

Global High Conviction Unit Class TAMIM Fund

At 30 April 2022



April was a poor month for equities. Global market cap based benchmarks declined 8%+ in USD terms and approximately 3% in AUD terms as AUD declined in a “risk-off” environment, as it usually does. Most countries and sectors declined.

The TAMIM Fund: Global High Conviction portfolio declined a very small amount, -0.34%, in AUD terms.

Value beat Growth by a wide margin which makes sense to us. As we wrote about recently, it's not too late to make a switch to investing in stocks which meet 'needs' rather than 'wants'.

Everyone now knows that inflation is not transitory. Defence food and energy security are probably important. Rolling back years of poor monetary policy and years of neglect of the capital stock of a nation is not going to be an overnight event; but that is what makes it an investable proposition. That realisation will come slowly to many investors, slightly less quickly to central bankers (encumbered by academic arrogance) and probably very slowly to all politicians.

It seems pointless to give much space here to statistics which illustrate the rampant price inflation that was incubated by poor monetary policy and artificially suppressed by manipulating the calculation of the inflation basket. If it hadn't been the Russian invasion of Ukraine, it would have been catalysed by something else.

Evidence of rampant price inflation, suffered as usual by those least able to deal with it, are in almost every financial media article. We are surprised that they're surprised. It was all so obvious. Our frustration is we didn't perform better having turned down the chance to drink the 'transitory' Kool Aid.

What happens now? Where should we invest?

In the long run, nominal bond yields tend to equate to nominal GDP. Thus we are still some way off equilibrium with global government bond yields at 2-3% and nominal GDP much higher, thanks to inflation. At some point we'll get a tipping point with either more interest rate increases at the long (and short?) end, and/or a decline in nominal GDP.

It's also clear that within GDP the share going to profits is very high relative to that going to labour. This can only swing back to labour, and for capitalism to continue, we hope it does. This is perhaps what the RBA mean when they stated that interest rates will only rise as and when wages rise? We can't believe they want wages AND the general price level to rise...? That simply creates more inflation.

Even some fund managers understand the concept of d/k-g so lower growth of profits and higher discount rates are not conducive to investing in long duration assets especially the highly rated growth stocks.

8% p.a. might be as good as it gets from equities while we squeeze out inflation/inflation expectations and play catch up on capital investment? This might take a couple of years though

because we don't believe policy makers can change their minds even though they should when it becomes clear that what has been done hasn't worked.

Bonds in the last couple of years haven't been safe and have declined (US 10 year note) in the order of about a 20% loss of capital since the bottom of the yield in mid-2020 of about 0.6%. Modified duration x yield change = capital price change. At a yield of 0.6%, these were explosive toxic instruments.

With so much debt to be serviced, our guess on the level of US rates is that at 4% on governments and thus 6% on mortgages, that will be painful enough and we'll start to see a decline in the rate of inflation. It's therefore getting close to where bonds will be safe but only in so far as they are more stable in price and will therefore still lose you money in real terms.

A note on the Euro bonds: Sovereign spreads between Germany and France and France and Italy are widening again as the ECB hints they will be tightening as the Germans have had enough of the “Inflation passagere’ nonsense from Mme Lagarde. If anyone is caught between a rock and a hard place, it's the ECB. Tighten, as they must, to squeeze inflation and they risk a spread crisis; don't tighten and they get more inflation and a crisis anyway. We still avoid Euro banks. They have also been walloped by Russian write-offs.

We hope/expect/need to see an increased focus on capital investment and the provision of food, energy and defence security. Technology is also on the agenda somewhere. We're not suggesting that all countries will 'go it alone' and it's the end of the era of global trade and capital flows, but we are positing that more 'Plan Bs' will be developed.

Thus for equities: bias to Value, favour dividends as part of the 8% target, favour beneficiaries of capital investment, look at balance sheets because refinancing of debt at ludicrously low levels is yesterday's story, and ditch FAANG and remember to QUAKE.

