

# Global High Conviction Unit Class

## TAMIM Fund

At 31 December 2023



The TAMIM Global High Conviction unit class was up 2.26% for the month of December 2023, this was in comparison to the index return of 1.94%. The strategy has generated a return of 15.48% over the past 12 months. Since the inception of the strategy it has returned 13.0% p.a. net of fees to investors.

Trades were made as elevated cross-sectional volatility gave rise to more than usual relative mis pricing. We sold Home Depot, Williams Sonoma, Texas Instruments, and LKQ, trimmed KLA, Advantest, Honeywell and reinvested in Emcor, Vistra, and added to NGK Insulators, Kao corporation, and HCA.

### Party like it's 1999? (Just remember what happened after)

World markets rose strongly in the last 2 months of the 4th quarter. Investors jumped on words from Jay Powell which seemingly indicated interest rate cuts are imminent. Everything was well bid equities, bonds, Alts, Crypto—"party on dudes"? (ack - Bill and Ted's Excellent Adventure). In 2 months c.US\$20 trillion was added to the value of world bond and equity markets.

We did post at end October that the chances of a bounce were high. We did recommend staying the course in equities given the bias to "growth" aka inflation that was prevalent in policy settings, and that equities were a decent hedge against continued attempts to keep the asset souffle aloft.

Over 70% of stocks in the S&P500 underperformed the index in 2023 — a record. We recommend investors look at the Russell 2000, or an equal weighted S&P500, as attractive options to the cap weighted index.

Just remember what happened after 1999. There was a sell off but also a serious and for some, profitable, rotation to Value stocks away from the fashionable Internet plays.

Stay away from concept stocks, loss making entities, and be wary of locking your money up. Favour companies that meet needs over wants.

The data do not indicate a weakening US economy, so the statement by Chair Powell appears strange unless something is worrying the Fed which markets do not wish to address, or do not yet see?

Europe's economy IS weak, and we would expect the ECB to cut rates given half a chance. Inflation there however is closer to the peak than a trough, which makes rate cuts dangerous.

Note that in neither place will prices likely fall. Stubbornly high prices for goods and services will crimp consumer spending already constrained by mortgage debt loads.

Despite China's economic problems, it is interesting to note the resilience of the commodity complex. Iron Ore prices rose strongly although oil did not despite the recurrence of Middle East 'troubles'.

We remain underweight the so called 'Magnificent 7' and this remains the most significant source of our active risk in the global strategies relative to their benchmarks.

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### Portfolio Highlights:

#### Corning Incorporated (NYSE:GLW)

Corning is a US-based advanced materials manufacturer serving end markets such as telecommunications, automobiles, consumer electronics and renewable energy. Over 170 years the business has built enviable expertise and intellectual property (over 12,000 patents), across three key technologies: optical physics, glass and ceramics science. Corning invented the world's first low-loss optical fibre which supplanted existing copper-based wires used for internet networks. The ceramics division created a cost-effective and efficient substrate that is the standard for catalytic converters today.



Since 2020, Corning's operations and end markets have been disrupted by the wide-reaching impact of the pandemic and subsequent inflation pressures. Supply chain shortages meant the business needed to retain higher inventory, while elevated staffing levels to protect the large manufacturing workforce crimped productivity. Undoubtedly, management made the correct decision to protect employees and customers. However, the short-term result was muted cash conversion and profitability. Recent interest rate hikes and a softening consumer have also impacted quarterly earnings, with cars and electronic sales below historical trends. This confluence of short-term headwinds has meant the overarching investment thesis has gone unnoticed by the market - Corning's share price has traded sideways since 2020.

Despite recent turbulence, Corning is well-placed to benefit from several megatrends including connected devices, cloud computing and decarbonisation. For example, growth in the ceramics division will be underpinned by new US EPA protections that mandate automakers curtail tailpipe emissions. Corning is the inventor and clear market leader in gasoline particulate filters used to trap harmful pollutants. Moreover, inflation is abating, supply chains have normalised and recent price increases have fortified margins. We expect investors will soon appreciate the structural tailwinds supporting end markets and the competitive advantages Corning holds across its three core technologies.

#### EMCOR Group (NYSE:EME)

EMCOR is a specialist electrical and mechanical contractor in the United States. The business has significant expertise in large-scale infrastructure projects including utilities, batteries, hospitals, advanced manufacturing (semiconductors, biotech) and data centres. Few businesses can deliver said projects to the specified safety and time requirements, creating large barriers to entry for new competitors to win contracts.



We have harped on previously about the generational underinvestment in infrastructure, and this is best illustrated by the current state of the US power grid. The North American Electricity Reliability Association highlights several large and notable parts of the US at significant risk of power outages including vast swathes in the middle, east and west coast. The body notes that peak power loads are rising at an alarming rate, primarily due to the introduction of intermittent generation (solar, wind) in addition to nuclear and fossil retirements which account for 7% of existing installed capacity.

As a contractor of choice, EMCOR is well-positioned to benefit from the need for more robust power grids to support populations and the energy transition. The reshoring of critical industries such as semiconductors, supported by the recent Inflation Reduction and CHIPS Acts will also bolster demand for specialist construction services. Put simply, EMCOR is an established contractor ready to construct the objectives of governments and corporations.

#### ZOZO Inc (TYO.3092)

ZOZO is the largest online fashion retailer in Japan. The ZOZOTOWN website operates a consignment model, where retailers open a virtual store and inventory is held and sent from ZOZO distribution centres. The website currently has over 1,500 stores offering 8,400 brands. The retailer has built tremendous brand loyalty, with most sales to repeat customers who have purchased within the last twelve months. The business has used this to launch new initiatives such as ZOZOCOSME for cosmetics, ZOZOSHOES for shoes and a growing advertising business. ZOZO also owns WEAR, a popular app with 16 million downloads that allows users to post and search outfits.



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Unlike most online retailers, which are at best breakeven or more commonly losing money, ZOZO has been profitable for several years. Last year the company recorded \$580 million in operating profits. Japan is an incredibly attractive market for investors owing to the recent shift towards shareholder-friendly practices. ZOZO recently increased its dividend policy from 50% of profits to 70%, in addition to buying back shares. Despite online penetration remaining below other developed countries - likely owing to Japan's older population demography - we expect ZOZO to continue to take market share and retain its title as the go-to destination for online fashion.

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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

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

## NAV

	Buy Price	Mid Price	Redemption Price
<b>AU\$</b>	\$1.2895	\$1.2863	\$1.2831

## 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)
<b>Global High Conviction</b>	2.26%	15.48%	10.75%	11.20%	13.00%	358.46%
<b>MSCI World</b>	1.94%	23.03%	11.76%	13.51%	13.46%	382.53%
<b>Cash</b>	0.36%	3.89%	1.75%	1.34%	2.00%	27.99%

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 World 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
Emcor	USA
KLA Corporation	USA
Fujifilm Holdings Corporation	Japan
Sony Corporation	Japan

## Portfolio Profile

<b>Equities</b>	99.90%
<b>Cash</b>	0.10%

