Global High Conviction Unit Class
TAMIM Fund

At 31 December 2022

The Global High Conviction unit class fell -3.63% in December versus the MSCI World Index which was up -5.44%. This outperformance of just 1.8% was reflective of the portfolios continued focus needs over wants.

World equity markets fell in December as language from central banks regarding interest rate increases gave way to further action. Even Japan made a minor change to interest rate guidance prompting some (mistaken) panic selling. US equity markets had their worst half-year in a long time. 10 Year Treasury notes rose in price as yields declined with the expectation of a reduction in inflation. We can only see a significant slowdown in economic activity as inflation, mortgage rate rises and tighter lending standards kick in, especially in the USA. Equity EPS will continue to be revised down. Sharebuybacks will fall. Asia is at a different point in the cycle and much cheaper.

It won't be plain sailing from here. We're not out of the woods yet. Choose your cliche. While base effects will help the appearance that inflation is falling, US government fiscal policy is hampering the Fed's attempt to squeeze inflation.

The latest spending bill of $1.7 TRILLION includes many non productive outlays. Simple supply demand mechanics show us heading to stagflation. In this scenario P/E ratios get compressed along with EPS downgrades.

In the absence of a fiscal "U-Turn" the chances of capital controls are looming since even higher interest rates are essentially unaffordable for most governments given recently acquired debt levels. We currently believe that the worst spending excesses will be tempered by a small Republican majority in Congress but history tells us this may be the triumph of hope over experience.

We also now point out that loss making "concept' companies whose ratings have collapsed on listed bourses, are also widely held in private equity funds. Their carry value can only be reduced, which of course will reduce the stated NAV of many pension values, whose exposures to private equity are allegedly 'low risk'. This will be a surprise to some.

3 Japanese shares from the global fund

This month we provde information and an update on three Japanese companies from the portfolio. We have for some time been attracted to Japanese equities due to their robust balance sheets and notable improvements in governance. More recently, Japanese companies have weathered the economic headwinds to significantly outperform global peers. This is despite the Japanese Yen falling relative to the US dollar, and in our opinion becoming ludicrously undervalued.

Many Japanese companies we consider to be "true technology companies". They are in the business of selling technology by using applied scientific knowledge to solve real problems. These companies spend significant sums on research and development to build competitive advantages based on intellectual property and manufacturing leadership. This differs from the likes of big tech in the United States. For example, Google-owner Alphabet (NASDAQ.GOOGL) might be classified as a technology business, however realistically it is a cyclical advertising company. Investors should be mindful of industry classifications, as they can provide a false representation of a business's underlying business model or sector.

NGK Insulators (TSE.5333)
Nippon Gaishi Kaisha (NGK) translates to Japan insulator company in English. As an aside, many companies in Japan begin with either Nippon or Nihon, which means Japan in Japanese. NGK's core technical expertise is in ceramics, which is known for its durability, non-conductivity and heat resistance. Historically the business provided ceramic insulators that safely delivered electricity but has since moved into new markets such as automobiles and semiconductors. NGK is the market leader in ceramic substrates and filters, which detoxifies harmful exhaust emissions and particulate matter from motor vehicles.

NGK is over 100 years old, has weathered multiple economic cycles and continues to innovate. The business is now moving away from fossil-fuel vehicles and towards energy storage and digital applications. Recent new products include the first megawatt-class NaS (sodium-sulfur) battery and an ultra-compact lithium rechargeable battery used in small electronics called EnerCera. The business has over 7,800 patents filed globally against its intellectual property. It also spends 5 per cent of its revenue on research and development annually, with 70 per cent dedicated to future-facing industries. It's built customer relationships over decades and is embedded deeply within end products. Regarding valuation, NGK trades at a 17 per cent discount to its book value and on an earning multiple of 8.5.

Amada Co. (TSE.6113)
Amada is a large manufacturer of metal working machinery in addition to providing automation systems, software and services. The company sells equipment for sheet metal fabrication, precision welding, cutting, grinding and press automation. This machinery is then used to build a wide range of end-use products including elevators, smartphones, bridges and road signs.

The company has developed fibre laser machines that cut more accurately and safely than incumbent carbon dioxide laser machines. It also uses around a third of the energy, and while more expensive upfront, the operating costs of fibre machines are significantly less. Sectors such as manufacturing, aerospace and automotive are expected to drive demand for metal fabrication over the medium term. Amada will also benefit from falling population demographics in countries such as China, where machines will be needed to replace manual labour.

The business has offices and operations around the globe, with 61 per cent of sales from international markets. Amada has a conservative balance sheet, with a third of its market capitalisation in net cash. Valuation-wise, the company is trading on an earnings multiple of 10.5 and at a 27 per cent discount to its book value.

Shin-Etsu Chemicals (TSE.4063)
Shin-Etsu is the fourth largest chemical manufacturer globally providing products to a range of sectors including construction, healthcare, semiconductors and pharmaceuticals. It is the world's largest supplier of PVC, a durable and hard plastic used in window frames, piping and roofing. Shin-Etsu is also the number one provider of semiconductor wafers, a thin slice of material used in semiconductor fabrication.

The company has built decades of proprietary insights and relationships with customers. It also has a vast international network of manufacturing facilities and intellectual property. New innovations include silicon monoxide anode materials for high-capacity and high-power lithium batteries in anticipation of the shift to electric vehicles. It has also developed equipment that can transfer micro-LED chips quickly and is now a one-stop shop for original equipment manufacturers.

Shin-Etsu is highly profitable, with an operating margin of 32 per cent. Moreover, its return on invested capital is 27 per cent and hasn't fallen below 15 per cent over the past five years. Shin-Etsu has a conservative balance sheet with nearly a quarter of its market capitalisation in cash. The company trades on a price-earnings ratio of 10 and analysts have continued to upgrade earnings estimates over the past year.

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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

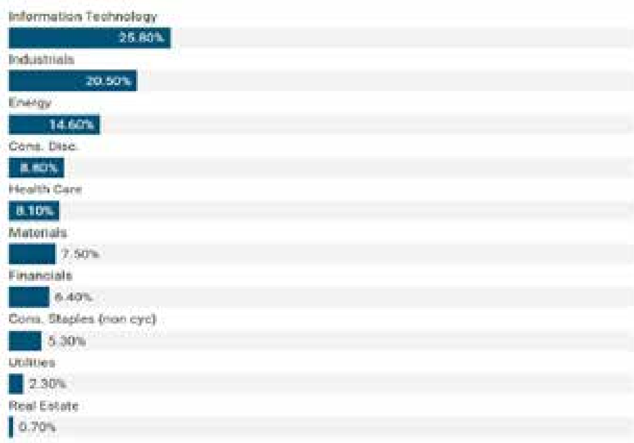
	Buy Price	Mid Price	Redemption Price
AU$	$1.1254	$1.1225	$1.1197

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	97.62%
Cash	2.38%



Portfolio Performance

Inception: 15/07/2011	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)	Since inception (total)
Global High Conviction	-3.63%	-7.53%	5.75%	7.39%	12.78%	296.99%
MSCI World	-5.44%	-12.24%	6.21%	9.21%	12.66%	292.22%
Cash	0.25%	1.30%	0.57%	0.87%	1.84%	23.19%

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.