Credit Unit Class
TAMIM Fund

At 31 March 2019

PROJECTED YIELD: 8.1% p.a.

Local news is currently being dominated by the looming Federal Election which takes place on the 18th May. Not surprisingly, the economy is a focal point of campaigning thus far. In the exciting world of fixed income investments, credit managers are increasing their use of the listed investment trust structure with two new, large offerings hitting the boards shortly. These offerings from Metrics Credit Partners and Perpetual are particularly relevant given the potential changes to the franking credit system being spoken about should a Labor government be elected.

At TAMIM Credit Investments, we have recently allocated funds to two new managers. The first is a highly experienced, long established commercial property lender and since its establishment has written and managed approximately $3bn in loans including successfully managing large distressed portfolios taken over from large banks during the financial crisis. The second is a financial services firm founded by senior management from ABN AMRO Australia and New Zealand that offers advisory, capital raising and funds management capabilities. The fund we have invested in offers a diversified portfolio of property, corporate and special situation / opportunistic loans.

Read below for a brief snapshot of what has been happening in the Australian economy:

- In the final three months of 2018, falling stocks and property prices saw Australian household wealth fall by its most in seven years.
- A negative wealth effect has likely contributed to weakness in Australian household spending, contributing to the broader economic slowdown seen in the second half of last year.
- While Australia's jobs market has, to this point, been resilient to the slowdown in the economy, speculation over additional fiscal and monetary stimulus to help support spending levels continues to increase

Australian household wealth fell at the fastest pace in seven years in the final three months of last year, dragged down by a plunge in stocks (ASX200 shed 9.1% in the December quarter) and continued weakness in home prices. According to the Australian Bureau of Statistics (ABS), household wealth slipped

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

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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%										2.00%

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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by 2.1% during the December quarter, representing a decline in dollar terms of $257.6 billion. It was the largest percentage decline since the September quarter of 2011. Combined with a 0.1% drop in wealth in the September quarter last year, it left total household wealth at $10.18 trillion. Per individual household, average wealth decreased by $10,200 to $404,320, following a $2,264 fall in household wealth in the previous quarter. With asset prices falling, the ABS said the level of household gearing rose to 19.3%, up from 18.9% in the prior quarter and the highest level since late 2014. This measures household liabilities as a proportion of household assets. The rise reflects falling residential property prices rather than strong growth in mortgage debt. While Australian stocks have recovered in early 2019, home prices, as measured by CoreLogic, have continued to slide, led primarily by Sydney and Melbourne, Australia's largest and most expensive housing markets.

The decline in wealth has likely contributed to the recent slowdown in household spending, the largest part of the economy, increasing by just 0.3% and 0.4% respectively in the final two quarters of last year.

Retail sales in January grew by just 0.1%, following a large 0.4% decline in December, while new car sales have also fallen sharply compared to the levels of a year ago. The negative wealth effect from falling home prices has seen expectations for household spending this year scaled back, including from the RBA, placing greater importance on the jobs market to remain firm to help support household finances.

While official jobs data has remained resilient to the deceleration in the economy to this point, some leading labour market indicators have started to keel over in recent months, raising concern that hiring will slow and unemployment potentially increase. This was in fact seen in the recently released employment data with the official unemployment rate increasing to 5%.

Coupled with renewed concern over the outlook for the global economy, that has seen markets move to price in around 50 basis points of rate cuts from RBA by the end of next year.