrepancies between growth and value, large and small, and high style and correlation risks within the universe of growth stocks.

The portfolio remains close to fully invested but well diversified, and risk is being closely examined with the aid of a short-term predictive model.

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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\$	\$1.2105	\$1.2075	\$1.2044

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	4.32%	0.81%	8.06%	22.63%	13.98%	10.91%	14.79%	318.43%
MSCI World	3.61%	2.10%	14.50%	26.55%	18.05%	15.56%	15.33%	339.48%
Cash	0.01%	0.02%	0.05%	0.10%	0.55%	0.93%	1.90%	21.61%

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
Verizon Communications Inc	USA
Euronext N.C.	France
Quest Diagnostics	USA
Kurita Water Corporation	Japan
Sony Corporation	Japan

Portfolio Profile

Equities	95.71%
Cash	4.29%

