

Asia Small Companies Unit Class TAMIM Fund



At 31 October 2020

The past month has seen a 35% increase in the official number of Covid-19 cases globally, a small acceleration from the 33% growth rate recorded in the month of September. Asian equity markets for small to mid-sized stocks in October ended the month down by 1.5% in USD terms and increased by 0.5% in AUD terms. In the year to date the regional market has declined by 1.4% and 1.3% in USD and AUD terms, respectively.

October was a month of negative returns in each of our investment markets except for Taiwan which gained 2.0%. The weakest market was Singapore down 4.9% followed by Japan down 2.6% while South Korea, Hong Kong and China all fell by less than 1%. October is a busy month for second quarter and half year results in Japan, two of our holdings reported strong interim numbers, semiconductor testing equipment maker Advantest upgraded their full year forecast for operating profit by 17% and the shares increased by 18.5% for the month. Car seat manufacturer TS Tech raised their operating profit target for the year by 12% and the shares reacted positively into trading in early November.

Market Update

Taiwan's President Tsai Ing-wen marked National Day with an olive branch to China suggesting they engage in "meaningful dialogue" on an equal basis. President Tsai described the situation in the Taiwan Strait as "quite tense" as a result of the ongoing military exercises conducted by China. There have been no formal talks between Beijing and President Tsai's administration since she was elected in 2016. Taiwan's recent purchases of military hardware from the United States has angered Beijing and the calming words from President Tsai are unlikely to resolve the situation. At the same time, economic ties between Taiwan and China remain strong. Taiwan businesses have been major investors in China for several decades and although there has been some repatriation of manufacturing assets since the trade tensions between President Trump and China surfaced, the overall economic relationship remains positive.

The recession in Hong Kong has shown signs of improvement, the 9% year on year decline in GDP in the June quarter was followed by a 3.4% decline in the September quarter. Hong Kong's economy should be back into positive territory in early 2021 supported by a strong recovery in China that is now starting to emerge.

The Central Committee of the Communist Party concluded four days of meetings to set China's economic and social policy goals for the next five years. China's GDP is expected to exceed 100 trillion yuan in 2020 and will narrowly miss the target of doubling in the decade. In a change in emphasis that could be significant, the official communique stated that China would aim to achieve sustained and healthy economic development in 2021-2025 with a focus on higher quality growth. A focus on quality over quantity is an important and positive step for

the development of China. We expect to have seen the last of targets that aim to double GDP over a specific time period. There were strong hints that resource allocation in China will become more market driven, this is another long-awaited and positive step.

China's short term economic recovery from the Covid-19 slowdown is gathering pace, sentiment in the manufacturing sector measured by the purchasing managers' index climbed to 53.6 which is the highest in decade. In the universe of small to mid-sized companies that we monitor in China, the index has increased by 26.8% in the past year versus just 5.4% for the equivalent group of companies in the United States.

Portfolio Update

We added four new positions to the portfolio in October, two in Japan, Okinawa Cellular Telephone and Gungho Online Entertainment and two in South Korea, DoubleU Games and Orion Corp. All of the new additions to the portfolio score well in our assessment of value, momentum and quality. The Japanese companies in the fields of mobile phone and internet games, both trade on 11x price to earnings, have double digit return on equity and debt free balance sheets. In South Korea, DoubleU Games, another developer of internet games, trades on a price to earnings of 8x and has a return on equity of 18% together with a balance sheet that has moved debt free this year. Orion Corp is a food manufacturer which typically for the sector trades on a multiple of 15x, while return on equity stands at 17% and the company also moved into a debt free position in 2020.



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.	-0.57%	5.30%	5.22%	1.14%	5.13%	0.47%
MSCI AC Asia SMID	0.54%	8.15%	7.86%	-0.37%	5.82	1.12%

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\$	\$8.1020	\$8.0778	\$8.0536

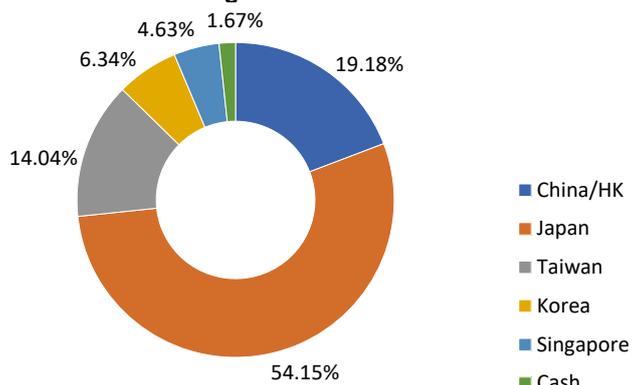
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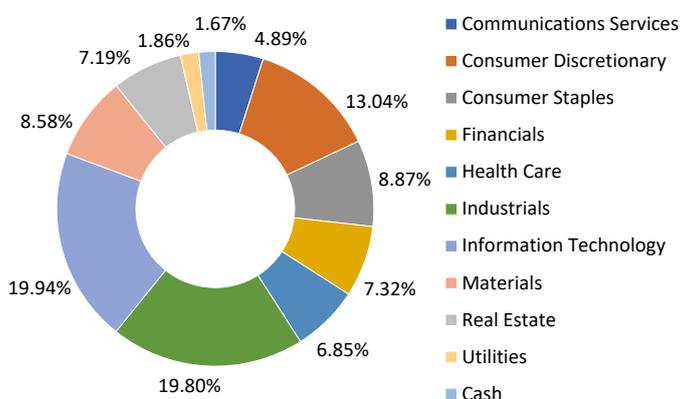
Portfolio Profile

Equity	98.33%
Cash	1.67%

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