Thinktank..

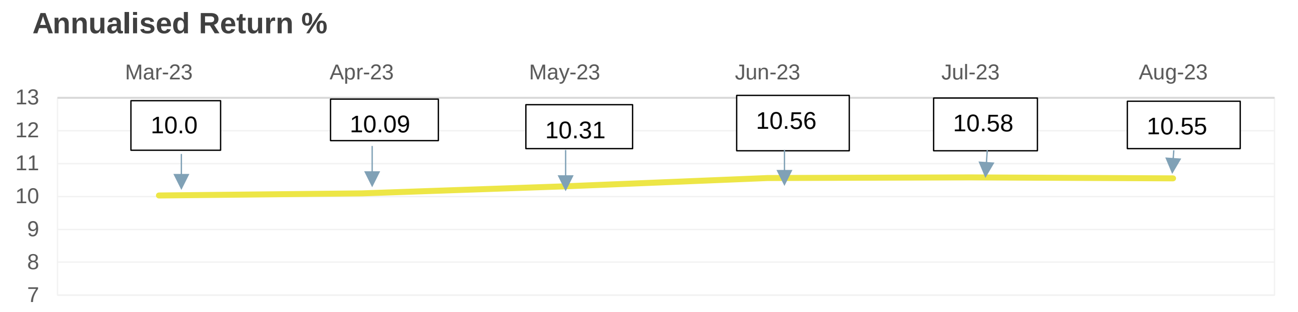
High Yield Trust

Monthly Performance Report

AUGUST 2023

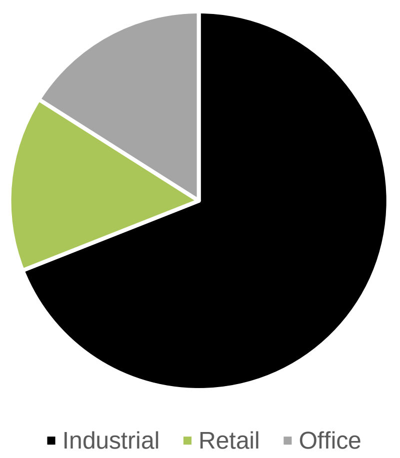
High Yield Trust Monthly Performance Report

RETURN AS AT AUGUST 31, 2023

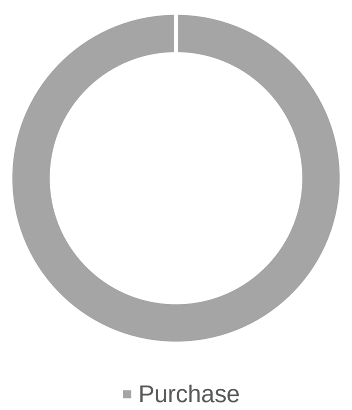


Thinktank Loan Book Metrics

Loan by Security Type*



Loan Purpose*



Investment Overview

Performance and Activity

In August the High Yield Trust delivered increased returns to investors for another month. Since inception in August 2017 the High Yield Trust has maintained zero losses and as at 31st August 2023, there are zero loans within the High Yield Trust currently in arrears.

Investment strategy

Generate monthly income returns by originating loans secured by registered first and second mortgages held on Australian commercial and residential real estate.

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

81.03% as at 31-Aug-2023

Average life of loan

11 months as at 31-Aug-2023

**Data as at 31st Aug 2023*

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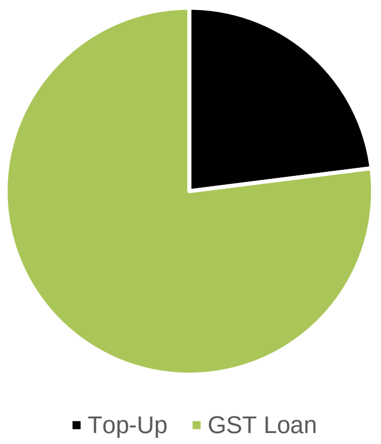
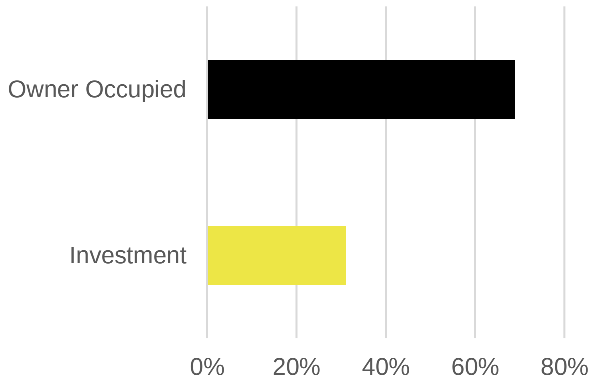
Thinktank Loan Book Metrics

