Thinktank..

High Yield Trust

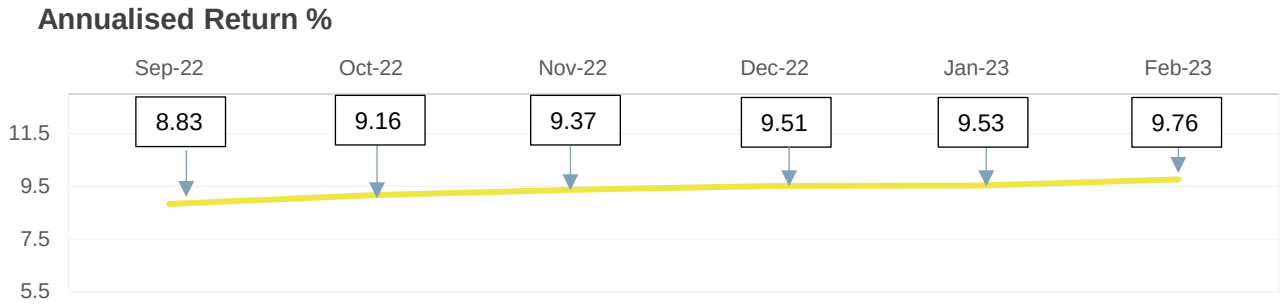
# Monthly Performance Report

**FEBRUARY 2023**

# High Yield Trust Monthly Performance Report

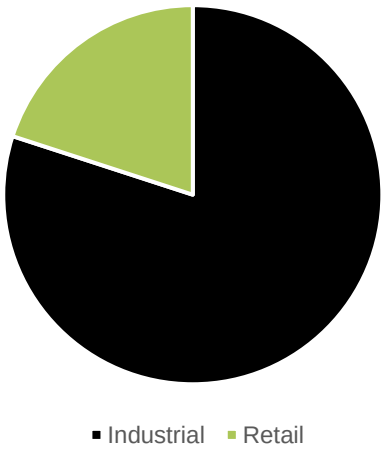
**RETURN AS AT FEBRUARY 28, 2023**

Thinktank..

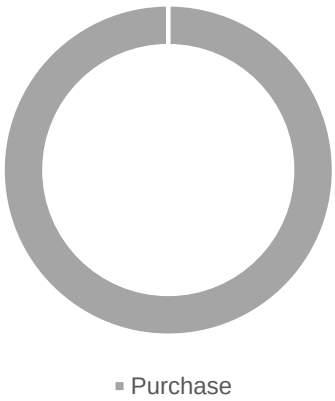



## Thinktank Loan Book Metrics

### Loan by Security Type*




### Loan Purpose*




## Investment Overview

### Performance and Activity

In February 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 28th February 2023 the High Yield Trust has one loan 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

85.9% as at 28-February-2023

### Average life of loan

11 months as at 28-February-2023

**Data as at 28th February 2023*

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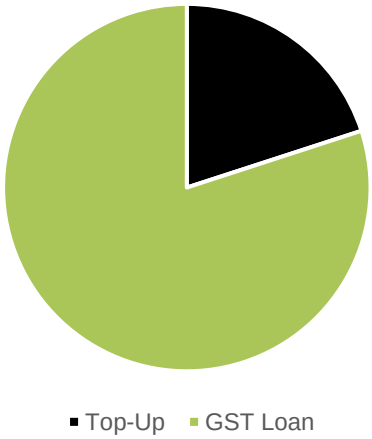
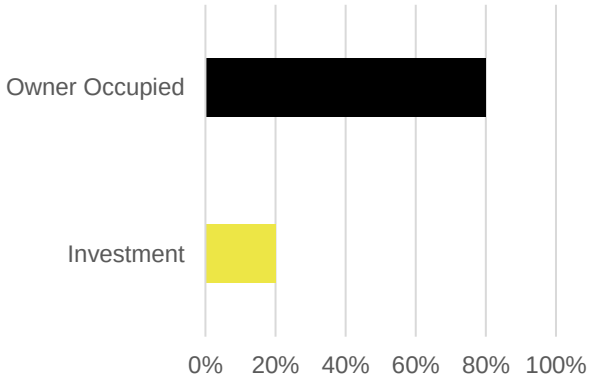
## Thinktank Loan Book Metrics

