# Global Mobility Unit Class
# TAMIM Fund

At 30 June 2022

## 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.

## 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:<br>RBA Cash Rate + 2.50%<br>OR<br>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 |
| **APIR Code:** | CTS3757AU |

## Commentary

***June marked a turnaround month for the Global Mobility unit class with a positive return of +3.21%.*** This compares to the S&P Kensho Smart Transportation Index - designed to measure the performance of companies focused on autonomous and electric vehicle technology, commercial drones, and advanced transportation systems - which lost -14.24% for the month. Calendar year to date, the Mobility portfolio is down -21.24% compared to a -37.54% loss for the Kensho Smart Transportation Index. We are starting to see green shoots for the strategy though, as detailed below.

This has been a brutal selloff for a lot of companies, particularly in the mobility space. We're seeing companies off 50, 60, 70, even 90%. Everything has been thrown out, the baby and bathwater. The closest comparison in our experience is the destruction of the dot-com bubble; a time when almost anything dot-com related lost 90% of its value. In the mobility space, the frauds - the companies that had no real businesses to begin with - are probably going to zero and never coming back, just like Pets.com. But, just like Amazon went from $100 to $1 in the internet bust, the real winners are going to be up many multiples from here.

**Macro Update**

From a macroeconomic perspective, our views remain quite consistent to the first quarter. As a refresher, the Fed is currently tightening into an economic slowdown in an attempt to control inflation which is at multi-decade highs, as well as to preserve credibility of the US dollar and Treasury System. The Russia/Ukraine war, which has exacerbated inflationary issues and thus tied the Fed's hands, is another signpost in the broader fracturing of the East vs West divide. The next major area we're focused on in terms of this conflict is China and Taiwan.

While we believe rates and inflation are in the process of peaking in rate of change terms, the war further solidifies our view that medium-term inflation and interest rate levels will be elevated compared to the previous decade (although, that does not take much). We also believe that the Russia/Ukraine conflict further accelerates the mobility trends already in place; notably deglobalisation, supply chain reshoring, automation, as well as the alternative energy ecosystem buildout. These trends will drive a massive capex cycle and will be the main themes over the next decade as we rebuild the global supply chain.

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**Mobility Market Update**

Walking through the market selloff progression, we believe we're entering Phase 3 of 4. Phase 1 was the liquidity peak that started in February 2021. ARKK (NYSE), run by Cathie Wood and having a mobility and next gen tech focus, is emblematic of that. Since that peak, that particular ETF is down over -75%. Phase 2 began in November 2021 and it was a duration selloff/inflation shock. The selloff broadened to more general long duration assets; over that timeframe the NASDAQ is down around -30% while US Treasuries are also down around -30% in price terms. This second phase was primarily focused on multiple compression, less so on earnings.

Phase 3, which we are currently in and think accelerates this quarter, is when negative earnings revisions start. So, economic indicators are decelerating and the broader market selloff is starting to include things like cyclicals, commodity types, and generally more economically sensitive names. Many of these are names that have held up well but we think are poorly positioned from a secular perspective, things like car rental companies or used car dealers. Within that group, semiconductors are down over -40%, commodities in general are down around -20%. ***On a relative basis, the growth names that are down 70-90% should start to bottom during this phase and outperform the cyclical names. Many of which, as mentioned, are secular losers that are just starting to sell off.***

The fourth phase is somewhat path-dependent. Phase 4 depends on things like what the Fed does, whether China invades Taiwan etc, but overall we think a durable market bottom is likely in early 2023. That said, ***there are likely many opportunities before then in terms of the growth names that have already taken pain.***

As mentioned above, we haven't seen a situation like this since the dot-com bubble. If we are correct in suggesting a bottoming of the "real" names in the next six months or so, from here the fake names will go to zero. This was Pets.com last cycle or Electric Last Mile Solutions (ELMSQ.OTC) this cycle, and that's already started. ELMS just filed for bankruptcy. The real names which have been caught up in this broader selloff presents a truly once in a lifetime entry point.

