



TAMIM

WHY PRIVATE DEBT?

TAMIM CREDIT FUND – FIXED INCOME

June 2024






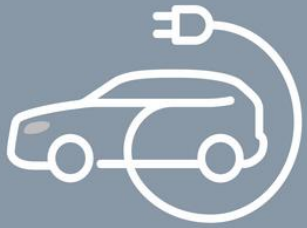



CTSP Funds Management Pty Ltd trading as Tamim Asset Management, including Tamim Funds Management Pty Ltd and their directors, employees and representatives are referred to in this Appendix as “the Group”. This report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy any securities or financial instruments. This report has been prepared without taking account of the objectives, financial situation and capacity to bear loss, knowledge, experience or needs of any specific person who may receive this report. No member of the Group does, or is required to, assess the appropriateness or suitability of the report for recipients who therefore do not benefit from any regulatory protections in this regard. All recipients should, before acting on the information in this report, consider the appropriateness and suitability of the information, having regard to their own objectives, financial situation and needs, and, if necessary seek the appropriate professional ,foreign exchange or financial advice regarding the content of this report. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by the Group. We are under no obligation to, and do not, update or keep current the information contained in this report. The Group does not accept any liability for any loss or damage arising out of the use of all or any part of this report. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. The Group does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met. Past performance is not a reliable indicator of future performance. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject any entity within the Group to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to the Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Group. The Group, its agents, associates and clients have or have had long or short positions in the securities or other financial instruments referred to herein, and may at any time make purchases and/or sales in such interests or securities as principal or agent, including selling to or buying from clients on a principal basis and may engage in transactions in a manner inconsistent with this report.

Disclaimer





Our Investment Platform

EQUITIES				OTHER ASSET CLASSES		
AUSTRALIAN		GLOBAL		PROPERTY		PRIVATE DEBT
 AUSTRALIA ALL CAP	 SMALL CAP INCOME	 GLOBAL HIGH CONVICTION	 GLOBAL MOBILITY	 TAMIM PROPERTY	 LISTED PROPERTY	 TAMIM CREDIT FUND

-
1. Current Macro Environment
 2. What is Private Debt?
 3. The Rationale for Private Debt
 4. The TAMIM Credit Fund

