

# Global High Conviction Unit Class

## TAMIM Fund

At 31 August 2024



The TAMIM Global High Conviction unit class was down -2.06% for the month of August 2024, this was in comparison to the index return of -1.21%. The strategy has generated a return of +18.18% over the past 12 months.

### **If you can keep your head when all around you are losing theirs?**

Markets whipsawed but finished higher as the Fed statement from Jackson Hole essentially said, “keep taking the Hopium”. Hope it’s a soft landing, hope we can fund the fiscal deficit at the imminently lower rates, hope that inflation is going to behave even though we will cut rates into a booming asset market, and hope that we can keep these asset prices up with more monetary stimulus. Being logical doesn’t always pay off in a market where your positions can be swamped by other investors’ needs to liquidate and hedge especially when leverage is very high.

*“We believe the policy makers’ Zeitgeist is still to worry about wealth effects or widespread asset price falls and that inflation remains of secondary importance. Consequently, interest rate cuts are now likely to be accelerated, and further rate rises in Australia and Japan unlikely. The ‘wealth effect’ on inflationary expectations will be used as justification. This strikes us as a sell-off in the froth but with unexpected consequences. As an example of the illogicality of thinking, the Yen / US\$ cross rate is only up year to date by 2% and over 3 years the US\$ has actually appreciated by over 25% against the Yen. To argue that the Japanese companies have lost competitive positioning due to an overvalued currency after an 8% rise, is unsound to put it mildly. What we do from here with portfolios is to re-run our stock selection models since relative prices and valuations will have moved to an abnormal extent and think about the macro-economic consequences if we get rapid rate cuts. We will most likely make more trades than normal.”*

Due to the greater number of opportunities that arise in highly volatile markets we did indeed make more trades than usual.

Nvidia’s results kept investors calm, but little was revealed regarding the new Blackwell ‘killer’ product. We remain invested in other tech names but did luckily sell LAM Research before the tech market wobble in early August. Other trades we made were to invest in MGIC, MDU Resources, DWS, the German fund management company, F5 Tech and Japan Aviation Electronics. We sold Atkore, Covestro, LAM Research, Elevance and trimmed Sprouts Farmers Market after a price rise of 300% in the last 3 years.

Notable positive performance in August came from Best Buy, Advantest, Dick’s Sporting Goods and Teradyne all up over 13%. Detractors were Amada, Hillenbrand, Emerson and Valero.

In mitigation, we note that Intel, which has failed to re-invest adequately to stay ahead in the MPU field, is now teaming up with Japan’s National Institute of Advanced Industrial Science and Technology (AIST), to push harder and faster into Extreme Ultraviolet Lithography, or very narrow bandwidth (faster) processing chips. (EUV).

AIST, which operates under the Ministry of Economy, Trade and Industry, will run the facility, while Intel will provide expertise in chip manufacturing using EUV technology. This announcement came early in September. We do not own Intel. We draw a few conclusions from this.

Since the Japanese AIST operates under the Ministry of Economy Trade and Industry (MITI), a government ‘bureaucracy’, it shows that the Japanese government is skilled at helping private enterprise become more competitive by remaining on or at the cutting edge. Japanese technology is pretty good, and the USA does not monopolise the opportunity set (ASML in Europe is the leader in EUV but its share price got smacked in early September as the EU decided that export licences are required to export the technology to China). Japan and the US are going to cooperate strategically at a national level in technology which has clear implications for Chinese companies and the government; for European semiconductor tech too, such as it is. If governments everywhere are going to become more involved in directing capital, regulating, and promoting “key industries” (they most certainly are) then why not choose to invest more in a country where that has been a successful playbook for over 40 years? MITI is an experienced government partner for private enterprise. We remain overweight Japanese sourced technology. Intel is presumably moving to an open platform to compete against TSMC as a foundry and presumably wishes to have some of the NVDA market adulation as a global provider of manufacturing to client specified design?

It’s time to hedge political risk. Regardless of which side wins the White House it’s very likely we’ll see more re-onshoring and ‘National Industrial Policy’. The Democrats will continue to subsidise ‘Green’ or Renewable Energy, and the Republicans will attempt to encourage organic/carbon-based fuels and reduce regulation. Our stance is to invest in the companies that will power the energy transmission regardless of its generation and to capitalise on the re-industrialisation theme. We have written about this and our holdings at length. At some point Industrial REITs in the USA especially in low tax states, will become attractive as the combination of demand for space and lower cap rates works through positively for NAV calculations.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 August 2024

### Portfolio Highlights:

#### Qualcomm Incorporated (NASDAQ:QCOM)

Qualcomm, short for Quality Communications, is the global leader in mobile connectivity. The company's hardware and systems are ubiquitous across both Android and Apple handsets with the technology enabling billions of users to call, text and stream every day.



“Hard” technology companies such as Qualcomm are our preferred exposure in the technology sector. The business possesses true intellectual competitive advantages that are difficult to replicate, even with the world's leading engineers and abundant financial resources (as you'll see below). The company remains a long-term holding for the fund a quiet winner in the tech arena.

#### The Mobile Era

Founded in 1985 by Irwin Jacobs and six co-founders, the business initially conducted communications research. Its first products were satellite phones for trucking companies, however the research team had greater ambitions. Qualcomm had patented a new cellular technology called code division multiple access (CDMA), allowing several users to simultaneously transmit data across the same frequency.



