Global High Conviction Unit Class
TAMIM Fund

At 30 September 2022

September continued the declines of August. The Tamim Fund: Global High Conviction unit class declined by -2.99% once again beating the benchmark which was down -3.29%. Equities and bonds fell heavily in value during September. This is quite unusual. Typically, they don't move together. All risk assets have had a tough year so far and diversification has been hard to find.

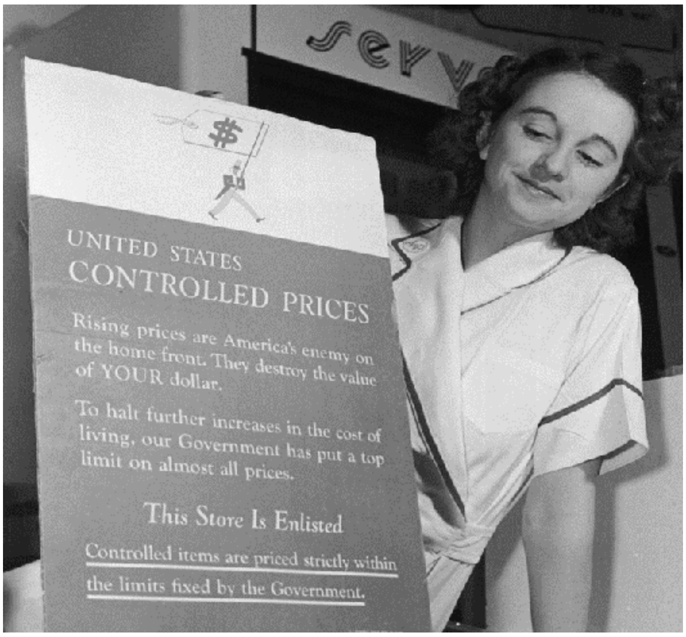
Interest rate increases are now seemingly coordinated in those countries beset with inflation. We believe this inflation has been caused by excessive money supply growth in the affected countries. Japan, China and Switzerland, which did not panic and did not do endless QE, have no serious inflation problems. High levels of debt combined with tighter money mean demand destruction is almost guaranteed, as exemplified by the price of oil and copper falling from recent highs, and consumer spending getting hit.

The US$ has been very strong, illustrating the belated tightness of US monetary policy where both rate rises and QT have essentially created a global shortage of US$. This is unlikely to continue without a default by a country or corporate. Markets are often wrong in the short term, and the fall of Sterling is probably an opportunity once the dust settles.

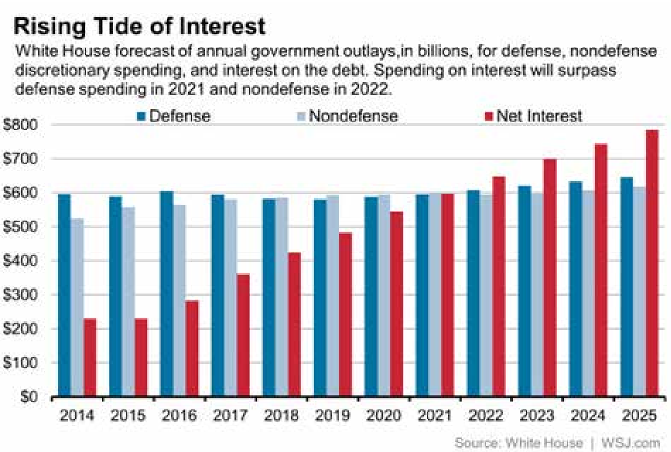
We believe the answer to the inflation problem lies not in destroying the labour market and further demand destruction, but in improving SUPPLY. In this regard, the UK mini-budget was a brave attempt to increase supply by reducing regulation, the benefits of not working, and to increase supply of energy (Energy is a critical input to any economy). We remain flabbergasted by the failure to understand that electricity is not energy – Energy is the capacity to do work, and electricity is one of the results of that potential. Renewables currently supply some of the electricity which itself is a fraction of the energy needed to maintain living standards).

There are no easy exits from the crimes to economies that have been committed in the last 20 years, but the end of ZIRP may eventually provoke a return to 'supply side economics'. We would suggest it be called something else since the stigma may be strong. How about "PPE: Promoting Private Enterprise". It is now clear that the Biden administration is "not for turning" unless the electoral shock of a mid-term wipe-out causes a reappraisal.

The crucial question is whether policymakers now have the moral fibre to withstand the howls of pain from those affected by interest rate rises popping the bubble? Some late cycle Private Equity deals are quite possibly next in line after SPACs NFTs, and other lunacies have cratered. We repeat again that price volatility is NOT risk. Illiquidity is no defence against a failing business. Due to delays in tightening and the absence of any supply side measures to incentivise private sector capital investment, which will grow the economy, we are getting concerned that stagflation is being created. Destroying demand and reducing supply will do it! Consequently, the dangers of more intervention are rising. At current levels of interest rates, the US debt servicing costs will become larger than the



Defense budget. This is very unlikely to be allowed to happen, and thus interest rate suppression and the forced purchase of government debt at artificially low rates beckons. Other measures would be massive tax hikes and/or price controls. We have been here before and the 1950s was it.