Discussion Points



TAMIM

Current Macro Environment

TAMIM CREDIT FUND – FIXED INCOME

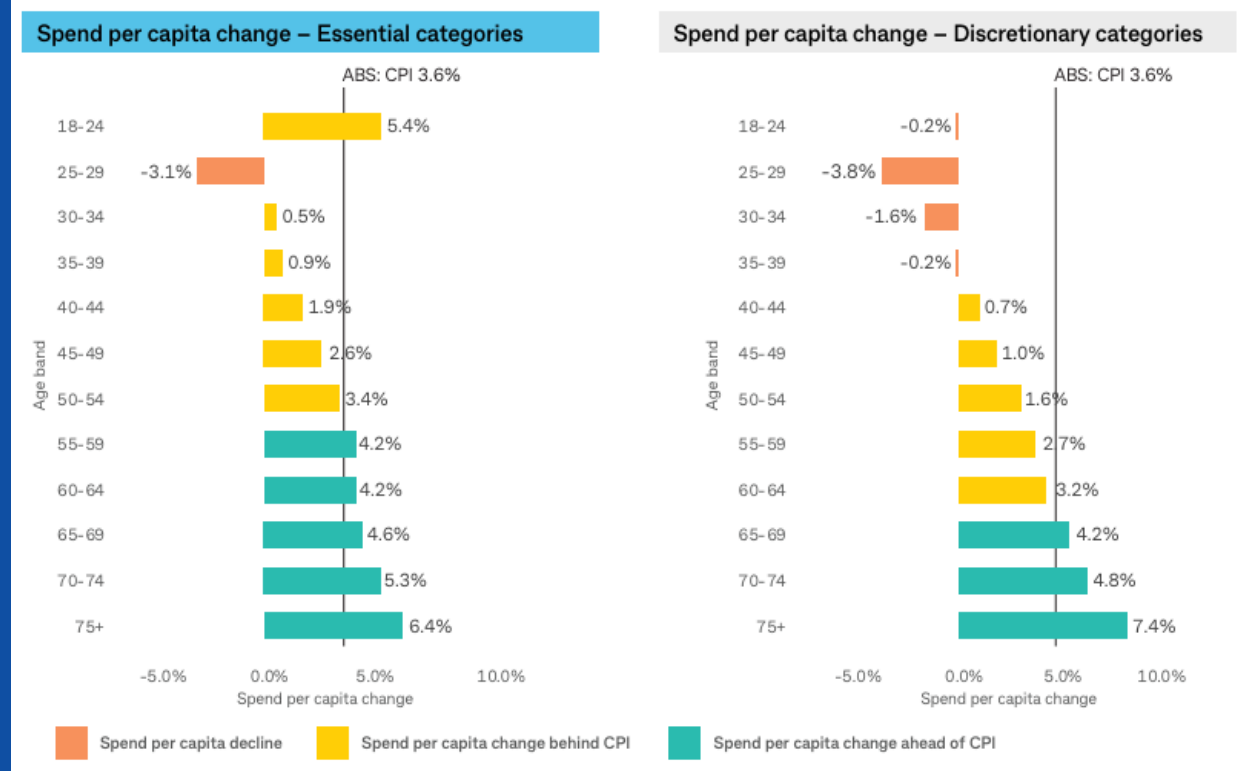
June 2024



Current Macro Environment

The Australian economy remains in an “okay” position as it navigates the crosscurrents of higher interest rates against moderating inflation and a labour force now starting to come under pressure.

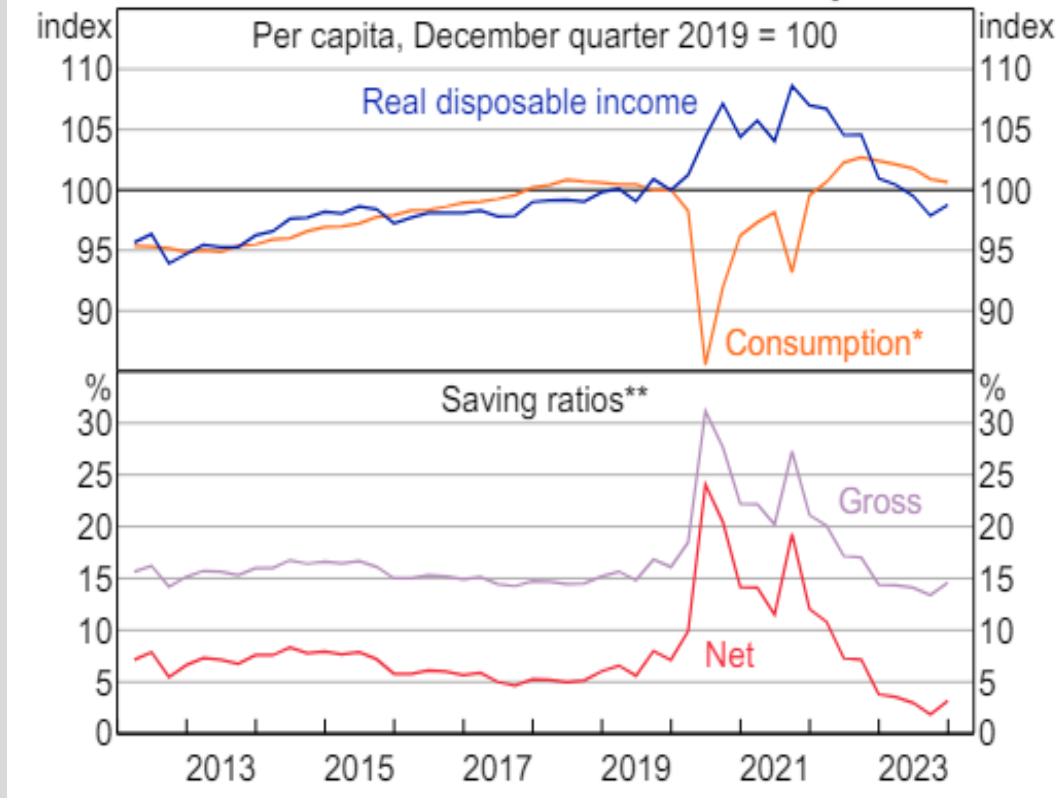
Figure 10: Change in essential and discretionary spending by age
(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



Source: CBA

The effects of higher interest rates are being experienced unevenly across different segments of the population.