This was more efficient than the incumbent Time Division Multiple Access (TDMA) system, where users could only transmit data during a given time slot. Despite the incumbent technology being simpler, and in the initial years more reliable than CDMA, it was not suited to high-capacity communications. Over time cellular networks and handsets adopted the CDMA system entrenching Qualcomm as the standard for mobile connectivity.

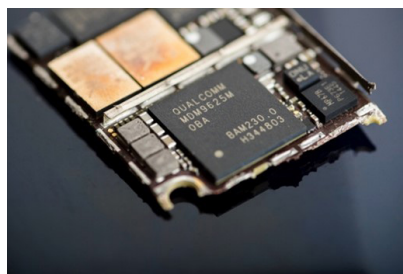
Demand for the company's modems – the small chip that enables a phone to connect to cellular towers – proliferated as mobile phone adoption grew. Handset manufacturers were eager to include the latest modems, and later semiconductors, in their products to capitalise on the emerging personal electronics market.

With the best communications hardware, Qualcomm became a cost of doing business. And while hardware sales were booming, Qualcomm had another equally lucrative profit engine. The company patented and subsequently licensed its intellectual property to competing modem and handset manufacturers, earning a royalty on every mobile device sold.

That intellectual property would continue to serve the company, providing the foundation for 3G, 4G and 5G mobile communications, and with it more patents and licensing deals.

#### Apple Takes A Bite

Qualcomm had built an unassailable lead in mobile. So much so that competitors, customers and regulators have been keen to dent the company's market leadership. The fiercest battle has been with Apple, which has previously litigated Qualcomm for anti-competition practices and in 2017, began work on an in-house modem. Given Apple represents ~20% of Qualcomm's revenue, this has been a dark cloud over the company. For several reasons, however, the Apple-Qualcomm rift is likely overblown.



After the processor, the modem is the most important component of a phone. Qualcomm's chips are the best and have been battle-tested for decades across several platforms. From an iPhone user standpoint, there is limited functionality upside and tremendous downside should the components prove less robust than Qualcomm. More simply, users don't mind who makes the modem, as long as it works.

Moreover, building modems is not a simple exercise, with Apple themselves acknowledging it's “very difficult”. Apple has since extended supply agreements with Qualcomm until at least 2027. And even assuming Apple succeeds, we expect Qualcomm will have made strides to diversify away from handsets (and Apple) to new revenue streams.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 August 2024

### The Future

Qualcomm recently announced that Microsoft Copilot personal computers, produced by several vendors including Dell, Acer, Lenovo, HP and Microsoft itself, would be exclusively powered by the company's proprietary SnapdragonX system-on-chip.

Meta is already using Qualcomm chips for smart glasses and powering Llama2 – ChatGPT's closest competitor. Snapdragon processors have been modified for automotive applications including facial recognition, cloud-connected content and digital chassis. The latter has a sizable runway for growth given cars have been a laggard in adopting consumer consumer-facing tech. In the latest quarter, automotive revenue increased 87% to US\$811 million.

The future remains bright for Qualcomm, irrespective of if (or when) Apple produces its modems. The market has largely agreed with us, with the Qualcomm share price doubling over the past five years. Still, the business remains modestly valued on 20x earnings and a 2% dividend yield, despite several growth vectors and the rise of artificial intelligence applications.

# Global High Conviction Unit Class TAMIM Fund

At 31 August 2024

## Overview

The TAMIM Global High Conviction strategy is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 60 of the best ideas from around the globe. 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>	Unlisted Unit Trust
<b>Minimum investment:</b>	A\$100,000
<b>Management fee:</b>	1.00% 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>	MSCI World Net Total Return Index
<b>Exit fee:</b>	Nil
<b>Single security limit:</b>	+/- 5% relative to Investable Universe
<b>Country/Sector limit:</b>	+/- 10% relative to Investable Universe
<b>Target number of holdings:</b>	80-110
<b>Portfolio turnover:</b>	Typically < 25% p.a.
<b>Investable universe:</b>	MSCI World Net Total Return Index
<b>Cash level (typical):</b>	0-100% (0-10%)
<b>APIR code:</b>	CTS5590AU

## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.4366	\$1.4330	\$1.4294

## Portfolio Performance

<i>Inception: 15/07/2011</i>	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
<b>Global High Conviction</b>	-2.06%	18.18%	8.98%	12.00%	13.66%	437.18%
<b>MSCI World</b>	-1.21%	18.78%	9.58%	12.95%	14.12%	466.41%
<b>Cash</b>	0.36%	4.31%	2.69%	1.74%	2.12%	31.67%

Strategy inception: 15/07/2011 | TAMIM Fund: Global High Conviction unit class inception: 31 December 2019

Returns prior to 31 December 2019 reflect the Individually Managed Account (IMA) underlying portfolio returns. IMA returns reflect a higher fee structure. Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio and TAMIM Fund portfolio. Should you wish to see your individual return, please log in to your account online. Returns are quoted net of fees and assume dividends/distributions are reinvested. Past performance is no guarantee of future performance. 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. The MSCI World refers to the MSCI World Index in AUD. Returns shown for longer than 1 year (other than Inception) are annualised. All returns shown are AUD denominated.

## Selection of 5 Holdings

Stock	Country
eBay	USA
MGIC	USA
Corning	USA
MDU Resources	USA
General Dynamics	USA

## Portfolio Profile

<b>Equities</b>	98.50%
<b>Cash</b>	1.50%

