

Asia Small Companies Unit Class

TAMIM Fund



At 28 February 2021

Asian equity markets for small to mid-sized stocks ended the quarter up by 5.3% in USD terms and 6.7% in AUD terms. As Australian based investors we were pleased to see the recent trend of Australian dollar strength showing signs of reversal, and this Australian dollar weakness explains the stronger return in AUD terms for the quarter.

Market Update

Hong Kong recorded a fifth consecutive month of positive returns at +9.3%. The authorities in Hong Kong deflated strong market sentiment when they announced a hike in stamp duty from 0.1% to 0.13%, the market fell close to 3% in the trading session following the announcement. Taiwan delivered a return of 8.5% in February following a small decline in January. China achieved a positive return of 4.3% during February while our other investment markets in the region, Japan, Singapore and Korea recorded small positive returns between 0.1% and 0.6%.

There was ongoing military tension between China and the United States when the destroyer USS Curtis Wilbur sailed through the Taiwan Strait, drawing the usual response from China suggesting that the United States was undermining regional peace and stability. China indulged in their own brand of provocation when eight of their fighter aircraft flew to the extreme southwestern section of their air defence zone which prompted Taiwan to scramble their defence interceptor aircraft. These activities have been ongoing for decades and aren't any cause for concern.

Economic news from China continues to be positive, in particular the January figures for investment in transportation infrastructure were equivalent to USD 29.6 billion, an increase of 42.1% over the previous year. We expect China to continue to outspend major rivals in the area of infrastructure for at least the next fifteen years. China aims to have a comprehensive transport network with 200,000 km of new railways and 460,000 km of new highways by the year 2035. Following a very subdued year for economic growth in 2020 of just 2.3%, the slowest annual growth rate since 1976, China's economy is expected to show sharp acceleration to the 7-8% growth level in the current year. While that headline economic growth rate isn't sustainable, it should generate significant positive sentiment for the equity market in 2021.

The market in Japan remained subdued in the past month due to multiple locations operating under a state of emergency. The government announced that it would end the state of emergency in six prefectures at the end of February, a week earlier than previously indicated. Tokyo and three other prefectures remain under state of emergency restrictions. Covid-19 infection rates have fallen sharply in recent weeks, so those remaining state of emergency orders should be relaxed during March which is likely to be taken as a positive signal by the market. The government has recently upgraded forecasts for capital spending and corporate profits in 2021. The recent

Covid-19 infection rates have fallen sharply in recent weeks, so those remaining state of emergency orders should be relaxed during March which is likely to be taken as a positive signal by the market. The government has recently upgraded forecasts for capital spending and corporate profits in 2021. The recent interim reporting season in Japan was encouraging with many companies able to generate positive surprise with their profit announcements especially in the manufacturing sector. Following a decline in the economy of 5.2% in fiscal 2020, the government is forecasting a recovery of 4.0% in fiscal 2021. This expectation of improving momentum for the economy combined with low valuations is expected to feed into much stronger performance for the equity market in 2021.

Portfolio Update

Kerry Logistics Network (KLN) was the best performing company in our portfolio, rising by 36% during February as a result of a bid for 51.5% of the company by SF Holding. In a briefing to analysts the management of KLN indicated that they would emerge from this transaction asset-light and function as the international arm of SF Holding outside of the Greater China Region. The timing for the partial offer is likely to be fourth quarter 2021, so we intend to take some time to consider the change of business model and strategy being suggested by the proposed new parent business.

We sold out of our position and booked a profit in technology company Tokyo Seimitsu after the company announced an investigation into alleged misconduct with respect to transactions at a consolidated subsidiary that were uncovered during a periodic tax audit. The Company has established a Special Investigation Committee of external experts to determine the extent of potentially inappropriate transactions by the former president of the Company. Given that previously announced results are now subject to revision and a there was a failure to maintain proper standards of accounting and governance, the company will be excluded from our portfolios until they can demonstrate that acceptable standards can be restored and maintained. We added new positions in technology companies Technopro Holdings Inc and Itochu Techno-Solutions Corp to replace Tokyo Seimitsu.

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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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 (p.a.)	Since inception p.a.
TAMIM Asia Small Comp.	0.95%	3.23%	9.60%	7.71%	6.01%	2.57%
MSCI AC Asia SMID	1.85%	3.04%	13.24%	10.97%	7.35%	4.26%

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.

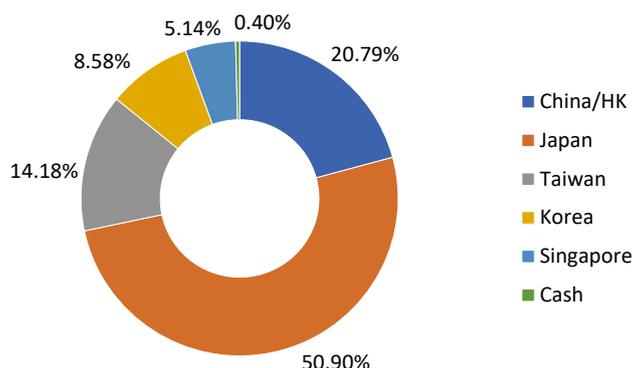
NAV

	Buy Price	Mid Price	Redemption Price
AUS\$	\$8.5295	\$8.5040	\$8.4785

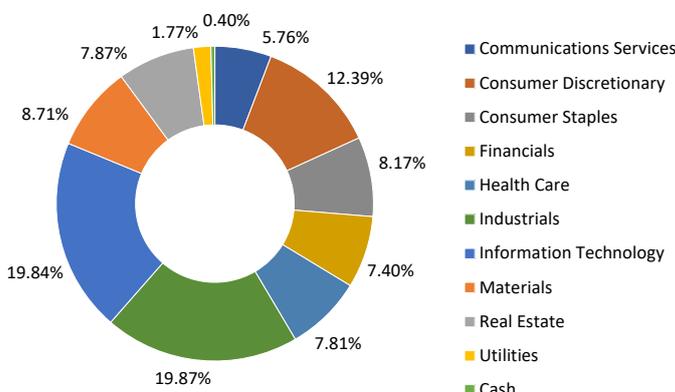
Portfolio Profile

Equity	99.37%
Cash	0.63%

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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