

Global High Conviction Unit Class

TAMIM Fund

At 31 May 2024



The TAMIM Global High Conviction unit class was up 1.42%% for the month of May 2024, this was in comparison to the index return of 2.00%. The strategy has generated a return of 23.15% over the past 12 months.

June 2024 – Onwards and Upwards?

Equity markets were very healthy in May, nearly doubling the year-to-date returns in many cases. European equity markets managed to edge out the US. Europe benefitted from greater investors' convictions that the ECB would be one of the first major central banks to cut interest rates. The good US equity market return was helped by the strong performance of tech stocks.

Asian equity markets were mixed in May, not helped by some stuttering in the performance of Japanese equities. This is not surprising after such a strong 12 month performance. We had trimmed slightly a few weeks back by selling Zozo and Itochu. We reinvested in Swire Group in Hong Kong, Tenet Healthcare, and Ebay in the USA for the global strategies. The Japanese economy showed some signs of slowing, and the Yen remained under downward pressure. China's equity market also went quiet, consolidating after some strong gains in previous months.

Equity Market returns for May in US\$

	-1mth	-3mths	YTD
US	4.7%	3.5%	10.7%
NASDAQ	6.9%	4.0%	11.5%
Europe ex UK	5.2%	5.7%	8.1%
Japan	1.3%	-0.7%	7.0%
UK	1.9%	9.5%	9.0%
Switzerland	6.6%	4.9%	7.7%
Asia ex Japan	1.6%	5.4%	5.3%
India	0.7%	3.9%	9.3%
China	-0.6%	2.4%	3.8%
Brazil	-5.0%	-10.5%	-15.6%
Emerging markets	0.6%	3.5%	3.4%
Global	4.5%	3.8%	9.5%

Source: Bloomberg, *MSCI

Equity sector performance

After last month's profit taking, the tech sector had another good performance in May. Nvidia reported another excellent quarter's performance, leading to a further sharp rise in share price. The energy sector went into reverse as the oil price slipped back, unwinding a quarter of recent gains. Consumer discretionary stocks are hurting, with consumers cutting back on large purchases due to the damage to their spending power from inflation.

TAMIM Fund: Global High Conviction

Global equity sector returns for May in US\$

Global Sectors	-1mth	-3mths	-12mths
Energy	0.3%	9.8%	10.4%
IT	8.6%	4.2%	15.0%
Consumer Staples	2.8%	4.0%	5.0%
Consumer Discretionary	0.4%	-3.7%	2.0%
Healthcare	2.7%	0.9%	6.0%
Banks	5.5%	11.7%	15.6%

Source: Bloomberg, *MSCI

We surmised a couple of months ago that the equity markets would just keep chugging along, and it would be best to stay invested.

Base effects on annual growth rates, inflation and earnings would start to turn positive, meaning that they will be moving in the right direction at least for a little while. Annual historic growth up, inflation down!

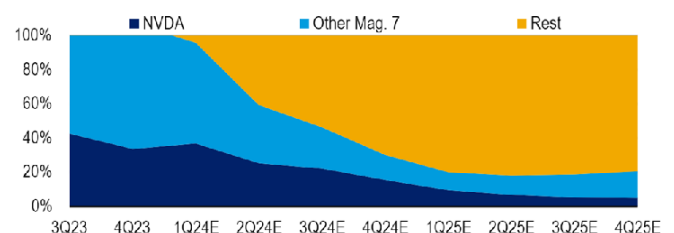
The one area that provides us with real concern is the real estate market especially the global office market where large debts, falling rents and overbuilding have created the ingredients for severe markdowns. This is beginning to happen. We quote from a broker update – "Buyers of the AAA portion of a \$308 million note backed by the mortgage on a building in midtown Manhattan got back less than three-quarters of their original investment after the loan was sold at a steep discount. It's the first such loss of the post-crisis era, says Barclays. As for the five groups of lower ranking creditors? They got wiped out. Market watchers say the fact the pain is reaching all the way up to top-ranked holders, overwhelming safeguards put in place to ensure their full repayment, is a testament to how deeply distressed pockets of the US commercial real estate market have become."

Countering this concern is a welcome broadening of the USA market. It was never healthy for 1 or even 5 or 7 stocks to be responsible for all the earnings growth and index performance and the chart below gives us encouragement that the other thousands of stocks are going to receive more attention from investors.

May saw some significant moves in holdings with International Paper +28%, Qualcomm + 23%, Teradyne, + 21%. Detractors were CVS -12%, Ebara -12% and Kajima -12%.

