



High Yield Trust

Monthly Performance Report

A monthly snapshot of our **High Yield Trust** performance.

August 2024

Thinktank.

Investment Overview

Performance and Activity

In August the High Yield Trust return to investors remained stable for another month. Since inception in August 2017 the High Yield Trust has maintained zero losses as at 31st August 2024.

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 the following business day) in arrears.

Minimum investment

\$10,000

Minimum term

12 months

Average loan-to-value ratio

65.6% as at 31-Aug-2024

Average life of loan

20.88 months as at 31-Aug-2024

*Data as at 31st August 2024

Market Ratings

▶ Stable ▲ Improving
▼ Deteriorating

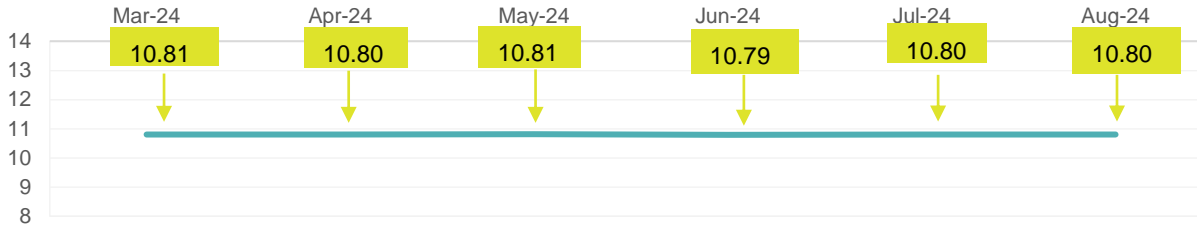
| | Sydney | Melbourne | Adelaide | Brisbane | Perth |
|-------------------|----------|-----------|----------|----------|----------|
| Residential Homes | Fair ▶ | Fair ▶ | Good ▲ | Good ▲ | Strong ▲ |
| Residential Units | Fair ▶ | Fair ▶ | Good ▲ | Good ▲ | Strong ▲ |
| Office | Fair ▶ | Weak ▶ | Fair ▶ | Fair ▶ | Good ▲ |
| Retail | Fair ▶ | Weak ▼ | Weak ▼ | Fair ▲ | Fair ▶ |
| Industrial | Strong ▶ | Good ▶ | Strong ▶ | Strong ▶ | Strong ▲ |

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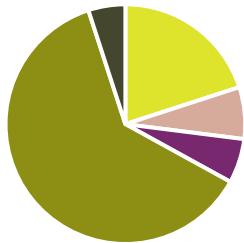
RETURN AS AT AUGUST 31, 2024