Loan by Product Type*

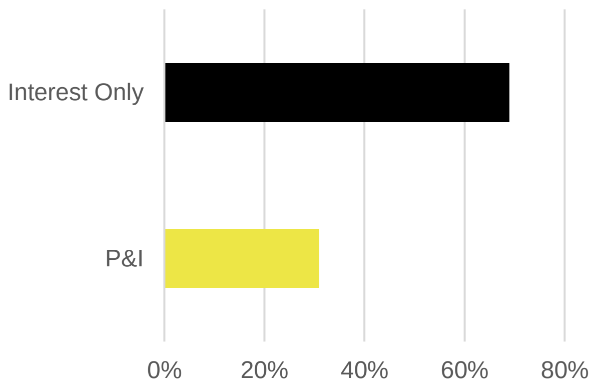


Loan by Occupancy*



Loans by State*

Repayment Type*



Market Ratings

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

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Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index was down slightly by 0.4% to 81.0 points in August and remains deeply pessimistic and still near recession level lows recorded for the last year. The Westpac Melbourne Institute Leading Index however was up slightly at -0.60 in July from June's -0.67 but still recorded 12 months of negative prints which is the longest in seven years. At its September meeting, the RBA Board surprised hardly anyone this time by again pausing on raising the Cash Rate for the third month in a row and keeping it at 4.10%. This was the last meeting for Governor Phillip Lowe ahead of the end of his seven year term later in September. This latest pause had been forecast by just about all commentators and was seen as continued welcome relief for consumers and the economy in general even though further increases are still considered possible by many market economists and was reflected in the minutes of the meeting which contained numerous updates from last month. The 2nd quarter GDP result of a disappointing 0.4% for the 3 months to June and 2.1% year over year was released by the ABS the following day and has once again raised the expectation of prolonged slow growth. The unemployment rate of 3.7% in July was up slightly from 3.6% and forecast to be little changed during 2023 but monthly CPI was down to 4.9% from 5.4%. CoreLogic dwelling prices for August continued their recovery across almost all Capitals. National Housing values posted a 1.1% gain for the month following a 0.7% rise in July. They are now up 3.8% for the past quarter. The improvement was based on gains in Brisbane of 1.7% and 1.1% in both Sydney and Adelaide. For the month Perth was up 0.9% and Melbourne 0.5%. We continue to reflect the improvement of Residential in almost all areas and have maintained our Ratings and Trends across all Capitals with none showing a negative CoreLogic Housing result for the month. We maintain our cautious optimism. Retail continues to be showing some recovery although volatile, especially secondary although sales are flat. Industrial which remains very strong; while Office is doing better in some Capitals a real recovery remains some time into the future.

Investment Commentary

by Lauren Ryan, Investor Relations

August saw the RBA hold the Official Cash rate at 4.1% citing a decline in headline inflation. Core inflation remains elevated which leaves the discussion open amongst many economic experts that there is potential for a further rate rise in 2023. Higher inflation for longer seems to be the global central bank view as economies navigate a contractionary environment whilst avoiding recession.

On the domestic front the cash rate pause was welcomed by individual and company borrowers alike. Signs of economic slowdown are evident across the community however and many Australians now are certainly feeling the pinch. Easing goods inflation in segments of the market was a welcome result, however a continued tight labour and housing markets show little sign of easing which is of concern as services inflation remains stubbornly high. The Financial Review Property Summit kicks off this week and housing affordability, the rental crisis, and issues within the building industry are all key items on the agenda. Increasing housing supply will take time and the lack of it will be a key factor in the housing market rebound despite the increased costs and challenges associated with servicing a mortgage. Interestingly, recent PEXA data revealed that certain parts of Australia's east coast have seen an increase in cash transactions, where one quarter of all purchases are mortgage-free. In contrast the market has also seen an increase in property investors and borrowers with holiday homes placing these properties on the market in response to their changing financial circumstances. Rental vacancy rates across the country remain tight which will continue to keep rents high. As this situation continues, we can expect continued discussion by State Government on rental freezes or similar policies. At the end of August, I presented at the SMSF Trustee Empowerment Day three city roadshow. It was great to see so many engaged trustees discussing investment strategies and regulatory changes impacting their SMSFs. Thank you to all who attended the events. In the first month of the new financial year originations were down slightly with new loan originations in August amounting to $185 million. As at 31st August, our portfolio arrears stood at 2% and the High Yield Trust was yielding a return of 10.55%.

For more information about Thinktank's Investment Trusts, please contact Lauren Ryan on lryan@thinktank.net.au or 0401 974 839.