

Asia Small Companies Unit Class

TAMIM Fund



At 31 December 2020

The past month has seen a 30% increase in the official number of Covid-19 cases globally, a marked deceleration from the 37% growth rate recorded in the month of November. Asian equity markets for small to mid-sized stocks in December ended the month up by 5.0% in USD terms and flat in AUD terms due to strength of the Australian dollar. In the year as a whole the regional market for small to mid-sized companies increased by 14.0% and 3.5% in USD and AUD terms, respectively, with the strong Australian dollar again accounting for the difference in returns. The strength in regional markets in the past month in local and USD terms was largely derived from continuing strong sentiment associated with news regarding the development of various vaccines for Covid-19 and the economic recovery that is being observed across parts of the region.

Market Update

The recent trend of tension between China and Taiwan continued throughout December with US warships seen moving through the Taiwan Strait twice during the month. The US Navy described the movements as “routine Taiwan Strait transit in accordance with international law”. This was the thirteenth transit through the Taiwan Strait in 2020, typically a monthly activity except for December with the two events. Beijing responded with a strongly worded statement accusing the US Navy of provocation and a “show of force”. In her New Year speech, Taiwan’s President Tsai Ing-wen provided an offer of a change of tone for the relationship with Beijing by suggesting that Taiwan is ready to hold meaningful talks with China. The position adopted by China since 2016 when President Tsai was elected, remains that talks with Taiwan must be contingent on an acceptance that Taiwan is part of China. Despite the tension between China and Taiwan, both markets performed well in 2020 rising by 34.2% and 29.8% respectively. Taiwan has achieved impressive control of the Covid-19 virus, with just 812 confirmed cases and 7 fatalities during the year. Companies in Taiwan continue to benefit from the trade tensions that exist between China and the United States with their electronics sector being an obvious alternative to companies based in the Mainland.

China has continued to report strong data associated with an economic recovery. The Purchasing Managers Index remained above 55 for the month of November. Profits for industrial companies in China increased 15.5% in the year to November, the seventh consecutive month of gains. This economic strength was driven by a sharp increase in demand for exports in particular industrial robots up 22% and integrated circuits up 16%. Data from Nomura indicated that China’s share of global exports stood at 13% in the third quarter of 2020 versus 11% in 2019. Increasing demand is beginning to feed through to local investment decisions, manufacturing investment which had fallen by 3.5% during the first ten months of 2020 showed a rise of 12.5% in November. While the private sector is performing well, profits in the public sector remain on a downward path that will continue to put pressure on the authorities to undertake ownership and management reforms.

There has been a similar economic trend reported in South Korea, with exports rising at their fastest pace in 26 months in December up 12.6% year on year, this number was more than double the market consensus with semiconductors being the strongest component. The improvement in economic activity has been the key to dramatic strength in the local stock market, rising 10.2% in the month of December for an overall gain to 32.6% in USD terms for 2020.

Japan, Hong Kong and Singapore have lagged other markets in the region during the month of December and the year as a whole. For December, Japan achieved a return of 3.8% bringing the annual return to 7.6% in USD terms. Economic numbers stalled in December together with rising reported Covid-19 infections which hurt sentiment in the stock market. Factory output in November was flat versus a 4% rise reported in the previous month, the key driver was a decline in production of cars. The December factory output number is expected to show a small decline while the January figure is expected to rise more than 7% which should have a positive influence on the stock market. We remain positive regarding Japan as an investment destination in 2021, with the economic recovery, improving corporate governance and strong company balance sheets expected to boost market sentiment and returns.

Portfolio Update

The portfolio remains fully invested with one new position acquired and one disposal made during the month of December. We sold our position in United Microelectronics Corporation which had increased three-fold since May 2020 with the result that the market capitalisation at USD 20 billion had become too large for our portfolio. We purchased a new position in Tokai Carbon Korea, a company that produces silicon wafers and semiconductor materials which has a strong balance sheet with net cash and a strong demand profile for products that include high purified graphite for semiconductors and solar batteries. Tokai Carbon Korea has a return on equity in excess of 20% and trades on a forward p/e ratio of 16x.

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.

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

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Asia Small Companies Unit Class TAMIM Fund



At 31 December 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	2y	Since inception p.a.
TAMIM Asia Small Comp.	1.02%	2.42%	7.60%	0.34%	8.75%	1.77%
MSCI AC Asia SMID	0.27%	5.71%	10.81%	3.82%	8.67%	3.31%

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\$	\$8.3574	\$8.3324	\$8.3074

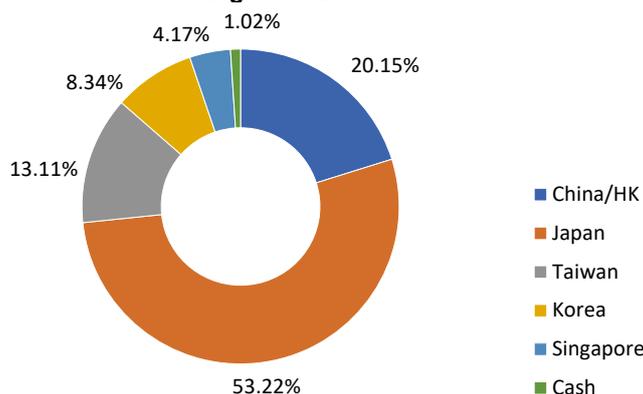
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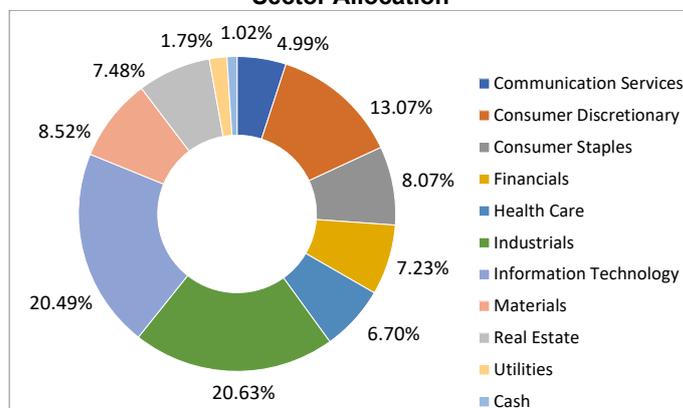
Portfolio Profile

Equity	98.98%
Cash	1.02%

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