Global High Conviction Unit Class
TAMIM Fund

At 31 October 2021

Global equity returns were unusually strong in October rising over 4.5% in USD terms and essentially flat in AUD as the Australian dollar strengthened. The strategies underperformed as growth styles outperformed value, and our overweight to Japan detracted as the Japanese market fell.

The USA rose 7% driven by decent corporate results, and a continued postponement of the tapering of central bank intervention. Inflation is rising quite clearly, even using today's somewhat massaged construct, and with wage rates also rising, the chances are high that inflation expectations become embedded. In the short term this is a tailwind for equities given that they are a claim on nominal growth and a better inflation hedge than bonds. In the long term it is a problem for asset market stability, but a problem, as yet, unacknowledged by policymakers.

The USA continues to provide contradictory messages in the domestic and international arenas. President Biden recently indicated that the United States would defend Taiwan if that became necessary which is somewhat at odds with the official line that respects the "One China" policy. Taiwan's President Tsai Ing-wen confirmed that there are a small number of US forces located in Taiwan to help with training of Taiwanese soldiers, an admission that annoyed Beijing with a call for the United States to immediately cease military and other official interactions with Taiwan. This will raise tensions and provides a source of volatility to a complacent equity market. The deal to export US LNG to China was announced while at COP26 as the need to reduce fossil fuels further was announced by the US delegation. The infrastructure bill remains mired in Congress with some Democrats now removing their support for the 'social' spending aspect. Popularity ratings continue to fall. (The infrastructure bill has passed through Congress since writing, the social spending and climate package are up next).

Essentially, investors are becoming confused about US monetary, economic, and foreign policy.

Japan was the weakest market in our portfolio with the index declining by 3.7% ahead of the general election called by recently appointed Prime Minister Kishida. There were fears that the ruling LDP would lose their majority in parliament, however, this fear proved unfounded as results announced on 1st November indicated a clear single party majority for the LDP. Prime Minister Kishida now has a mandate to push ahead with the additional budget spending that was promised during the campaign. This will include increased military spending to counter a more assertive China. The market responded positively to the election result. The election could be seen as the beginning of a change of generations within the LDP, having seen several senior lawmakers losing their long held seats while younger lawmakers including Taro Kono and Shinjiro Koizumi achieved emphatic victories. The equity market should enjoy better returns now that this major period of uncertainty is out of the way.

We sold ABB (ABBN.SWX) in Switzerland after moderate results but a clear indication that next year was going to be tough as the European economies continue to struggle. We purchased Cheniere (LNG.NYSE American), a US LNG provider, and ONEOK (OKE.NYSE), a pipeline company supplying to the US export terminals in Texas. The US is now an exporter of LNG, a clean energy source. Such businesses are stable and thus attractive investments if a sell-off in the exuberantly priced equities is forthcoming.

Results were strong for Norfolk Southern (NSC.NYSE), Seagate Technologies (STX.NASDAQ), KLA (KLAC.NASDAQ) and Simon Property Group (SPG.NYSR) and all rose 10% or more.

We see irrational exuberance in many pockets of the market; and rapid and punishing share price falls on adverse news. Tesla rose 10%, or many billions of dollars in value, on a 'deal' announced by Hertz that they were buying Tesla cars for their rental fleet. It transpired that there was no signed deal. In any event, the sale of cars to the rental companies was long considered to be poor quality business for the auto manufacturers because they were at low margins and the quick resale of these cars hurt the second-hand prices of all models. More confusing to us is that if demand is so strong for high margin retail sales, why would Tesla countenance this move? The company is now capitalised at about $2m per vehicle produced and is worth more than the next nine auto companies combined even though it may produce c. 700,000 vehicles next year in a global market of over 75 million. It is on a P/E of over 300x.

We obviously 'don't get it' but were told the same in 2001 and in 2008.

The words of Scott McNealy CEO of Sun Microsystems in April 2002, come to mind. *"At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at $64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?"*

There are currently 28 companies in the S&P on over 10x revenues.

Snap Inc. (SNAP.NYSE) fell 20% plus when it blamed a shift in Apple policies for a dramatic and 'unexpected' reduction in ad revenues, and Zillow (ZG.NASDAQ) fell almost 40% in three trading sessions as its punt on flipping houses proved both difficult and costly.

We consequently remain overweight to dividend paying stocks, Japanese companies, and value generally.

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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

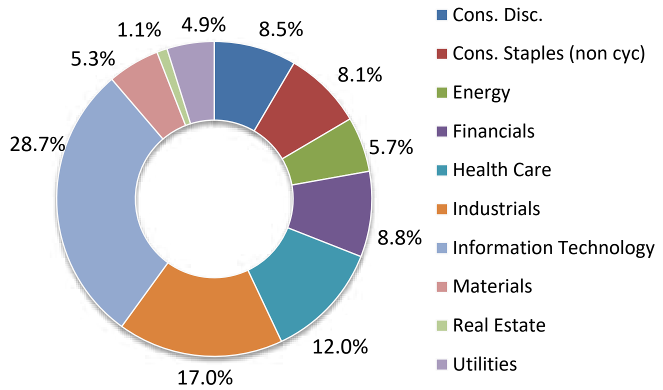
	Buy Price	Mid Price	Redemption Price
AU$	$1.1603	$1.1574	$1.1545

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	99.65%
Cash	0.35%



Portfolio Performance

Inception: 15/07/2011	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	-1.18%	-1.61%	5.34%	28.69%	11.37%	10.92%	14.44%	301.09%
MSCI World	1.62%	1.58%	11.87%	31.29%	15.94%	15.75%	15.07%	324.17%
Cash	0.01%	0.02%	0.05%	0.10%	0.59%	0.96%	1.92%	21.60%

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.