Global High Conviction Portfolio

Individually Managed Account

Monthly Update
September 2019

TAMIM Asset Management
ABN 97 608 304 963 | AFSL 421469
1300 750 007

Global High Conviction
Portfolio Update

Robert Swift
Head of Global Equities
Portfolio Manager

Portfolio & Market Update

Delft Partners' Investment Committee has long been of the view that future equity returns will more likely be nearer 8% p.a. than 15% and will come at the cost of higher volatility and uncertainty. At a time when official inflation rates are so low this single figure return actually represents an attractive place in which to invest UNLESS one takes too much risk. Ultra low interest rates have resulted in very high leverage, very high levels of risk taking and the assumption that profits don't really matter. All this is creating pockets of danger in capital markets. If you buy rubbish in the hope that you get 15%+, you may well lose everything.

The 3rd quarter was mildly positive for equities but it appears we are finally beginning to see long term return expectations lowered and a transition toward the 'strategist community' favouring companies which make profits over gaining market share and the realisation that illiquidity risk is dangerous. The rapid drop in the valuation of WeWork and the travails of Woodford Investment Management in the UK are evidence of this shift in risk perception. We think this is the start.

Our Global Strategy has effectively been 'only' matching the returns of the general market in the last while. As active managers this is disappointing but not disastrous. Our philosophy has always been to outperform the market by a little but consistently, and in the long run let that excess return compound up. History has shown us that active managers do have periods of 'average' performance and the trick is to not have disastrous losses of capital. This we have done. We take encouragement from the relative cheapness and performance of Value vs Growth; we remain Value biased.

The global equity strategy returned over 3.74% in AUD$ terms in September aided by some significant price moves in our favourite stocks such as KLA Tencor , Hitachi Hi-Tech, Sony and Verizon. Additionally, Japan outperformed the USA in the quarter which is the first time in many years this has happened. We remain very constructive on the Japanese equity market and have almost 20% of the global equity portfolio invested there. The average fund has much less if anything.

We launched an Asian equity strategy as an unlisted trust about a year ago and this has over 50% in smaller Japanese companies.

The Japanese equity market is cheap and companies are globally competitive and beginning to favour shareholders a little more. This market remains the obvious 'lay up' as they would say in basketball.

News flow was on balance negative in the 3rd quarter. This isn't surprising – this has long been a phenomenon in markets. The China-USA trade talks stumbled on with investors now discounting the negative effects of "no deal". Our current conversations in the UK and Europe would suggest that President Trump is ENTIRELY vindicated in objecting to technology theft by China and to exert pressure to cease and desist. It is entirely reasonable to object to much of what he says and how he says it, but not all of it? This is what makes USA politics so dysfunctional for investors. Who knows what is gong to be tweeted next?.

Hong Kong remains also remains mired in protests with Chinese incursions into the legal system the main cause. We are on the side of the protestors!

Europe actually remains the biggest concern to us. The intransigence of Germany as regards fiscal unification mean the European Central Bank has become politicised in an effort to keep the Euro intact. All sorts of 'dirty little secrets' remain hidden in the Euro financial system, and we would be delighted to pass on analysis to any one interested. Fiscal expansion is needed and the only sizeable economy with any room is the German one. Brexit may or may not happen this year but ironically the departure of the UK, a net contributor of size, may be the catalyst for a re-appraisal of Euro economic policy? We currently remain underweight the region and the Euro which fell over 3% against the US$.

During the third quarter we traded more than usual since elevated cross sectional volatility offered many opportunities to get a better portfolio. This is a complex way of saying that many share prices both rose and fell such that relative valuations became more stretched than normal.

We sold China Mobile, Lear Corp., Steel Dynamics, Mitsui Chemical and Macy's. The last was painful for us and we were wrong in our thesis. Denial is however also costly. We purchased Ali Baba (after a significant price fall), KLA Tencor, General Dynamics, Hoya, Barratt Developments, E Bay, and added to Sony.

We remain unhedged for AUD$ based investors. The AUD$ has fallen appreciably and is no longer expensive but not yet cheap.

With a low P/E, high quality balance sheets, and paying a decent dividend yield, the global equity strategy is well placed to provide the 8% returns that we believe possible.

Overview

The TAMIM Global Equity High Conviction strategy 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.

Returns

	1m	6m	1y	3y (p.a.)	5y (p.a.)	Since inception (p.a.)
TAMIM Glob. High Conv.	3.79%	6.01%	4.18%	9.47%	10.92%	15.06%
Cash	0.08%	0.56%	1.32%	1.45%	1.69%	2.34%

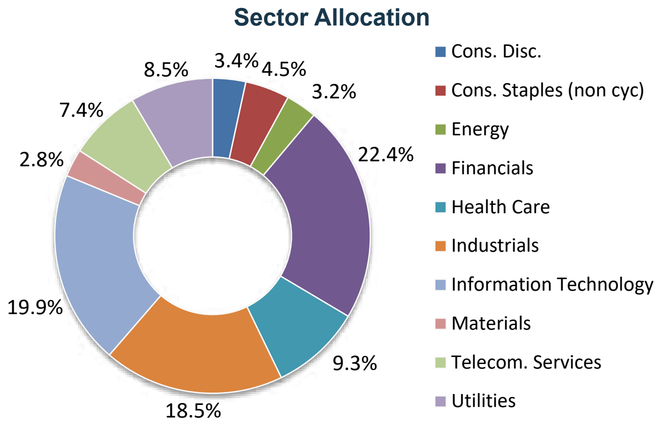
Note: Returns are quoted net of fees and assume dividends are reinvested. Past performance is no guarantee of future performance. TAMIM Glob. High Conv. refers to the performance of the API High Conviction Strategy (Underlying Portfolio). The TAMIM Global Equity High Conviction IMAs mirror the Underlying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

Key Facts

Investment Structure:	Individually Managed Account (only available to wholesale or sophisticated investors)
Minimum investment:	A$250,000
Pricing & Reporting:	Daily
Investment horizon:	3-5+ years
Management fee:	1.50% p.a.
Expense recovery fee:	Nil
Performance fee:	20% of performance in excess of hurdle
Hurdle:	RBA Cash Rate + 2.5%
Admistration fee:	Nil
Exit fee:	1% if exit within 12 months
Single security limit:	10% (typically 2-7%)
Target number of holdings:	20-30
Portfolio turnover:	< 25% p.a.
Investable universe:	MSCI AC World
Cash level (typical):	0-100% (5-10%)

Portfolio Profile

Equities	98.5%
Cash	1.5%



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

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:

Darren Katz
Managing Director
TAMIM
M 0405 147 230
E darren@tamim.com.au

Jeff Taitz
Managing Director
TAMIM
M 0403 444 040
E jeff@tamim.com.au

Disclaimer

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.