Quanta Services (PWR.NYSE)
Union Pacific (UNP.NYSE)
Amada Co. (6113.TYO)
KLA Corp (KLAC.NASDAQ)
Enbridge (ENB.TSE)

You heard it here first.

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Overview

The TAMIM Global High Conviction strategy is a portfolio of global equities from major developed global exchanges. The portfolio holds approximately 60 of the best ideas from around the globe. The portfolio uses a systematic and consistent approach to stock selection and portfolio construction to deliver strong risk adjusted returns to our clients while focusing on attempting to preserve their wealth.

Key Facts

Investment Structure:	Unlisted Unit Trust
Minimum investment:	A\$100,000
Management fee:	1.00% p.a.
Admin & expense recovery fee:	Up to 0.35%
Performance fee:	20% of performance in excess of hurdle
Hurdle:	MSCI World Net Total Return Index
Exit fee:	Nil
Single security limit:	+/- 5% relative to Benchmark
Country/Sector limit:	+/- 10% relative to Benchmark
Target number of holdings:	50-80
Portfolio turnover:	Typically < 25% p.a.
Investable universe:	MSCI World Net Total Return Index
Cash level (typical):	0-100% (0-10%)
APIR code:	CTS5590AU

NAV

	Buy Price	Mid Price	Redemption Price
AU\$	\$1.1388	\$1.1360	\$1.1332

Portfolio Performance

Inception: 15/07/2011	1 month	6 months	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	-0.34%	-1.85%	3.39%	11.48%	8.49%	8.53%	13.54%	293.67%
MSCI World	-3.11%	-6.25%	4.87%	13.65%	10.06%	11.30%	13.64%	297.64%
Cash	0.01%	0.05%	0.10%	0.14%	0.35%	0.82%	1.83%	21.66%

Strategy inception: 15/07/2011 | TAMIM Fund: Global High Conviction unit class inception: 31 December 2019

Returns prior to 31 December 2019 reflect the Individually Managed Account (IMA) underlying portfolio returns. IMA returns reflect a higher fee structure. Individually Managed Account (IMA) returns will, by their nature, vary from the underlying portfolio and TAMIM Fund portfolio. Should you wish to see your individual return, please log in to your account online. Returns are quoted net of fees and assume dividends/distributions are reinvested. Past performance is no guarantee of future performance. The information provided should not be considered financial or investment advice and is general information intended only for wholesale clients (as defined in the Corporations Act). The information presented does not take into account the investment objectives, financial situation and advisory needs of any particular person nor does the information provided constitute investment advice. Under no circumstances should investments be based solely on the information herein. You should seek personal financial advice before making any financial or investment decisions. The value of an investment may rise or fall with the changes in the market. Past performance is no guarantee of future returns. Investment returns are not guaranteed as all investments carry risk. This statement relates to any claims made regarding past performance of any Tamim (or associated companies) products. Tamim does not guarantee the accuracy of any information in this document, including information provided by third parties. Information can change without notice and Tamim will endeavour to update this document as soon as practicable after changes. Tamim Funds Management Pty Limited and CTSP Funds Management Pty Ltd trading as Tamim Asset Management and its related entities do not accept responsibility for any inaccuracy or any actions taken in reliance upon this advice. All information provided in this document is correct at the time of writing and is subject to change due to changes in legislation. Please contact Tamim if you wish to confirm the currency of any information in the document. The MSCI Word refers to the MSCI World Index in AUD. Returns shown for longer than 1 year (other than Inception) are annualised. All returns shown are AUD denominated.



Selection of 5 Holdings

Stock	Country
Johnson & Johnson	USA
Home Depot Inc	USA
KLA Corporation	USA
Fujifilm Holdings Corporation	Japan
Sony Corporation	Japan

Portfolio Profile

Equities	91.03%
Cash	8.97%