To summarise, the main points coming out of this are:

- the trends have accelerated;
- prices are quite attractive; and
- being able to discern who the winners and losers are is incredibly important. Stock picking, over the next several years in particular, is going to be paramount

This next tech cycle is going to be focused on energy, transportation, and automation. The previous one, from 2000, was the internet and communication. We view our Mobility portfolio today like having an Internet-focused portfolio in 2001. The trends have accelerated while stock prices have come down materially and we are looking at of one of the biggest technological revolutions and capex cycles of our lifetime. Once inflation is more under control, likely 2023 as mentioned, we expect a fiscal package similar to the highly productive Interstate Highway Act of the 1950s. This will further accelerate everything we were talking about.

Delving into some of the themes affecting the broader industry, despite what's going on in financial markets, it is real-world events – notably COVID, Russia/Ukraine, and potentially China/Taiwan – that have added fuel to the fire and massively accelerated the three areas that we're currently focused on investing in. These three are energy transition, reshoring and deglobalisation, and automation. Change here is no longer an option. It's a geopolitical necessity and it's happening.

On the energy side of things for example, alternative energy is the next energy system we are transitioning to as the world shifts away from fossil fuels and dependence upon the Middle East and Russia. Energy independence during war time is critical. The reshoring of semiconductors, rare earth mineral and battery material supply chains is a national security imperative. Semiconductors are the new oil and this has just started. Europe is ramping up its energy infrastructure and defence budgets while the US is also seeing massive investment on the semiconductor side.

As previously noted on the automation side, reshoring of supply chains is incredibly capital and labour-intensive. Moving low-cost labour out of China into higher cost areas like the West will be expensive, inflationary, and hurt corporate margins. This will drive an acceleration of automation investment, something which has already started. In just the last month the Wall Street Journal has come out with two signpost articles: "Self-driving big rigs are coming. Is America ready?" and "Commodity miners are starting to rely more on robots." Overall, automation is set to accelerate out of necessity.

Timeline-wise this is just the beginning. We are in a multi-year, multi-billion (perhaps trillion) dollar rebuild of critical global supply chains. As mentioned, we think that the next response to a downturn will be something comparable to the Interstate Highway Act of the 1950s, which was incredibly productive and is exactly what is needed today.

In terms of long/short opportunities, we are nearing the pivot point where select real companies start to bottom and the fake companies go to zero. We've narrowed down a list of 20-30 potential long positions that we think could conservatively be up 3-10x in the coming years. On the short side, the much needed destruction of zombie companies is just starting. ELMS is the first of many.

**Portfolio Update - Long**

We're starting to see some extremely asymmetric opportunities in our investable universe. Running through a few quick examples, we have separated these into three categories.

The first is semiconductors, which we believe are the new oil. It will be the critical input into building out both the next generation energy system as well as automation over the next decade. Wolfspeed (WOLF.NYSE), down over -50% since peak, is a major supplier of silicon carbide wafers which are a critical



substrate used for the transition to higher power applications like electric vehicles. Nvidia (NVDA.NASDAQ), also down -50%, is the brain behind the broader automation trend as well as training machine-learning and artificial intelligence models. Ambarella (AMBA.NASDAQ) is down over -70% and is a leader in AI vision processors for things like autonomous vehicles. Overall, all of these companies are companies that could easily be up 3-10x over the coming years. We are confident in our ability to select the best ways to play these semiconductor themes given our background in the field.

The next generation energy ecosystem will require a commodity super cycle as humanity attempts to transition away from fossil fuels. This transition needs things like lithium, copper, nickel, etc. Albemarle (ALB.NYSE), a key lithium producer, is down over -35%. Freeport McMoRan Inc. (FCX.NYSE) is down over -50% and is a major copper producer. We need more lithium and we need more copper, both of these companies are incredibly well-positioned from that perspective. All of the above names fall in the “blue jeans to gold miners” approach to these broader themes.

Finally, there are a few OEMs who have a realistic shot at doing to the auto industry what Apple (AAPL.NASDAQ) did to smartphones. Apple controls 80%+ of the profits of the smartphone industry and has done an incredible job vertically integrating. We view Tesla (TSLA.NASDAQ), down over -45%, and Rivian (RIVN.NASDAQ), down over -85%, as having the right strategy to do this. For reference, Apple was at a split-adjusted 20 cents in 2003. It is now at a split-adjusted $150, up 750x over that timeframe. The opportunity set for understanding these themes, and thus the winners within them, is something that will pay significant dividends.

**Portfolio Update - Short**

Hertz (HTZ.NASDAQ) came out of bankruptcy just two years ago but still faces similar headwinds. They have been a huge beneficiary from the rise in used car prices and residual values as well as the broader reopening. We believe all of those tailwinds are turning into headwinds and this cyclical winner will turn into both a cyclical and secular loser over the coming years.

