

# Global High Conviction Unit Class

## TAMIM Fund

At 31 May 2026



The TAMIM Global High Conviction unit class was up +3.49% for the month of May 2026. The strategy has generated a return of +27.76% over the past 12 months and +21.66% p.a. over the past 3 years.

### Haven't you sold and gone away?!

May was another strong month for equities apart from those sensitive to interest rates which rose particularly at the long end of the curve. The global indices rose over 4% in A\$ terms but the infrastructure complex (adversely affected by interest rates) fell almost 3%.

Notable price moves in global equity holdings were seen in Japanese companies NGK +35%, Hirose +29%, Stanley Electric +17%, Orix +16%, Amada +15%, T&D +11%. In the USA we enjoyed returns of 60% in Qualcomm.

This can't and won't continue. We sold at month end and into early June some long held I.T. companies such as Teradyne, Hirose, Akamai, and significantly reduced Qualcomm and Arrow Electronics. We signalled at the end of last year we would be looking to take the Momentum price exposure risk out of the portfolio as much as possible and this last switching and selling has probably achieved that.

Euphoria surrounding A.I. and its required capital expenditures, and SpaceX and Anthropic IPOs at these levels, is irrational. Growth requires capital investment and the capital has to come from somewhere. We have pointed out that the trilogy of strong employment, executive share option support programmes (aka buy-backs) and a significant increase in capital expenditures or drain on market liquidity, cannot all be met at the same time. One or more, of these must give. We guessed that executive option plans (buy backs) would take precedence over headcount and thus we expected lay-offs - tick:- see Meta, Atlassian, Oracle, Amazon amongst others.

We now must gauge whether the market can accept the increase in capital expenditures promised by technology companies, and discounted in P/E ratings, or will balk and question the likely return on capital if the companies remain committed and keep spending. If the latter, then any reduction in capital expenditures will be felt not just in the I.T./A.I. sectors but in other sectors too. Currently we anticipate that commitments will continue and thus favour, as we have for a while, the picks and shovels providers of the frenzy. This is because regardless of final power demand, the truth is that power generation, transmission, and storage, will require higher investment even if the promised A.I. data centre spend fails to live up to the highest expectations. The "Tech Bros" psychology, testosterone, and experiences in the 'internet bubble' where they probably watched as juniors while their bosses gave up too early in the fight for the internet dollars and left it all to Meta, Google et al, mean they won't make the same mistake twice. This one will be a different mistake. As we write this, we learn that the index agencies probably won't give full weight to SpaceX, Anthropic, such that the passive index source of capital will not be available. Given that no one wants to be out-invested, the forthcoming capital calls may well be a surprise to a market addicted to buy backs, the exact opposite?

### SpaceX and the Equity Issuance Signal

Enter **SpaceX, which filed to list on Nasdaq on 12 June at a fixed price of \$135 per share**, implying a valuation of approximately \$1.77 trillion. Let's add some context: the company generated \$18.7 billion in revenue in 2025, making the implied price-to-sales ratio somewhere above 90 times. Losses have ballooned - from a \$791 million profit in 2024, the company turned to a \$4.9 billion loss last year, largely because 76% of its capital expenditure (roughly \$40 billion per annum) is now directed toward AI infrastructure rather than rockets. SpaceX is raising \$75 billion. The valuation has more than doubled since December.

### The fixed pricing structure is itself intriguing and worth examining.

Traditional book-building allows price discovery; the market tells the company what it is worth. A fixed price does not. On the contrary, it tells the market what the company has decided it is worth and invites the public to agree. If the equity market deteriorates, a fixed-price deal carries more risk than its advocates typically acknowledge. There is no downward safety valve for adjustment.

