



# Global High Conviction Portfolio

Individually Managed Account

## Monthly Update

October 2019

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# Global High Conviction Portfolio Update

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### Portfolio & Market Update

Global equities overcame geopolitical hurdles in October, with gains of 2.8%, in US\$ as measured by the S&P Global BMI. All major global regions were up, along with 43 of 50 countries represented in the index. The Asian region was the stand-out performer. The index increased by 4.8% in USD terms and 2.7% in AUD terms.

The Australian dollar reversed the recent trend by gaining against the US dollar.

The global strategy rose by over 4% in US\$ terms in October which is a significant outperformance. Our objective remains to outperform our benchmark by about 2-3% pa over the medium term, so 1% in a month is unusually strong. **Calendar year to date the portfolio is up +18.91%.**

The key positive development during October was a signal from the United States that they are prepared to sign a “Phase One” trade agreement with China. The “Phase One” trade agreement covers 60% of the disputed items and largely represent the “easy” elements of a broader agreement. A signing ceremony was scheduled for mid-November in Santiago at the Asia-Pacific Economic Summit but street protests about fare increases caused a postponement. A new venue for signing the “Phase One” trade agreement is being negotiated. This element of the trade deal represents a major win for China since their negotiating position has consistently attempted to delay the problematic elements of a broader trade deal that was being pursued by the United States.

These street protests in Chile are about more than fare increases. Similar protests in Beirut over proposals to tax internet phone calls; riots in Hong Kong; and Extinction Rebellion marches in London and Gilets Jaunes riots in Paris all have root causes in perceived inequality; unaffordable housing; and poor job security. These have all been exacerbated by a decade or more of “monetary policy for rich people” aka Zero Interest Rates Policy or ZIRP. We will write some thoughts about this following our recent trips to the UK, Europe and Hong Kong.

The USA market rose bolstered by strong corporate earnings, although revenues came in light, and another rate cut from the U.S. Federal Reserve. Value outperformed Growth.

There was an extension granted to Brexit despite Boris Johnson saying he “would rather die in a ditch than go back to Brussels” to make that request. Our conclusion after a visit to the UK and Europe is that fiscal union is required relatively soon to avoid another crisis in the Euro into which the UK will be drawn.

We remain under weight Europe although a UK exit and modest success in the economy (which is very likely) will perhaps be the catalyst for a necessary reappraisal of the way Europe ‘functions’? Currency union needs fiscal union needs political union.

Regardless of the Brexit result and the UK election, the UK needs more houses to be built. Consequently, we have initiated

a position in Barratt Developments which is a builder of mid-level mid-priced (sic) housing in the UK. The housing stocks were heavily sold down on the threat by the Labour party to nationalise/confiscate a lot of assets in “private” hands. This would presumably include the un-used land banks of the housebuilders. This selling is illogical and now the valuations are compelling.

We own 30 stocks across a representative section of sectors and regions. We have a value bias and avoid concept stocks especially loss-making ones. We prefer companies which invest adequately to secure their long-term success and like dividends where that investment has paid off. We weight position sizes inversely to price volatility such that the portfolio has roughly equal amounts of risk return exposure for each stock.

Our top 10 positions by absolute weight and their local currency performance in October are listed in the table below:

|  |           |                        |
|--|-----------|------------------------|
| VERIZON COMMUNICATIONS                         | No change | Communication Services |
| KLA CORP                                       | +7%       | Information Technology |
| GENERAL MILLS, INC.                            | -7%       | Consumer Staples       |
| LEGAL & GENERAL GROUP PLC                      | +5.6%     | Financials             |
| PING AN INSURANCE (GROUP) COMPANY OF CHINA LTD | +1%       | Financials             |
| SONY CORPORATION                               | +4.3%     | Consumer Discretionary |
| MANULIFE FINANCIAL CORPORATION                 | +2%       | Financials             |
| INTEL CORPORATION                              | +11.3%    | Information Technology |
| AES CORP                                       | +4.5%     | Utilities              |
| SINGAPORE TECHNOLOGIES ENGINEERING LIMITED     | +3.9%     | Industrials            |



