Thinktank..

High Yield Trust

Monthly Performance Report

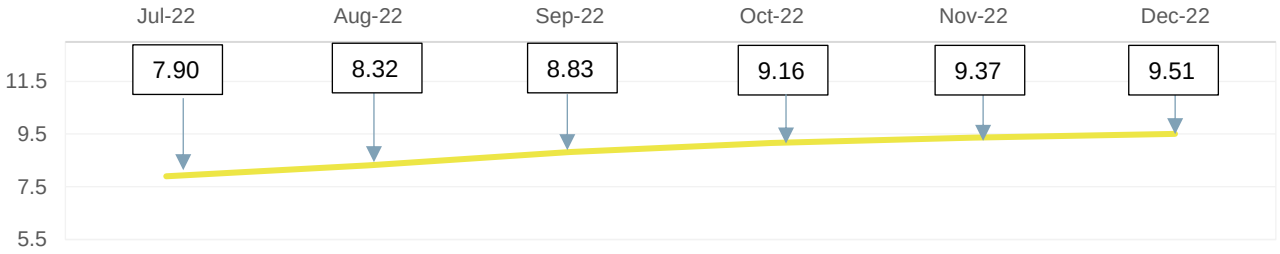
DECEMBER 2022

High Yield Trust Monthly Performance Report

RETURN AS AT DECEMBER 31, 2022

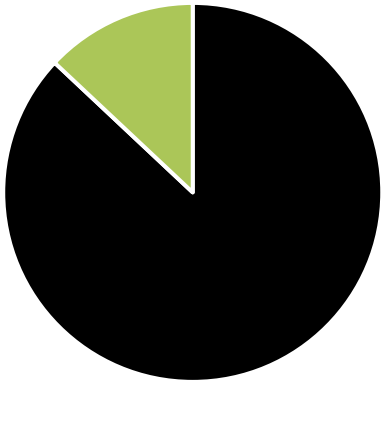
Thinktank..

Annualised Return %

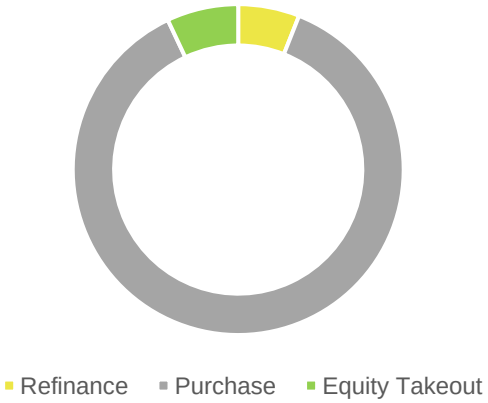


Thinktank Loan Book Metrics

Loan by Security Type*



Loan Purpose*



Investment Overview

Performance and Activity

In December the High Yield Trust return to investors increased for another month. Since inception in August 2017 the High Yield Trust has experienced zero losses and as at 31st December 2022 the High Yield Trust has zero loans in arrears.

Investment strategy

Origination of loans secured by registered second mortgages (where Thinktank holds the first mortgage) held over Australian commercial & residential real estate to generate monthly income returns

Distributions

Paid on the 10th of each month (or following business day) in arrears.

Minimum investment

$10,000

Minimum term

12 months

Average loan-to-value ratio

82.64% as at 31-December-2022

Average life of loan

11 months as at 31-December-2022

**Data as at 31st December 2022*

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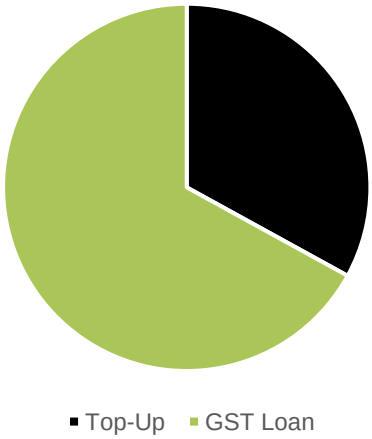
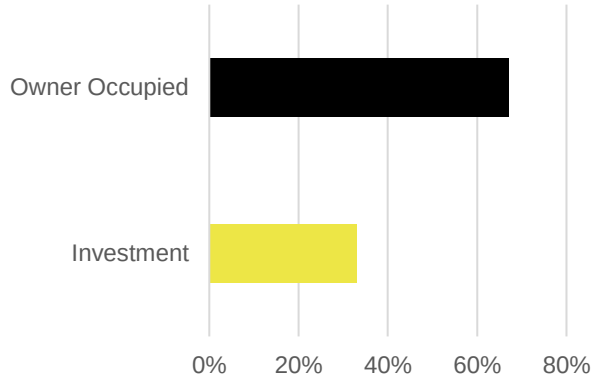
Thinktank Loan Book Metrics