Ford (F.NYSE), a legacy OEM with no software talent, a large debt balance, and an unclear vision for an EV future, is at huge risk for obsolescence. And then we have DoorDash (DASH.NYSE) and Uber (UBER.NYSE). These business models simply don’t scale. They need automation to work and, as of now, neither is investing heavily in the space. As long as the tap of free money is closed, these companies are effectively in a doom loop.

We have generally been defensively positioned. Large sections of our investable universe are down in excess of -75%. The S&P Kensho Smart Transportation Index is down -44.40% over the last twelve months, we’re down -22.72%. We’ve been positioned with primarily put sales on the long side and outright shorts on the short side. As some of our put sales start to expire in the money, we’re beginning to build positions and we expect to get more aggressive, particularly on the growth side and names that we think are looking like 5-10x in the coming years. That said, on the long side, many of the real companies we’ve identified are closer to bottoming. Looking to the short side, many of these cyclical, heavily-indebted zombie companies are set to face a reckoning. We believe this starts this coming quarter as earnings start to take a toll; you must begin to factor in the fact that the US dollar is up, labour costs are increasing, and the cost of capital is going up dramatically. As these companies have to refinance their debt, the number of bankruptcies is going to go up exponentially.

**Bold Bets**

We like to return to our “bold bets” for the next decade, so here’s a refresher. 1) We believe that 99% of current auto OEMs will go out of business. This has just begun. ELMS were the first to go the way of many and we think this coincides with another of our bets: 2) that Rivian, Tesla and Apple will emerge as the main winners coming out of this. The industry will consolidate dramatically, similar to the early 1900s with internal combustion engine vehicles; the number of OEMs going from hundreds to effectively 5-10.

3) Semiconductors are the new oil. We will be heavily invested in this space over the coming years. We still think the semiconductor cycle has a way to play out yet, at least a few months. Multiples have dramatically compressed. The semiconductor index, depending upon which one you look at, is down -35-45%. It has primarily been multiple compression thus far and we think the next leg down is earnings revisions. That sets up a massive opportunity for the long side to compound over the next decade.

As noted on the last quarterly, the next six months or so may truly be the opportunity of a lifetime to add to or invest in this strategy:

- The trends that we’re focused on are all accelerating out of necessity
- Our conviction has dramatically increased
- The universe is now 75%+ cheaper than it was
- The risk-reward profile is skewed massively positive

We’re not looking to make 10-20%. We’re looking to make 5-10x. If we thought that the internet was big, this is going to be much bigger. It’s a geopolitical imperative and the system is shifting.

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## Overview

The TAMIM Global Mobility portfolio is a global long/short strategy that seeks to invest in companies which benefit from the ongoing $7-10 trillion autonomous and electric vehicle revolution while shorting those that will suffer.

## Portfolio Performance | TAMIM Fund: Global Mobility

*Inception: 8 February 2021*

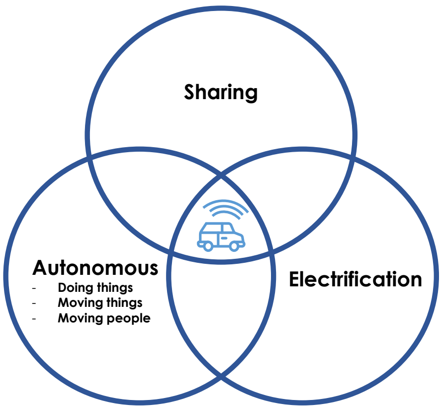
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | - | -3.70% | -0.71% | -0.54% | -2.71% | 2.98% | 1.52% | 2.03% | -1.50% | -0.08% | 2.25% | -5.87% | **-6.51%** |
| 2022 | -3.86% | -6.80% | -5.69% | -3.64% | -6.28% | 3.21% | | | | | | | **-21.24%** |

## NAV

| | Buy Price | Mid Price | Redemption Price |
|---|---|---|---|
| **AU$** | $0.7415 | $0.7389 | $0.7363 |

| | |
|---|---|
| ***Equities (long)*** | 32.26% |
| ***Equities (short)*** | -8.74% |
| **Equities (net)** | 23.52% |
| **Equities (gross)** | 41.00% |

## 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.