More broadly, SpaceX is part of a pattern of IPOs. Anthropic has filed confidentially for a Q4 IPO at a valuation reportedly approaching \$965 billion, having doubled its valuation in roughly two months. OpenAI recently raised \$122 billion at a valuation of \$852 billion. Combined, the three mega listings could require the market to absorb approximately \$200 billion of new equity - a figure that exceeds the combined US IPO proceeds from all listings above \$50 million between 2022 and the first quarter of this year. When the most valuable companies in the world are raising capital at this pace through equity issuance, it is reasonable to wonder about the founders' assessment of their own valuations. They are, in aggregate, selling, and the market is buying. History suggests this asymmetry rarely ends well for the side with less information.

### From our March ramblings

*"A.I. companies continue to insist they will spend the money required and this will have implications for share buyback programmes which have supported share prices. Be wary of high levels of capital investment combined with continued share buybacks because good balance sheets will quickly become levered. Be also wary of the off-balance sheet financing of these committed investment programmes, and believing lazy analysis which will look at cash flow and say "no problem", while failing to account for the real cash cost of share option programmes. Meta anyone?"*

### And from April

*"Our central case remains that a structural dash for energy and material security and a re-industrialisation will drive a re-appraisal of the very stocks which have been out of favour for many years. Add in the balance sheet constraints (and increasingly obvious creative accounting?) of the tech darlings such as Meta and Oracle and the 'maximum pain to the maximum number of investors' role of the market will have been again realised. We have pointed out that with \$1 trillion of buybacks supporting share prices, particularly of the heavily favoured stocks, but now a promised surge in capital investment, that the "free" cashflow of many of these largest companies will become er ...'constrained'. If buybacks cease, then share market support is removed. If capital investment fails to meet*

# Global High Conviction Unit Class

## TAMIM Fund

At 31 May 2026

*promises, then analysts will question the growth rate and there will be downstream implications for the A.I. ecosystem. No surprise then that head count is being rapidly and massively reduced in many companies? Way back we did use headcount changes in a quantitative model as indicative of management confidence in their companies' prospects. Time to revisit?"*

Finally, just because the index moves downwards or sideways doesn't mean you can't make a decent return. The concentration of the index in the largest stocks means that any serious fall in these stocks will be reflected in the index due to their weighting, but not necessarily in all stocks. It remains our central case that the best hedge for your hard earned against rapacious, fiscally incontinent, governments is to hold dividend paying equities with sensible multiples, with sensible management, operating in essential areas of the economy.

# Global High Conviction Unit Class

## TAMIM Fund

At 31 May 2026

### Portfolio Highlights:

#### SATS Limited (SGX: S58)

SATS sits at the unfashionable intersection of aviation ground handling, air cargo, inflight catering, and a growing range of institutional food and hospitality services. The business operates across Singapore, the wider Asia Pacific, the Americas, Europe, the Middle East and Africa, with the headline asset being its dominant position at Changi, the world's most consistently well run major aviation hub.

The FY26 results, released on 25 May, were materially better than the consensus expected. Revenue reached a record S\$6.35 billion, up 9 per cent on the prior year. Net profit rose 17 per cent to S\$285.2 million. Gross debt to EBITDA improved from 3.7 times to 3.3 times. And the final dividend was lifted to 5.0 cents per share, taking the full year payout to 7.0 cents, an increase of roughly 40 per cent on the prior year.

It is worth dwelling on that dividend move for a moment. In Singapore, a 40 per cent lift in distributions is not a casual decision. It is a signal from a board that has reviewed the balance sheet, the operating outlook, and the capital plan, and concluded that the business is generating more than enough cash to fund growth and return more to shareholders. Singapore companies do not lift dividends to flatter the share price. They lift them because the numbers comfortably support it. Watch the dividend in any Temasek influenced business and you will usually learn more than from the management commentary.

The Middle East situation has been a complicating factor. Flight cancellations, rerouted cargo, higher fuel costs, and disrupted supply chains all weighed on the fourth quarter. The good news is that SATS's global network has actually benefited from some of the disruption. Cargo flows rerouted away from disrupted Middle Eastern hubs have been picked up by SATS's facilities in Singapore, North America and Europe. Changi, in particular, has become structurally more important as a transit point for both passenger and freight traffic around the affected region. A world in which Hormuz remains contested is a world in which Singapore matters more, not less.

