Credit Unit Class
TAMIM Fund

At 31 January 2019

PROJECTED YIELD: 8.2% p.a.

Since we last wrote to you, equity markets have had a strong rebound with major global indices roughly back to the levels they were at the same time last year. Locally, markets experienced the same bounce and of late that has been buoyed by the rise in the majority of Australian bank stocks following the release of the much anticipated report on the Royal Commission into misconduct in the banking, superannuation and financial services industry. It would appear that the market may have anticipated recommendations from the Royal Commission that would have had a far greater impact on the banking industry, particularly relating to the provision of credit which is critical to the functioning and continued growth of the economy. There has been much written in the press about the slowdown in credit / lending growth throughout the Royal Commission and there seemed to be real fear that a damning report on the banks (ignoring the findings around corporate culture and practices and the role of the regulators) would perpetuate the slowdown in credit growth and, in the worst case scenario, result in a real credit squeeze. The impact has obviously been felt (and some believe has caused) the slowdown in the property market and small business' continued struggle to access bank provided debt funding. There seem to be some early signs that the drop in property prices is now impacting consumer sentiment and behaviour with retail sales in December falling short of expectations. An emerging trend is also the decline in owner-occupier lending where previously this was confined to investor lending.

- Lending to Australian households plunged in December, driven by another steep decline in the value of housing finance.
- The value of new lending to owner-occupiers and investors slumped by 6.4% and 4.6% respectively from a month earlier.
- New lending for housing investment cratered to levels not seen since November 2011.
- The decline primarily reflects the impact of tighter lending standards and reduced demand for finance at a time when home prices are falling.
- The Commonwealth Bank says continued weakness in new housing finance points to further declines in home prices ahead.

According to the Australian Bureau of Statistics (ABS), loans to households fell by 4.4% to $32.8billion after seasonal

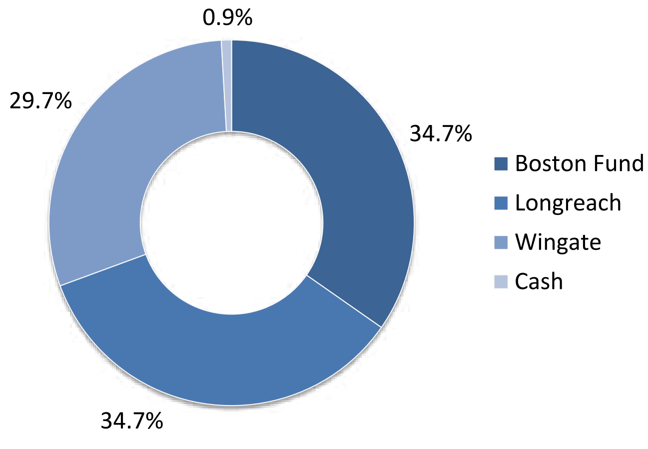
Key Facts

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$	$1.0081	$1.0061	$1.0041

Portfolio Allocation



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%												0.60%

At 31 January 2019

PROJECTED YIELD: 8.2% p.a.

adjustments, leaving the decline over the year at 13.2%. The slowdown in lending for investor dwellings this month continues the steady decline over the past two years, with the value of new investor loan commitments down around 40% from the peak at the start of 2017. The slowdown in lending for owner occupier dwellings is more recent, with falls concentrated in the last half of 2018.

VALUE OF COMMITMENTS TO HOUSEHOLDS AND BUSINESSES

	Seasonally Adjusted		
	Value $m	Month Percent Change %	Year Percent Change %
Total lending	62 706	-7.1	-10.9
Lending to households(a)	32 025	-4.4	-15.0
Owner occupier dwellings excluding refinancing	12 495	-6.4	-16.2
Investment dwellings excluding refinancing	4 892	-4.8	-27.8
Personal finance excluding refinancing	5 106	-2.9	-15.2
Refinancing(b)	9 157	-3.2	-4.8
Alterations and additions	336	18.9	-11.1
Lending to businesses	30 680	-9.7	-6.2
Commercial finance	30 112	-9.8	-6.1
Lease finance	568	-5.7	-12.8

(a) Components may not sum to total due to independent seasonal adjustment
(b) Includes refinancing for owner occupier dwellings, investment dwellings and personal finance

Excluding refinancing of existing loan facilities, the ABS said the value of lending to owner-occupiers fell in most parts the country. Mirroring the decline in the value of owner-occupier finance, total loans to this group also fell heavily during the month. After seasonal adjustments, total loans to owner-occupiers slumped by 6.1% to 48,690 from November, well below the 2% decline expected by financial markets. Excluding refinancing of existing facilities, new loans fell by an even sharper 8.2% to 32,102, reflecting declines across all categories, including for first home buyers.

The broad-based falls in lending reflect a variety of factors, including tighter home loan lending standards, reduced investment from overseas buyers, possible changes to the tax treatment of housing in the upcoming federal election along with reduced demand for finance given widespread expectations that home prices will continue to fall for some time yet, extending the national downturn that began in late 2017.

> *"The slowing in demand from both owner-occupiers and investors reinforces weaker consumer confidence in the property market and confirms the slowing is across the board, not just among investors but also upgraders and first home buyers,"*
>
> - Robert Mellor, Managing Director of BIS Oxford Economics, in response to the December report.

Reduced supply of credit for investors kicked off the falls in housing finance and dwelling prices. Owner occupiers are now reducing demand for credit as they reassess the price outlook.

The RBA noted from liaisons with major banks and mortgage brokers that significantly fewer loan applications had been received over the past year. Most loans are still being approved, albeit taking longer. But it is the demand for loans that is now driving the weakness in housing finance.

Given the findings and recommendations by the Royal Commission, for the cynics out there, we leave you with the following which shows the share price moves of the major Australian banks and mortgage origination / broker companies following the release of the Commission's report.