Global Mobility Unit Class
TAMIM Fund

At 31 December 2021

Since inception in February to the end of the 2021 year, the Fund was down -6.80% net of all fees. While this result is disappointing, we would say it is much more of a sense of frustration. We all know what this space will do over the next decade and we are frustrated waiting for the kick. What we do know is that it will come. January is shaping as a very tough month for technology, growth and innovation but we believe on the other end of this move; we will be set for a strong period of growth in mobility.

Given the results of the space in general (the Kensho Transportation index is down -20.6%) and other actively managed long-short technology funds, we believe we have weathered the storm quite well. It is worth remembering that this is not a risk-adjusted return fund. We're trying to take advantage of this mobility revolution and look back in five years from now and be up 5x or 10x. So, with that comes volatility and we're prepared for that, but we're excited about where we're positioned. Public equities, especially in our space, are looking as compelling as they ever have in the last few years. The next twelve months should be exciting.

Market

After bottoming in April of 2020, we've been in an early cycle environment. It's quite a unique cycle because COVID keeps disrupting it. So, you see these bursts of great interest rate rises (US 10 year bond), as in February/March of last year, and now again over the past couple months. Our view is that we're still transitioning through this early cycle environment where real rates go from significantly negative to the beginnings of net positive, as well as just nominal rates in general going up. What you tend to see in these environments is short-duration, i.e. legacy or value companies, dramatically outperform long-duration, i.e. growth or innovation companies. Our strategy is focused on investing in the next generation of winners and looking to short the next generation of losers.

Given this unique environment, we've stayed a little bit smaller and run with a tighter net position than we otherwise would. As touched on below, we expect that to expand through the year as we see significant short opportunities with a lot of legacy/value companies that we think are going away. We are somewhat shocked that we're going to get another shot at being able to short the Avis and Ford type companies at peak-on-peak multiple and earnings. On the flip side, the mobility universe, which has dramatically expanded over the last 24 months, is down significantly through 2021. We have our own internal benchmark of mobility companies that we have continued to build out and many of those included are down 30 to 80% or even 90% over the past year. If you look at a public long only version of a mobility-focused strategy, not one that we necessarily agree with in terms of the holdings but in terms of their strategy/focus, ARKK is down over 50% from peak (see chart).

There have been a number of these high-flyers (long duration assets) that have been decimated and we're not necessarily surprised by the direction. What we were a little surprised

Overview

The TAMIM Global Mobility strategy seeks to to capitalise on the ongoing $7 trillion autonomous/electric vehicle revolution. In analysing first, second, and third order effects, the portfolio invests into companies that will benefit while shorting those that will suffer.

Key Facts

Investment Structure:	Unlisted Unit Trust
Minimum investment:	A$250,000
Management fee:	1.50% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	Greater of: RBA Cash Rate + 2.50% OR 4%
Exit fee:	Nil
Buy/Sell Spread:	+0.35% / -0.35%
Management style:	Active - Long/Short
Target number of holdings:	45-70
Investable universe:	MSCI ('mobility' universe)
Cash level (typical):	0-100% (0-10%)
Lock up:	12 months

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$0.9414	$0.9381	$0.9348

Source: Google Finance

by was the speed at which a lot of these companies got hit. The upside to this is that there is now a significant selection of public mobility companies that are directly investable, are liquid and are now at very attractive valuations. We view this as somewhere similar to 2001, probably in that timeframe, where the internet bubble started to pop in 2000, accelerated into 2001, and everyone threw the baby out with the bathwater. It didn't matter if it was Pets.com or Amazon, everyone just sold

everything internet-related. The difference was the Pets.com-types continued on their way to zero and everyone knows what Amazon (AMZN.NASDAQ) has done since. That's essentially our view on where we stand from a market perspective and, given this overall backdrop, we think the opportunity to scale both the long and short book will continue to improve throughout 2022.

"the opportunity to scale both the long and short book will continue to improve throughout the year."

