

# Global High Conviction Unit Class

## TAMIM Fund

At 30 June 2023



The TAMIM Global High Conviction unit class was up +3.39% for the month of June 2023, this was in comparison to the index return of 3.10%. Pleasingly the strategy has generated a return of 16.41% over the past year. Since the inception of the strategy it has returned 13.10% p.a. net of fees to investors.

Markets continued to rise in the 2nd quarter, led by the NASDAQ. Year to date the S&P 500 has risen about 14% and Japan 20%. Growth has outperformed value by an extent that last led to a snap back the other way. Over the last 3 years the styles have fluctuated with respect to popularity with investors although the value index has outperformed growth by a little over 1% p.a. and experienced less volatility. Favouring growth now is shutting the stable door after the horse has bolted. After this run, we would anticipate market rotation back to value.

Using the S&P definitions and for 3 years to end June 2023 in US\$:

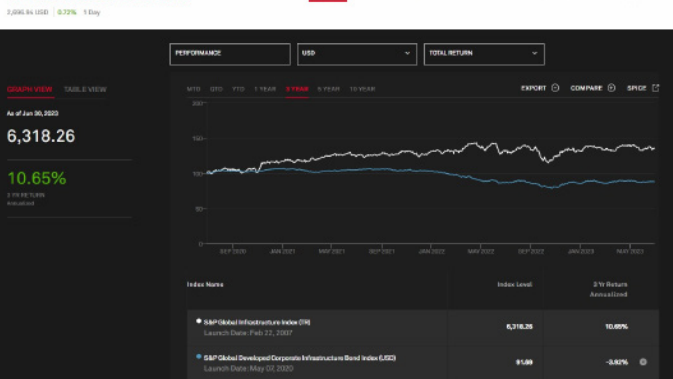
Global Growth +9.59% p.a.  
Global Value + 12.59% p.a.  
Global Mkt Cap + 11.14%

We didn't anticipate such a strong rally in growth but our aversion to market timing by not holding large amounts of cash has reduced the drag on performance due to style effects.

The performance of infrastructure equity relative to infrastructure debt is worth highlighting. Since we identified inflation as a threat about 2-3 years ago, against which the best hedge would be certain equities, such as infrastructure, the listed equity infrastructure performance has been notably better than that of the debt index.

Our stance continues to be that capital stock in most countries needs significant uplift in maintenance expenditures, let alone expansion spending. Infrastructure stocks will return to the limelight once the AI frenzy is over.

### S&P Global Infrastructure Index



The USA passed the debt ceiling increase and the Biden administration continues to try and spend money as we knew they would. Given the destination of this spending is unlikely to improve productivity and the impact of higher interest rates

on reducing hiring and consumer confidence, we think a period of stagflation is very likely. Probably in most countries.

Europe entered a technical recession and a recent visit there would indicate financially stretched households, markedly increased prices since our last visit two years prior, and a large amount of dis-satisfaction with political and economic trends. The ECB is way behind the curve even with (because?) rates at 3.5% are at a 22 year high and inflation is unlikely to fall given the still negative real yields and poorly allocated spending which will not raise growth potential – quite the opposite. A policy rate of 3.5% compares with an EU average annual inflation rate of over 5%.

As we write this France is enduring another series of widespread riots. If you think these are only directly attributable to the shooting in Nanterre, near Paris, then you are 'not listening!' The AfD in Germany won its first elected position in Thuringia. Current economic policy in Europe appears to be causing many problems and will have to change. Tax more and spend more is our best guess – which will have implications for the kind of investments to own.

In an illustration of why balance sheets matter, Thames Water, a highly leveraged water utility serving about a quarter of England's population, is seeking a government (aka tax-payer funded) bailout. Debt servicing costs on at least GBP 15bn (the company's revenues are c. GBP 2bn) have constrained the firm's ability to meet rising chemical costs, energy costs, and necessary capital investment to improve outdated infrastructure. It's not listed on the LSE but other water companies are (Severn Trent, United Utilities, and Pennon Group) and these will suffer hits to sentiment if not their actual financials. We own none of these in any strategy.

Re-nationalisation is also a possibility if (when?) the Labour party becomes elected in the UK. Core inflation in the UK is running at over 7% and the bank base rate at 5% so still negative in real terms.

There is probably more rate pain to come everywhere with the exception of China which of course struggles with its own years of mis-allocated capital.

There were some significant price moves in Japanese stocks in the quarter.

Advantest 61%  
Ibiden 59%  
Kajima 38%  
Itochu 33%  
Canon 29%

It's our favourite market. We think the Yen undervalued and every month that goes by when Japanese inflation comes in lower than inflation elsewhere (particularly Germany which is the main global competitor in machinery market share) then Japanese companies become even more competitive and likely to win business.

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And of course some price declines

Anhui Conch – 23%

Andritz – 22%

Alibaba – 19%

Valero -14%

We made few changes to the portfolios in the second quarter. We added a little to Marathon Petroleum and sold Intel re-investing in Applied Materials. We took profits in Hoya and re-invested in NGK Insulators which manufactures and services high-quality and highly reliable ceramic insulators and equipment for power transmission, substations, and distribution, both in Japan and overseas. It trades on a P/E of 9 and a yield of 3%. Regardless of energy or power source, transmission to end markets will be needed.

We intend to remain fully invested and unhedged for Australian based investors.

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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>	\$1.2358	\$1.2328	\$1.2297

## 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>	3.39%	16.41%	11.75%	8.56%	13.10%	335.97%
<b>MSCI World</b>	3.10%	22.43%	13.44%	11.37%	13.61%	359.87%
<b>Cash</b>	0.34%	2.97%	1.09%	1.07%	1.91%	25.39%

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
Home Depot Inc	USA
KLA Corporation	USA
Fujifilm Holdings Corporation	Japan
Sony Corporation	Japan

## Portfolio Profile

<b>Equities</b>	95.70%
<b>Cash</b>	4.30%

