Global High Conviction Unit Class
TAMIM Fund

At 30 November 2024

The TAMIM Global High Conviction unit class was up +4.66% for the month of November 2024, this was in comparison to the index return of +5.16%. The strategy has generated a return of +28.15% over the past 12 months.

December 2024 – “They think it’s all over...”

The Republicans achieved a clean sweep of both houses, the White House and the popular vote. The equity market rapidly discounted a lot of the Republican team’s rhetoric as if it were implemented and accepted policy. We’re not so sure there won’t be obstruction, compromise and change of mind. So, while they think it’s all over, and the Trumpists get to do all they want, we’re doubtful. We think a “Tempered Trump” is more likely and frankly more desirable. Taking $2 trillion out of government spending may be an admirable objective but it has to be replaced with some sort of other spending or, preferably, private sector investment otherwise GDP will shrink despite inevitable rate reductions such a large public spending cut would induce. No one knows yet whether the cut will be achieved nor how it is to be replaced. Will tariffs induce inward FDI? Will corporate tax cuts drive higher capital investment? (they didn’t last time). Will rate cuts provide impetus or stoke inflation?...

Our stance remains the same – favour the S&P 600 to the S&P 500. Favour Japan over what is becoming an alarmingly dysfunctional Europe. China is showing signs of life which means we have been nibbling at HK listed companies.

The capitalisation weighted global indices rose about 5% in A$ in November and the Value weighted about 4%. The Infrastructure index rose almost 4%.

Our strategies outperformed in the Value weighted and the Infrastructure. The capitalisation weighted index returns remain very concentrated on only a few stocks. Our performance against this index in the last few years could be described as “hanging in there”. Our approach to risk control has helped us remain this close to an index that is beating many if not most active managers due to its unusually concentrated returns.

A recent trip to Singapore and Hong Kong has us envious of the ability of the Singapore government to provide support for business while not intervening – the place is going ‘gangbusters’. Watch and learn Australia. Hong Kong was looking surprisingly in need of renovation and the public services and spaces tired, but business confidence is returning and the Greater Bay area (Shenzhen etc) of 80+ million people provides decent opportunities for the service industries which now dominate Hong Kong activity. We added to Singapore Stock Exchange and CK Hutchison in Hong Kong.

Japanese companies continue to improve their balance sheets via share buybacks with one company, Tokyo Gas, in particular now quite aware of what it’s like to be too complacent as the country adopts a more constructive approach to shareholders. Activist investors announced a stake, forcing the company’s president to admit that the RoE target of 8% was too low and that some real estate is not highly capital efficient. The shares rose almost 20% in November.

Other holdings announcing significant buybacks included The Sumitomo Warehouse, Kamigumi, and Dai Nippon Printing.

Significant contributions to performance came from holdings in Sumitomo Electric Industries, International Paper, Emerson Electric and Cheniere Energy. Andritz and Evonik in Europe detracted.

As we finish this brief update, we learn the French government has lost another Prime Minister. They can’t raise taxes and can’t cut spending and with a budget deficit at 6% of GDP and debt to GDP over 100%, the room for manoeuvre is limited; and the ability of the Germans to underwrite the French debt issuance is compromsied by their own sluggish economy. It’s “darkest before dawn” perhaps but we prefer the adage that you need to move from denial to recognition to action. Thus far we see only plentiful evidence that the French have a dose of “avoir la tête dans leur cul”.

Please let December be quiet for markets and for no further increases in global bellicosity.

Portfolio Highlights:

Hitachi Ltd. (TSE: 6501)

Hitachi has undergone a remarkable transformation, evolving from a struggling Japanese conglomerate into a software-integrated industrial leader. Its shares have tripled in value over two years, reflecting investor confidence in its pivot toward AI, clean energy, and infrastructure digitisation. Central to this success is the Lumada platform, which leverages data science to modernise power grids, factories, and rail systems—now contributing 41% of core earnings since its launch in 2016.

New CEO Toshiaki Tokunaga, a veteran of Hitachi's IT division, will drive growth in its digital business and tackle the challenge of international expansion. Hitachi's strategic restructuring saw the sale of non-core assets for ¥3.3tn ($19.5bn), reinvesting in acquisitions like ABB's electricity grid business ($6.8bn) and GlobalLogic ($9.6bn).

As a "pick-and-shovel" player in AI and clean energy infrastructure, Hitachi is positioned to benefit from soaring demand for power grids and data centers. However, challenges remain, including cost overruns on complex projects and proving its data-centric model outside Japan. Analysts highlight the vast opportunity to apply AI in industrial domains where global tech giants lack expertise.

With a robust balance sheet and growth prospects in healthcare and energy efficiency, Hitachi's ability to scale globally under its new leadership will determine if it can sustain its momentum and investor confidence.
Hitachi's success in streamlining its business and becoming more global does provide significant backing to our claim that Japan inc is changing albeit subtly and slowly to offer a better focus on shareholders. It is not the only Japanese company making these tough decisions. Regardless of any nominal GDP or demographic arguments against investing in Japan, it is the company specifics that will drive the share price.