## Overview

The TAMIM Global Equity High Conviction IMA is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 25 of the best ideas from our investment manager's portfolios. 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>      | Individually Managed Account (only available to wholesale or sophisticated investors) |
| <b>Minimum investment:</b>        | A\$250,000  |
| <b>Pricing &amp; Reporting:</b>   | Daily   |
| <b>Investment horizon:</b>        | 3-5+ years  |
| <b>Management fee:</b>            | 1.50% p.a.  |
| <b>Expense recovery fee:</b>      | Nil   |
| <b>Performance fee:</b>           | 20% of performance in excess of hurdle  |
| <b>Hurdle:</b>                    | RBA Cash Rate + 2.5%  |
| <b>Administration fee:</b>        | Nil   |
| <b>Exit fee:</b>                  | 1% if exit within 12 months   |
| <b>Single security limit:</b>     | 10% (typically 2-7%)  |
| <b>Benchmark</b>                  | MSCI World Index  |
| <b>Target number of holdings:</b> | 20-30   |
| <b>Portfolio turnover:</b>        | < 25% p.a.  |
| <b>Investable universe:</b>       | MSCI AC World   |
| <b>Cash level (typical):</b>      | 0-100% (5-10%)  |

## 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   |

## Returns

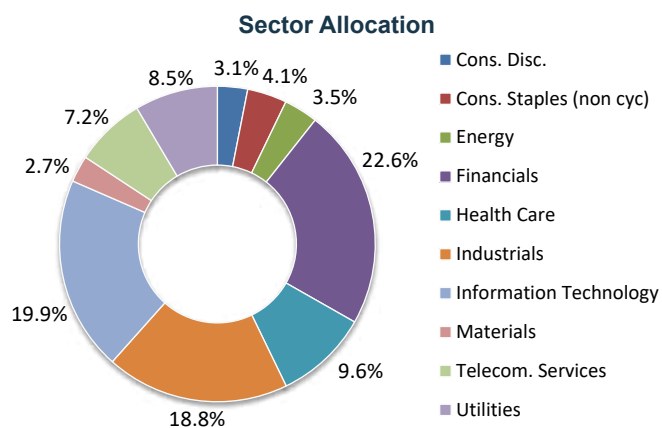
|                               | 1m    | 6m    | 1y     | 3y (p.a.) | 5y (p.a.) | Since inception (p.a.) |
|-------------------------------|-------|-------|--------|-----------|-----------|------------------------|
| <b>TAMIM Glob. High Conv.</b> | 1.37% | 4.04% | 10.44% | 10.31%    | 10.76%    | 15.08%                 |
| <b>Cash</b>                   | 0.08% | 0.52% | 1.28%  | 1.43%     | 1.67%     | 2.32%                  |

Inception: 15/07/2011

Note: Returns are quoted net of fees and assume dividends are reinvested. Past performance is no guarantee of future performance. TAMIM Glob. High Conv. refers to the performance of the API High Conviction Strategy (Underlying Portfolio). The TAMIM Global Equity High Conviction IMAs mirror the Underlying Portfolio.

## Portfolio Profile

|                 |       |
|-----------------|-------|
| <b>Equities</b> | 98.3% |
| <b>Cash</b>     | 1.7%  |



Note: Portfolio returns are quoted net of fees. The ASX 300 refers to the S&P/ASX 300 Accumulation Index. Returns shown for longer than 1 year (other than Inception) are annualised. The information provided in this factsheet is intended for general use only. 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. Please consider our Information Memorandum and Services Guide before investing in any of our products. Past performance is no guarantee of future returns. Returns displayed in this document are unaudited. For wholesale and sophisticated investors only.

## Contact

Should you wish to discuss your investments or the various TAMIM solutions please do not hesitate to contact us:

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