

Asia Small Companies Unit Class

TAMIM Fund



At 30 January 2021

The past month has seen a 23% increase in the official number of Covid-19 cases globally, a marked deceleration from the 30% growth rate recorded in the month of December. Asian equity markets for small to mid-sized stocks in January ended the month +0.3% in USD terms and +1.2% in AUD terms due to a slightly weaker Australian dollar.

Market Update

Domestic stocks in China continue to be the main driver of market returns in the region, rising 6.5% in January. Hong Kong recorded a fourth consecutive month of positive returns at +2.2%, while Japan and Singapore were flat during January. Korea and Taiwan both recorded negative returns in January at -3.3% and -0.8% respectively. Increased volumes of funds were recorded flowing in the Hong Kong market from China via the Stock Connect programme, with January marking the highest ever volume figures recorded for the programme, month to month turnover increased by 38.8% to RMB 1,226 billion equivalent to USD 184 billion.

There was another bout of political tension between the UK and China regarding the 3 million Hong Kong residents holding British National Overseas (BNO) passports being given the opportunity to live and work in the UK moving towards full British Citizenship after five years. The authorities in Beijing have significantly devalued BNO passports by announcing that they would not be valid for travel to the Mainland from the end of January.

Following several months of increased tension between China and Taiwan, Beijing made an explicit warning that independence for Taiwan “means war”. China’s Taiwan problem dates back to 1949 when the Communist Party seized control of the Mainland and the displaced Kuomintang government relocated to Taiwan. China has never renounced the use of force to take control of Taiwan, however, overt verbal threats of conflict are rare. A good deal of the tension regarding Taiwan can be attributed to the former US Administration under Donald Trump due to increased military equipment sales and US Navy activity through the Taiwan Strait. We can expect the incoming Biden Administration to adopt a lighter touch with respect to Taiwan. We have already seen Vice President Wang Qishan indicating to a delegation of US representatives that common interest outweighs differences with the United States. A period of relative stability with respect to trade and an end to the arbitrary Trump imposed tariffs will be taken very positively by markets. The first formal meetings with the Biden Administration are likely to take place at the World Economic Forum in Singapore in May.

China’s economy expanded by 6.5% annualised in the fourth quarter, nearly three times the annual rate recorded for 2020 as a whole, this increasing momentum is feeding confidence in the domestic equity market.

Japanese Prime Minister Suga held a phone call with President

Biden which affirmed the US-Japan alliance as “the cornerstone of peace and prosperity” in the region. Prime Minister Suga is expected to be one of the early visitors to the White House as President Biden looks to rebuild relations with key allies. As expected, the jobless rate in Japan remained at 2.9% in December and the industrial output slowed down in response to Covid-19 restrictions imposed as a result of rising numbers of cases and a widening of the state of emergency. While the Covid-19 measures have knocked industrial production and consumer spending in the short-term we remain confident regarding the prospects of the equity market in Japan. As we move into interim reporting season, we are seeing some positive signs in the profit numbers from companies held in our portfolio. Home electronics and appliances retailer K’S Holdings reported interim profits up 74% and raised their full year target to March 2021 by 46%. With just seven analysts providing coverage of the company, the big upgrade caught the market by surprise. Business systems distributor SCSK delivered interim results 20% ahead of expectations and the share price jumped by 13%. Out of ten Japanese companies held in our portfolio that have reported interim results to date, eight have upgraded full year targets, one unchanged and only one reduced their target.

Portfolio Update

We sold our position in real estate management business Kenedix, Inc. in Japan which had performed very well in the fourth quarter of 2020 as a result of a buyout offer from Mitsui Finance. The Kenedix, Inc. share price was reflecting the full value of the buyout offer so we decided to exit that position. During the month we started building a position in the Ascendas India Trust, a Singapore listed real estate investment trust that has exposure to the fast growing technology retail parks sector in India. While we remain cautious regarding the Indian equity market in general, we like this particular sector and the high standards of corporate governance that apply to the trust by virtue of the Singapore listing requirements.

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	Since inception p.a.
TAMIM Asia Small Comp.	1.23%	4.28%	9.81%	1.32%	8.09%	2.24%
MSCI AC Asia SMID	0.89%	6.08%	14.73%	3.68%	8.33%	3.58%

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\$	\$8.4491	\$8.4239	\$8.3986

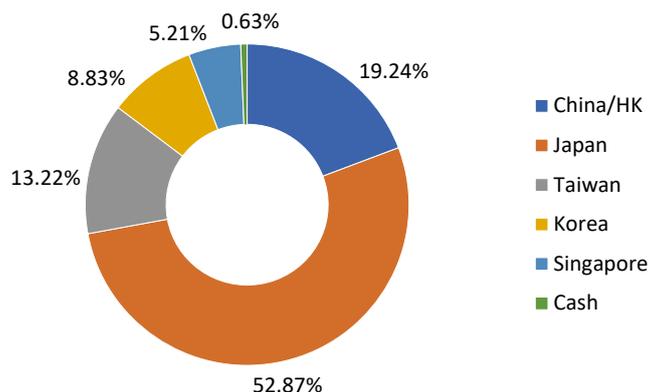
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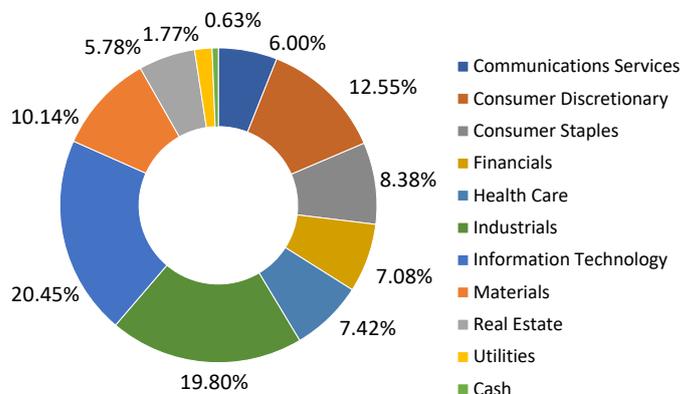
Portfolio Profile

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