Thinktank..

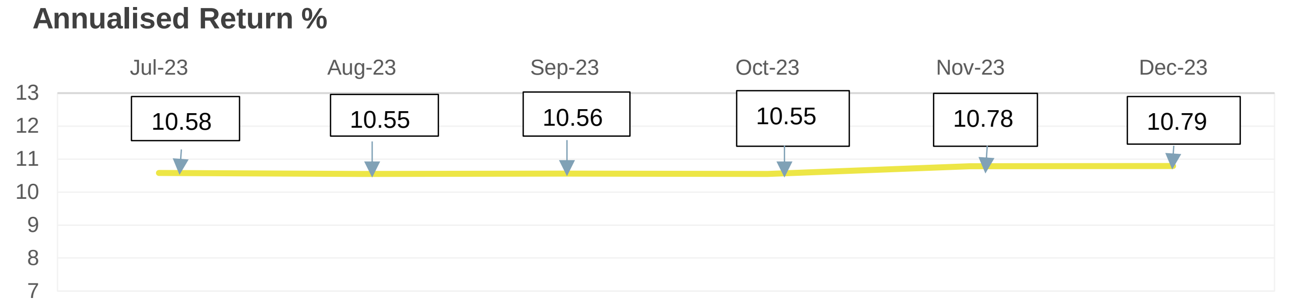
High Yield Trust

Monthly Performance Report

DECEMBER 2023

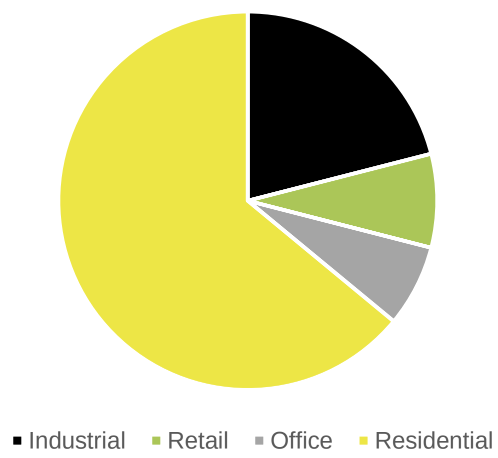
High Yield Trust Monthly Performance Report

RETURN AS AT DECEMBER 31, 2023

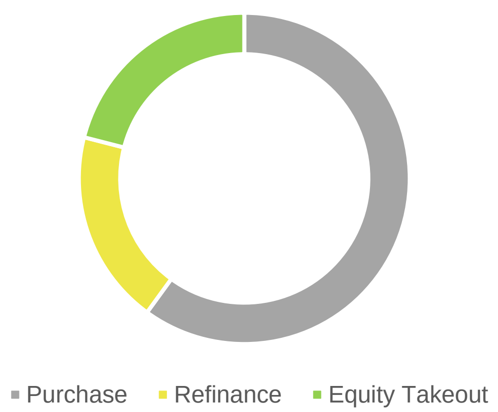


Thinktank Loan Book Metrics

Loan by Security Type*



Loan Purpose*



Investment Overview

Performance and Activity

In December 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 as at 31st December 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

66.07% as at 31-Dec-2023

Average life of loan

19.68 months as at 31-Dec-2023

**Data as at 31st Dec 2023*

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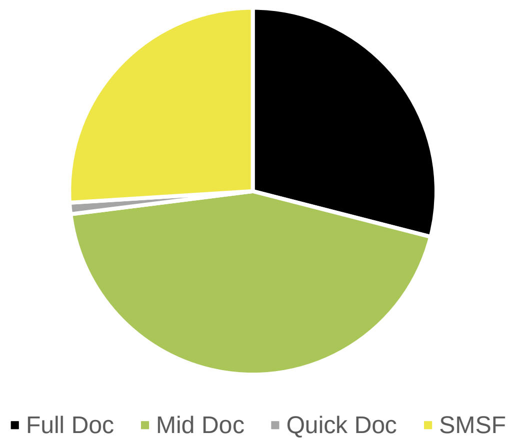
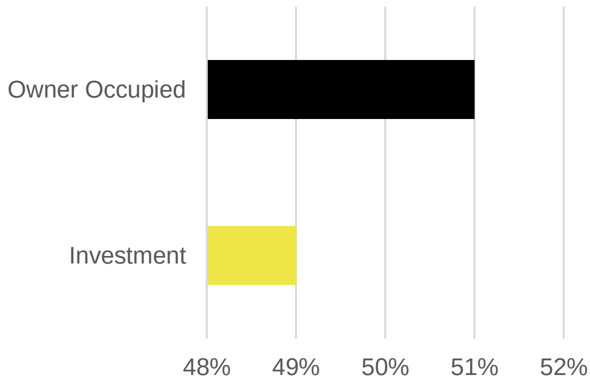
Thinktank Loan Book Metrics