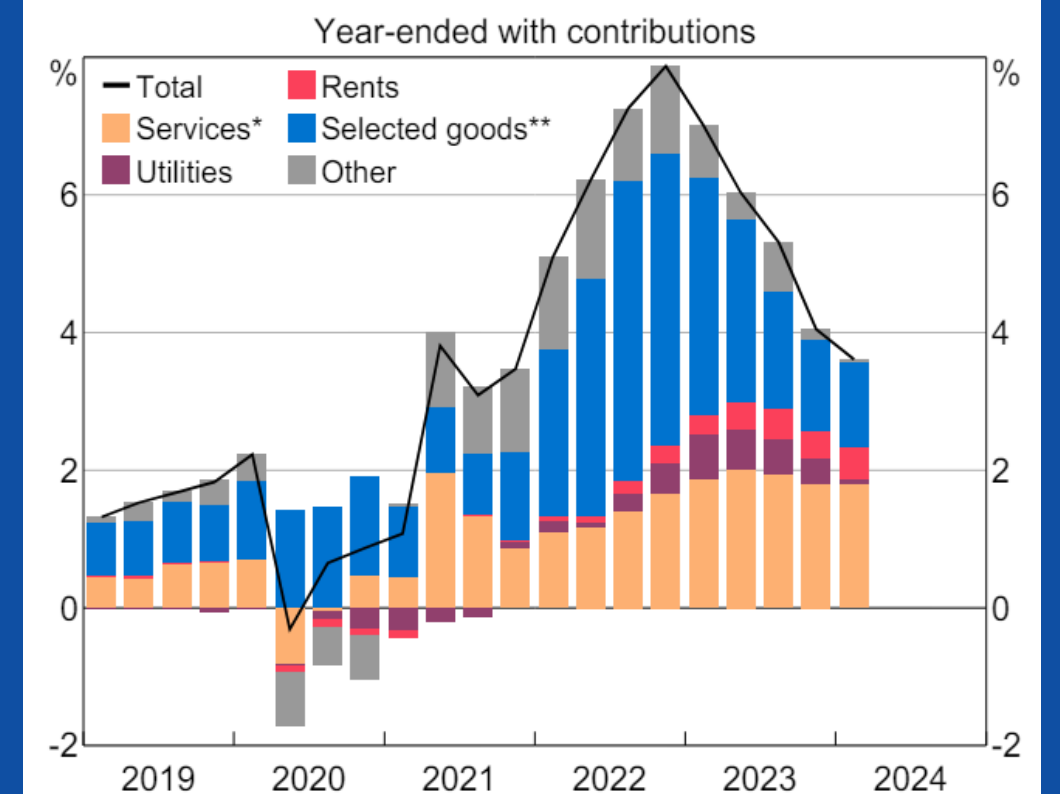
Household Income and Consumption



Source: RBA

Real disposable income and savings rates are down

CPI Inflation



Source: RBA

Inflation has reduced but is now behaving in a sticky manner above the RBA’s target band of 2-3%. The next move in the RBA cash rate will still be down.

Current Macro Environment

MORE IS LESS

The good news is that everyone who wants a job in Australia has one. The bad news is that a dollar today is worth less than it was a year ago.

NEW SHERIFF IN TOWN

Deputy RBA Governor Michele Bullock. The government also flagged several changes to the RBA to be enacted in 2024.

BUSINESS FUNDING CONDITIONS

Business lending rates have risen due to interest rate hikes, resulting in a slowdown in lending growth. While sectors like agriculture, manufacturing, mining, and transport show strong investment, construction and office real estate face challenges. Additionally, big banks have prioritised residential lending over business loans.



What is Private Debt?

TAMIM CREDIT FUND – FIXED INCOME

June 2024



2. What is Private Debt?

- **PRIVATE DEBT** – something, usually money, owed by one particular person or group to another particular person or group
- Lender providing a loan to a borrower
- Non-bank lending

Key Characteristics:

- Tailored
- Security, safeguards and covenants
- Not widely held making it illiquid in nature
- Non-bank senior loans or subordinated/mezzanine loans

2. What is Private Debt?



Unsecured Consumer or business loans generally smaller in size and lending is done against no security.

Factoring / discounting of invoices Business sells its accounts receivable to a third party at a discount. Security is the cash flow of the invoice.

Equipment Finance Loans to purchase equipment. Secured is assets purchased.

Property backed lending Business or consumer loans backed against property. Generally used for residential property purchases and dominated by the big banks. More private loans are being made with property as security for other uses of the funding.

Enterprise value lending Loans made against businesses or the cash flows of businesses. These loans can also be secured by property and personal guarantees from the owners of the business.



The Rationale for Private Debt

There is now a significant opportunity in the Australian private debt market, where the banks have been forced to retreat and institutional investors have emerged to fill the void.

LOWER VOLATILITY

Private debt, characterised by its floating rate and limited liquidity, offers the advantage of lower volatility and consistent returns.

STABLE INCOME

Portfolios can benefit from regular income streams through quarterly or monthly coupons.

