

# Asia Small Companies Unit Class TAMIM Fund



At 31 August 2021



The past month has seen a 10% increase in the official number of Covid-19 cases globally, another acceleration from the 8% growth rate recorded in the month of July.

Asian equity markets for small to mid-sized stocks in August ended the month up 2.4% in USD terms and up 3.0% in AUD terms. This represents a significant recovery from the 3% decline that occurred in the first half of August. In the year to date the index has increased by 9.0% in USD terms and 15.1% in AUD terms which reflects the recent trend of weakness in the Australian currency.

## China

The market in China bounced back from the double figure percentage decline recorded in July with a 3.5% gain in August. As expected, China has fallen well behind the level of purchases required in the Phase One trade deal struck with the previous United States administration. Chinese authorities indicated that “normal communication” is taking place between the two governments without the confrontation that was typical with President Trump. There was little response from Beijing to various speeches by Vice President Kamala Harris as she toured SE Asia for seven days. Speaking in Hanoi, Vice President Harris indicated a need to increase pressure on Beijing regarding disputed maritime claims in the region. White House commentary surrounding the Vice President’s trip indicated that the intention was to counter China’s influence while not forcing nations to take sides between the United States and China. It was also notable that a senior Pentagon official held talks with the Chinese military for the first time under the Biden administration with a focus on managing risks between the two countries. Both sides agreed on the importance of maintaining open channels of communication between the two militaries.

## Japan

In Japan, Prime Minister Suga is facing a challenge to his leadership ahead of the general election that is due by November. Mr Suga has been under pressure from weak poll results for some time and many within his party fear a potential loss of their majority in parliament in the upcoming election if he remains as Prime Minister. The Liberal Democratic Party (LDP) is set for their leadership vote on 29th September. Mr Suga became Prime Minister in September 2020 following the retirement of Shinzo Abe. Mr Suga’s approval rating has slumped as a result of the public perception of his handling of the COVID-19 pandemic. Despite this political uncertainty associated with leadership of the LDP, the equity market is performing well, rising 2% in the month of August and 18% in the year to date.

## South Korea

The equity market in South Korea recorded a flat month in August and a gain of 37% over a year, with continuing positive economic news released in recent weeks. Exports increased

by 34.9% in the year to August, an acceleration from the 29.6% annual rate recorded in the previous month. Growth in exports is being driven by strong demand for semiconductors and petrochemicals, up 43% and 81% respectively. By region, demand for South Korean exports from Europe increased by 41% and the United States by 38%, both ahead of China at 26% growth. Strength in the economy resulted in an increase in official interest rates by 0.25% to 0.75%, the first increase we have seen for three years.

## Taiwan

Taiwan also recorded a flat month for their equity market in August and a growth of 49% year on year. August is a popular month for share prices to go ex-dividend, with dividends in Taiwan typically paid on an annual basis. We have seen some strong growth in dividend payments driven by excellent financial performance. The equity market has managed to largely ignore the ongoing political tensions with Beijing. China held large scale military exercises while Taiwan’s parliament voted to increase defence spending and their defence minister reported on the military threat posed by China especially their capacity to launch missile strikes against key economic and military infrastructure.

## Portfolio

We started building positions in two companies in Japan during August, MEC Company and JCU Corporation, both in the materials sector. MEC Company manufactures various chemicals used in printed circuit boards, their earnings are on a rapid growth path expected to increase by 65% in the current year, the balance sheet is free of debt, return on equity is 13% and only three analysts provide coverage of the stock. JCU Corporation provides surface treatment agents and equipment in the automotive and electronics industries, they also have a new business segment that uses plasma technology in the etching and cleaning of printed circuit boards. JCU Corporation is expected to achieve 20% growth in earnings in the current year, their balance sheet is free of debt and return on equity is 18%. Just two analysts are providing coverage of JCU Corporation.



We increased our portfolio holdings from 74 to 76 companies during August and remain close to fully invested. Long-term returns will be generated by the ability of our companies to deliver growing profits and dividends.