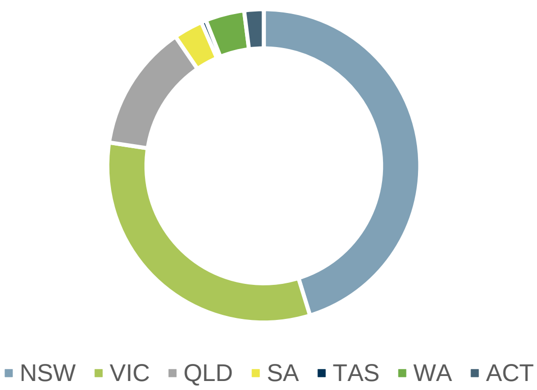
Loan by Product Type*



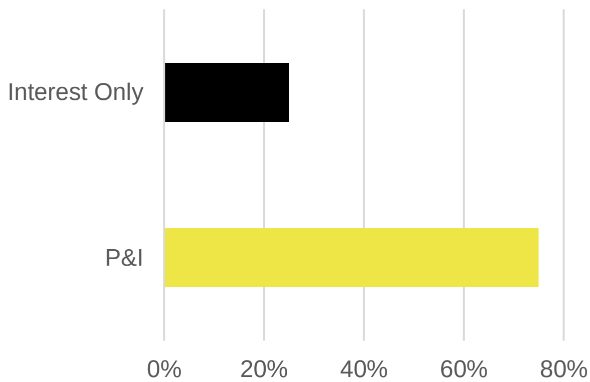
Loan by Occupancy*



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 rose slightly in December by 2.7% to 82.1, up from 79.9 in November but still described as very weak. The Westpac Leading Index was also up at +0.30 in November from -0.39 in October and breaking its string of negative reads since August ’22 but Westpac expressed surprise at what it described as the uptick being due to temporary factors. The RBA Board does not meet again until February with markets uncertain as to any change in interest rates with key data to be released during the prior week. Key recent statistical releases in late November were very weak Retail Sales down 0.2% for the month of October and up only 1.2% for the year. The unemployment rate of 3.9% in November was up 0.2% from October and is forecast to be little changed in the near term. The November indicator CPI to be released on 10 January is expected to ease to 4.4% from 4.9% in October. The more important 4Q CPI will be released on 31 January, the week before the RBA’s February Board meeting at which the Cash Rate will be considered; the CPI for the September quarter was 5.4% and an improvement is expected. CoreLogic dwelling prices for December continued their recovery across almost all Capitals but again at very different paces with only Melbourne down slightly at -0.3% and Perth again leading the way at +1.5% for the month. Adelaide, Perth and Brisbane all did very well once again this month leading the Capitals with all three up in both Houses and Units for both the month and the quarter. We continue to reflect the improvement of Residential in almost all areas and have held our Ratings and Trends for each of the five Capitals while all Capitals except Melbourne are showing positive CoreLogic Housing results for the month and quarter. Retail continues to be volatile, especially secondary although sales look to be flat. Industrial remains very strong across the country as reflected in a number of national research reports. While Office is doing better in some Capitals, a real recovery remains some time into the future with high vacancy rates and uncertain valuations. This results in no change to our Rating and Trends shown below but with close attention to be paid during Q1 2024.

Investment Commentary

by Lauren Ryan, Investor Relations

Christmas came early for borrowers with the RBA keeping the cash rate on hold at 4.35% at the December meeting. The latest Statement on Monetary Policy affirmed that inflation is on a gradual decline, while the unemployment rate experienced a slight increase to 3.9%. The global discourse has centred around the success of aggressive tightening measures by central banks, effectively steering inflation back towards target bands and preventing recession in numerous countries. Notably, the strategy benefitted from a considerable increase in immigration, including in Australia, with the argument that such population growth has played a pivotal role in reducing the potential for a recession to occur. Looking ahead to 2024, the primary focus will be on boosting productivity and the potential for rate cuts, however the challenge lies in ensuring the battle has been won and such cuts won’t reignite inflation. Forecasts by many high-profile market economists anticipate some challenges for consumers and businesses before the relief of projected rate cuts in the latter half of 2024. The RBA faces potential delays in rate-cut decisions compared to other countries, given its Official Cash Rate is approximately 1% lower than the US Federal Funds Rate. The greater sensitivity of variable rate mortgages to rate fluctuations adds complexity to this decision-making process. Reflecting on 2023, it proved to be a challenging yet successful year for Thinktank, concluding with $2.46 billion in originations and a total loan book lifting to $5.5 billion. The global business landscape faced a number of challenges, notably the collapse of SVB, Credit Suisse and First Republic Bank in March, causing market shocks and raising concerns about bank balance sheet stability amid rising official interest rates. Despite these challenges, domestic unemployment rates demonstrated resilience, with labour shortages persisting in many industries. Surprisingly, the housing market defied conventional expectations by maintaining, if not growing in value. This can be attributed to a scarcity of new and high-quality stock combined with significantly elevated immigration levels. Thinktank closed the year on a positive note, recording $221 million in new loan originations in December. As at December 31st, portfolio arrears stood at 3.1% and the High Yield Trust yielded a return of 10.79%.

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.