

# Credit Unit Class TAMIM Fund

At 30 June 2020

## YIELD: 7.42% p.a.

### Manager Allocations:

Manager A	Property/SME	11.7%
Manager B	1st Mortgages	23.8%
Manager C	SME	24.3%
Manager D	Property	37.3%
Other		2.8%

### Debt Structure Allocations:

Senior Secured	65.1%
Mezzanine	9.8%
Unsecured	3.4%
Cash	21.7%

### 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%
31 March 2020	1.71%
30 June 2020	1.42%

### Fund Commentary

The Fund generated a 0.77% return in June, resulting in a twelve-month net return to investors of 6.40% with all underlying allocations performing as expected. Since inception the portfolio has delivered an annualised return of 7.42% p.a. net of all fees. The return over the last quarter has been negatively impacted by the larger than normal cash balances the underlying loan portfolios have been holding, we are supportive of this approach given the current environment. We believe that caution and a focus on risk is more important than remaining fully invested. TCI envisages that the underlying portfolios will return to a more fully allocated level over the next six months and that will return us to our target of RBA Cash + 6.75%.

### Manager A

The manager's portfolio was invested across 16 assets with approximately 19% of the portfolio being held in cash.

### 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	0.60%	0.59%	0.52%	0.49%	0.53%	0.77%							3.56%

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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### Key Facts

<b>Investment Structure:</b>	Unlisted unit trust
<b>Minimum investment:</b>	A\$100,000
<b>Applications:</b>	Processed monthly
<b>Redemptions:</b>	Quarterly, with 30 days notice
<b>Unit pricing frequency:</b>	Monthly
<b>Distribution frequency:</b>	Quarterly
<b>Management fee:</b>	1.25% p.a.
<b>Performance fee:</b>	Nil
<b>Lock up period:</b>	18 months
<b>Buy/Sell Spread:</b>	+0.20%/-0.20%
<b>Exit fee:</b>	Nil
<b>Administration &amp; expense recovery fee:</b>	Up to 0.35%
<b>Unsecured debt limit:</b>	5% of Fund assets
<b>Target yield:</b>	RBA Cash Rate + 6.75%

### NAV

	Buy Price	Mid Price	Redemption Price
AU\$	\$1.0012	\$0.9992	\$0.9972

### Contact

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approximately 19% of the portfolio being held in cash. Work continued in relation to the portfolio's pipeline of new opportunities. During June the portfolio undertook a new investment in a real estate asset following due diligence of the site and the borrower. Also, an additional investment was undertaken in relation to an existing loan where the Manager had existing exposure. They continue to take these opportunities to increase their exposures to loans that are already seasoned and are performing well. This resulted in three loans being introduced or increased in size within the portfolio during the June quarter. The Manager continues to analyse opportunities with a number of potential loans being reviewed.

The current market conditions provide the portfolio with the opportunity to source these new investments. The Manager will be applying their due diligence and credit metrics to potential new opportunities with a view to adding new assets to the portfolio. The portfolio's current allocation to cash provides flexibility to pursue new investments and protects against volatility in the market. The Manager is witnessing improved pricing and covenant packages in relation to potential new loans as compared to pre Covid-19 levels. Their disciplined approach to risk and return now provides the portfolio with the opportunity to invest in new loans at appropriate return levels. This discipline of not "chasing deals" as return levels fell during the latter half of CY2019 provides the opportunity for the portfolio to make new investments for the medium to long term, with appropriate returns to investors.

At June, the underlying loan portfolio allowed three loans to capitalise interest for the period, as their businesses have been impacted in the short term due to Government mandated health requirements. The underlying portfolio's investments and LVR position has provided headroom to allow for the capitalisation of interest and as health related measures are progressively relaxed, it is expected that these businesses will benefit. The Manager has agreed strategies with each of these borrowers regarding catch up of deferred interest and reductions in overall leverage. The weighted LVR of the portfolio is 60% with a term weighted life of 1.22 years.

### **Manager B**

The portfolio continues to perform well and all loans are within their covenants. The portfolio is 77% invested across first mortgage opportunities with the balance being held in cash. During June the Manager's pipeline of suitable investments remained strong and they continued to hold relatively high cash balances in anticipation of additional lending opportunities over the coming months. With the impacts of Covid-19 now relatively well understood by the market the Manager continues to deploy capital in a manner that allows for a continued strengthening of collateral quality.

### **Manager C**

As at the end of June 2020 the loan portfolio stood at 80% invested, representing 30 loans. No new loans were settled during the quarter, though 5 existing borrowers made drawdowns against existing facilities. The average loan maturity is 20 months. All loans within the portfolio are performing. While maintaining a

cautious outlook in a volatile economy, the Manager remains pleased with the performance of the loan portfolio, particularly given the impact of Covid-19. Elevated levels of monitoring and close contact have remained in place for the loan portfolio throughout the quarter. The onset of Covid-19 saw a reduction in new loan opportunities, which allowed the investment team to heavily invest time in monitoring and supporting the existing loan portfolio and also to hold excess cash to ensure the ability to sensibly fund existing borrowers that may have required additional capital. The level of increased funding sought by the loan portfolio due to Covid-19 impacts was low. The ability of portfolio companies to reduce overheads in recognition of actual (or anticipated) revenue reduction has produced an unexpected level of profitability amongst borrowers in recent months and confirms cash flow business lending as a legitimate asset class that can withstand challenging economic conditions.

It is the Manager's opinion that the impact of Covid-19 has had vastly different impacts on different sectors of the Australian economy, reinforcing the existing methodology of conducting highly focussed due diligence on each loan opportunity rather than relying on algorithms or standard loan-to-valuation ratios against tangible assets. The recent outbreak of Covid-19 cases in Victoria demonstrates that some sectors of the Australian economy will continue to be acutely challenged for some time and significant risks remain. Also unclear is the level of support from government and major banks; a marked reduction in either source of support could lead to a more widely felt downturn. As noted previously, some business sectors are performing strongly. The investment team are working on several new loan opportunities with a focus on those companies that have regular and reliable income that are positioned to perform well in the current economic climate.

### **Manager D**

During the month the Manager realised one property debt investment, made one new property senior debt investment and provided further mezzanine funding secured against the Consumer Finance loan book. Deployment remains within the target range, as at 30 June the manager held 62 non-cash investments.

One of the most carefully considered variables in the underlying portfolio is its level of liquidity (how much cash it holds). On one hand, liquidity is important to meet commitments to borrowers and to continue to diversify and extend the portfolio by investing in new opportunities. On the other hand, cash reduces performance by diluting the overall return with cash currently returning 0.5% per annum. Portfolio liquidity is impacted, among other factors, by new investor demand, drawdowns under live facilities, loan repayments, new investments, and fund distributions. In the pre-Covid environment, the portfolio favoured a high deployment/low liquidity strategy. The impact of COVID on both financial markets and the general economic environment has resulted in a pivot of the portfolio's focus, away from deployment, towards a materially higher level of liquidity. While this prudent and conservative approach does temper performance, it ensures that the underlying portfolio remains in a strong and liquid position during an uncertain and somewhat risky period.