SAFEGUARD AGAINST INFLATION

The nature of floating rates offers safeguard against inflation and rising interest rates, providing protection and stability.

LINE OF SIGHT

Debt covenants and information rights provide lenders with useful 'line of sight' which allows proactive management.

A discussion on:

Covenants

- Financial Covenants
 1. Debt Service / Coverage Ratio
 2. Leverage Ratio
- Operational covenants
 1. Negative Pledge
 2. Limitation on Asset Sales
- Affirmative Covenants
 1. Regular Financial Reporting
 2. Insurance requirements
- Restrictive Covenants
 1. Dividend Restrictions
 2. Limitations on Additional Debt

The TAMIM Credit Fund

The TAMIM Credit Fund remains well-placed to continue returning monthly income distributions to investors. Over 80% of the portfolio is in senior loans, which are at the top of the capital stack and therefore have first claim over collateral in the event of default. Senior secured loans are also backed by either cash flows or real assets providing insurance against adverse economic conditions.

The remainder of the portfolio is in cash and a small allocation to mezzanine financing. The fund does not lend to unsecured creditors.



ASSET
Management

The TAMIM Credit Fund

INVESTMENT STRATEGY

- The TAMIM Credit Fund focuses on funding loan books for various funds/platforms in Australia that source secured private loans and credit opportunities.
- Prior to allocation, we conduct meticulous due diligence (details below) on the investment team's credentials, corporate governance practices, thoroughness of credit procedures, and ongoing monitoring and communication with the managers.
- Our objective is to generate a sustainable income stream.

The TAMIM Credit Fund

PROCESS

- We seek to invest in loan portfolios managed by top private credit investment managers and loan platforms.
- Our aim is to achieve diversification across various lending types, underlying securities, counterparties, and industry concentrations. This approach ensures a well-rounded and balanced investment strategy.
- An Investment Committee exists to consider and approve all investment decisions. 100% approval is required before any capital is deployed.

The TAMIM Credit Fund

The 4P's – When assessing a new manager/loan platform, The Four P's are all important:



People

- A team that displays strong levels of integrity;
- Strong specific credit knowledge;
- Experience including origination, execution and portfolio monitoring capability.

Pedigree

- Strong corporate governance is essential;
- Security of business and overall team experience;
- Infrastructure and compliance review;
- Operational due diligence.

Process

- Understand the complete credit and lending process;
- Evaluate the completeness and quality of the investment managers' credit policies and procedures;
- Assess loan structures, security arrangements, default rates, geographic and industry concentration.

Performance

- Have the team or business been able to generate a return historically utilising their lending process;
- Assess and understand the underlying performance of investment managers / loan platforms.

The TAMIM Credit Fund

Case Study – Manager A

- Strategy – this is a private debt and credit strategy that invests across a range of industries and sectors, they look to leverage strong in-house credit analysis capabilities and a unique network of deal origination
- Performance – 5 year track record – targeting 10% net which they have achieved
- Key Benefits – strong performers, 1 negative month, relatively small and focused on cash deployment, limited construction exposure and a diversified asset allocation
- Investment Details – they focus on real estate lending(residential, industrial and mixed use), opportunistic credit, specialty lending and convertibles