The growth pipeline is also more diversified than the inflight catering legacy might suggest. The Aviapartner cargo acquisition is contributing meaningfully. The expansion into non aviation food services for institutions, hospitality and the defence sector is gathering pace, including the recently demonstrated logistics capability for Exercise Wallaby. The pivot from a Singapore centric airline caterer to a global aviation services and food solutions group is now well advanced, and the financial results are starting to reflect it.

On valuation, SATS trades at around 21 times current year earnings and 18 times next year, with the multiple compressing as the deleveraging benefits flow through. EV/EBITDA at around 7.5 times is undemanding for a business with this kind of structural position. The dividend yield is modest at 1.8 per cent but the rate of growth is what matters. We see a quality compounder with a global infrastructure backbone, structural tailwinds from supply chain reshoring and aviation recovery, and a balance sheet that has just been visibly strengthened by management with capital discipline. The kind of business it is hard to build, easy to underestimate, and difficult to replicate.

#### Encompass Health Corporation (NYSE: EHC)

Encompass Health operates the largest network of inpatient rehabilitation hospitals in the United States and Puerto Rico, providing specialised post acute care for patients recovering from major injury or illness. Stroke. Spinal cord injury. Hip replacement. Cardiac surgery. The kinds of clinical pathways where intensive rehabilitation makes a measurable difference to long term outcomes, and where the alternative to specialist inpatient care is poorer recovery, longer hospital stays, and higher overall costs to the health system.

The investment case is built on three structural drivers that are unlikely to reverse. American demographics, with the over 65 population continuing to grow at roughly double the rate of the total population. The continued shift toward post acute specialisation, as health systems realise that acute care hospitals are an expensive place to convalesce. And the genuine scarcity of high quality inpatient rehabilitation capacity in many US markets, which keeps occupancy rates high and gives Encompass meaningful pricing leverage with both Medicare and private insurance.

The recent share price weakness has been driven by two specific concerns. The first is reported pressure from large health insurance companies pushing for more aggressive pricing rebates on post acute services. The second is the broader uncertainty around Medicare policy under the current administration, with Robert Kennedy Jr's department signalling potential changes to several elements of the program. Both of these concerns are real. Neither, in our



# Global High Conviction Unit Class

## TAMIM Fund

At 31 May 2026

view, breaks the long term thesis.

The reason is that Encompass operates in a structurally undersupplied part of the US healthcare system. The company is currently expanding capacity, with seven new hospitals planned. Occupancy rates are high. Margins are healthy. EBITDA margins reached 23.3 per cent in FY25 and are expected to remain above 21 per cent through the cycle. EBIT margins are running close to 18 per cent. And critically, the company has been raising guidance through 2026, not lowering it. EBITDA and EPS forecasts have moved up, even as the share price has moved down. That is the kind of dislocation that creates opportunities for investors willing to look past the immediate news flow.

Valuation has compressed accordingly. Encompass trades at roughly 17 times current year earnings and around 16 times next year, with a price to sales ratio of just 1.6 times. For a healthcare services business with double digit revenue growth, expanding margins, raising guidance, and a clear path to capacity expansion, this is not a demanding multiple. The 12 month analyst price target average sits at \$140.50 against a current share price around \$103. The dividend yield is modest at 0.74 per cent but the company has a long record of capital return through buybacks and selective dividend increases.

We do not pretend that the Medicare risk is zero. Policy changes are genuinely difficult to forecast, and the rebate pressure from insurers is a real margin headwind. But the business is structurally well positioned, the management team has navigated multiple Medicare cycles, the balance sheet is reasonable, and the demographic backdrop is undeniable. At a time when the technology sector demands ever more aggressive growth forecasts to justify multiples that already assume miracles, owning a healthcare business with raising guidance at 17 times earnings looks rather sensible by comparison. We particularly like the contrast with the so called Magnificent Seven, where we now have virtually no exposure on valuation grounds. Encompass offers a different profile entirely: structural growth, dependable margins, a real asset base, and a multiple that allows for ordinary disappointments without permanent capital loss.

