

# Global Mobility Unit Class

## TAMIM Fund

At 30 June 2021

In the first half of 2021, the equity market was driven by lower quality, lower ROIC legacy businesses which dramatically outperformed quality. You had financials and energy stocks leading returns in the first half, primarily due to the underlying economic reacceleration, which is driven by monetary and fiscal stimulus, cyclical reacceleration, and generally easy base effects. All of this largely fits with an early cycle environment. There were some pretty incredible short squeezes, notably GameStop and AMC, driven primarily by a flood of liquidity and market structure issues. Thankfully, we've generally avoided the squeezes as well as many of the big drawdowns we have seen in the Electric Vehicle ecosystem, SPACs, China technology, as well as pockets of growth. These areas are actually starting to look incredibly attractive as we step through the second half of 2021 and into 2022. We are starting to scale positions in many of these areas.

On the long side, our gains were primarily concentrated in the more cyclical areas like auto OEMs, and semiconductors in the first half of CY2021. We were a bit early to trim some of our cyclical semiconductor exposures; many of our analogue semiconductor names hit near term price targets. We have been reallocating this capital out of some of the cyclical names into more durable growth. On the short side, we have kept the book pretty small in the first half. The short book was a modest drag, and we were a bit early in terms of adding some small positions to legacy, poorly positioned names in late first half. We expect this to start to pay off as we enter (US) autumn. So, in general, we have seen the best-in-class companies lag while legacy and 'losers' have led for the first half. We expect this to completely flip as cyclical comparisons get harder into the second half and we shift towards proving out underlying sustainable growth.

### Outlook for H2 2021

Into the second half and beyond we expect quality (i.e. real businesses with higher ROIC) to regain leadership. As underlying economic growth and inflation moderate, readjusting to more sustainable levels, this will improve the setup for both sides of the book. On the long side, we'll get back to scaling the best-in-class players and winners. We spent some premium on options on these long positions for the second half; these outlays were headwinds for performance in the first half, as there was an upfront cost, but have payout opportunities as we progress through the second half. On the short side, there are some great entry points in legacy businesses that have structural challenges and poor business models but have been boosted by the recent cyclical upswing. Many are trading peak on peak. Additionally, after the GameStop and AMC debacles many investors are scared to short. Short interest is near lows on many of these names and that sets us up for much cleaner positioning as things start to normalise on the liquidity front in the second half. What's going on in technology and the real economy is not the market. That is why we separate our thinking in terms of both company view and stock view. We expect both our company and stock views to align through the second half and into 2022.

### Overview

The TAMIM Global Mobility strategy seeks 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

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

### NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$0.9595	\$0.9561	\$0.9528

### Electrification

On the electrification front, we have hit the kink in the S curve on electrification. All of the areas we have continued to highlight – from costs coming down, to selection improving, to infrastructure scaling – continue to progress. Demand is robust and supply is starting to ramp up. This is a massive paradigm shift of major geopolitical importance. The focus on solving climate change and shifting from fossil fuels to alternative energy has become a global imperative. This is perfectly



Electric charging stations are just part of the infrastructure that is needed for the changing Mobility landscape.

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exemplified by Biden's executive order on re-shoring critical supply chains, namely semiconductors, battery materials, and rare earth minerals. All of these are critical inputs into the alternative energy ecosystem. It is necessary to control these areas for energy independence, hence the rising US/China tensions. We're still in the first innings but expect that to quickly change over the coming 12 to 24 months with a major infrastructure package in the US and now global alignment on combating climate change. The ecosystem buildout remains one of our top investment themes over the next several years. It's not a matter of if, but simply how fast.

### Autonomy

Autonomy or automation has been pulled forward several years due to the pandemic and yet it remains an area the media largely ignores, similar to electrification about eighteen months ago. The technology is ready for many use cases. And now there is a catalyst for change with re-shoring, labour shortages, and efficiency improvements among others. It's scaling first commercially in the doing things realm. A good example of this is autonomously harvesting crops. If you are interested, make sure you check out recent John Deere (DE.NYSE) transcripts to learn more about what we're referring to there. It's an area that makes a lot of sense from a commercial perspective. Autonomously moving things is fast approaching an inflection point. And it is another area where change is required. There is a serious truck driver shortage in the US while demand for e-commerce continues to ramp up. TuSimple (TSP.NASDAQ), which just went public, is a great example of a pure play here. They provide autonomous software to replace human truck drivers. Finally, moving people is progressing much faster than many people expected. Waymo One is open to the public in Phoenix while players like Argo AI are looking to publicly list in the coming months. We expect to see an inflection point here in the next 24 months.