Chart of the week: It's not just about NVDA anymore. Growth is broadening out.

% contribution of S&P 500 earnings growth YoY (3Q23-4Q25E; as of 5/16/24)



Source: BofA Global Research, FactSet

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Portfolio Highlights:

International Paper (NYSE.IP)

International Paper is a global packaging and pulp producer. The business designs and manufactures packaging used to facilitate the delivery of food, e-commerce, retail and personal care products. The business also produces raw materials used in various end goods such as diapers, paints and textiles. The International Paper share price has rallied strongly in recent weeks after the business announced the acquisition of London-based peer DS Smith. International Paper will issue shares to fund the transaction with existing shareholders owning two-thirds of the combined business and DS Smith shareholders holding one-third. The deal will add 235 mills and packaging plants and act as a springboard for International Paper to expand its European footprint. Management expects the business to be earnings per share accretive after one year and will exceed the cost of capital after year three. Beyond the numbers, the acquisition will bolster International Paper's range of sustainable products. DS Smith has developed water and grease-free paper solutions to replace plastic food waste, recyclable shrink wrap and temperature-controlled corrugated packaging for grocery delivery. We like International Paper because it's a company that meets "needs not wants". Global packaging demand will continue to increase steadily over time and the company's industrial base is seldom replicable by competitors or new entrants. Moreover, the business is making tangible strides towards reducing its carbon footprint and will be a key enabler in reducing landfill waste.



Teradyne (NASDAQ.TER)

Teradyne is a global leader in automated testing equipment and robotics. The testing divisions build systems used to test semiconductors, electronic systems, data storage and wireless products. Testing is a critical part of the production process and is conducted several times to ensure yields, safety and reliability. The robotics division produces arms and mobile robots that are used in manufacturing and logistics to improve efficiency and decrease production costs. Teradyne is placed at the intersection of two structural tailwinds: the bifurcation in critical supply chains and the need to improve global productivity. Nations are legislating domestic expertise and production of strategic technologies such as semiconductors and robotics. In the United States alone over US\$2 trillion has been earmarked by the government to encourage companies to reshore their operations. Concurrently, sluggish productivity in the developed world means governments and corporations need to find new ways to generate returns and profits. Enter robotics, which is a viable solution for repetitive and high-precision tasks. Admittedly, the semiconductor industry is going through a cyclical lull due to tepid end-market demand and export restrictions on key technology. However, these headwinds will abate with time as smaller chips and artificial intelligence underpin the next wave of demand. Management forecast sales to increase 58% and earnings to more than double at the midpoint of 2026 guidance. We are confident shareholders will be the primary benefit of this growth given 87% of capital has been returned via buybacks or dividends since 2015.

The Teradyne logo, consisting of the word "TERADYNE" in white, uppercase, sans-serif font centered on a solid blue rectangular background.

TERADYNE

Best Buy (NYSE.BBY)

Best Buy is the largest electronics retailer in North America. The company's buying power enables it to offer a wide range of appliances, gaming, laptops and other electronics at competitive prices. Moreover, the company's membership program encourages customer loyalty and repeat purchases through express shipping, exclusive prices and extended returns. During the month Best Buy reported its first-quarter results. Despite a 6.1% fall in comparable sales, earnings marginally increased for the first quarter owing to higher-margin membership services and lower store costs. Chief executive Corie Barry noted a challenging sales environment for electronics as households limit discretionary spending. High inflation, rising mortgage rates weak economic backdrop is not ideal, Best Buy is well-positioned to capitalise. The business has a net cash balance sheet and a favourable inventory position to further entrench its domestic market share and support international expansion. Best Buy reconfirmed full-year earnings per share guidance of US\$5.75 to US\$6.20. Before the result, the share price traded below 12 times earnings and a ~5% yield. The share price has since rallied over 20% to close the valuation gap.

The Best Buy logo, featuring the words "BEST BUY" in white, uppercase, sans-serif font on a blue background, with a yellow price tag icon to the right of the word "BUY".

BEST
BUY

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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:	80-100
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\$	\$1.4605	\$1.4569	\$1.4533

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	1.42%	23.15%	10.28%	12.44%	13.64%	419.26%
MSCI World	2.00%	21.56%	12.20%	13.68%	14.03%	442.20%
Cash	0.36%	4.25%	2.34%	1.57%	2.08%	30.28%

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

Equities	93.50%
Cash	6.50%