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

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At 31 August 2021

## Fund Overview

The TAMIM Fund Asia Small Companies unit class seeks to achieve a high real rate of return over the long-term within defined risk parameters acceptable to the Investment Manager through a diversified portfolio of Asian small and mid-cap shares.

## Key Facts

<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Processed monthly
<b>Redemptions:</b>	Monthly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Annually
<b>Management fee:</b>	1.00% p.a.
<b>Expense recovery fee:</b>	Up to 0.35%
<b>Performance fee:</b>	20% of performance in excess of hurdle
<b>Hurdle:</b>	MSCI AC Asia Small & Mid Cap Index
<b>Buy/Sell Spread:</b>	+0.30%/-0.30%
<b>Exit fee:</b>	Nil
<b>Single security limit:</b>	+/- 5% relative to Benchmark
<b>Country/Sector limit:</b>	+/- 10% relative to Benchmark
<b>Target number of holdings:</b>	60-80
<b>Portfolio turnover:</b>	< 30-40% p.a.
<b>Investable universe:</b>	MSCI AC Asia Small & Mid Cap (US\$ 500m - 10bn)
<b>Cash level (typical):</b>	0-100% (0-5%)
<b>APIR Code:</b>	CTS7571AU

## Returns

	1m	3m	6m	1y	2y (p.a.)	Since inception p.a.
<b>TAMIM Asia Small Comp.</b>	1.73%	6.80%	13.05%	23.90%	12.62%	6.51%
<b>MSCI AC Asia SMID</b>	2.95%	7.22%	11.98%	26.80%	12.80%	7.61%

Note: Returns are quoted net of fees and assume distributions are reinvested. Past performance is no guarantee of future performance. MSCI AC Asia SMID refers to the MSCI AC Asia Small & Mid Cap Index in AUD. Inception 1 October 2018.

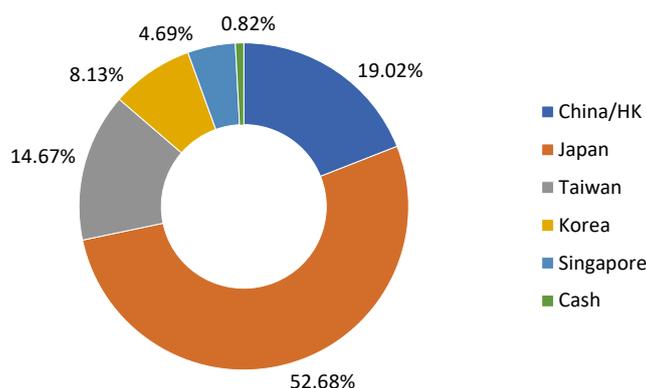
## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$9.5482	\$9.5197	\$9.4911

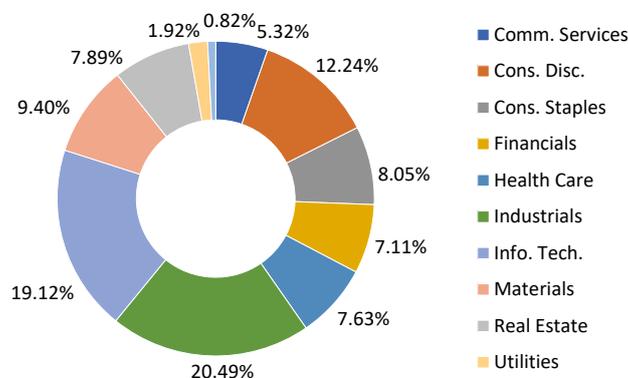
## Portfolio Profile

<b>Equity</b>	99.18%
<b>Cash</b>	0.82%

### Regional Allocation



### Sector Allocation



## Selection of 5 Holdings

Stock	Code	Country
Open House Co. Ltd.	3288.T	Japan
Sheng Siong Group Ltd	OV8.SI	Singapore
Novatek Microelectronics Corp	3034.TWO	Taiwan
China Lesso Group Holdings Ltd.	2128.HK	China/HK
SFA Engineering Corp.	056190.KS	South Korea

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