Thinktank

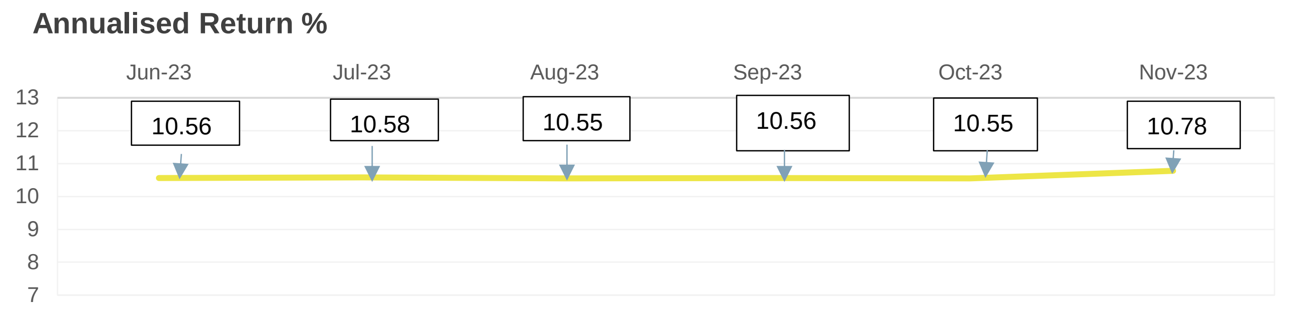
High Yield Trust

Monthly Performance Report

NOVEMBER 2023

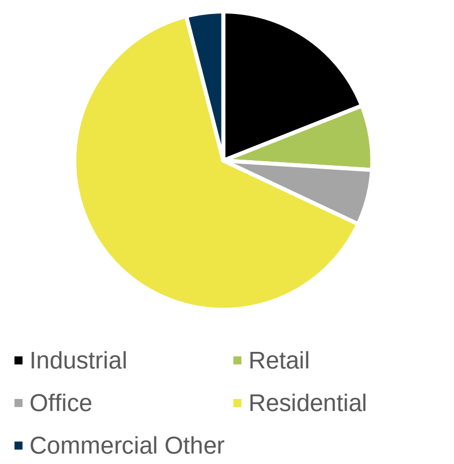
High Yield Trust Monthly Performance Report

RETURN AS AT NOVEMBER 30, 2023

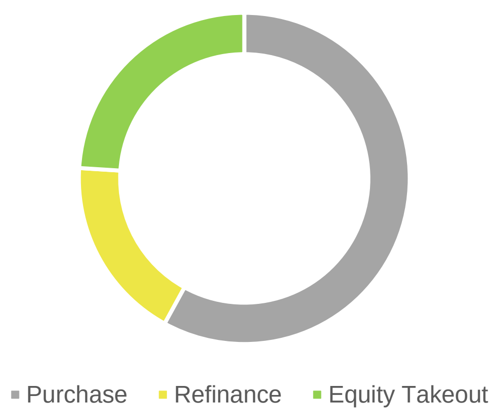


Thinktank Loan Book Metrics

Loan by Security Type*



Loan Purpose*



Investment Overview

Performance and Activity

In November the High Yield Trust return to investors remaind stable for another month. Since inception in August 2017 the High Yield Trust has maintained zero losses and as at 30th November 2023.

Investment strategy

Generate monthly income returns by investing in mortgage-backed securities secured by registered first 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

65.80% as at 30-Nov-2023

Average life of loan

20.85 months as at 30-Nov-2023

**Data as at 30th Nov 2023*

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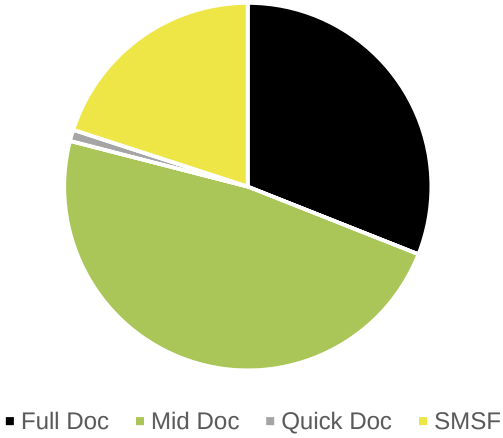
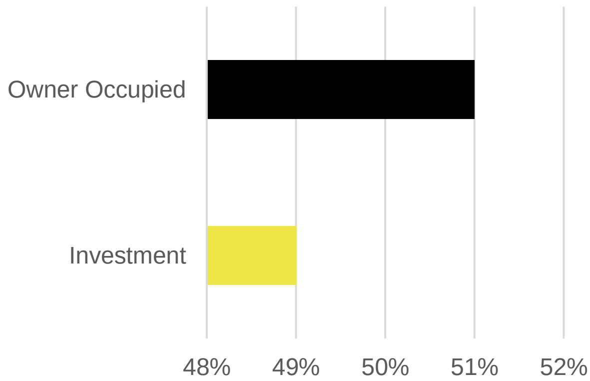
Thinktank Loan Book Metrics