### Prediction Update

Now, a quick update on some of the bold predictions we made at the start of the year. First, **semiconductors are the new oil**. Semiconductors are the most important input into all of these rapidly scaling technological revolutions. Others have started to come around to our view, notably Capital Group, which just came out with a paper on the topic. We continue to believe that our expertise here is a key differentiator.

Prediction two: **Autonomy is the new space race; it's China versus the US**. Deep Learning is scaling rapidly. And automation is a killer app. By the Beijing Winter Olympics in 2022, you will see how far along China is and the US does not want to fall behind here. Hence the massive infrastructure package as well as the focus on key areas in terms of technology, and automation in particular.

Prediction three: **Autonomous companies are going to be worth hundreds of billions, potentially trillions, in the next decade**. Amazon bought Zoox, Microsoft invested in Cruise, Google has

Waymo, Apple is building their own. These are trillion-dollar companies, and they don't get out of bed for a few billion dollars. We think Waymo can be a trillion-dollar company in the next decade, which is basically the current equivalent of Google's market cap. Apple is a dark horse and we think that they are going to come out with an EV/AV product in the coming years that changes the game. And finally, Nvidia (NVDA.NASDAQ) is likely to become the most valuable semiconductor company out there, particularly if the ARM acquisition goes through.

Waymo's Autonomous Vehicles



Source: Business Insider

Finally on the prediction front, **governments around the world will make energy and transportation top geopolitical initiatives**. This is already starting to play out. China already realises this and has been building out their own ecosystem, semiconductor chain, smart city infrastructure, autonomous ecosystem, etc. The US is also getting on board, hence the Biden executive order around supply chains mentioned above as well as the impending infrastructure bill. We expect the US to rebuild domestic infrastructure and re-shore many of these critical supply chains. There will be an infrastructure manufacturing automation Renaissance that makes the next ten to twenty years look very different from the last fifty. The transformation of energy and transportation are multi trillion-dollar opportunities.

There are a couple of quick analogies that are helpful in terms of recognising how these massive paradigm shifts fit into historical context. When things are changing at an exponential pace, it is often difficult to understand the implications, as well as some opportunities, without some of this context. The first of these is the smartphone analogy. We view cars as the next smartphone. There will be a massive new ecosystem built around it from new hardware form factors to operating systems to amazing software and applications. You're starting to see it already today. Think of a Tesla today which can be updated overnight with just an internet connection; you wake up the next morning and you have brand new features that you didn't the day before. Liking the car to a smartphone with hardware, a battery and a software ecosystem built on top of it is an apt analogy. Interestingly enough, many of the leading smartphone companies – from Apple to Huawei to Google – have significant autonomous vehicle programs.

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Another analogy that is useful in terms of understanding how autonomy is an embedded value opportunity in a lot of these big businesses is the cloud analogy. Rewinding back to the early 2000s, for years, Amazon was spending hundreds of millions of dollars on capex to build out AWS (Amazon Web Services). It was a massive expense, very capital intensive and a huge drag on free cash flow. All the corporates, their potential competitors, thought they were crazy. They didn't understand it, so they ignored it. And so, for years, they allowed AWS to take a huge lead in a multi hundred billion dollar plus market with literally no competition. Investment analysts said it was a money pit. It was a huge drag on Amazon's multiple and valuation. Not only did they not get credit for AWS but they were in fact dinged for it, given negative value because it was a big free cash flow drag. Fast forward to today and it's a business probably worth about a trillion dollars and Amazon is the clear leader of the pack. That's how we expect these autonomous units to be viewed, big cash drags that are given negative to no value. Today, Google is given no value for Waymo. One day the market will catch up and quickly recognise how transformational it is.

