Global High Conviction Unit Class
TAMIM Fund

At 31 October 2022

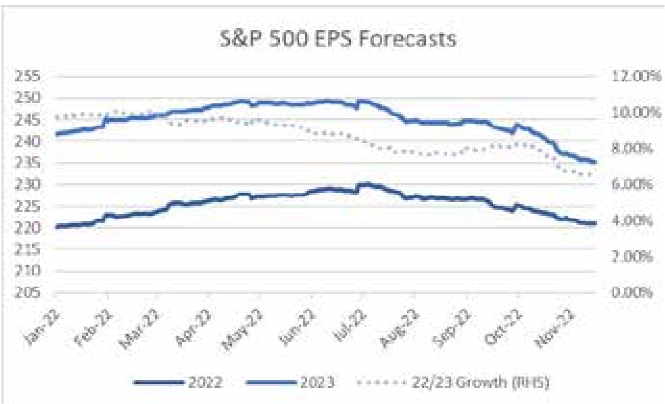
In what has been an 'unusual' year, October experienced a sharp rebound in the price of risk assets. An inflation print of "only" 7.7% was enough to send US equities higher, long term yields lower and a 'risk on' stance almost everywhere. The US$ fell.

The Global High Conviction Trust rose +7.60% in A$ terms versus the MSCI World which was up +7.77%. Value again outperformed Growth. We expect this to continue albeit in a choppy fashion. Pleasingly, over the last 2 years we have seen the unit class up 13.36% versus the index at 12.12%.

We made a changes within our strategy over the month. We removed China Construction Bank and reinvested into Woodside Resources. We also bought Schlumberger, Nippon Yusen, the Japanese shipping company, Targa, an oil and gas infrastructure business and Exelon, a US Utility. Our stance on basic materials companies, as 'useful and essential' remains positive and the nerves surrounding Net Zero (which if implemented will lead to Year Zero?) are presenting attractive investment opportunities.

We remain cautious in our risk stance but fully invested. This means we favour stable revenues, dividends, good balance sheets. Earnings forecasts are still too high in the US (and elsewhere) and will have to come down. The US$ is now quite extended. It is vulnerable to the tempering of expectations regarding the terminal rate of US interest rates.

For the moment we note how negative real yields still are and we are still positioned for further inflation pressures to keep upward pressure.

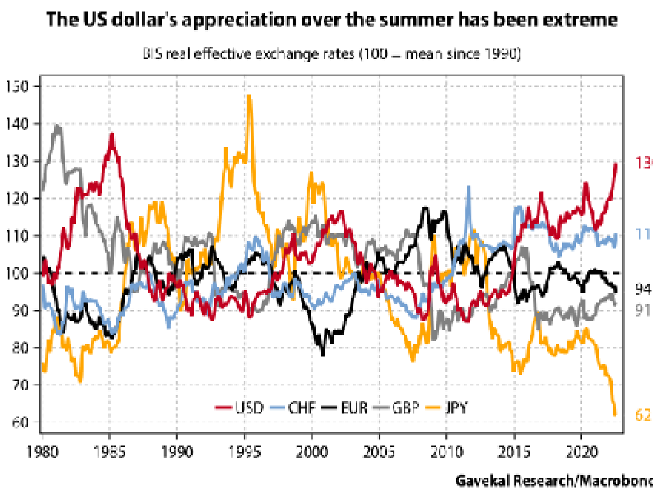


Source - Delft Partners

Data released last week shows that US households have become much more concerned about the inflation outlook. Somewhat paradoxically, though, they are trying to maintain their living standards by aggressive credit card spending. According to a New York Fed survey of consumers, inflation expectations for 2023 have risen to 5.9%, half a percentage point higher than that recorded in September. Longer-term inflation expectations have also edged up. The three-year and five-year expectations for inflation increased to 3.1% and 2.4%, respectively.

Due to the higher cost of living, Americans are depleting their savings and retirement accounts. Many are turning to credit cards and other forms of loan options to pay for goods and services in a vain attempt to maintain their standard of living.

According to the Federal Reserve, household debt in the US recently rose at its fastest pace in 15 years. Outstanding balances on credit cards grew to more than 15% year-on-year, the highest increase in more than 20 years. The total amount of American household debt reached $351 billion for the third quarter, the most significant jump in debt since 2007. The total debt owed in the US is a record $16.5 trillion. The most significant contributors to debt originated from mortgage and credit card balances, which rose to $11.7 trillion and $930 billion, respectively.



We are therefore not "out of the woods' yet. We suggest 3 ways to deal with the debt debasement and de-globalisation problems:
1. Try not to lock up your money in illiquid assets. Removing the ability to switch within stock universes and across asset classes when prices will be volatile, is a mistake.
2. Cash is not a way to maintain spending power. It is highly likely that inflation will continue to run higher than cash rates. Invest in dividend paying equities that meet needs not wants. This will provide better inflation protection.
3. Timing asset entry points is very hard and should be done only occasionally. A lot of money can be lost through FOMO and transaction costs.

