

Credit Unit Class TAMIM Fund

At 31 December 2018

PROJECTED YIELD: 8.2% p.a.

December was a brutal month across global and domestic equity markets. The quarter for most equity indices saw them down anywhere from -7 to -20%. The yield for the Credit unit class is just over 2% (for the quarter) with distributions for the December quarter to be paid in early February. When viewed in this context the diversification benefits of the credit unit class for portfolios is apparent.

Australian residential house prices fell 1.1% in December according to the CoreLogic national price index, finishing 4.8% lower over the calendar year. The price falls accelerated through the year with Sydney the worst performer amongst the capital cities. More importantly from our perspective, annual credit growth eased further to 4.9%, with investment lending at another all-time low of 1.1% and owner-occupier credit growth slowing to 6.8%, only just above the 10-year average of 6.6%.

During December the Australian Prudential Regulation Authority (APRA) announced that the restriction on interest-only lending – capped at 30% of all new mortgages since April 2017 – would be removed from 1 January 2019. It follows the April removal of the 10% annual cap on investor housing credit growth that had been imposed in late 2014. The relaxation of macro-prudential measures by APRA will improve credit conditions.

With 2019 upon us, focus in Australia seems to have shifted towards the upcoming election with shadow Treasurer Chris Bowen commenting that if elected Labour will be implementing all the recommendations of the Royal commission. That will certainly put a significant dent in the provision of credit in Australia (and seems contrary to the APRA moves discussed above) and provide strong opportunities for the senior secured lending portfolios we fund. It will however create strong headwinds for the broader economy and maybe bring us closer to the dreaded R word.

At a portfolio level, the Credit unit class allocated its first tranche to Longreach as at the end of the December month end. For further information on Longreach and their cashflow/enterprise value lending to the SME market you can read up on them in the November 2018 monthly report.

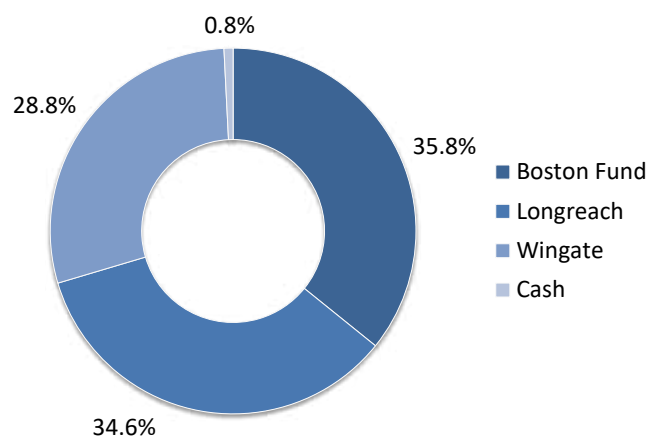
Key Facts

| | |
|---|--------------------------------|
| 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\$ | \$1.0020 | \$1.0000 | \$0.9980 |

Portfolio Allocation



Contact

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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 | | | | | | | | | | | | | |

Note: Returns are quoted net of fees. Past performance is no guarantee of future performance.

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