Dick's Sporting Goods (NYSE: DKS)

Dick's Sporting Goods is a leading U.S. omni-channel retailer specialising in sporting equipment, apparel, and footwear. Operating through physical stores, specialty formats like Golf Galaxy and Public Lands, and online platforms, the business has successfully navigated a challenging consumer environment.

Over the past three years, the stock has delivered +120% returns, outperforming most retail peers despite widespread pressure on discretionary spending. UBS analysts recently upgraded DKS to a Buy, forecasting 8%+ annual earnings growth over the next five years, a notable acceleration from the 5% pre-pandemic average. Key to this improvement has been structural enhancements, including inventory turns now at 2.5x, driving better margins, free cash flow, and returns on equity.

The broader backdrop also provides tailwinds. Increased focus on physical fitness, potentially bolstered by public figures like Robert Kennedy Jr., aligns well with Dick's product offering as Americans re-engage with active lifestyles. The company's specialty stores, such as House of Sport, deliver an experiential retail environment that encourages higher spending and customer loyalty.

At a 16x forward earnings multiple and a 1.97% dividend yield, Dick's offers a compelling mix of growth and income. With a clear path to sustainable profit growth and operational efficiency, the market appears to be underestimating the long-term upside.

F5, Inc. (NASDAQ: FFIV)

F5 is a global provider of application security and delivery solutions, helping enterprises secure, deploy, and optimise applications across multi-cloud environments. The business has successfully transformed into a software-focused company, with Q4 revenue up 5.6% year-on-year to $747 million, driven by a 19% jump in software sales. Global services revenue rose 2%, while systems revenue fell 3%. Adjusted operating margins expanded 50bps to 34.4%, resulting in adjusted earnings growth of 5% to $3.67 per share, beating consensus estimates.

Looking ahead, F5 guided for 4%-5% revenue growth and 5%-7% adjusted earnings growth in fiscal 2025, supported by continued software momentum. Management also announced an additional $1 billion share repurchase program, signaling confidence in long-term performance.

F5's differentiated platform secures applications and APIs regardless of deployment environment, offering unmatched flexibility as enterprises increasingly adopt hybrid cloud models. While peers compete within niches, F5's breadth of capabilities has made its solutions a core necessity for large organisations.

FFIV stock has outperformed broader markets, up 35% year-to-date, compared to 22% for the S&P 500. Trading at 17x forward earnings, near its three-year average, the market appears to recognise F5's improving fundamentals but may underestimate its longer-term software growth potential.

With consistent performance, improving margins, and shareholder-friendly capital returns, F5 is positioned for sustainable growth in the evolving cloud security landscape.

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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

Investment Structure:	Unlisted Unit Trust
Minimum investment:	A$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Investable Universe
Country/Sector limit:	+/- 10% relative to Investable Universe
Target number of holdings:	80-110
Portfolio turnover:	Typically < 25% p.a.
Investable universe:	MSCI World Net Total Return Index
Cash level (typical):	0-100% (0-10%)
APIR code:	CTS5590AU

NAV

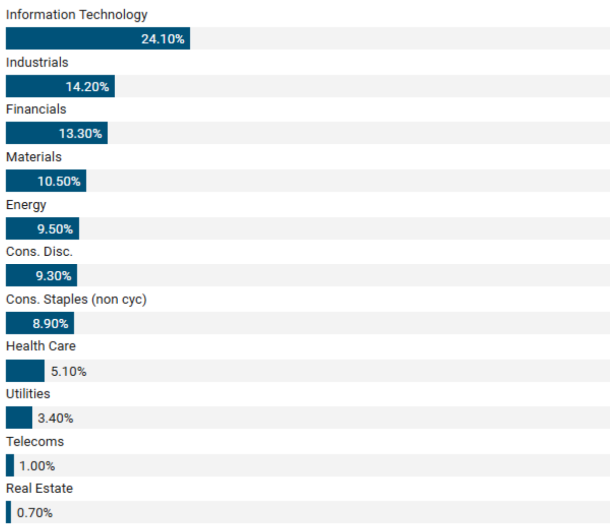
	Buy Price	Mid Price	Redemption Price
AU$	$1.5351	$1.5313	$1.5275

Selection of 5 Holdings

Stock	Country
Hitachi	JP
Schlumberger	USA
Corning	USA
Cummins	USA
Ebara	JP

Portfolio Profile

Equities	98.60%
Cash	1.40%



Portfolio Performance

Inception: 15/07/2011	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	4.66%	28.15%	11.15%	11.23%	13.96%	474.51%
MSCI World	5.16%	30.10%	11.90%	13.27%	14.55%	515.83%
Cash	0.36%	4.35%	3.05%	1.91%	2.16%	33.08%

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 Word 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.