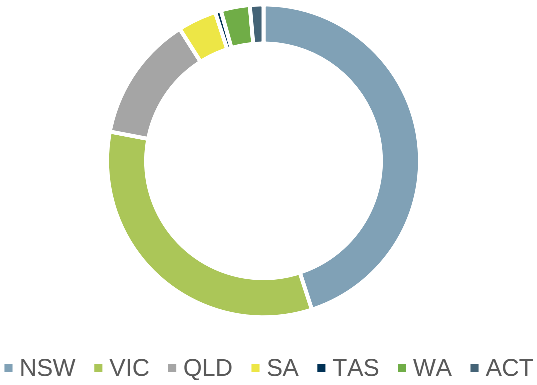
Loan by Product Type*



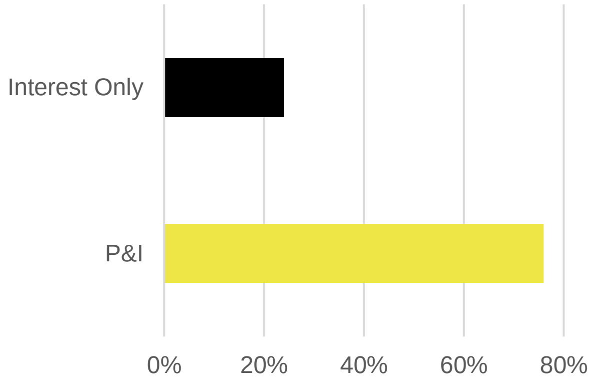
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Ratings

	Sydney		Melbourne		Adelaide		Brisbane (SEQ)		Perth	
Resi-Houses	Fair	Stable	Fair	Stable	Good	Improving	Good	Improving	Good	Improving
Resi-Units	Fair	Stable	Fair	Stable	Good	Improving	Good	Improving	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 declined in November by 2.6% to 79.9, down from 82 in October. The Westpac Leading Index was also down slightly at -0.40 in October from -0.38 in September but continuing its string of negative reads since August '22. Westpac describes it as stuck in a 'low growth rut' well into next year. At its December meeting the RBA Board held the Cash Rate raising it by 25 basis points to 4.35% in November. This latest decision had also been forecast by just about all commentators and leaves markets now looking forward two months to February 2024 until the next RBA meeting which will be under the new framework recently adopted. Key statistical releases ahead of the RBA decision were very weak Retail Sales down 0.2% for the month of October and up only 1.2% for the year. The October indicator quarterly CPI was down to 4.9%. Just released GDP for the 3rd quarter following the RBA meeting was a weak 0.2% for the quarter and 2.1% for the year. 10 year US Treasury Yields are trading down at 4.17% and AUS 10 year Gov't bonds were at 4.30% with the US yield still inverted from the 2 year at 4.58% by 41 bps with AUD 3 year Gov't bonds down to 3.89%. The AUD had risen last month but is now once again below USD 0.66. CoreLogic dwelling prices for November continued their recovery across almost all Capitals. National Housing values posted a 0.6% gain for the month following a 0.9% rise in October. They are now up 2.1% for the past quarter. The improvement was based on leading gains in Perth of 1.9% for the month and 5.4% for the quarter, both better than last month. Adelaide and Brisbane were not far behind both at 3.9% for the quarter and 1.2% and 1.3% respectively for the month. For the month Sydney was up just 0.3% and Melbourne fell by 0.1%. We continue to reflect the improvement of Residential in almost all areas and have held our Ratings and Trends for Perth, Adelaide and Brisbane while all Capitals except Melbourne are showing positive CoreLogic Housing results for the month. All sectors remain unchanged.

Investment Commentary

by Lauren Ryan, Investor Relations

Initially, after raising the Cash Rate by another 0.25% to 4.35%, the RBA's commentary suggested the possibility of another rate increase in December which could have posed additional challenges for consumers and mortgage holders during the festive season and summer holidays. Governor Bullock's characterisation of Australian inflation as "homegrown" rather than imported suggested that consumer demand is the principal driving force behind inflation, representing a shift from the previous narrative centred on supply-side challenges. Later in November, the Organisation for Economic Cooperation and Development (OECD) argued that Australia's cash rate had likely now peaked at 4.35%. Thereafter, the RBA at its December meeting chose to maintain the rate at this level. With no January meeting scheduled, attention is now focused on February 6th, 2024, which marks the last meeting before the new RBA rate decision calendar takes effect. Looking at fiscal policy, Infrastructure Minister Catherine King announced in November that the Federal Government would cut spending on over 50 projects due to unsustainable cost and time overruns. Balancing sustainable and productive infrastructure spending, especially alongside high immigration, remains a persistent challenge for fiscal policy, with numerous election promises tied to budget allocations for infrastructure. Over the past few months, discussions have more heavily emphasised the role of fiscal policy alongside monetary policy in managing inflation. I had the opportunity to attend and present at two adviser education lunches during the month, delving into how investors can generate returns through the debt capital stack. These sessions were very well-received, and I genuinely appreciated the active participation of those in attendance. It is encouraging to speak with advisers and investors exploring alternative private credit opportunities for income generation, even those who may not have previously considered this asset class. I also presented at an Australian Investors Association (AIA) webinar on a similar topic. Looking ahead to 2024, I anticipate exciting developments, and among them, the AIA plans to merge with the Australian Shareholders Association (ASA). In terms of performance, Thinktank experienced an increase in new loan originations to $228 million in November. As of November 30th, our portfolio arrears stood at 2.7%, and the High Yield Trust yielded a return of 10.78%.

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.