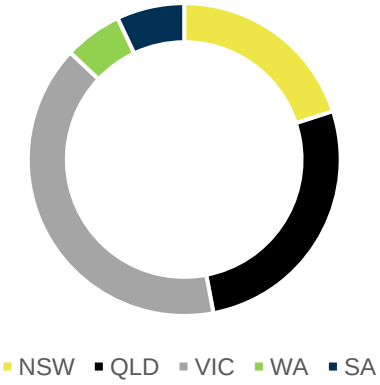
Loan by Product Type*



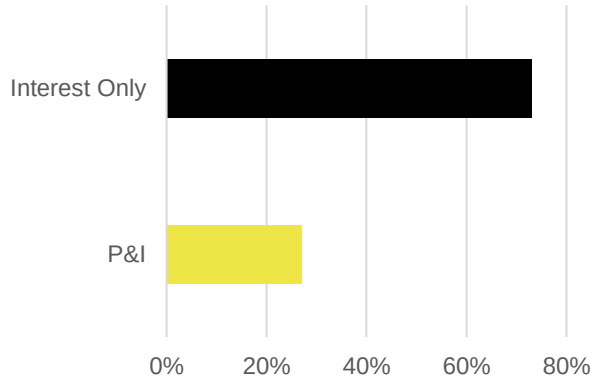
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Ratings

	Sydney		Melbourne		Adelaide		Brisbane (SEQ)		Perth	
Resi-Houses	Weak	Declining	Weak	Declining	Good	Stable	Soft	Declining	Good	Stable
Resi-Units	Weak	Declining	Weak	Declining	Good	Stable	Soft	Declining	Good	Stable
Office	Fair	Stable	Fair	Stable	Good	Stable	Fair	Stable	Good	Stable
Retail	Weak	Stable	Weak	Stable	Good	Stable	Fair	Stable	Fair	Stable
Industrial	Strong	Improving	Strong	Improving	Strong	Improving	Good	Improving	Good	Improving

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Market Commentary

by Per Amundsen, Head of Research

With respect to the Economy and Sentiment, the Westpac-MI Consumer Sentiment Index rose in its recent December release by 3.0% from 78.0 to 80.3 but still well below the 100 (neutral) level of confidence. All three AiG indices fell last month and all were in negative territory below 50 points. At its December meeting the RBA Board raised the OCR by 0.25% for the third straight month after four 0.50% increases in a row. This takes the rate from 2.85% to 3.10%. While further increases are expected, but with no RBA meeting in January this may present the opportunity for a break in the New Year if CPI currently at 7.3% and unemployment at 3.4% justify a pause in the current tightening. CoreLogic dwelling prices for December continued their decline but at a slightly slower pace. National Housing values posted a lower 1.1% fall for the month compared to 1.4% in November but Perth was alone in positive territory up slightly at 0.1%. We have continued to reflect the further decline of Residential in almost all areas and have maintained our ratings and trends accordingly across most capitals. Our Quarterly Market Update later this month will have a full review of all property sectors while our Monthly Market Focus takes a break until February.

Market Commentary

by Lauren Ryan, Investor Relations

In December the Official Cash Rate rose again by 0.25% for the third month in a row which came as no surprise given the tight domestic employment market and high inflation. Many market commentators and economists predict at least 2 more 0.25% official cash rate rises in 2023 before the RBA looks to cut rates in late 2023/early 2024. This festive season was the first since 2019 without restriction and/or rampant covid case numbers in 3 years, 1st quarter spending will likely reflect this celebratory period before consumers tighten their belts and prepare for 2023. The second half of 2022 Australia saw the return of ex-China international students, tourists and backpackers and in January 23' China relaxed their Covid-zero stance which allowed Chinese citizens to exit and enter the country without the onerous quarantines previously experienced. 2022 saw strong rental growth in many parts of the country which is expected to continue with an influx of migration and students increasing the demand for rentals. This rental growth will benefit property investors who have experienced a significant increase in mortgage costs during 2022. Many commentators have predicated 10%+ price decline predominantly across Sydney, Melbourne and Brisbane residential property which doesn't come as a surprise given the increase in interest rates. It is important to remember that many property owners have experienced growth far beyond these predicted falls and the increased demand for rentals provides somewhat of a floor for predicated price declines. It is important to reiterate that Thinktank has less then 1% of loans on fixed rate mortgages which is a major talking point in the media at present and the uncertainty around how mortgage holders will cope with the increased cost when those fixed rate mortgages come to an end over the next 12-18 months. Given the continued headwinds that face the construction industry and the impact that has on new stock becoming available, the demand for quality properties remains strong and isn't showing signs of slowing. Thinktank's new loan settlements in December remained strong at $214 million. As at 31st December Thinktank's portfolio arrears were 0.9% while the High Yield Trust returned 9.51%.

A downloadable copy of Thinktank's Monthly Market Focus can be found here. For more information about Thinktank's Investment Trusts, please contact Lauren Ryan on lryan@thinktank.net.au or 0401 974 839.

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