Asia Small Companies Unit Class
TAMIM Fund

At 31 August 2020

The past month has seen a 47% increase in the official number of Covid-19 cases globally, a deceleration from the 69% and 65% monthly growth rates recorded in June and July, respectively. Asian equity markets for small to mid-sized stocks were strong in August ending the month up 6.4% in USD terms. The continued recovery in Asia markets was again offset by strength in the Australian currency which resulted in a 3.8% increase for the regional equity index in Australian dollar terms. During the year to date Asian small to mid-sized companies have fallen by 0.9% in US dollar terms and declined by 5.3% in Australian dollar terms.

There were four strong performing markets during August, India +9.1%, Hong Kong +8.8%, Japan +8.2% and South Korea +6.7%. The remaining markets in our investment universe made smaller gains, China +4.1%, Taiwan +1.7% and Singapore +1.2%. Over the past 12 months China and Taiwan remain by far the strongest performers with gains of 40.6% and 25.9% respectively while India has managed a very modest 3.6% return. Our overweight positions in China and Taiwan and zero exposure to India have hurt performance in the past month, however, we believe that longer term trends will favour our portfolio structure. The market in India reacted very negatively on the final day of August when second quarter GDP was reported as falling by 23.9%, the sharpest decline since the nation started reporting quarterly numbers in 1996. The median forecast estimate was for a decline of 18% and the Indian equity market fell by 4% on the day of the announcement. India's economic growth numbers will continue to create headlines, however, the structural problems associated with their banking sector remain our key reason for avoiding investment in that country.

The announcement in mid-August that Taiwan would purchase 66 F-16 fighter jets from Lockheed Martin was news that further raised tensions between the United States and China. This purchase is the first sale of advanced fighter jets to Taiwan since President George H.W. Bush approved a transaction for 150 F-16s in 1992. The latest generation of F-16s will be equipped with fire control radar made by Northrop Grumman that improves Taiwan's defensive capability against the military threat posed by China. Towards the end of August Taiwan's President Tsai Ing-wen warned of the increased potential for accidental conflict between China and Taiwan, she stressed the need for ongoing communication. Tsai stated that Taiwan's strengthening of defence capabilities was necessary to reduce the risk of "military adventurism". Tsai reiterated her commitment to peace and the desire for talks with China which have been rejected by Beijing. China has a deep mistrust of Tsai's party the DPP and is likely to wait for a reversion to KMT control of Taiwan before opening a more constructive dialogue. The equity markets in Taiwan and China have shown the ability to look beyond the political tension that has existed to varying degrees since 1949, so we don't view the current situation as having a prolonged impact on market performance in either location. We are retaining our positive view regarding China and Taiwan.

After weeks of speculation Japan's Prime Minister Shinzo Abe announced that he is stepping down for health reasons again, the same medical condition (ulcerative colitis) compelled him to end his first term in office, a one year stint in 2007. The Liberal Democratic Party have a firm hold on power, so the election of a new party leader and Prime Minister will not alter the domestic political landscape and we retain our positive view of the equity market in Japan. There was a surprise announcement by Warren Buffett's Berkshire Hathaway in late August revealing an investment in excess of $6 billion in five of Japan's trading houses. We expect this to be the first of a series of investments in Japan where there are many companies that meet the Berkshire Hathaway criteria for price to cash-flow and balance sheet strength. This could mark the start of sustained international buying of the equity market in Japan thanks to attractive valuations and the balance sheets.

During August we restructured our portfolio in South Korea, adding new positions in Daelim Industrial, DB Hitek, Kumho Petrochemical and S-1 Corporation, all of which have achieved high ratings in our analysis of value, momentum and quality. Daelim Industrial is a construction business that has net cash, a return on equity of 12% and trades on less than 5x earnings. DB Hitek is a semiconductor manufacturer that has net cash and a return on equity of 27%. Kumho Petrochemical is a manufacturer of synthetic rubber with a return on equity of 14% and a price to earnings ratio of 7x. S-1 Corporation is a company that supplies and services security systems, the business has net cash and a return on equity of 12%.

We will continue to invest in Asian small to mid-sized companies with strong value, momentum and quality attributes together with accounting, strategy and governance standards that meet our requirements. Long-term returns will be generated by the ability of our companies to deliver growing profits and dividends.

Stock Review

Xinyi Glass Holdings Limited (XYG) was founded in 1988, is headquartered in Hong Kong and listed on the main board of the Hong Kong Stock Exchange in 2005. As one of the world's leading integrated glass manufacturers, Xinyi Glass manufactures high-quality float glass, automobile glass and energy-saving architectural glass. XYG has a sales network covering 140 countries with nine manufacturing bases in China's most active economy zones: Pearl River Delta, Yangtze River Delta, Bohai Economic Rim, Chengdu-Chongqing Economic Zone and Beibu Gulf Economic Zone. XYG, with a

market capitalisation of over HK$ 36 billion and an annual revenue of over HK$ 16 billion, now has a total industrial area of over 6.89 million square metres and 12,912 employees.

Accounting, Strategy and Governance Comments

Accounting

The XYG accounts are audited by PricewaterhouseCoopers in Hong Kong and have been assessed as "true and fair" with respect to the requirements of the Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

The most recent audit made note of the carried over amount of trade receivables of HKD 1,451,494,000 and the provision of HKD 41,481,000. The auditor concluded that the "judgements made by management in respect of the provision for loss allowance assessment on trade receivables to be supportable by available evidence."

