Credit Unit Class
TAMIM Fund

At 31 August 2019

PROJECTED YIELD: 7.9% p.a.

Credit Markets

Common statistics correctly tell us that, a decade after the GFC, global debt is far higher and leading analysts are warning of another crisis in Australia.

However the key is in the nuance. Liquidity squeezes do not equate to credit risk, as had happened during the GFC when overnight lending markets froze up even in the commercial and money markets. Our view is that it probably pays to be a little bit more vigilant. Our major concerns come in the form of corporate debt backed by collateralised loan obligations which we believe might have been a re-invention of the old subprime debacle. More locally, the nation continues to have elevated levels of household debt equating to around 120% of GDP which would be even more concerning should the nation not have a superannuation buffer.

Our view is that we will continue to see fiscal deficits blow out in the coming years, not just in Australia but globally which will see inflation come back into the equation. As government expenditure on everything ranging from infrastructure to development programs, as opposed to direct transfers, stimulate both wage growth and upward pressure on inflation with central banks around the world being hamstrung in terms of normalising policy settings. What we are somewhat unsettled about was the very nature of Federal Reserve policy through the December quarter which, despite the noise in the markets, we believe were driven by the freezing up of the overnight credit markets. This is in addition to their more recent rapid response to the overnight repo markets.

In these elevated risk conditions, we continue to work towards holding short to medium duration credit risk with the ability to deploy on an opportunistic basis as we see new opportunities. We continue to look for counter-cyclical and defensive opportunities (though these are rare).

Key Facts

Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Processed monthly
Redemptions:	Quarterly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Quarterly
Management fee:	1.25% p.a.
Performance fee:	Nil
Lock up period:	18 months
Buy/Sell Spread:	+0.20%/-0.20%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.35%
Unsecured debt limit:	5% of Fund assets

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$1.0188	$1.0168	$1.0148

Contact

Bradley Hill bradley@tamim.com.au 0424 333 790

Darren Katz darren@tamim.com.au 0405 147 230

Monthly Return Stream

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2018	-	-	-	-	-	-	-	-	-	0.46%	0.38%	1.02%	1.87%
2019	0.60%	0.54%	0.84%	0.62%	0.61%	1.25%	0.60%	0.58%					5.78%

Note: Returns are quoted net of fees and assuming quarterly distributions are not reinvested. Past performance is no guarantee of future performance.

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Portfolio Summary

The portfolio continues to perform well and within expectations. Given the fact that we have now seen three rate cuts since early this year, the target yield will begin to trend down. At this stage we expect the projected yield to settle at 7.50-7.75% over the next twelve months. This is required to maintain an appropriate balance between risk and return.

Manager News

Manager A | (26.1% Allocation)
SME Cashflow Lending

The Manager continues to maintain above target levels of liquidity (above 15%) in order to have the ability to roll over on a deal by deal basis. Our comfort levels remain strong thanks to their ability to generate strong deal flow as opposed to keeping up liquidity because of a lack of opportunity. Such strong liquidity levels also have the added advantage of keeping the overall weighting within our target range.

Manager B | (6.4% Allocation)
Opportunistic Mortgage Loans

We continue to invest on an opportunistic basis across first mortgage loans, though to be clear again the key here is also to maintain shorter duration risk rather than outsize returns.