### Loan by Product Type*

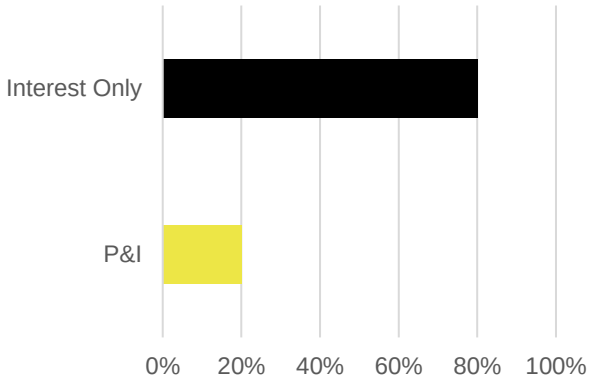



### Loan by Occupancy*




### Loans by State*


### Repayment Type*




### Market Ratings

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

# High Yield Trust Monthly Performance Report

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## Market Commentary

**by Per Amundsen, Head of Research**

The Westpac-MI Consumer Sentiment Index fell in February by 6.9% to 78.5 reversing its unexpected January gain and falling to near historic lows well below the 100 (neutral) level of confidence, described as "deep pessimism" impacted by inflation and interest rate increases. The Westpac Leading Index for February saw the index move just slightly lower to -1.08 from -0.96 pointing to below trend growth for most of 2023. At its March meeting the RBA Board raised the Cash Rate 0.25% as widely expected. This increases the rate from 3.35% to 3.60% taking the rate from its low of 0.10% less than a year ago. While further increases were expected as we entered 2023, the slowing of the pace of increase over the past few months is viewed positively but there is still plenty of debate about the terminal rate we will see and if rates will flatten by mid-2023. Retail sales for January were up 1.9% for the month and 7.5% yoy. CPI for the 4th quarter was up 1.9% and 7.8% for the year which is still hoped to be the high point in this cycle. The unemployment rate of 3.7% in January was up slightly but little changed in months. CoreLogic dwelling prices for February continued their decline but only just and several markets have flattened out or risen slightly. National Housing values posted a 0.1% fall for the month compared to -1.0% in January. The improvement was based on Sydney's 0.3% increase for the month. This has been seen as "a false dawn" by some but we find it very welcome and a true reflection of the Sydney market with some segments performing very well. For the quarter nationally Housing was down by just 2.3% from 3.5% last month. We have reflected the slower decline of Residential in almost all areas and have adjusted our ratings and trends for Sydney but maintained them across other Capitals. Melbourne houses and units remain Weak and Declining as does Brisbane. Retail continues to be showing some recovery as sales continue to improve as noted above. Office continues its slow recovery from the pandemic lockdowns but is just Fair with some changes reflected in the PCA report featured last month. Industrial remains very strong and we are maintaining our Ratings and Trends which are either Strong or Good with an Improving or Stable Trend in each of the capitals.

## Market Commentary

**by Lauren Ryan, Investor Relations**

As markets, business and even politicians got back into the swing of things, February was always primed to be a big month. The RBA kicked off the year with a 9th consecutive rate rise of 0.25% on 7th February and another 0.25% rate rise on 7th March taking the official cash rate up to 3.6%. The new year has also introduced much discussion around whether Governor Lowe should remain at the helm for another term with varying opinions on how well the RBA has managed monetary policy and curbing inflation during his tenure. February also saw the Government proposing taxation changes to self managed superannuation funds with balances over $3 million. While there is plenty to still to be worked through before this proposed change comes into effect, is it the first sign of further changes to SMSFs to come? Time will tell. On 26th February, the AFR published a story about retail investors selling down residential properties to purchase higher yielding commercial assets which is an interesting shift in investor sentiment given the rate environment. Thinktank saw a slight uptick in new loan settlements in February of $176 million. As at 28th February, Thinktank's portfolio arrears were 1.4% while the High Yield Trust returned 9.76%.

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.