Asia Small Companies Unit Class
TAMIM Fund

At 31 March 2021

The past month has seen an 13% increase in the official number of Covid-19 cases globally, a small acceleration from the 11% growth rate recorded in the month of February and reversal of the declining trend that had been in place for the previous six months. Asian equity markets for small to mid-sized stocks in March ended the month up by 2.1% in USD terms and 3.9% 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 month of March.

March was a positive month for our portfolio rising considerably more than the benchmark index. In particular stock selection was a strong contributor in Korea, Taiwan and Japan where the markets increased by 4.6%, 3.7% and 3.1 % in USD terms, respectively. Twelve of our holdings in those markets increased by more than 10% in USD terms with Kumho Petrochemical up 25.7% and Tokai Carbon Korea up 23.9% the best individual performers. It was very pleasing to see two of our recent acquisitions in Japan, Nippon Gas and Technopro Holdings among the leading dozen performers in our portfolio during March.

More than 90% of listed companies in Japan choose the end of March as the moment to go ex-dividend, this year the event was timed for 30 March. In previous years we have seen somewhat disorderly ex-dividend trading in the immediate aftermath of the event, with share prices falling more than justified by the dividend adjustment. This year, we are pleased to report that trading didn't show any signs of ex-dividend distortions. Six of our holdings in Japan went through share splits which we take as a positive move by the companies to ensure that their share prices remain affordable to investors. Japan is one of the countries in the region that imposes board lot minimums for trading shares (normally 100 shares) that can take affordability away from investors as share prices increase.

We moved into results season in Hong Kong which also provided some positive news for the holdings in our portfolio. The average increase in profits recorded by the Hong Kong listed companies in our portfolio was 13%. We were particularly pleased with the results reported by our long-term holdings of China Lesso with earnings up 24.5% and Xinyi Glass up 43%. Both companies are largely tied to the health of domestic demand in China and the strong results indicate sharply improving conditions in that economy. Xinyi Glass have recently reported their expectation that float glass prices in China will continue to increase during the current year. Rising prices together with increased production available within the domestic market has seen analysts increase expectations for 2021 earnings per share from $1.74 to $2.08 putting the company on a p/e of 12.3x. The company will move into a debt free position in the current year and has a return on equity of 24% that should rise into the high twenties. The Vice Chair has increased his own holding in Xinyi Glass by 680,000 shares reported in the latter days of March, we view insiders increasing their positions in the company as another positive sign.

The quarterly survey of business confidence published by the Bank of Japan known as the "tankan" returned to pre-Covid-19 levels helped by strength reported in exports. Japanese companies have proved very resilient in the past year helped by strong balance sheets and a management culture that is gradually adjusting the meet the needs of shareholders. We are expecting the results season in Japan starting in late April to deliver numbers that beat the current level of expectations.

The market in China was the weakest of our investment countries in the region, with small to mid-sized companies falling by 4.5% during March in a continuation of recent profit taking in a market that has increased by 59.4% from the lows recorded a year ago. Industrial sector profits in January/February combined increased by 179% over the previous year and more importantly 72% above the level of two years ago. By combining January and February, any distortion caused by timing of Chinese New Year is avoided. We expect the strong trend in industrial corporate profits to continue throughout 2021.

There were more events associated with geopolitical tension in the region, twenty Chinese military aircraft made their biggest incursion into Taiwan's airspace toward the end of March. This large incursion event followed closely behind reporting that Taiwan is no longer scrambling inceptor aircraft to meet each encroachment of their airspace, instead they will rely on ground based missile tracking systems. This change in tactics appears to be an ending of the 'games' China has been playing with Taiwan, attempting to overload the capacity of aircraft defending Taiwan's airspace. As mentioned previously, these tensions have been ongoing for decades and aren't any cause for concern.

As expected, China's parliament passed reforms of the electoral system in Hong Kong. In future Beijing will vet potential candidates in Hong Kong elections for the Legislative Council, with the vetting process directed towards ensuring loyalty to China and compliance with the National Securities Law. The changes received praise from Hong Kong Chief Executive Carrie Lam and several other senior politicians. The Legislative Council will see an increase from 70 to 90 seats while the directly elected contingent will drop from 35 to 20 seats. These steps are a clear tightening of China's direct control over Hong Kong, with no comment so far from the Biden administration which recently imposed sanctions against 14 Chinese lawmakers, more sanctions are likely to follow. The Hong Kong market was flat during March, however, the 56% increase recorded from the lows of March last year indicate that political tension is not generating fear among investors.

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Quarterly Commentary

The March quarter was positive for our portfolio finishing the period well ahead of the benchmark index. The market in Taiwan increased by 11.5% during the quarter in USD terms, second only to Hong Kong (up 12.1%) of our investment markets in the region. We hold eight companies in Taiwan accounting for 14% of the portfolio, the average share price increase among our holdings was 22% with six of the eight companies beating the index return and Novatek Microelectronics rising by 78% during the quarter. Novatek is a leading chip design company specialising in display driver integrated circuits for flat panel displays and audio/video applications for all digital devices. We first bought into the company in late 2018 when the share price was TWD 103, the share ended March at TWD 570. In the period since we have owned shares, the profits have increased from USD 215 million in 2018 to USD 715 million in the current year and trades on 16x p/e ratio and a yield of 5%.

