

Global High Conviction Unit Class

TAMIM Fund

At 30 September 2021

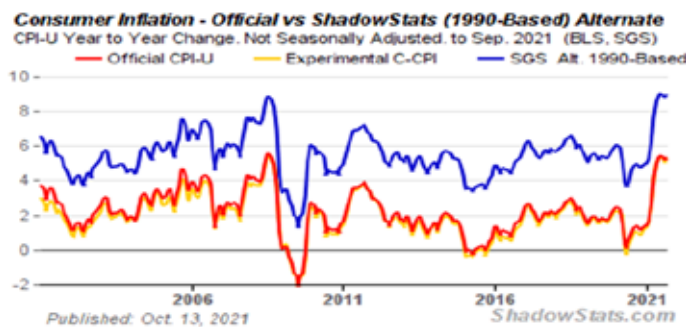


Global markets have once again conformed to the market anomaly of the September Effect. A modest correction was felt in all major markets with the S&P500 down -4%, Euro Stoxx also down -4% and the Hang Seng down -5.5%.

The Global High Conviction strategy fell -2.22% in September, outperforming the benchmark index by c.0.8%. In the 12 months to end September, the portfolio has risen 29.81% versus the index of 27.82%.

Inflation pressures continue to rise as disruptions to global supply chains continue to play havoc. The inflation rhetoric now seems to have shifted from transitory to enduring. Despite recent posturing from the Federal Reserve, we believe the prospect of shifting from the current low interest rate environment to substantial and sustained interest rate increases are unlikely given current economic conditions.

Much sleight of hand has been used to conceal the true inflation rate, but it is both unlikely, and perhaps unnecessary, for very high interest rates to be deployed as they were in the 1970s.



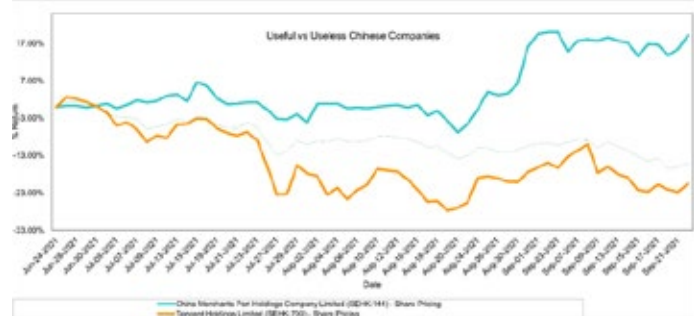
While many similarities superficially exist between the 1970s stagflation and today, there is a meaningful and critical difference: the relative power of Labour vs Capital. Consequently, we see no need for large increases in interest rates to pressure companies to lay off employees and generally dampen wage inflation. We do however see regulation to reduce the power of monopolies and monopsonies and coercion of companies to raise wages. This should be a tailwind to inflation but also act as a restraint on corporate profit margins. The Surface Transportation Board, for example, was asked by the Biden administration to assess the lack of competition in the railroad industry. This increased regulation is a risk to all companies globally, including infrastructure. There are also many bills in front of Congress to curb the monopoly platform power of the big 'tech' companies.

Essentially investors should seek dividend paying stocks, favour small over large since regulation is seldom aimed at small companies, and generally avoid portfolios with positive skew aka momentum based.

There will be capital controls and forced purchases of US government debt if long term interest rates approach levels which make debt servicing impossible. At 100%+ to GDP, debt

levels are close to maxed out when the new issuance is at a 3% yield, given the new net debt issuance rate of about \$3.0 trillion per annum. The US is not alone in fiscal incontinence. At least the infrastructure packages now try to target segments of the economy with a sound fiscal multiplier, producing a real economic benefit?

Chinese markets to continued show volatility in September as regulatory risks regarding restructuring efforts in the economy remain. Evergrande was the easiest predicted bankruptcy ever even though predictions started about ten years ago. The problem can be contained in a command economy. The irony is that the Chinese have addressed the issue of moral hazard, inequality and monopoly power before the Americans have. Invest in China on a contrarian basis (we added to Alibaba as it fell) and in line with the mantra of 'Common Prosperity'.



Regulatory risks are not confined to China. The Spanish government hinted at revisiting the prices for wind sourced electricity, which has shot up in price in sympathy with gas prices. This hurt the share prices of Iberdrola and ENEL in Italy. These are difficult risks to predict but our guess is that the fiscally strapped European governments will be the most tempted to change the rules of the game and hurt shareholders who believed they were investing in the desired green energy space.

