

Global High Conviction Unit Class TAMIM Fund

At 31 July 2020

Global High Conviction Portfolio Update

Portfolio Review & Market Update

July was characterised by a weak US dollar – many markets were down or flat in local currency terms except the US market in another strong month for risk assets. US equities rose strongly, countering the weakness in the US dollar. The Australian dollar rose 4% against the US dollar, as did most major currencies.

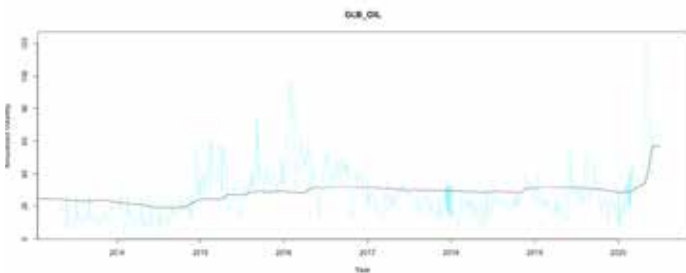
The Global High Conviction portfolio fell -0.67% in AUD terms (+3.33% in US\$). The MSCI World Index rose by 4.78% in US\$ terms.

We continue to prefer quality equities with strong balance sheets and above average earnings stability. We have said from the outset of the ongoing crisis that the recovery is going to take some time. No sooner have countries eased lockdown and we are already seeing rising case numbers and reintroduction of some lockdown measures. This is bound to vary from country to country and the success of governments to contain outbreaks through good monitoring measures (track and trace, etc). A game changer would be an early vaccine and with over 100 possible vaccine candidates worldwide and early trial successes for a number of them, we should not be too negative and caught up in the near-term news on cases.

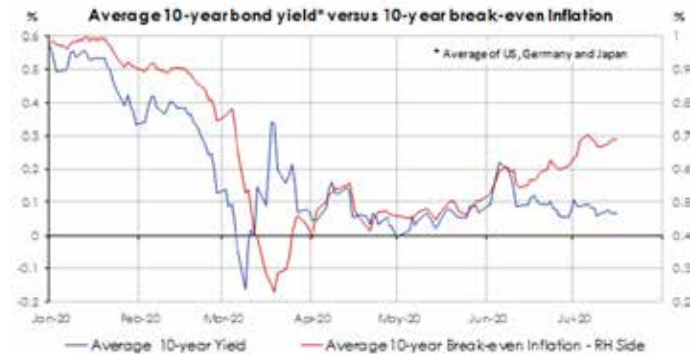
In the near term we believe markets are, in some sense, in denial of the difficult road ahead.

What are these signs of complacency?

- USA market concentration is extreme with five stocks now accounting for about 20% of the S&P 500. This essentially means that the market capitalisation index in the USA is a highly price momentum based risk exposure. Such exposures work well... until they don't. Narrow market breadth is always a warning sign.
- The volatility in certain asset classes, such as oil, is rising (see below). This typically indicates an imminent 'shock' to the system. No one is expecting an oil price rise but if it occurs you can be reasonably sure we will see a back up in bond yields and elevated inflationary expectations.



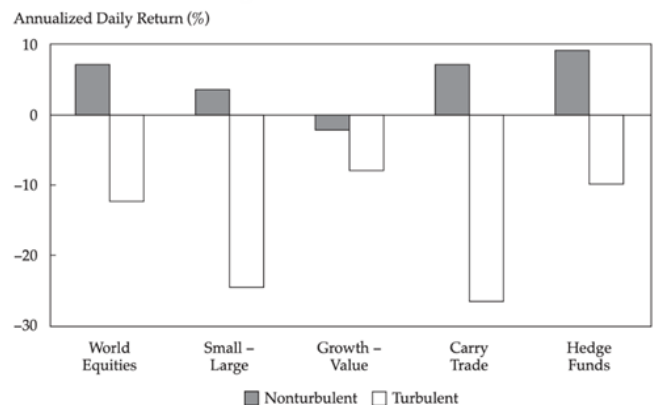
- Inflationary expectations are building as evidenced in this chart which compares the bond yields of nominal and index linked bonds to arrive at a breakeven inflation forecast. Something is wrong in market assumptions here and we would not be surprised to see inflationary expectations jump as soon as Q4.