Portfolio Update

Quanta Services (NYSE: PWR)
Quanta Services is a company that represents the decarbonisation theme within the global fund. The business provides speciality construction and engineering services for utilities, telecommunications, renewable energy and underground projects. This includes building and maintaining infrastructure such as transmission lines, fibre cables, substations, and pipelines.

It's estimated the United States alone will require at least $30 billion in incremental transmission investment to support the uptake of renewable energy sources. This is despite the number of utility employees falling, resulting in a tight labour market and an increased need for outsourced services offered by Quanta.

The business is more resilient than a typical building company, with 50% of its revenue on recurring service agreements. Quanta also completes over 80% of projects itself, which mitigates external cost blowouts. The defensive earnings profile in addition to its ESG credentials has led to the share price increasing by 28% this year. A common issue investors face when investing in construction is contract risk. We've seen recently domestic builders like Simonds need equity injections due to signing fixed-rate contracts in previous years that become unfeasible over time, largely due to inflation pressures. While this remains a risk for Quanta, the majority of its contracts are on unit or cost-plus pricing.

The valuation today is by no means cheap at 21 times next year's earnings. However, we continue to like the growth outlook for the business, especially its exposure to utility grid modernisation, system hardening, renewable generation expansion and integration.

Valero Energy (NYSE: VLO)
Valero Energy refines and markets a range of petroleum-based and low-carbon transportation fuels and petrochemicals. The business has recently benefitted from strong crack spreads (the price difference between a barrel of crude oil and the petroleum products refined from it) due to insufficient global refining capacity. As a result, the Valero share price has stormed 75% higher this year.

Over four million barrels of global refining capacity have been retired since 2020 due to poor economics or planned upgrades. While current margins are unlikely to be sustainable, prices will remain above historical levels for the foreseeable future given the lack of investment appetite for oil and low global inventory. The European Union banning seaborne imports of Russian oil and oil products from next year will further exacerbate the shortage.

Demand for refined products like gasoline and diesel now exceeds pre-pandemic levels. Subsequently, the company recorded a six-fold increase in quarterly earnings, which is being used to retire debt and returned back to shareholders via dividends and buybacks.

In the longer term, Valero will benefit from government policies, such as the Renewable and Low-Carbon Fuel Blending Programs, that encourage the uptake of low-carbon fuels. The company owns and operates renewable diesel and ethanol assets which will be integral to helping companies and nations reduce their greenhouse gas emissions.

Valero is priced as a cyclical company with a price-to-earnings ratio of six, however we believe this is a secular growth story mispriced by the market.

Applied Materials (NASDAQ: AMAT)
Founded in 1967, Applied Materials is a global provider of equipment, services and software to the semiconductor and related industries. Its products are used to fabricate semiconductor chips and integrated circuits, which are subsequently included in end-products including electronics, cars, storage and displays.

Applied's share price has suffered due to forecasts of a slowdown in the broader economy and has subsequently fallen 35% this year. However, it has rebounded recently on the back of a strong earnings result. The business's full-year revenue increased by 12% to $25.8 billion while operating profit increased by 7% to $7.8 billion.

CEO Gary Dickerson expects 2023 to be a down year for the broader industry but believes Applied will prove more resilient given the large backlog in orders. The business is also constrained by supply-chain pressures, which is delaying revenue recognition.

Longer-term, Applied will benefit from several tailwinds including increased data consumption, more complex semiconductor applications and higher device adoption. It will also benefit from the deglobalisation trend as nations safeguard chip supply.

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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

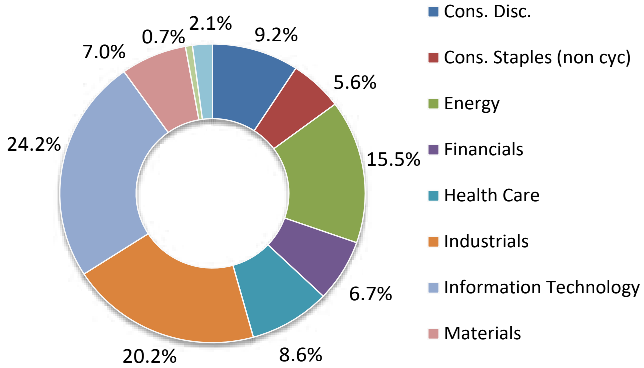
	Buy Price	Mid Price	Redemption Price
AU$	$1.1326	$1.1326	$1.1297

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	99.0%
Cash	1.0%



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	+7.60%	-0.14%	7.69%	7.82%	13.07%	300.53%
MSCI World	+7.77%	-4.25%	8.78%	10.31%	13.21%	306.16%
Cash	0.21%	0.82%	0.44%	0.82%	1.82%	22.59%

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.