Annualised Return %



Thinktank Loan Book Metrics*

Loan by Security Type*



- Industrial
- Office
- Commercial Other
- Retail
- Residential

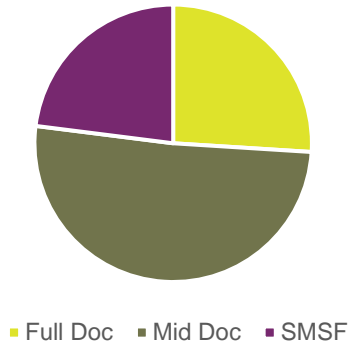
Loan by Occupancy*



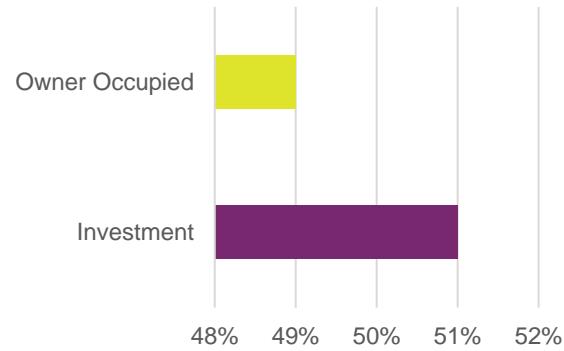
- Purchase
- Refinance
- Equity Takeout

Thinktank Loan Book Metrics

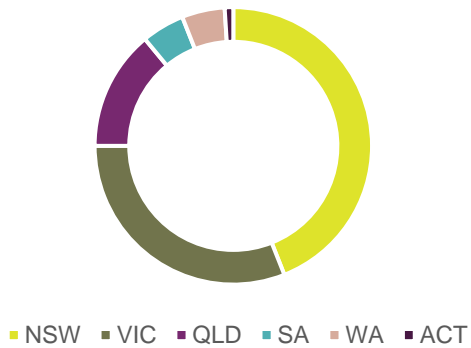
Loan by Product Type*



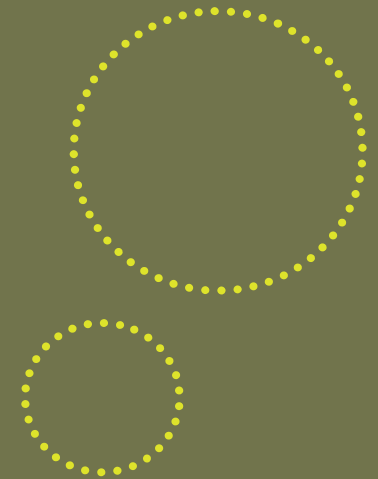
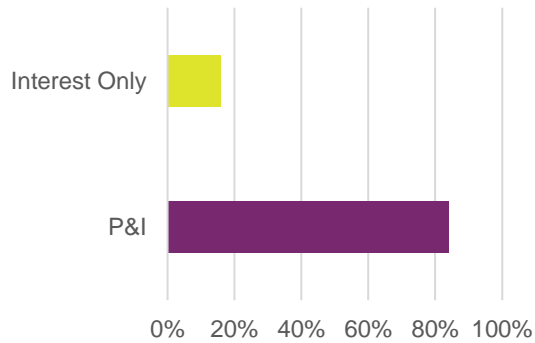
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index was up by 2.8% in August to 85% but still continued a two year slump in sentiment below 100. In the latest survey, consumers appear to be less concerned about further interest rate increases. The Westpac Melbourne Institute Leading Index however was flat for the third consecutive month. The concerns on interest rates and inflation appear to have been relieved somewhat.

The Reserve Bank of Australia (RBA) last met on 7, 8 August and the Cash Rate was left unchanged as it has been since November 2023 when it was increased by 0.25%. The RBA Board meet again on 23,24 September and from specific comments by the Governor no change to rates is expected. Very weak GDP data of a 0.2% increase for the June quarter and 1.0% for the year did not influence the Governor's remarks the following day suggesting any cut in the Cash Rate may have to wait until the New Year.

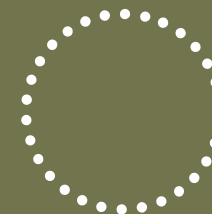
The ABS also released the July Retail figures which were unchanged from the previous month and up 2.3% on a year earlier, slightly down from the previous month. Internationally similar issues continue to be confronted by Central Banks and the Federal Reserve Bank

in the United States continues to be most watched with the US FOMC Board now strongly expected to begin easing US rates at their September meeting following public statements after the closely watched Jackson Hole meetings.

CoreLogic dwelling prices for August continued their national recovery but again with the exception of Melbourne and at very different paces. National Housing values posted another good 0.5% gain for the month and up 1.3% for the quarter but with Melbourne being down -1.2% for the quarter and down -0.2% for the month. Momentum continues to be with the smaller Capital Cities but with some uncertainty about overall National Housing values after 17 months of increases.

We continue to reflect the improvement of Residential in almost all areas except Melbourne and we maintain our view that interest rates should remain on hold and will fall early next year. Retail remains flat at best as reflected in the July ABS data Industrial continues to be strong across the country but still coming off their highs. While Office continues to do better in some Capitals, a real recovery remains some time into the future.

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Thinktank's Monthly Market Focus can be downloaded from our website.

[Access it here](#)

Investment Commentary

by Lauren Ryan, Investor Relations

With the next meeting of the Reserve Bank of Australia (RBA) not scheduled until 23-24 September, this month's commentary will focus on recent data and selected results from the August reporting season.

On Wednesday 28 August, the Consumer Price Index (CPI) figures for July were released, revealing an annual CPI rate of 3.5%, and representing a decrease from 3.8% in June. Housing and rental costs have been notable contributors to this change. Although rent prices are stabilising nationwide, the construction sector continues to face significant challenges. These ongoing headwinds are expected to persist in the short term, likely causing demand to continue outpacing supply.

Additionally, the unemployment rate for July saw a modest increase from 4.0% to 4.2%, suggesting further cooling in the employment market. However, many businesses continue to seek quality staff, a trend that has been ongoing for some time. Kate Lamb from the Australian Bureau of Statistics (ABS) noted, "The employment and participation measures remain historically high, while unemployment and underemployment measures remain historically low compared to pre-pandemic levels. This indicates that the labour market remains quite tight."

Turning to the August reporting season, the results for ASX listed companies varied significantly by industry. Retail earnings often serve as a reliable indicator of consumer sentiment and financial health. Consumer discretionary stocks faced challenges,

with many well-known brands reporting declines in earnings and net profit, and some even reducing dividends. Conversely, domestic banks, particularly the Commonwealth Bank of Australia (CBA), reported robust results and exhibited resilience across its business. Notably, several domestic banks have recently reduced their three-year fixed-rate mortgages and term deposit rates, which may suggest their expectations regarding near term RBA rate movements.

In recent weeks, I attended Heffron's Super Intensive Day in Melbourne, Brisbane, and Sydney. This event for SMSF professionals provided valuable opportunities to engage with accountants and advisers about their clients' income needs, both within and outside of superannuation, and the potential benefits of property secured bonds in enhancing client portfolios. There is a growing interest among advisers to incorporate bonds and private credit into client portfolios, provided they are comfortable with the associated illiquidity, to access a segment of the lending market predominantly accommodating institutional investors.

In August, Thinktank's loan book exceeded \$6 billion, with Thinktank reporting \$293 million in new mortgage loan originations. This indicates that the appetite for lending remains strong. As of 31 August the portfolio's 30+ day arrears rate slightly decreased to 3.1%, while the High Yield Trust has achieved a return of 10.80%.

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Contact Us

For more information about Thinktank's Investment Trusts, please contact **Lauren Ryan**.



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