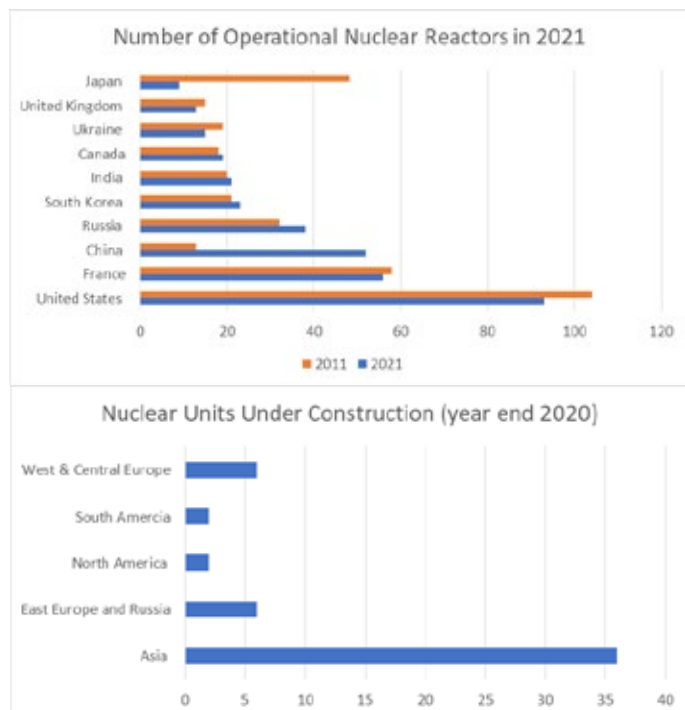
Energy prices rose dramatically for several reasons and renewables are not (yet?) capable of meeting spikes in demand. Given the zeitgeist demanding 'Green' energy and the German push to get Nord Stream 2 online, we believe that gas will be seen as a clean energy (or at least a less dirty option) for at least the near future. We make extended comments on energy this month because they are a critical input to almost every part and price in economies.

We note the increasing news flow regarding nuclear power and fully expect that to be floated as a clean energy – which it is. The chart below shows the existing state of the global nuclear power generating industry, and those countries growing and those shrinking the nuclear reactor count. We invested in Fortum, the Finnish hydro and nuclear power company, late in the quarter.

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Net zero would seem to be a difficult task without a substantial investment in the forgotten carbon free baseload power generation of nuclear power. We expect to see public sentiment and, in turn, political will to shift in relation to nuclear power. New Japanese Prime Minister Fumio Kishida has already hinted at restarting the country's nuclear power plants (presumably after seeing Japan's Nat Gas bills) the majority of which have remained dormant since the 2011 Fukushima meltdown. Post-Fukushima it has been the stance of the Japanese Government to no longer refurbish or construct Nuclear Plants (we expect this to change).

Aging US Nuclear plants will also see a new lease of life after the Illinois state senate approved a US\$700m subsidy to Exelon to keep the Byron and Dresden plants open. Moreover, NextEra Energy has asked the Nuclear Regulatory Commission to extend the licenses for two reactors at its St Lucie Plant for a further 20 years after already receiving approval to extend the life of its Turkey Point Plant for 20 years. Should approvals at St Lucie be granted the life of these plants will have been 80 years (yes 80!) when they are finally taken offline. Whilst modern nuclear plants offer a safe and clean (mostly) source of baseload power, a lack of investment in new plants in the majority of developed nations has resulted in ageing plants extending their lives despite the numerous risks attached. 57 nuclear plants are under construction globally with the bulk of this construction occurring in Asia. The US and UK both have two plants under construction with an average age of plants of 39 and 36 years respectively and we expect this number will need to increase in the coming years. This is currently a competitive advantage to Asia and a sound reason for favouring investment there.

The approaching Northern Hemisphere winter will keep upward pressure on energy prices. If we were asked, we would recommend that a switch to Carbon Neutral only be done when

sustainable energy technology can provide base and peak load power. Currently it cannot. As such, continued investment in traditional but cleaner-than-coal energy sources would make sense. We show below how the prices of ONEOK, a gas pipeline company, and Cheniere, a LNG producer, have outperformed everyone's favourites, Facebook and Amazon, in the past year. They also have the additional benefit of negative skew for a portfolio.



Corporate profits remain elevated relative to wages. Expectations for long run returns should be tempered by an acknowledgment that this balance needs to shift. Nonetheless, equities especially value, small and Asia will outperform bonds, cash and gold.

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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\$	\$1.1741	\$1.1712	\$1.1683

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	-2.22%	2.02%	8.52%	29.81%	10.15%	10.97%	14.70%	305.86%
MSCI World	-3.02%	3.92%	13.60%	27.82%	13.20%	15.01%	15.02%	317.41%
Cash	0.01%	0.02%	0.05%	0.11%	0.63%	0.98%	1.93%	21.59%

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 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	98.78%
Cash	1.22%