The results season in Hong Kong provided some positive news for the holdings in our portfolio. The average increase in profits recorded by the Hong Kong listed companies in our portfolio was 13%. We were particularly pleased with the results reported by one of our long-term holdings, China Lesso with earnings up 24.5%. Lesso manufactures plastic pipes in 23 production bases across 18 provinces in China and their focus on R&D has resulted in their portfolio of 1,480 patents. The shares increased in value by 40% during the quarter and the shares trade on a p/e of 11x and a yield of 3% while the return on equity exceeds 20%.

Another of our holdings in Hong Kong, Kerry Logistics Network (KLN) also increased by 40% during the quarter 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.

The market in Japan increased by 3.5% during the quarter, with the return largely concentrated in the month of March. The quarterly survey of business confidence published by the Bank of Japan known as the "tankan" returned to pre-Covid-19 levels helped by strength reported in exports. Japanese companies have proved very resilient in the past year helped by strong balance sheets and a management culture that is gradually adjusting the meet the needs of shareholders. We are expecting the results season in Japan starting in late April to deliver numbers that beat the current level of expectations resulting in much stronger performance in the market as a whole.

The market in China increased by 6.0% in USD terms during the quarter just slightly ahead of the regional index. Industrial sector profits in January/February combined increased by 179% over the previous year and more importantly 72% above the level of two years ago. By combining January and February, any distortion caused by timing of Chinese New Year is avoided. We expect the strong trend in industrial corporate profits to continue throughout 2021 and for that strength to feed into market returns.

The market in South Korea recorded a return of +1.7% in the quarter, the least of any of our investment markets in the region, however, our portfolio in that market produced a return of 14% including two of our best performing investments with Kumho Petrochemical and Tokai Carbon Korea up 88% and 49% respectively.

We sold out of seven companies during the quarter as a result of reduced levels of value, momentum and quality (VMQ) and added eight new positions with companies showing much better VMQ scores using our proprietary methodology. We ended the quarter with 78 companies in the portfolio trading on a prospective p/e ratio of 11.6x, price to book of 1.6x and yield of 3.3%, an attractive combination of attributes for an equity portfolio.

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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%)
APIR Code:	CTS7571AU

Returns

	1m	3m	6m	1y	2y (p.a.)	Since inception p.a.
TAMIM Asia Small Comp.	7.16%	9.51%	12.17%	22.09%	10.23%	5.36%
MSCI AC Asia SMID	3.81%	6.67%	12.77%	23.37%	8.48%	5.68%

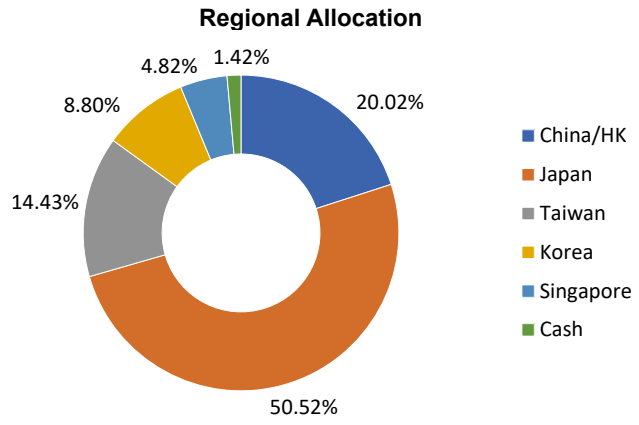
Note: Returns are quoted net of fees and assume distributions are reinvested. Past performance is no guarantee of future performance. MSCI AC Asia SMID refers to the MSCI AC Asia Small & Mid Cap Index in AUD. Inception 1 October 2018.

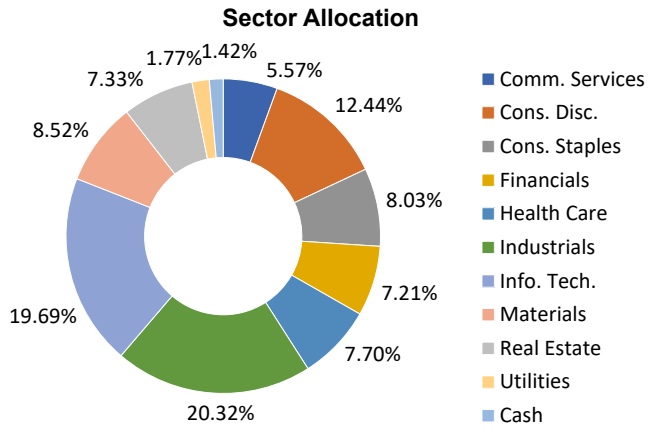
NAV

	Buy Price	Mid Price	Redemption Price
AU$	$9.1336	$9.1063	$9.0789

Portfolio Profile

Equity	98.58%
Cash	1.42%





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