- The Euro has bounced as the EU appears to have moved to fiscal unity; essentially meaning that Germany's credit rating can now be applied to the bankrupt periphery. Given that the EU covid recovery package amounts to less than 1% of GDP and that the Italian banks need over E600bn to be recapitalised, we think we are "not out of the woods yet."

Below we show a chart of asset class returns during turbulent and non-turbulent periods. We are due for another period of doubt. Our defensive positioning seems prudent.

Returns to Risk during Turbulent and Non Turbulent Periods



So, we therefore suggest that investors remain diversified; become a little more defensive in equity positioning; and favour dividend paying companies and those with strong balance sheets.

We wanted to illustrate further our points about the misunderstanding of the Japanese economy. Below we show what inflation adjusted GDP PER CAPITA OF WORKING AGE looks like when compared to other countries. Japan's problems are

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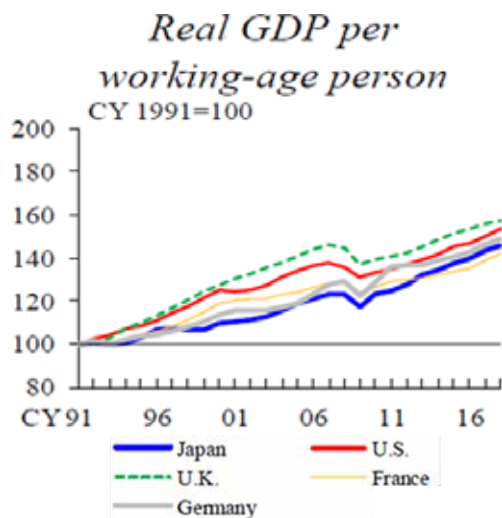
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not those of productivity but population workforce participation and demography. To argue that the Japanese solution to its problems, should be applied to all other countries' problems (namely zero interest rates for ever) is not correct. Countries such as the USA, the UK, and Australia have strongly growing populations and their shortcomings arise from poor fiscal policy / insufficient capital investment! Enough said.



Our top 10 positions in the TAMIM Fund: Global High Conviction portfolio are as below and we remain overweight Japan and underweight Europe. In July we added Akamai Technologies and Electronic Arts.

Company Name	Country	Portfolio Weighting
Sony Corp	Japan	2.5%
Microsoft	USA	2.3%
Teradyne	USA	2.2%
NTT Docomo	Japan	2.2%
NVIDIA	USA	2.1%
Alibaba	China	2.0%
Pin An Insurance	China	1.9%
Shin-Etsu Chemical	Japan	1.8%
Legal & General	UK	1.8%
Qualcomm	USA	1.8%
TOTAL		20.4%

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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

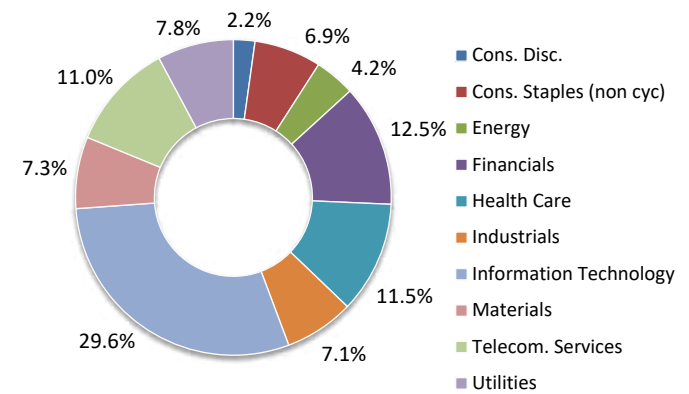
Investment Structure:	Unlisted Unit Trust
Minimum investment:	A\$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
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	74.86%
Cash	25.14%



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%						-7.74%

Strategy inception: 15/07/2011 | TAMIM Fund: Global High Conviction unit class inception: 31 December 2019

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