

# Global High Conviction Unit Class

## TAMIM Fund

At 31 March 2025



The TAMIM Global High Conviction unit class was down -1.69% for the month of March 2025. The strategy has generated a return of +10.04% over the past 12 months which is below the five year annualised return of 13.59%.

### **Sell the Rumour, Buy the News?!**

Yes, we know we've got that backwards. Or have we? Things have changed almost 180 degrees compared with the last 20, 30 years. So maybe 'sell the rumour buy the news', is the right way round and we should be investing post the Trump Tariff schemozzle and not running away, BUT what to buy? Probably not momentum style or just the narrow set of stocks that have driven the US market ever upwards to become both historically expensive and very narrowly based.

In other words, momentum, concept stocks, infinite growth rate projections, cost reduction through outsourcing of capital and insourcing of labour, and "dividends don't matter", is 'game over'? The focus of this USA administration is on Main Street and not Wall Street so why fight these Feds and this policy? If this policy of re-industrialisation is successful then look to other stocks to pick up the running.

As a gratuitous aside, please note that any remaining ESG proponent should be indifferent to this carnage of the equity markets. A 2024 Pew Research Center report pointed out that a booming Wall Street boosts advantaged groups disproportionately. About time Main Street got a boost?

Risk appetite actually started to deteriorate at the end of February and March saw a correction across Global Equity Markets, focussed on the US, which is where almost 70% of the Global market capitalisation based index weight resides. That of course was the problem, and we tried to point that out in February's commentary, Equity market volatility has been very subdued at below c.15% and, more importantly for active managers, cross sectional volatility has been subdued too. This has manifested itself in the extraordinary returns to the momentum risk factor. However, if a few large companies' share prices rise and rise, then their correlations do too, and the diversification offered to investors falls. We pointed out that \$ billions was being invested globally on a single company's eco-system, representing or chewing up over 10% of a passive strategy risk budget. That's more like gambling. You can avoid this by diversification.

A lot of market mechanics are being mis-diagnosed as economics. We don't really yet know what the tariffs will do to long term price trends nor supply chains, nor hiring intentions, nor capital investment intentions. We do know that the typical killers of bull markets (inflation, regulation, taxation) are not (yet?) unified as a threat. In fact, the intention appears to be to reduce all three. Even tariffs, which we think are an invitation to talk bi-lateral trade deals, may find their way to cause increased capital investment? A favourite report of ours, the American Society of Civil Engineers' quadrennial, on the state of USA Infrastructure, was released in late March. If that doesn't present an opportunity for investors and productivity growth through the revival of capital investment into the USA, then we

might as well all become Social Media Influencers instead?

<https://infrastructurereportcard.org/>

Market favourites Meta and Nvidia were both off double digit in March, while Tesla was at one point down by over 25%. Mag 7 investors (all passive index funds essentially) are blaming Trump and Tariffs for the end to their winning streak. Overall, the Magnificent 7 are down around 14% ytd and a lot of bull market investors are looking for a reason why. "Tariffs are a tax and inflationary too" is the cry but even if companies don't cut prices for consumers and demand patterns don't shift then one-off increase in prices will be the same as a consumption tax increase - temporary or transitory.

This is NOT money supply excesses or printing. The real inflation problem we had recently came from the money printing during Covid - something that has since subsided; (although the EU is threatening to turn on the printers again, this time based around an alarmingly ill thought-out rearmament/industrial policy plan). There are however only limited implications for US interest rates. Note how the Fed has also slowed its pace of balance sheet shrinkage, so while rates may not be coming down, the pace of tightening via deposit shrinkage has slackened. Monetary policy is stable and not inflationary. Meanwhile producers such as BMW acknowledge that they would find increased tariffs very hard to pass on in a competitive market. Some companies may even cut prices to gain market share? We do not know yet.

Tariffs may thus be worse for corporate profit margins than for US consumers - Main Street winning over Wall Street, as long as lay-offs don't now ensue? We do not know what CEOs plan to do yet.

Of course, if the response from the Globalist 'leaders' in the RoW and the EU is to put additional tariffs on finished goods from the US, or on goods where there is no alternative supply, then they do risk their own version of 'cost push' rather than 'demand pull' inflation. Coming against a background of other imposed and increasing costs - employment taxes and green tariffs - this is deflationary for end demand (or worse stagflationary) rather than inflationary and so would be a problem. The apocalyptic troika of regulation, inflation, and taxation are much closer to hand in Europe than the US. Actually, as we go to press, we note German politicians are beginning to think and vocalise that they need Russian gas taps turned on again! In the US, Trump is cutting other sources of cost push, notably government regulation and green tariffs.

Pondering further a structural shift in markets and mind sets, China, and some other economies, have grown rapidly, but their stock markets did less well, leading to a false conclusion that one should lead to the other. Perhaps now time for the USA economy to do better but for the market to acknowledge lower returns on capital, fewer buy-backs, and more cash diverted to capital investment? In acknowledging that the US needs to compete, especially with China, Team Trump is shifting the policy priorities and while that may be good for some, on balance it is unlikely to perpetuate the high ratings for the equity market winners under the prior system now being changed.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 March 2025

By contrast, we see that China is now looking to develop a more efficient set of capital markets for both long term savings and investment. Just as the US took over from Japan as the world's largest stock market in the early 1990s, so we see it entirely possible that Asia, and China in particular, can take over the next phase in capital markets, especially if the US \$ begins to weaken (deliberately or otherwise), and the likelihood they get their act together and create an Asian trading bloc (or Co-Prosperity Sphere?!)