450+ Number of Loans

11 Number of Underlying Investments

2 Investments in DD

2.2%

Last Quarterly Distribution

95.4%

Senior Secured and Cash

5.5
Years

Length of Operation

2.9%

Largest Loan

63%

Weighted Average LVR

13
Months

Weighted Average Duration

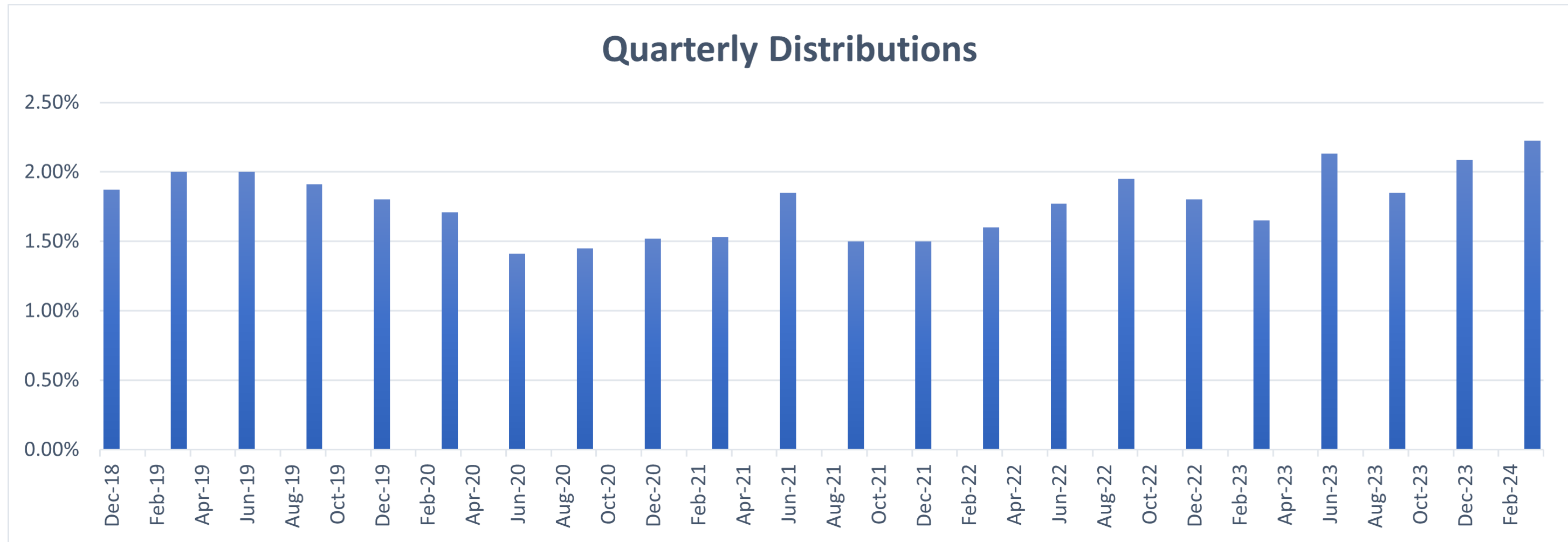
TAMIM CREDIT PORTFOLIO – Key Facts

TAMIM Fund: Credit
Monthly Returns Since Inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2018	-	-	-	-	-	-	-	-	-	0.46%	0.38%	1.02%	1.87%
2019	0.61%	0.56%	0.82%	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%	0.45%	0.61%	0.30%	0.65%	0.51%	0.52%	6.75%
2021	0.43%	0.52%	0.58%	0.52%	0.51%	0.61%	0.47%	0.52%	0.58%	0.57%	0.48%	0.62%	6.61%
2022	0.51%	0.41%	0.62%	0.57%	0.61%	0.90%	0.48%	0.58%	0.78%	0.52%	0.48%	0.75%	7.43%
2023	0.61%	0.11%	0.75%	0.70%	0.56%	0.86%	0.52%	0.61%	0.71%	0.65%	0.76%	0.66%	7.75%
2023	0.80%	0.77%	0.65%	0.70%									2.94%

Over the five years and seven months since inception, the Fund has only had one negative month and has paid a quarterly distribution of between 1.4 and 2.2% every quarter.

TAMIM CREDIT PORTFOLIO – Returns



Over the five years and seven months since inception, the Fund has only had one negative month and has paid a quarterly distribution of between 1.4 and 2.2% every quarter.

TAMIM CREDIT PORTFOLIO – Distributions

Investment Structure:	Unlisted unit trust
Minimum investment:	A\$100,000
Applications:	Monthly
Redemptions:	Quarterly, with 30 days' notice
Unit pricing frequency:	Monthly
Distribution frequency:	Quarterly
Management fee:	1.25% p.a.
Investment Horizon:	3-5+ years
Buy/Sell Spread:	+0.20% / -0.20%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.15%
APIR code:	CTS6709AU

TAMIM CREDIT PORTFOLIO – Key Facts

The TAMIM Credit Fund

Why invest in the Credit Fund?

- Strong risk adjusted returns – 12 month 8.55%
- 1 negative month out of 67
- We find managers/investments that most investors not able to source
- Provide access to a diversified portfolio that most investors would not be able to afford to do
- We are able to do a stronger DD then most investors – avoiding weaker hands important
- Ongoing Due Diligence program – monitoring underlying investments
- Ongoing fund – does not close after 6 to 9 months forcing you to find a new investment
- No equity market risk such as that seen with lic's
- We do not add extra leverage to enhance returns like some do
- Easy entry and exit
- Regular quarterly income stream



TAMIM

www.tamim.com.au

INVESTOR ENQUIRIES – CONTACT DETAILS

Darren Katz

Managing Director

M: +61 405 147 230

E: darren@tamim.com.au

Ben Narcyz

Director of Distribution

M: +61 403 360 850

E: ben@tamim.com.au

Sid Ruttala

Client Executive

M: +61 482 097 758

E: sid@tamim.com.au