From a macro perspective, walking through why this is the case, what we've seen recently is a significant amount of fiscal stimulus and monetary policy has been quite loose over the past year and a half. On November 15th the Fed made a dramatic pivot, shifting to be significantly more hawkish. It was a little surprising how quickly they did a complete reversal, but we think what they saw is what we've been talking about for over a year, that inflation is accelerating. Inflation prints over the last year or so have gone from 1% to now 7%. Of course, a lot of market participants and the Fed are backward-looking, so they're looking at these prints and now panicking. Our view is that inflation is going to peak in the first half of 2022. We will see another couple of 7% figures over the next few months but come April, May, June we will start to see 6% and 5%. We expect to see 3s and 4s in the second half. What this will do is begin to settle out the parabolic move in rates at a new equilibrium, this typical of a mid-cycle transition. You will start to see things like growth and innovation companies, the legitimate ones - not the fake ones like Lordstown Motors (RIDE.NASDAQ) - start to dramatically outperform. Conversely, the early cycle companies that are trading peak-on-peak, like some of the retailers that are massively over-earning, will start to trade poorly. Frankly, we're quite excited about this backdrop and think it only improves as we continue through the year.

On the tech side, despite the carnage surrounding growth stocks (which is obviously very visible on a day-to-day basis), there has been no slowdown whatsoever in the tech development regarding mobility. Investment (and progress) has actually ramped in the space. What we have seen over the past few months is a little bit more clarity around who, from the perspective of corporates, is likely to be a big player or investor in this space. All the major smartphone and consumer electronics companies now have a mobility strategy. Sony (6758.TYO) just announced theirs. Huawei (not public) is talking more about their entire supply chain. Xiaomi (1810.HKG) is another set to launch an EV by 2024/2025. The one that we're excited about, at least in the Western hemisphere, is Apple (AAPL.NASDAQ). We think Apple will probably launch a car in 2024/2025. They may announce it sooner but by the end of this year they are going to delineate exactly who is in their supply chain.

It is clear that the opportunity set within the space is large and growing. In addition, all the big trillion-dollar companies are investing; Amazon, Apple, Google/Alphabet (GOOGL.NASDAQ), Tesla (TSLA.NASDAQ), Microsoft (MSFT.NASDAQ). These are companies that require something quite large to move the needle and they are all jumping in. In terms of technological adoption, we have been quite excited about the electrification trend given that it is the one we believe to be the closest or, at this point, is hitting its kink in the S-curve.

Looking to capitalise on companies with "embedded value"

Looking at this holistically, there are obviously companies that do other things than mobility. Amazon is an ecommerce business but also has cloud. Cloud fits perfectly within our pillar of connectivity. We are going to need to see significant cloud growth over the next couple years for autonomous training as well as connected vehicles. There is a host of companies like this. Google has Waymo yet they are a search company today. Apple has a whole business and will also have an electric vehicle.

We have to have a view on the core business and we have to be comfortable that we're definitely not overpaying for the core but also understanding what's embedded for these "call options". For something like Amazon, Zoox is not even in the conversation. They're not an electric car company per se, they're more of a vertically integrated autonomous car company. They present as a significant opportunity over time though and Amazon is looking quite attractive at its current valuation, particularly given their dominance on the cloud side of things.

Apple is one that you have to have some comfort in terms of the smartphone business and what you're paying for that. On the EV side of things, that's another trillion dollar plus market that they'll be addressing, if not larger. They will likely have an autonomous solution on top of EV, so you're talking a multi-trillion dollar market. It's quite an attractive call option when the core starts to look attractive.

Turning to Google, look at it from the perspective where you're not paying anything for Waymo and you think there's a path to liquidity where Waymo might spin out. This is something that is still potentially on the cards for the next 12 to 24 months.

Looking at data (which comes out with a bit of a lag), this inflection has been confirmed. In the second half of 2020 we began to hit the kink in this S-curve of electrification adoption. As a percentage of new sales, we went from the ~2% range to now the 10-12% range; we've hit escape velocity. We think that this could go to 50% over the next five years. We don't believe that the market is appreciating how big of a deal this is for suppliers in this ecosystem; we are particularly excited about what this means for the likes of semiconductors, rare earth minerals and battery materials. In addition to this point,

we think what we are seeing is similar to the launch of the smartphone; where Nokia, Samsung, Ericsson all had solutions in the early 2000s but smartphone adoption didn't really take off in a meaningful way until Apple came along and changed the game. Similarly, we think Apple can change the game and come out with an exciting product in that 2024-2025 timeframe.

Turning our attention to some of our big calls for 2022, we think inflation has peaked for this cycle. By this we mean it has likely peaked (in rate of change terms) in the next two months or so and we will be talking about disinflation or deflation in the latter half of 2022. This has significant implications in terms of the whole early cycle and value/growth rotation that we're witnessing right now. It should set up some great opportunities through the year.