### The Expanding Mobility Universe & Active Management

Now, on to the opportunity set ahead in terms of in terms of expansion of the universe. A common pushback over the last two years ago (and probably before that) was that there are not many ways to play mobility in the public markets. Fast forward to today, after twelve-plus months of mobility pure plays going public via IPO or SPAC and a pipeline of a lot more to come, the mobility universe has expanded dramatically. The opportunity set is massive. But not all of these companies are created equal. There are winners that will be worth hundreds of billions of dollars or more, and there are losers that will be worth nothing. In terms of active management, this is a perfect setup. You must first recognise the trend but you also need to make sure you pick the legitimate companies within it. Active management in general isn't necessary in most circumstances for the core of most investors' portfolios. Owning the market and a few ETFs is sufficient for the bulk. However, there are pockets of allocations where there are significant alpha opportunities if you select the right area and the right manager. For context, a great historical example is the Internet in the late 90s or early 2000s, where active management made a lot of sense. If you just invested in an Internet ETF, you had some significant performance issues when the tide went out. The ETF may have owned a few winners like Amazon or Google, but you also owned the zeros and the frauds like Pets.com or Enron. When the bubble popped the frauds/zeros never came back – those investments went to zero. And most people threw the baby out with the bathwater. They sold their full Internet allocation and never owned Amazon, etc. again, as they assumed that the whole thing was a scam. We don't want history to repeat.

An actively managed fund that has a clear strategy, thesis, process, and does real diligence that helps select the legitimate winners and avoids investing in the zeros or frauds (or shorts them) is the best setup. Passive ETFs do not discriminate. Warren Buffett laid this out nicely in his latest shareholder meeting where he addressed investing in innovation.

Automobiles started to go mainstream in the early 1900s and they undoubtedly changed the world but, even if you recognised the theme, investing in the sector was extraordinarily difficult and catastrophic for many. There were over 2,000 Auto OEMs that once existed in the early 1900s. By 1930, fewer than 50 survived, and three accounted for 80% of auto output. We're already starting to see this today in terms of electrification, as well as the divergence between real companies and frauds. Over 500 companies registered as EV in China in 2019, yet very few of those will survive. A good example of one in the US is Lordstown Motors (RIDE.NASDAQ). Lordstown SPAC'd and quickly reached a market cap of over \$5 billion with no revenue, no product, basically no disclosure, and a bunch of made-up projections. It was just a random legacy manufacturing plant with no product and a bunch of non-binding orders. It's still trading with a valuation over \$1.5 billion today. This is a good example of the risks with SPACs and limited disclosure, as well as the risks of blindly investing in a theme or passive ETF with limited diligence. Human nature hasn't changed. Many greedy people and companies have capitalized on the EV boom to raise capital for shell companies. We're here to distinguish between the winners and the losers.

### Tesla's approach to autonomy versus others?

Their approach to autonomy versus competitors is very different. Tesla, unlike Waymo etc., started with electrification and they've rolled out a massive fleet, so they already have a massive amount of vehicles on the road. Their focus on autonomy is to enable it from a passenger vehicle perspective, i.e. you can own a vehicle and that vehicle can then become autonomous. What they've done on the technology side is skipped over LIDAR. LIDAR is a technology that the likes of Waymo, Cruise, etc. all use and it helps with broader sensing. LIDAR is basically an added sensor on top of the vehicle that provides a holistic view so the vehicle can experience the world. You then use sensor fusion to combine those technologies to get a more holistic roadmap and have a more robust view of all the objects around you. As mentioned, Tesla has skipped LIDAR. Elon Musk has been very vocal against the LIDAR. We believe there are two reasons for this. One is that he is trying to get LIDAR costs down. And two, he knows that the end game is probably machine vision without LIDAR. But, in the interim, you have started to see some headlines where Tesla is actually testing out some LIDAR. We think LIDAR ends up becoming more of a band aid type solution over the next couple of years, maybe five plus, to have a more robust sensor fused view of the landscape around vehicles. Our guess is that Tesla probably ends up adopting it, whether it's for regulatory purposes or to get that last couple percent in terms of making their algorithms safer. Waymo has been training with this for a long time whereas Tesla has not been using LIDAR. Tesla's autonomous (software) is currently behind the likes of Waymo and that will probably change over the next decade. The path is the question mark here.

### Outlook

In terms of an outlook, we're more excited than we've ever been for the path ahead. We have an expanded pure play universe.

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Valuations and many of the best-in-class quality companies are now more reasonable after many of these companies consolidated or pulled back over the past twelve months. We continue to scale the infrastructure we've built and add to the talented team we have. We're extremely well positioned to capitalise on these trends and pick the winners while shorting and/or avoiding the losers. Market wise, as liquidity starts to normalise, we expect volatility to start to pick back up. This will be excellent in terms of stock picking in the second half. It won't be a straight path but our conviction in the theme and our winners and losers infrastructure has never been higher. We're still in the first innings of a multi decade transition worth trillions of dollars. We've never been more excited about the change that's coming and the opportunity that it brings with it.

