Credit Unit Class
TAMIM Fund

At 31 December 2019

YIELD: 7.47% p.a.

Manager Allocations:

Manager A	Property/SME	9.8%
Manager B	1st Mortgages	26.3%
Manager C	1st Mortgages	2.7%
Manager D	SME	27.1%
Manager E	Property	34.3%

Debt Structure Allocations:

Senior Secured	81.1%
Mezzanine	5.8%
Unsecured	0.3%
Cash	12.8%

Quarterly Distribution Stream:

31 December 2018	1.87%
31 March 2019	2.01%
30 June 2019	2.00%
30 September 2019	1.90%
31 December 2019	1.80%

Market Commentary

Throughout 2019, as tariffs were increased and trade tensions escalated, the Fed cut rates three times and soothed the markets. Central banks, it wasn't just the Fed, had clearly recognised that they had little choice but to reverse the tightening policies of 2015–18. Forty-odd central banks cut rates a combined total of 63 times, three of these by the RBA. This accounted for a cumulative 3,000-plus basis points (bps) of easing, literally flooding the global markets and economy with liquidity. Then the US and China announced they were nearing a phase one deal and tensions began to ease. All of a sudden, we were left with the combination of vast central bank easing and a reduction in trade tensions heading into 2020. This has provided a formidable backdrop to the global economy.

On the local front, Australia's property market begins 2020 in a strong position, registering its fastest quarter of growth in a decade to close out 2019. Nationally, prices rose 4.0% over the December 2019 quarter with Sydney and Melbourne leading the way yet again, rising by 6.2% and 6.1% respectively. The other Eastern capitals (Brisbane, Hobart and Canberra) also performed well, all up 2.4-3.4%.

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
Target yield:	RBA Cash Rate + 6.75%

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$0.9972	$0.9953	$0.9933

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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	0.60%	0.54%	0.84%	0.62%	0.61%	1.25%	0.60%	0.58%	0.70%	-0.46%	0.59%	0.70%	7.41%
2020													

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

YIELD: 7.47% p.a.

2020 shapes to be a positive one for property lending. Despite the growth outlined above, Sydney (-6.4%) and Melbourne (-2.3%) prices remain below their peak. At the same time, interest rates are still at record lows, the government's First Home Loan Deposit Scheme is now in full swing and lending to owner/occupiers is on the rise. This is good news for property investors and developers, as it suggests there may well be more growth to come in 2020. The statistic that is of concern from this overall positive trend is developer lending. The same ABS figures that show owner/occupier lending on the rise also show that new loans for construction fell -10.1% in October 2019 and -4.3% year on year (seasonally adjusted). If the housing supply is to rise enough to meet the growth in demand, developer lending will need to increase along with it. This is something that the banks' traditional lending model is increasingly ill-equipped to meet. For this reason, we believe that 2020 is shaping up as a positive year for not only the property market; it should also be a positive one for property lending.

Manager A

The portfolio was invested across eleven assets with approximately 9.6% of the portfolio being held in cash. The cash balance partly reflects some delays on new deals and funds for drawdowns of existing loans which will occur during Q1 2020. The December quarter has been busy with the origination of a pair of new loans and the continued drawdown of existing assets, two of which are now fully drawn down. The weighted LVR of the portfolio is 60% with a term weighted life of 1.45 years.

Manager B

The portfolio continues to perform well and all loans are within their covenants. The portfolio is 72% invested across first mortgage opportunities with the balance being held in cash. Late deployment of loans due to year end and a number of early repayments has contributed to this higher than expected cash balance.

Manager C

We continue to invest in special opportunity first mortgage loans with Manager C.

Manager D

As at the end of December 2019 the loan portfolio stood at 82.7% invested, representing 24 loans. Six new loans were settled during the quarter totalling $38.8m. Principal repayments of $15.9m were collected over the quarter. The average loan maturity is 22 months. All loans within the portfolio are performing. The level of inquiry from creditworthy borrowers continued to strengthen in the fourth quarter of 2019, with a general increase in the average loan size in the pipeline leading into 2020. Investment by external equity investors into a number of portfolio companies saw an enhancing of the funds credit profile or partial/full repayment of loan facilities in three instances over the December 2019 quarter.

Manager E

During December the manager realised three property debt investments and provided further mezzanine funding secured against the Consumer Finance loan book. Deployment remains above the target range, as at 31 December, the manager held 62 non-cash investments.

The Ralan Group asset realisation plan is progressing well. The Arncliffe development is now approximately 75% complete, on track for completion in mid-2020. All other assets over which the manager holds security have either been sold or are in the process of being sold.