

Global High Conviction Unit Class

TAMIM Fund

At 30 June 2020

Global High Conviction Portfolio Update

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Portfolio Review & Market Update

World markets rebounded strongly as central banks provided virtually unlimited free money. They have signalled this support will continue and markets will remain elevated relative to current and future earnings, while they believe this promise can be honoured. The philosophy of not timing market exposure helped us capture much of this rebound.

Forecasting near term earnings is almost impossible. We remain very diversified with underweight positions in banks and oils; and overweight positions in 'true technology' companies such as KLA Tencor. We like Japan and Asia which performed strongly in the bounce. The EU had a set back when the Bundesbank was deemed to have acted inappropriately by buying too much ECB sponsored debt. If the resultant political argument accelerates fiscal consolidation in Europe it will be very positive. Don't hold your breath.

The USA and China provided more global political tension and China has decided that the 1997 agreement regarding Hong Kong need no longer be honoured. A unified global response would both be welcome and accelerate a return to 'national industrial policy settings', whereby supply chains once again become less global, less efficient, but more robust.

We sold Cisco and reinvested in Ciena Corp in the USA. We also sold Celanese Corp and reinvested into Bristol Myers, the USA based pharmaceutical company which appears to have digested its acquisition of Celgene well and is building a strong oncology pipeline. Notable price changes in the quarter came from Hong Kong Exchange, KLA Tencor and General Mills. We remain unhedged for AUD\$ based investors.

Global Infrastructure Spending Emerging As The Focus

Originally published 8/7/2020, penned by Karl Hunt.

As countries emerge from covid lockdown we will start to receive lots of news from companies, surveys, economic data, etc. Much of it will be confusing and conflicting. We will need to be careful in not jumping to hasty conclusions. There has been no business for three months in lots of product categories so we will inevitably see some initial pent-up demand as businesses re-open which may superficially sound good, only to slump to much lower than average levels in later months.

Unless a vaccine is rolled out in the near term many areas of business will struggle to operate at anywhere near pre covid levels – travel, leisure, retail, certain manufacturers, etc. A lot of workers are still furloughed, but as these schemes come to an end (governments simply can't afford to run them for too long), so companies will face crunch decisions as to whether they take workers back or make them redundant.

As we have said from the start of the crisis, we remain of the opinion that after the initial spike in business resumption, the recovery is likely to be gradual and unemployment to remain higher for some time. We have seen a strong rebound from the bottom in stockmarkets, but we should be cautious about reading too much into the move. A lot of trading is technically driven – hedge funds opening or closing short positions on stocks can create significant rallies in stocks. We think some of the cyclical, most covid affected areas of the market have moved up too much.

Most governments have moved quickly to put in place measures to maintain the productive capacity of their economies – providing liquidity to companies, furlough schemes for workers, etc. However, this still does not make up for lost demand and GDP levels are likely to be below 2019 levels for some years. So, governments are going to need to do more to stimulate demand or be the demand itself.

One area that governments have underspent for decades in many countries is infrastructure. Anybody who has been to China will have seen how far behind much of the developed western world is in terms of infrastructure. Infrastructure is a broad set of industries that include electricity (renewable energy increasingly required by new legislation), water, communication networks, road, rail, airports, oil supply and transportation, port facilities, storage, etc. The economics consultancy firm, Oxford Economics, in a large global study in 2017 estimated that the world needed to spend approximately US\$94tn to 2040 with Asia and the Americas requiring the biggest expenditure. Failure to invest in infrastructure impedes economic growth – in places like India electricity supply can often be unreliable; transportation bottlenecks cause delays and raise costs; dirty energy causes pollution and health risks, etc.

Covid has been a tragic human and economic event for the

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world. It has left a big hole in the global economy. So, this would provide an opportune time for governments around the world to fill the hole with much needed spending on crumbling infrastructure where underinvestment has occurred for decades. Fortunately, bond yields for most developed economies are very low, so funding is cheap.

	GOV'T BOND YIELDS (% per annum)	
	10Y	30Y
USA	0.7	1.4
EU avg.	-0.27	-0.03
UK	0.16	0.6
JAPAN	0.02	0.6
CANADA	2.91	3.59
AUSTRALIA	0.89	1.73

¹ Source: Refinitiv, 25 June 2020

We believe global infrastructure is an attractive investment space particularly in the current climate of uncertainty. Many companies have significantly cut their dividend payments or suspended them entirely. This could well turn out to be one of the biggest “dividend recessions” in history and it may well take many years before global dividend levels get back to 2019 levels. Infrastructure companies like utilities, road & rail franchises, etc tend to have above average and more stable dividend payments. Decent income yields have been in demand ever since bank interest rates plummeted and the relative scarcity in the current climate will make infrastructure stocks very attractive.

The Trump administration announced a plan to spend US\$1tn on infrastructure on 15 June and more details are likely to be announced in July and it is likely to focus on roads and bridges. The main drawback with infrastructure spending is that they take time to plan and implement when the economy needs an instant injection of demand.

% OF GDP	CURRENT TRENDS (CT)	INVESTMENT NEED (IN)	GAP (IN - CT)
ROAD	1.0%	1.3%	0.3%
ELECTRICITY	1.0%	1.1%	0.1%
RAIL	0.4%	0.4%	0.0%
TELECOMS	0.3%	0.3%	0.0%
WATER	0.2%	0.2%	0.0%
AIRPORTS	0.1%	0.1%	0.0%
PORTS	0.1%	0.1%	0.0%
ASIA	4.0%	4.4%	0.4%
AMERICAS	1.7%	2.5%	0.8%
EUROPE	2.3%	2.6%	0.4%
AFRICA	4.3%	5.9%	1.7%
OCEANIA	3.5%	3.8%	0.4%
WORLD	3.0%	3.5%	0.6%

Source: Oxford Economics 2017

The Oxford Economics study showed that the greatest need for more spending compared to trend was electricity (both in capacity and cleaner energy) and roads in terms of sectors. Geographically all regions needed greater spending with Africa and the Americas needing most.

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TAMIM Fund

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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

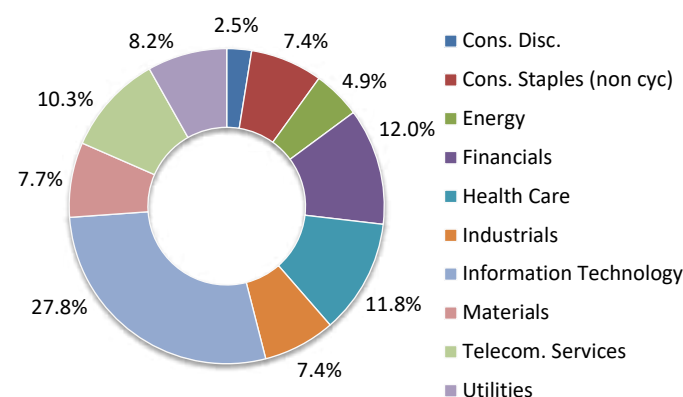
Investment Structure:	Unlisted Unit Trust
Minimum investment:	A\$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
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	93.44%
Cash	6.56%



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%							-6.92%

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.