We believe the market is going to make a new high in the first half of 2022 but we will likely see a drawdown in the second half. This would most likely be driven by a Fed mistake. The Fed has gone from extremely accommodative to talking quite hawkishly now; the market is pricing in four rate hikes this year. We believe there may be a greater probability that they will be cutting rates by the end of the year. But if they decide to continue along that path and they run off the balance sheet, as it seems like they're trying to telegraph, that would be a negative (for the market) into the second half. This is obviously something that we're paying very close attention to and will manage risk accordingly.

Lucid Motors (LCID.NASDAQ): Will they fall by the wayside? What about the Chinese electric automakers?

Talking a little more about specific electric vehicle companies such as Lucid and the Chinese automakers. We believe Lucid is a good company. They have a good, high-end product. We think that they have the right structure and there is a good chance that they're a player over the medium term. They are still working on full vertical integration but, comparing them to many of their peers, we would place them in the top five.

The Chinese OEMs will likely be relegated to China. This East-West Cold War 2.0 is likely to be in full force over the next decade. It's already started. You can see it with semiconductors, rare earth minerals, battery materials, and with internet companies. You're going to see it with EV companies too. The big three in China will probably be Nio (NIO.NYSE), XPeng (XPEV.NYSE), and Li Auto (LI.NASDAQ). All are public today and all have been hammered over the past year. Nio is going to be set up quite well after Q1 but we don't see them selling vehicles in the US. We don't believe that it is something that the US government will allow and vice-versa. Sales into China will also be an issue for Western automakers over time.

We think the best performing FAANGs in 2022 will be Amazon and Apple. Amazon hasn't done much in two years while Apple likely has a product cycle in the next year or two including augmented reality and then automotive; two large companies that could be standouts (relative to the other FAANGs). In terms of the best performing subsector in 2022, we think it's going to be Chinese Internet/Tech. These names look a lot like the SPAC names; they've gone straight down since February of 2021, down 60-70%. This is a set-up for a few select opportunities that are potentially quite attractive. Finally, in terms of our bolder bets for 2022, we think that the launch of legacy automaker's EV models – there are a ton coming out this year from the likes General Motors (GM.NYSE), Ford (F.NYSE), etc - will end up being a "sell the news" situation. We think that the majority of these legacy OEM's stock prices will peak this year and we don't think that most of them will ever reach the highs that they reach in 2022.

Ford and GM out of business?

Maybe they don't go quite to zero over the next decade; although they do still owe the government money, which most people don't appreciate. Tesla was able to pay off all of its loans to the government and has been around for a lot less time. Broadly speaking, the way that Ford and GM are currently positioned is very similar to how Nokia and BlackBerry were positioned in the early 2000s. They have significant market share but all they really do is manufacture hardware and sell that hardware at a specific (quite low) margin; low single digit operating margins and 20% gross margins. As you progress and shift from internal combustion engines to EV, both of those companies, along with all the other legacy automakers, will have to maintain two different cost structures. Managing both an EV supply chain effectively as well as one for the internal combustion engine is difficult; there are, for example, very different manufacturing processes that go into both.

As EV scales, unlike a pure play like Tesla, these companies will have significant underutilisation charges and whole factories that won't be working for the internal combustion engine side of the business. The result of all of this is they will also not be able to attract top talent on the software side. This is similar to what happened to BlackBerry, Nokia etc., Apple snapped up the talent for smartphones.

They also have the wrong cost structure as you switch away from internal combustion engines to EV. If you're just selling electric vehicles at the same (or worse margin) and you don't also have software to be able to service them, to actually own the customer and have high recurring revenues on the backend. Look at Apple today; they don't sell the most smartphones but they basically have 80% of the EBIT of the smartphone industry. It's not because they sell more smartphones; it's simply because they have a better product, vertically integrated, have the software, have all the recurring revenues and services on top. We don't think the GMs and Fords of the world have the right structure for that.

All this to say, yes, we think that their stock prices are likely to hit a peak this year and don't think we'll ever see that peak again. Unlike the Teslas of the world where it's hard to necessarily value the stock perfectly on a day-to-day basis but from a value capture perspective they are much, much better positioned to capture the value that is created by the ecosystem over the next decade.

