

# Global High Conviction Unit Class

## TAMIM Fund

At 31 January 2020

### Global High Conviction Portfolio Update

#### Robert Swift

*Head of Global Equities  
Portfolio Manager*



#### January 2020 Comments

Sentiment turned sharply negative in January following news of the outbreak of a new coronavirus (2019-nCoV) first identified in Wuhan, Hubei Province, China. Our benchmark index fell by 2.7% in US dollar terms which converted to a small gain in Australian dollar terms of +2% due to a sustained decline in the local currency by 4.8%. The Australian dollar dipped below US 67 cents to end the month at lows not seen for eleven years. The model portfolio rose over 2.6% outperforming the Value weighted index by 1%.

Our benchmark index represents the style bias we hold which is toward value as a positive attribute. The performance of this index is different from the 'standard' capitalisation weighted indices or growth biased indices. We use this value index because it allows us to segregate the return we make from our style bias or investment philosophy from active stock selection or 'alpha'.

Asian markets fell during the month in US dollar terms: Singapore -2.4%, Japan -3.1% and perhaps surprisingly China was (only) -3.3% although closure for the Chinese New Year and then a delayed opening helped reduce the impact of the panic. The USA rose and growth outperformed value. Markets are likely to remain volatile in coming weeks as investors react to news surrounding the coronavirus. Evidence from past events of this type, especially Severe Acute Respiratory Syndrome (SARS) in 2003 is that the market impact is relatively short-lived. Unlike 2003, the response from the Chinese authorities has been open and proactive, resulting in the rapid identification of the 2019-nCoV genome sequence which will see the development of vaccines for testing in a matter of weeks. Back in 2003, during this phase of SARS the Chinese authorities were in complete denial of the situation. The better communicated and proactive response this time around may have exaggerated some of the stock market volatility, however, we take the view that this isn't a reason to exit risk assets. Investor selling into this type of volatile environment typically "forget" to re-enter the markets as fear generates too many confusing signals. In terms of long-term investment outcomes, it is always better to be a net buyer in this type of situation. Any economic impact is likely to be met with more liquidity and sanguine language about postponing interest rate increases. This has been supportive for equities.

The "phase one" trade agreement between the United States and China was signed in mid-January, this removes one of the key risk factors that has hindered Asian markets in the past eighteen months. With the deal signed we should have seen the end of pre-emptive tariff increases imposed on China by President Trump until at least the other side of the US Presidential elections. The agreement is more of a "truce" than a long-term solution for the United States trade deficits with China.

Great Britain 'left' the EU on 31st January and the negotiations about trade, regulation and free movement now begin in earnest. Prophecies of economic doom on the day after a "No" vote have not been realised. It is unlikely that economic doom will happen now that GB has left, and new terms-of-trade are established. It would be very encouraging for European risk assets and the population if the GB economy were to remain resilient. It would annoy many people too.

We undertook a number of transactions in January with the aim of reducing risk relative to our benchmark. We took profits in Hitachi High Tech in Japan after a return of 100+% in 2019 which had resulted in a significant overweight position in technology. We sold AFLAC in the USA after stolid results and a clear sign that the company will have to move to fill-in acquisitions to drive growth. We also sold eBay even though we only owned the stock for several months. We were wrong in our original thesis and believe the competition in B2B and B2C will increase and that eBay has lost ground which will be expensive to reclaim. We purchased Nomura Holdings in Japan, CRH in the UK, a supplier of building materials and cement, and a small position in Hong Kong Exchanges – the last unfortunately at exactly the wrong time - ahead of the explosion in the infection rate of the corona virus. As long-term holders we will look to average down.

Our underweight to UK and European assets has shrunk as has our overweight to technology and the USA market in general. The portfolio still holds 30 companies which is the optimal number with which to build a diversified portfolio but allow each position to potentially contribute meaningfully to returns.

Long-term returns will be generated by the ability of our companies to deliver growing profits and dividends.

Note: Returns are quoted net of fees. 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.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 January 2020

### 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

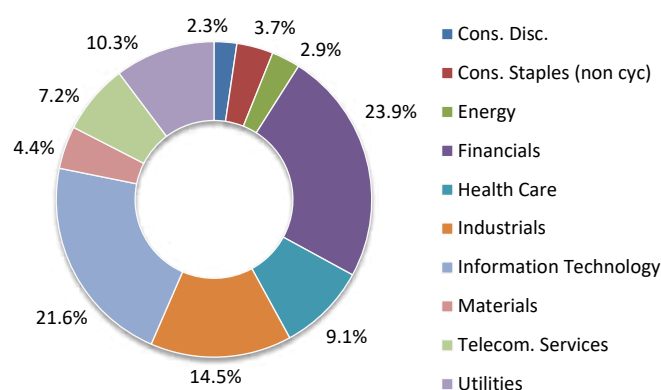
<b>Investment Structure:</b>	Unlisted Unit Trust
<b>Minimum investment:</b>	A\$100,000
<b>Management fee:</b>	1.00% p.a.
<b>Admin &amp; expense recovery fee:</b>	Up to 0.35%
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	MSCI World Net Total Return Index
<b>Exit fee:</b>	Nil
<b>Single security limit:</b>	+/- 5% relative to Benchmark
<b>Country/Sector limit:</b>	+/- 10% relative to Benchmark
<b>Target number of holdings:</b>	50-80
<b>Portfolio turnover:</b>	Typically < 25% p.a.
<b>Investable universe:</b>	MSCI World Net Total Return Index
<b>Cash level (typical):</b>	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

<b>Equities</b>	95.6%
<b>Cash</b>	4.4%



### 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%	<b>6.51%</b>
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%	<b>14.78%</b>
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%	<b>41.71%</b>
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%	<b>20.26%</b>
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%	<b>18.75%</b>
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%	<b>5.60%</b>
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%	<b>6.41%</b>
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%	<b>-2.99%</b>
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%	<b>24.46%</b>
2020	0.19%												<b>0.19%</b>

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.