### **Aena S.M.E., S.A. (BME: AENA)**

Aena is the world's largest airport operator by passenger volume. It operates 46 airports and two heliports across Spain, holds majority stakes in 17 airports in Brazil, owns Luton Airport in the United Kingdom, and has additional interests in Mexico and Colombia. The Spanish government, through ENAIRE, retains a 51 per cent stake. The remaining shareholder base is dominated by global institutional investors including BlackRock, Veritas Asset Management, and Goldman Sachs.

The simple version of the investment case is that Aena is a near monopoly on Spanish air travel, a country that has positioned itself as the dominant European tourism destination over the past decade. Spain received over 90 million international visitors in 2024 and the numbers have continued to climb. Madrid Barajas, Barcelona El Prat, the Canary Islands airports, and the Balearics network all sit inside Aena's portfolio. The business has the pricing power that comes with monopoly position, the long term concession structure that provides revenue visibility, and the operating leverage that comes with high fixed cost infrastructure.

The financials reflect the quality of the asset base. Revenue grew 20.4 per cent in 2023, 14.6 per cent in 2024, and 8.8 per cent in 2025, reaching €6.3 billion. EBITDA margins are now running above 58 per cent and are expected to expand further to roughly 60 per cent over the forecast period. Net income margins approach 35 per cent. The business is fundamentally a real estate operation with airline ground rents, retail concessions, and parking fees as the underlying revenue streams. Anyone who has paid for parking at Madrid or Barcelona will recognise the pricing power instinctively.

Critically, Aena is not a Middle East victim. Its passenger base is dominated by intra European travel, North American visitors to Spain, and Latin American flows through Madrid. The Strait of Hormuz situation is not material to the underlying business. If anything, the geopolitical disruption to Middle Eastern hubs has made Madrid a more important transit point for certain South American to European flows, which is helpful at the margin.

The balance sheet is also notable. Net debt to EBITDA sits at around one times, materially below the European listed airport peer group where two to three times is closer to the norm. This is the operating discipline that comes with majority Spanish government ownership and a board that values cash flow generation over financial engineering. It also gives the business meaningful capacity to fund growth, return capital, or absorb shocks without distress.

On valuation, Aena trades at roughly 16 times current year earnings and around 10 times EV/EBITDA. The dividend yield is 4.4 per cent, paid out of genuinely high quality cash flows. This is not a screaming bargain, but it is a



# Global High Conviction Unit Class

## TAMIM Fund

At 31 May 2026

reasonable price for a global infrastructure asset with a near monopoly position, structural tourism tailwinds, conservative leverage and double digit free cash flow yields once you adjust for maintenance capex. Compare that with what you pay for any number of US listed AI infrastructure proxies and the relative attractiveness becomes clear.

A note on Luton. Owning Luton Airport is the sort of thing that prompts wry comment from anyone who has actually been through it. The terminal is small. The infrastructure is older than ideal. The reputation is, to put it mildly, not in the same conversation as Heathrow or Madrid. But Luton sits in a structurally short London airport capacity environment, has continued to grow passenger volumes, and is an opportunity for capacity investment that the British government has been notably reluctant to grant to the larger airports. The fact that Aena bought it cheaply and is improving it incrementally is probably a better outcome than the alternative of leaving it to drift. Investors who can put aside their personal experience of arriving at gate 24 at 2 a.m. on a delayed Ryanair flight may find themselves rewarded.

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## TAMIM Fund

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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

<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>	\$1.9368	\$1.9319	\$1.9271

### 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>	3.49%	27.76%	21.66%	14.42%	14.64%	659.29%
<b>Cash</b>	0.36%	3.81%	4.12%	3.02%	2.35%	41.07%

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
Canon	JP
Schlumberger	USA
Corning	USA
Cummins	USA
Ebara	JP

### Portfolio Profile

<b>Equities</b>	98.20%
<b>Cash</b>	1.80%