Looking at some of our longer term calls that aren't really confined to the 2022 timeframe, electric vehicles will be less expensive (i.e. up-front sticker price) than internal combustion

engines by the end of 2023 or sooner. This will be driven by battery costs continuing to come down the curve while the internal combustion engine does not get any cheaper, particularly with oil where it is, but we're not even considering a total cost of ownership here.

We think at least one legacy automaker, maybe several, will go out of business in the next decade. We believe that 99% of the current list of auto OEMs, including many of the EV first companies that we think are frauds, will end up going out of business. We think Rivian (RIVN.NASDAQ) has the best chance of being the next trillion-dollar auto OEM. Obviously, Tesla has already reached that pinnacle. Rivian may get cut in half before they reach this mark but they have the right strategy. At this stage, we believe Tesla, Rivian, and Apple are going to be the big three automakers of the West. Unless they adopt the technology, most of the legacy automakers that you know today are unlikely to be in business in the next decade. If they are, they will be low-margin/low-multiple businesses similar to what you see with the Nokias and BlackBerrys of today in the smartphone industry.

Finally, the semiconductor market cap is likely to quadruple over the next decade. The opportunity set there remains extraordinary whether it's applications in electrification, autonomy, edge compute, etc. There is an extraordinary number of opportunities for increased semiconductor consumption.

Semiconductor Shortages: What is happening? Where does this settle over the next year or so?

March 2020 hits. All the legacy auto OEMs cut their orders to zero from a semiconductor perspective, and so all the semiconductor companies responded with "Okay, we won't produce those chips." These chips take six to nine months to make. At the same time, the government came in with massive stimulus and consumer demand went through the roof. So, you've had this constant attempt to catch up the backlog that still has not been met. That catch-up will start to be met by mid to late 2022.

On top of that, over the past 40 years, you've had a constant push towards efficiency/just-in-time inventory. That's great from a margin perspective for the OEMs or Tier 1s, but the issue is that there is no resilience built in to that supply chain. You're extremely vulnerable to shocks and, when they do occur, you simply can't meet supply and demand from that perspective.

What we're going to see on a go forward basis is a redistribution of supply chains; shifting supply chains out of places like China into other areas (de-globalization), as well as holding more inventory than you would have historically (for buffer inventory). It's classic operations management. Toyota did a decent job of this although now they're running into some other issues. Tesla did a good job because Tesla actually designs a lot of its own semiconductor chips (similar to Apple), so they didn't really cut their own orders.

What has further complicated the situation is Moore's Law. Moore's Law hit a lot of its limits in 2015, and what you've seen since is actual chip size increasing. That requires more wafers and that effectively requires more capacity within the industry. Couple that with the shift from the internal combustion engine to electric vehicles, where semiconductor content goes up by 3-5x (depending on the vehicle), and there's simply an increased demand for semiconductor chips hitting at the same time as limited supply.

Shifting from ICE to EV means semiconductor content goes up 3-5x.

So, this is a structural shift and, yes, semiconductors are still cyclical. There will be cyclical ups and downs, but the troughs are higher and the peaks are going to be higher. What you're seeing is TSMC (2330.TPE), the main fab for all these semiconductor chips that are outsourced, is building significant new capacity (in Arizona). They have also just made an agreement in Japan and we are likely to see something in Europe as well. Revisiting the East vs West rivalry, everyone from the West perspective will have access to this. It is still to be determined how this will be handled from a Chinese perspective. We will also see Tier 2-ish fabs start to ramp up capacity as well. Here we are referring to the Samsungs of the world building fabs in places like Arizona and GlobalFoundaries in New York.

Simply put, we believe the shortage eases as demand renormalises through the year but doesn't get fully resolved. By the end of the year it'll look a little more normal but there are also structural changes that completely change how semiconductors are both purchased (the inventory that is held) as well as the fact that it takes more wafers to now make the same amount of semiconductor chips.

So, on the long side, there are many names within the mobility universe that we think are likely winners but were not attractively valued twelve months ago. Now those names are down 30-80% and are now looking quite attractive. We are looking to scale those names as we progress through the year.

On the short side, there are plenty of legacy players out there - legacy retailers, auto OEMs, used car dealers - trading peak margins on peak valuations. Again, there is a massive opportunity to scale those shorts as we step through the year. Unlike over the past twelve months, where we had lower growth than we otherwise would through a typical cycle, we expect to be able to expand that and set up quite an attractive opportunity through the year.

And the Japanese and European automakers?