### Stock Spotlight: Amazon



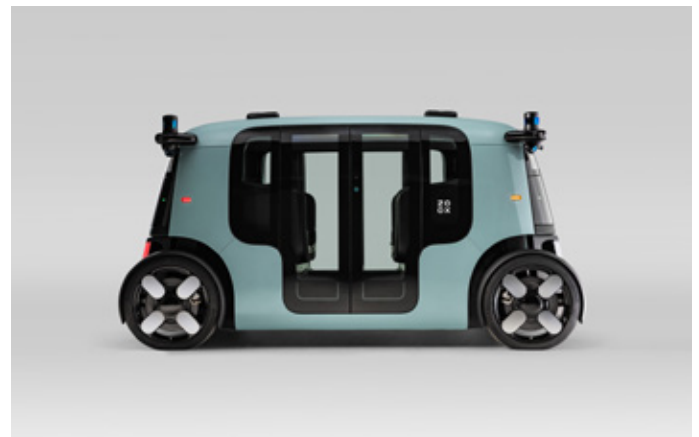
The current largest position in the fund is Amazon. It used to be Google/Alphabet however we've trimmed it a bit given some of the outperformance over the first half but still have a very positive view in terms of Google and think Waymo is something that gets unlocked in the next 12-24 months. Amazon is a stock that has basically done nothing for the past year while the S&P has obviously ground higher and, over that timeframe, Amazon has continued to grow. Looking at Amazon, the real opportunity is injecting further automation into their business model, notably the e-commerce side. It will be a step function change in terms of their cost structure.

Logistics is by far Amazon's biggest expense. Any opportunity they get to automate anything, whether it's picking within the warehouse, moving a package from warehouse to warehouse with autonomous systems, or anything along that front is going to be a step function change in their operating profit. We think that this development is something that the market is not paying attention to whatsoever. And that's just one aspect of the business. The other big aspect of the business is obviously AWS, their profit centre. There's a chance that the new administration forces them to spin AWS off though. They're not getting credit for this business whatsoever and, in terms of it fitting within our mobility theme, Cloud solutions/technology in general is something that fits perfectly within that first pillar of sharing and connectivity, we consider it the network layer. Cloud infrastructure is critical, particularly as we talk about edge computing, and having vehicle to vehicle, vehicle to infrastructure, basically just low latency connections. As Cloud scales, Amazon is obviously the leader there. As mentioned before, all of the Cloud players - Amazon, Microsoft, and Google - have autonomous efforts. They know that autonomy is going to be huge and, simply put, having Cloud in house when you also have autonomy is a significant advantage. It's going to be a huge application for Cloud. Microsoft has Cruise, Google has Waymo, and Amazon bought Zoox. Zoox, obviously, is not something Amazon gets any credit for. And that's understandable. They're



a bit further behind in terms of the competition. But in terms of that opportunity set, it's a massive one. And that's not to mention anything else that Amazon has going on whether it's pharmaceutical or Amazon Go, which is basically automation. We think that's something that they're going to probably license out over time and it will become a very high margin product. Their advertising business, as well as grocery, is really in its infancy in terms of shifting towards e-commerce. In summary, an attractively priced asset with many ways to win.

Zoox's Robotaxi

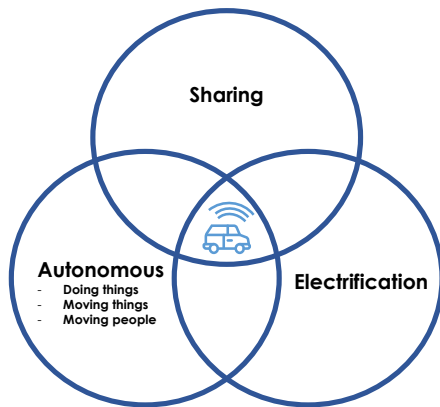


In terms of how we structure the portfolio, large positions getting up to the 7-10% range tend to be resilient positions with optionality as well. So, a really small cap name that doesn't trade a lot, is very path dependent, and is more of an option probably isn't going to be our biggest position. It can be a position because, even if it's just a 1% position, those types of companies can return 5x and be meaningful. That being said, the Amazons of the world can compound significantly over time and have those resilient and optional features without the significant volatility.

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## The Three Pillars



These three pillars 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%							-4.72%

Equities (long)	74.51%
Equities (short)	-5.59%
Equities (net)	68.92%
Cash	31.08%

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