The flip side is that perhaps, the US responds to the current situation by becoming more like Asia. A better economy for all but a stock market less stellar?

That's quite enough conjecture for one month!

As ever, be diversified by stocks, by asset class and by styles or factors. Timing exposures to these is hard and often painful to wealth.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 March 2025

### Portfolio Highlights:

#### Tokyo Gas Co., Ltd. (TSE:9531)

Tokyo Gas has been a longstanding position within the trust, exemplifying our approach of investing in high-quality, undervalued companies that sit outside the typical focus of short-term, momentum-driven investors. The company is a market leader in Japan's energy sector, with a diversified and resilient business model spanning natural gas supply, LNG infrastructure, power generation, and energy services.



The recent news flow surrounding Tokyo Gas provides a clear catalyst for a stock that has long been trading at attractive valuations. The company announced the strategic acquisition of US shale gas assets from Chevron, investing \$525 million (¥80 billion) for a 70% stake in East Texas gas fields. This acquisition, following the 2023 purchase of Rockcliff Energy, significantly enhances Tokyo Gas's ability to expand its US energy operations while leveraging operational synergies. The company expects annual production to reach 1.5 million tons of LNG equivalent by 2030, positioning it for both domestic supply and potential LNG export.

Tokyo Gas has also been actively repositioning its portfolio, selling non-core assets and reinvesting in higher-margin, strategically important businesses. Its shale gas operating profit is forecast to grow from an average of ¥13.5 billion per year (2020–2024) to ¥70 billion per year between 2025–2030. Management's clear focus on capital efficiency and return on invested capital aligns with our long-term investment philosophy.

Despite these tailwinds, the stock trades on a forward P/E of 16.8x and a price-to-book of 1.1x, metrics that undervalue the strength of its balance sheet, the growth profile of its US energy business, and its positioning within Asia's evolving energy landscape. The company maintains a strong AA- credit rating and is generating improving free cash flow, enabling both shareholder returns and strategic reinvestment.

Tokyo Gas reflects our global equity expertise and willingness to invest early in companies where the market has yet to fully price in their strategic evolution. With activist investors now circling the stock and heightened corporate activity, we believe Tokyo Gas is well-placed to deliver long-term, diversified returns for client portfolios.

#### Kao Corporation (TSE:4452)

Kao Corporation is a recent addition to the trust, reinforcing our approach of identifying long-term opportunities in out-of-favour sectors. In a market often obsessed with short-term sentiment and momentum-driven investing, Kao represents a classic example of a business with sound fundamentals, operating in an essential, defensive sector, and positioned to benefit from structural growth drivers over time.



Founded in 1887, Kao is one of Japan's leading consumer staples companies, producing household products, personal care, cosmetics, and industrial chemicals. Its brands span a wide range of categories from laundry detergents and skincare to salon haircare and healthcare products. The company's diversified revenue streams and strong market share across Japan and Asia provide a defensive buffer amid global macro uncertainty.

Kao reported a solid performance for FY2024, with revenue growing to ¥1.63 trillion, supported by broad-based improvements across its hygiene, beauty, and chemical segments. Importantly, net income more than doubled year-on-year to ¥108 billion, reflecting improved margins and cost control. Return on equity climbed to 10.5%, its highest in several years, driven by a combination of operating leverage and prudent capital allocation.

The company maintains a net cash position of ¥112 billion, providing both balance sheet strength and the capacity to fund further growth initiatives or return capital to shareholders. In addition, Kao announced a dividend increase, reinforcing its commitment to shareholder returns amid improving profitability.

Currently trading at a forward P/E of 25.1 and offering a 2.4% dividend yield, Kao remains undervalued relative to its brand strength, balance sheet, and positioning in essential consumer categories.

As part of the trust, Kao exemplifies our ability to identify quality businesses in overlooked sectors, leveraging our global equity knowledge and disciplined investment process. By avoiding the pitfalls of momentum investing and focusing on companies with resilient cash flows, sound balance sheets, and strategic market positioning, we build diversified portfolios designed to deliver long-term value for clients. Projected to grow 14.3% in FY2025, reinforcing the company's ability to generate sustainable shareholder value.



# Global High Conviction Unit Class TAMIM Fund

At 31 March 2025

## 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>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>Cash level (typical):</b>	0-100% (0-10%)
<b>APIR code:</b>	CTS5590AU

## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.5571	\$1.5532	\$1.5493

## 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)
<b>Global High Conviction</b>	-1.69%	10.04%	13.84%	13.59%	13.76%	482.74%
<b>Cash</b>	0.36%	4.35%	3.53%	2.16%	2.22%	34.98%

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. Returns shown for longer than 1 year (other than Inception) are annualised. All returns shown are AUD denominated.

## Selection of 5 Holdings

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

## Portfolio Profile

<b>Equities</b>	97.60%
<b>Cash</b>	2.40%

