

Global High Conviction Unit Class

TAMIM Fund

At 31 August 2020

Global High Conviction Portfolio Update

Global equity markets were strong in August ending the month up 6.6% in USD terms. The returns in US\$ were reduced by strength in the Australian currency which resulted in a c.4% increase for the global equity index in Australian dollar terms. The Global High Conviction portfolio was up 0.82% for the month.

The USA equity market continues to lead aided by unprecedented fiscal support during Covid-19 and a seemingly tame Federal Reserve. The Jackson Hole speech by Chairman Powell at the end of August, was interesting for what it did NOT state – there was no comment on Yield Curve Control. However, the equity market liked the idea of Average Inflation Targeting which means likely longer periods of ultra-low SHORT TERM rates. Japan was also strong up over 7% in the month.

We remain overweight both regions in the more concentrated Global strategy and we are carefully evaluating entry prices into the USA where we remain underweight. The spread between Value and Growth returns especially in the USA is approaching remarkable levels. We are experienced and so remember the 1999 ‘party’. We are not sure you have to “keep dancing as the music is still playing”. If you do, make sure you are close to the exits? Liquid assets in other words, are the place to be.

We'll go carefully and invest cashflows into the anticipated market weakness.

By sector, the leaders were Consumer Cyclical and Industrials which probably reflects the hope that an economic rebound in Q4 is likely. With an end to job support schemes imminent and unemployment therefore likely to rise, we are not so sure. Any economic improvement is only going to lead to a steeper yield curve anyway which would tend to lead to a reappraisal of equity valuations?

Utilities lagged. We think this an attractive sub asset class – yields are well above those on government bonds; are sustainable; much infrastructure needs re-investment and so curtailing profitability would be a foolish political mistake (not to say that foolish mistakes aren't made by politicians) and many companies hold assets which are non-regulated which means potentially uncapped profits. We prefer this segment to banks while the yield curve remains so flat although we expect this to change. (see above)

After weeks of speculation Japan's Prime Minister Shinzo Abe announced that he is stepping down for health reasons again, the same medical condition (ulcerative colitis) compelled him to end his first term in office, a one-year stint in 2007. The Liberal Democratic Party have a firm hold on power, so the

election of a new party leader and Prime Minister will not alter the domestic political landscape and we retain our positive view of the equity market in Japan.

There was a surprise announcement by Warren Buffett's Berkshire Hathaway in late August revealing an investment in excess of \$6 billion in five of Japan's trading houses. We expect this to be the first of a series of investments in Japan where there are many companies that meet the Berkshire Hathaway criteria for price to cash-flow and balance sheet strength. This could mark the start of sustained international buying of the equity market in Japan thanks to attractive valuations and the balance sheets.

Itochu (8001) one of the targeted trading companies has been a core holding in our global equity strategies for years. The intellectual capital within these companies as regards materials procurement and supply chain management will become clearly valuable as we see trade frictions, investment embargos, and tariffs become more commonplace.

During August we sold Axa, the French insurance company, and reinvested the proceeds into Heidelberg Cement in Germany. HEI specializes in the production of cement and building materials globally. Any trip to Europe and the USA would reveal the drastic need for rebuilding of roads, bridges, hospitals, schools, dams... It is central to our investment thesis that this fiscal boost comes to (thankfully) replace the notion that low interests alone can return us to sustainable and equitable growth.

We look forward to the USA election. We continue to look for listed companies which are misunderstood and undervalued by the market. We will continue to hold a diverse exposure to regions and sectors.

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

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Overview

The TAMIM Global Equity 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

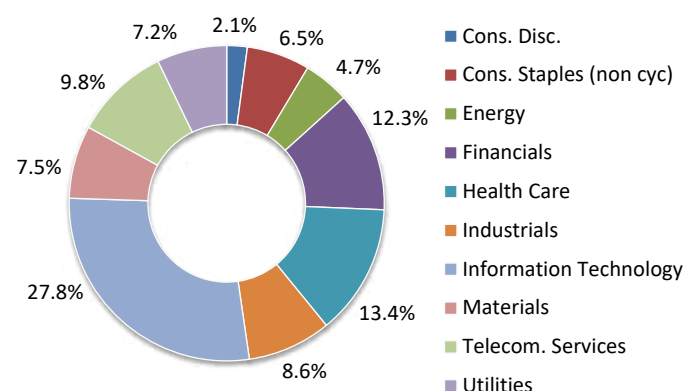
| | |
|--|--|
| Investment Structure: | Unlisted Unit Trust |
| Minimum investment: | A\$100,000 |
| Management fee: | 1.00% p.a. |
| Admin & expense recovery fee: | Up to 0.35% |
| Performance fee: | 20% of performance in excess of hurdle |
| Hurdle: | MSCI World Net Total Return Index |
| Exit fee: | 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%) |

Selection of 5 Holdings

| Stock | Country |
|----------------------------|---------|
| Verizon Communications Inc | USA |
| Legal & General Group PLC | UK |
| China Mobile | China |
| Hoya Corporation | Japan |
| Ping An Insurance | China |

Portfolio Profile

| | |
|-----------------|--------|
| Equities | 95.86% |
| Cash | 4.14% |



Monthly Return Stream

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | YTD |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| 2011 | - | - | - | - | - | - | 0.02% | 0.24% | 1.48% | 1.75% | -0.24% | 3.14% | 6.51% |
| 2012 | 0.67% | 3.83% | 8.03% | -3.05% | -1.56% | 0.57% | -1.64% | 4.74% | 2.58% | -0.68% | -1.95% | 2.92% | 14.78% |
| 2013 | 2.51% | 1.29% | -0.03% | 3.27% | 11.01% | 1.11% | 7.27% | -1.75% | -3.65% | 3.32% | 8.56% | 3.41% | 41.71% |
| 2014 | -3.32% | 0.56% | -0.97% | 0.74% | 0.80% | 0.02% | 1.34% | 3.13% | 6.43% | 2.11% | 5.75% | 2.40% | 20.26% |
| 2015 | 1.32% | 7.07% | -0.65% | -0.53% | 4.95% | -2.87% | 6.09% | -3.37% | -0.76% | 7.00% | 1.06% | -1.24% | 18.75% |
| 2016 | -0.96% | -3.34% | -0.61% | 0.68% | 6.24% | -5.53% | 1.38% | 3.05% | -2.97% | -0.93% | 4.37% | 4.78% | 5.60% |
| 2017 | -4.04% | 0.78% | 0.91% | 2.53% | -1.14% | -1.29% | -0.73% | 0.64% | 4.22% | 3.47% | 2.99% | -1.79% | 6.41% |
| 2018 | 2.12% | 0.54% | -0.80% | 3.80% | -1.01% | -0.62% | 2.01% | 3.43% | -0.46% | -4.37% | -2.68% | -4.57% | -2.99% |
| 2019 | 4.39% | 5.55% | 0.43% | 3.29% | -6.28% | 7.20% | 2.26% | -3.75% | 3.79% | 1.37% | 5.21% | -0.52% | 24.46% |
| 2020 | 0.19% | -4.45% | -4.08% | 2.78% | -0.15% | -1.22% | -0.88% | 0.82% | | | | | -6.99% |

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.