Toyota (7203.TYO) is interesting in terms of their strategy. They have gone back and forth a bit. We thought they would have had a little more of a holistic view on EV but they made a big bet on hybrid (which we believe was a mistake). But given the capital, and they're basically the only player there, we think that they're okay for now. Their announcement a couple weeks ago that they're going to start investing in an operating system for the vehicle elicits the response, "Yes, you should have been doing that a decade ago." They're simply along way behind relative to the leaders that have been investing in operating systems for a long time. To say that they're totally out of luck in the next couple years would be an overstatement simply because they do have a better cost structure, they're well capitalised and a little better run than a lot of their peers.

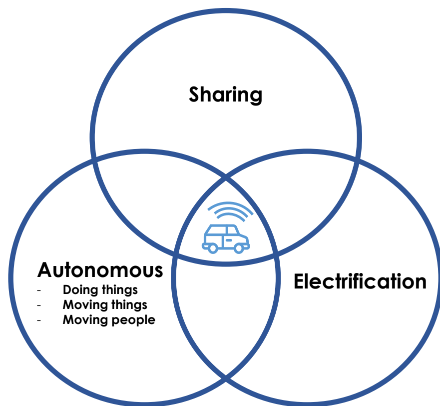
Along with Volkswagen (VOW3.ETR), they are probably in the top two best positioned of the legacy auto OEMs. Volkswagen simply because Diesel-gate forced them to reassess their legacy business and they made a big push into electrification because of that, well ahead of their peers. They had a fork in the road and they chose EV, so they've been investing for a while. They don't have an operating system or software, so we're still a little sceptical of them actually being able to monetise and have full control of the consumer but, given that shift happened earlier than others and they've actually been investing in it, they're better positioned. They also have good talent centres in Germany, we wouldn't rule them out at this stage.

Frankly, we think that the bubble and speculation around a lot of these high growth names started to deflate when liquidity peaked in March of 2021. It accelerated in mid-November when the Fed decided to pivot to a more hawkish stance and now you're seeing that accelerate to the downside; we are now seeing forced sellers in the market. Realistically, we think interest rates end up settling somewhere not too far from here and the broader backdrop as we transition to mid-cycle and move through 2022 is excellent to scale both the long and short side.

Global Mobility Unit Class
TAMIM Fund

At 31 December 2021

The Three Pillars



These three pilars are the building blocks for the future of mobility. The pillars are not mutually exclusive, but overlapping, synergistic, and collectively "constructing" the $7 - 10 trillion revolution.

Autonomous, connected, and electrified vehicles are likely to have profound effects on various industries and geographies. The strategy is focused on taking advantage of these changes by initiating long and short positions related to these overarching themes. Thematic focuses include, but are not limited to:

- artificial intelligence ("AI"),
- enabling hardware and software,
- sensor technology,
- cyber security,
- logistics-related technology,
- fleet management,
- electrical systems,
- safety systems,
- communication infrastructure,
- communication platforms,
- data monetisation, and
- basic materials.

Why Mobility? Why Now?

$7-10 Trillion Revolution: That's right, trillion with a "T." We believe this is going to be the biggest technological revolution of our lifetime... and very few are paying attention.

It's Happening Now: EV adoption is inflecting, and autonomous vehicles are already on the road today across the US. Google's Waymo division has over 600 self-driving cars (no safety drivers!) that have collectively driven over 20 million miles (32 million kilometres). In the Phoenix area, consumers can hail one today with a simple click in the app.

Every Industry Will Be Affected: We believe there will be massive winners and significant losers – given our structure, we plan to make money on both. On the winner side, think about: semiconductors (digital and electric vehicle content), cloud software & infrastructure, and autonomous technologies. On the loser side, think about the industries that will disappear: car rental companies, internal combustion engine (ICE) components, and Big Oil...

Multiple Ways to Win: While the end state is already coming into view, there are multiple building block evolutions that we are actively seeking to capitalize on – namely, Sharing/Connectivity, Electrification, and Autonomy.

Portfolio Performance | TAMIM Fund: Global Mobility

Inception: 8 February 2021

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2021	-	-3.70%	-0.71%	-0.54%	-2.71%	2.98%	1.52%	2.03%	-1.50%	-0.08%	2.25%	-5.80%	**-6.44%**

Equities (long)	72.07%
Equities (short)	-17.89%
Equities (net)	54.18%
Cash	45.80%

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