

Global High Conviction Unit Class

TAMIM Fund

At 30 November 2022



The Global High Conviction unit class rose 2.85% in November versus the MSCI World Index which was up +2.12%. The value biased Global 30 index, rose 4.7% in A\$ terms. The US\$ declined against the A\$ and Value outperformed Growth.

Following from an unusually strongly positive October, November also saw a rise in equity indices as the inflation prints improved versus market expectations. There is the hope or expectation that further rate increases will be smaller eventually reducing to zero in early 2023.

Real interest rates however are still negative and the fiscal policies in most countries are working to the detriment of monetary policy. Unlike the late 1970s and 1980s when inflation was squashed, the supply side is not helping. Philip Lowe the RBA governor said it best when he stated in the most recent release that ...“Inflation in Australia is too high, at 6.9 per cent over the year to October. Global factors explain much of this high inflation, but strong domestic demand relative to the ability of the economy to meet that demand is also playing a role. Returning inflation to target requires a more sustainable balance between demand and supply.” This comment could be applied to most Western Economies.

3 Global Shares With Proven Resilience

This month we provide an update on 3 portfolio holdings that are all ‘old’ businesses, with the youngest incorporated 96 years ago. Age alone doesn’t indicate a sound investment, but it does demonstrate that the company has been able to weather multiple economic cycles and emerge on the other side. This will be especially important in 2023, as we enter a more uncertain environment for economies and subsequently companies.

BWX Technologies (NYSE: BWXT)

Founded in 1867, BWX manufactures and engineers nuclear components and fuels. The company’s main operations centre on marine nuclear solutions for the US government, however, it is expanding into commercial applications including nuclear medicine and commercial nuclear power.

It recently won a contract with GE-Hitachi to engineer its BWRX-300 small modular reactor (SMR) pressure vessel. SMR technology is akin to a smaller nuclear power plant, suitable for remote locations or industry applications as it can be factory assembled and transported.

Sentiment and demand for nuclear solutions are strong, particularly in light of the Russian-Ukraine war highlighting the importance of energy security. This is in addition to governments legislating net-zero emissions targets, for which nuclear will play a crucial role as a reliable source of baseload power.

During the month the company released its third-quarter results. Revenue increased by 5%, with 22% growth in commercial operations. Free cash flow also increased by 24% during the quarter. Management noted that labour availability is constraining growth. The business has responded by streamlining the recruitment process, improving employee referral programs and more site-level resources.

In 2023 the company expects stronger growth with an acceleration over the medium term. BWX trades on an earnings multiple of 20 and a dividend yield of 1.5%. We expect it will grow into its valuation over time given the aforementioned demand profile.

Net zero is not helping since the subsidy of “green” energy is using resources that would otherwise be better deployed in growing the productive capacity of economies. Our basic stance remains that oil and especially gas will be rehabilitated by policy makers and the stock market.

We also expect rate increases to keep coming (as stated above) but we believe that the mistake investors are making is to not realise that **they are not coming down**, certainly to where they have been in the bubble period.

Asia bounced strongly and the Hong Kong companies Ping An and Alibaba, in which we have remained invested, rose c.40% and c.30% respectively. China is reopening after a strangely futile attempt to reach Zero Covid and we therefore also suggest that Basic Materials will benefit as global demand improves. We added BHP and Schlumberger recently to our global strategies.



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Schlumberger NV (NYSE: SLB)

Schlumberger was founded by Conrad and Marcel Schlumberger in 1926 in Paris – then a part of the German empire. The two brothers pioneered electrical coring, which uses electrical measurements to identify geological formations. Before this, oil exploration relied on samples or cuttings from boreholes which were highly unreliable and frequently missed oil zones.

Today, Schlumberger is a global leader in technology and services for the oil and gas sectors. Its largest division by profit is well construction, followed by digital and integration, reservoir performance and production systems.

Against the backdrop of Europe's energy crises and a decade of underinvestment in oil and gas, there is a strong demand to increase investment and rebalance markets, create supply redundancies, and rebuild spare capacity – for which Schlumberger is a direct beneficiary.

The company is also making forward-facing investments via its new energy division, which includes carbon, sequestration and geothermal technologies to reduce and safely store carbon emissions.

At its investor day this month, management said it expects annual revenue growth to be 15% out to 2025, with upside should supply remain limited. It also surprised the market by increasing its quarterly dividend payment by 43%.

We are attracted to Schlumberger's long-term growth profile as well as its clear capital allocation framework which focuses on shareholder returns. It trades on an earnings multiple of 16 when looking one year out, which to us underappreciates the growth outlook.

Hillenbrand Inc (NYSE: HI)

Incorporated in 1906, Hillenbrand is a US-based industrial company that provides advanced equipment used to manufacture a range of products including packaging, consumer goods, food and chemicals. The business also owns a legacy funeral casket business called Batesville.

Hillenbrand reported fourth-quarter results during the month, with revenue increasing by 7% in constant currency and net income up by 9%. The company has been able to offset inflationary pressures by pushing through price increases, demonstrating a level of pricing power. It's also improved processes to maintain margins.

Despite the uncertain economic outlook, management noted there is a record backlog of orders for equipment in both the moulding technology and advanced process divisions.

Hillenbrand has completed three acquisitions recently to bolster its portfolio of recycling and food solutions. The business will host an investor day in December, where we expect to hear more information regarding its growth strategy.

Hillenbrand is not a particularly exciting company. However, it sells essential equipment to a diversified customer base across several geographies, making its earnings reliable and defensive. The business is also exploring strategic options to create shareholder value, including the sale of Batesville.

Trading on an earnings multiple of 11, the market has priced it as a no-growth company. This leaves potential upside should it continue to improve margins and integrate recent acquisitions.



Source: Schlumberger



Source: Hillenbrand

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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\$	\$1.1678	\$1.1649	\$1.1620

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	+2.85%	-1.54%	6.88%	7.79%	13.25%	311.96%
MSCI World	+2.12%	-5.62%	7.88%	10.08%	13.32%	314.78%
Cash	0.23%	1.05%	0.50%	0.84%	1.83%	22.88%

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	94.8%
Cash	5.2%