XYG has a relatively low tax rate, 15.4% in the most recent interim results. This tax rate is sustainable as a result of qualification as a high tech enterprise in China which has a long-term tax rate of 15%.

Strategy

By volume 77% of XYG's sales go to the property sector accounting for 49% of revenue, while 11% of volume and 28% of revenue is derived from the automotive sector. Demand from the property and automotive sectors are of great importance to the prospects for XYG, both sectors are recovering from the disruption caused by the Covid-19 pandemic.

The float glass industry has recovered from the Covid-19 lockdowns and prices have recovered to the 2019 levels helping to deplete high inventory levels. Given the limited supply situation, prices have scope to continue rising through the next two years. Capacity for float glass is expected to fall 1% in the current year and remain below the 2019 peak during 2021 and 2022. XYG has scope to increase capacity by 15% in 2021 and 7% in 2022 which will boost domestic market share from 10% to 12%. One of the keys to increasing domestic market share in China is XYG's first international manufacturing plant that will come on stream in early 2021 in Malacca, Malaysia. The Malacca plant will feed product into international markets allowing more of the domestic production in China to stay in the home market.

We expect industry margins will improve as the costs of energy (44% of costs) and raw materials (37% of costs) have fallen. The price of natural gas, one of the major energy sources for glass furnaces, has dropped by 5% in 2020. Meanwhile, soda ash is the most expensive raw material used in glass manufacturing and has fallen 25% in the current year. We expect the pricing of key raw materials and energy to remain weak to stable in the next year. XYG is taking stronger control of the supply of raw materials with a new silica sand mine due to come into production by the year end. This mine is a first for XYG and the company expects to improve the stability of supply, costs and quality of raw materials into their manufacturing process.

Governance

XYG operates in full compliance with the corporate governance code in Hong Kong and the requirements of Appendix 14 of the listing rules. The Board comprises 13 Directors of which 5 are independent non-executive Directors and a further 4 are non-executive Directors. All Directors serve a fixed term of three years. The company published an ESG Report in July 2020.

The CEO and Chairman have been active in buying shares in the market during 2020, buying 3.378m and 8.116m shares respectively after the release of interim and annual results. The company also bought back 6.22 million shares in January 2020.

XYG has maintained a dividend payout ratio at around 50% in the past two years, up from 26.5% five years ago. Looking forward, the company is likely to maintain the 50% payout ratio which provides a good balance between the investment requirements of the business and returns to shareholders.

Value, Momentum and Quality Comments

XYG scores extremely well on our measures of value, momentum and quality. XYG has a ranking in the top 1% of all companies in the region in our analysis. There are 20 industry analysts providing coverage of the company. Following an initial decline in forecasts in the early part of 2020, subsequent forecasts for profits and revenues have resumed a rising trend.

XYG trades on a forward price earnings ratio of less than 10x and a yield in excess of 5%.

Given our view of the strategy for XYG that will see rising production levels, higher selling prices and lower to stable production costs, we expect the trend for rising earnings forecasts to accelerate through the balance of 2020 and 2021.

Asia Small Companies Unit Class
TAMIM Fund

At 31 August 2020

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

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

Returns

	1m	3m	6m	1y	Since inception p.a.
TAMIM Asia Small Comp.	1.15%	0.26%	-1.72%	2.37%	-1.58%
MSCI AC Asia SMID	3.20%	-0.23%	-2.00%	0.35%	-1.23%

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.

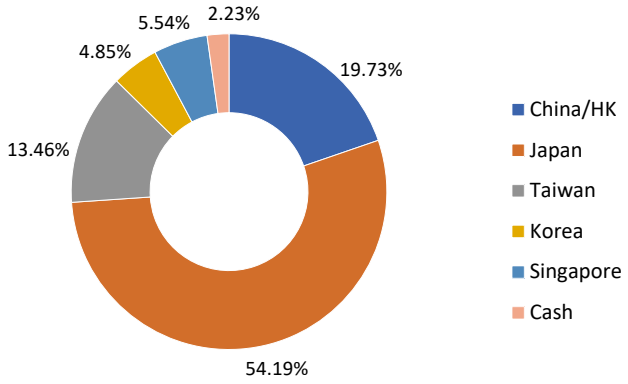
NAV

	Buy Price	Mid Price	Redemption Price
AU$	$7.7927	$7.7591	$7.7361

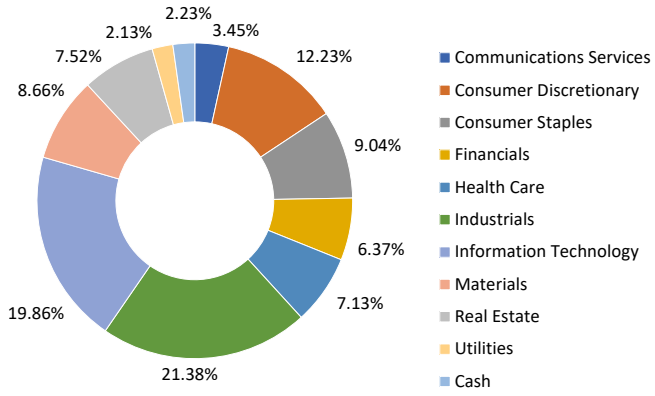
Portfolio Profile

Equity	97.77%
Cash	2.23%

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
Simplo Technology Co. Ltd	6121.TWO	Taiwan
China Lesso Group Holdings Ltd.	2128.HK	China/HK
SFA Engineering Corp.	056190.KS	South Korea