Robert Reich has been lobbying Congress regarding excessive corporate profits. He is correct, but the remedy is private sector investment which raises productivity and creates jobs. Currently, the US corporate sector spends about $900bn on share buy backs – these are being disincentivised with a proposed 1% tax in the Inflation Reduction Act, but a better way to get PPE going would be to incentivise capital investment with a tax credit or accelerated depreciation allowances.

Invest in companies that meet needs not wants, and favour profits over concepts, BUT remember that holding too much cash is likely to lose you money in real terms. Invest in risk assets when it feels most uncomfortable to do so. October might be a good month?

Portfolio Update

Nippon Telegraph and Telephone (TYO: 9432)
NTT is an example of the business evolution misunderstood by the market. Originally established as a state telecommunications monopoly – similar to Telstra – it was privatised by the Japanese government in 1985 to encourage competition. Notwithstanding its dominant market positioning, NTT sells largely commoditised products such as mobile, internet and landline services. The Japanese government has been pushing for lower prices, and its ageing population demographics mean the overall market isn't expected to grow.

Gradually it has tried to move away from its traditional roots. It has used the legacy telco business as a cash cow to fund new adjacencies such as data centres, cloud services and enterprise solutions. These are typically higher-margin products, less susceptible to pricing pressures and growing rapidly as organisations and companies become evermore dependent on digital work. NTT also purchased Dimension Data to expand its reach abroad and service multinational clients. Today, the business is less capital-intensive and evolving into a steady growing services business.

The risk remains that Japan's Ministry of Finance – which owns 36 per cent of NTT, compels the business to act in the interest of employees and the community rather than shareholders. Management so far has assuaged these concerns, with a growing dividend yielding of 3 per cent in addition to annual buybacks. NTT is a blue-chip company with promising growth offshoots. However it trades cheaply compared to international peers, with a price-to-earnings (P/E) ratio of 11 and a price-to-book of 1.5. We like the future growth runway in addition to multiple upside as the market appreciates the higher quality earnings.

Cheniere Energy (NYSE: LNG)
As alluded to in the ticker code, Cheniere Energy (NYSE: LNG) is a producer of liquified natural gas (LNG). It owns facilities including terminals and pipelines that convert natural gas to LNG which is then transported by ship. We previously wrote about de-carbonisation as one of the five trends that will impact markets over the coming decades. In our view, certain fossil fuels like LNG must play an integral role in the renewable energy transition. It's a high-quality source of base-load power while emitting 50 per cent fewer greenhouse gas emissions than coal.

There is already a sizeable gap between expected demand and current supply which will only be exacerbated by higher interest rates. An increase in the cost of debt means lower returns on new projects discouraging new supply. And that's before even considering the reluctance of governments to fund new fossil fuel projects. Our thesis has played out as we expected, with the share price up 68 per cent in 2022 alone. What we didn't anticipate – albeit this has only served to increase demand for LNG – was Russia's invasion of Ukraine and the subsequent sanctions on Russian natural gas. Europe is now scrambling for alternate energy sources. Meanwhile, the rest of the world is reminded why outsourcing energy security is not such a great idea. All this bodes well for Cheniere.

The business is using profits to pay down debt and is on track to achieve an investment-grade credit rating which would lower its overall interest costs. It also has a growing dividend and buyback program. We forecast that the business will increase revenue threefold by 2027 as it capitalises on the LNG opportunity. This business does not look optically cheap on traditional valuation metrics today. However we are confident given that 90 per cent of LNG production capacity is contracted, management should reach its forecast cash flow of $20/share over the medium term. With the current share price hovering at $180, we think this is a mispriced growth story leveraged to the green transition.

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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

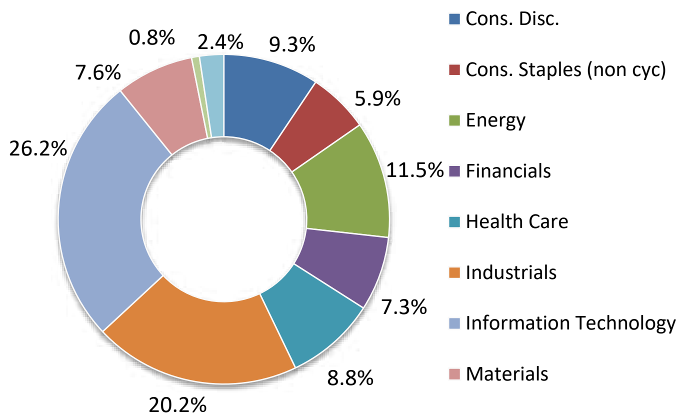
	Buy Price	Mid Price	Redemption Price
AU$	$1.0552	$1.0526	$1.0499

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	94.80%
Cash	5.20%



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	-2.99%	-8.28%	5.57%	6.98%	12.44%	272.24%
MSCI World	-3.29%	-9.71%	6.24%	9.58%	12.56%	276.89%
Cash	0.19%	0.61%	0.39%	0.80%	1.81%	22.33%

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.