



High Yield Trust

## Monthly Performance Report

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

July 2024

**Thinktank.**

# Investment Overview

## Performance and Activity

In July 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 31<sup>st</sup> July 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 10<sup>th</sup> of each month (or the following business day) in arrears.

## Minimum investment

\$10,000

## Minimum term

12 months

## Average loan-to-value ratio

66% as at 31-Jul-2024

## Average life of loan

21.11 months as at 31-Jul-2024

\*Data as at 31<sup>st</sup> July 2024

# Market Ratings

▶ Stable ▲ Improving  
▼ Deteriorating

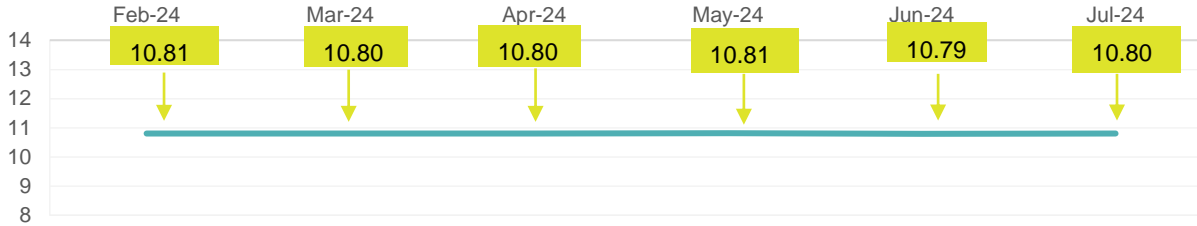
|                   | Sydney   | Melbourne | Adelaide | Brisbane | Perth    |
|-------------------|----------|-----------|----------|----------|----------|
| Residential Homes | Good ▶   | Fair ▶    | Good ▶   | Good ▶   | Strong ▲ |
| Residential Units | Good ▶   | Fair ▶    | Good ▶   | Good ▶   |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

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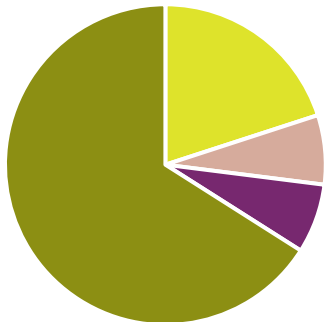
RETURN AS AT JULY 31, 2024

## Annualised Return %



## Thinktank Loan Book Metrics\*

### Loan by Security Type\*



Industrial Retail Office Residential

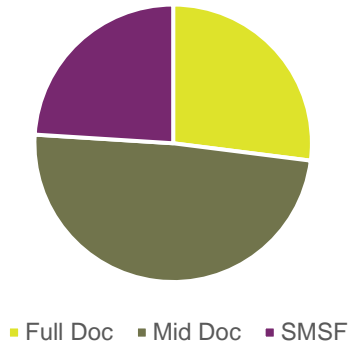
### Loan by Occupancy\*



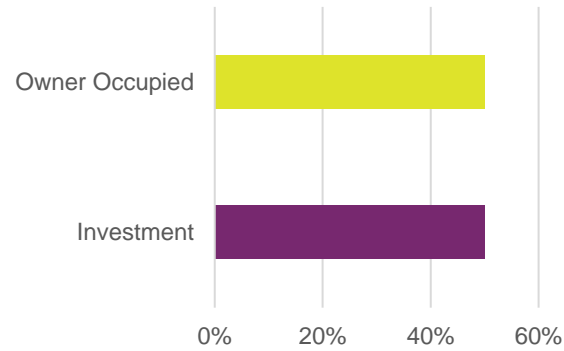
Purchase Refinance Equity Takeout

# Thinktank Loan Book Metrics

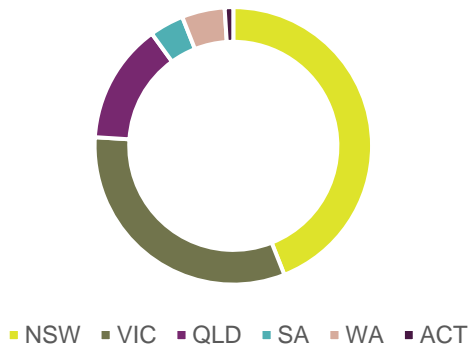
Loan by Product Type\*



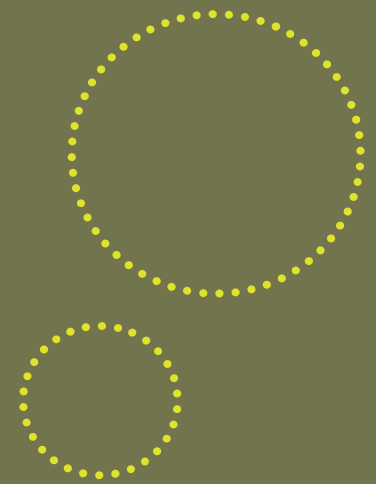
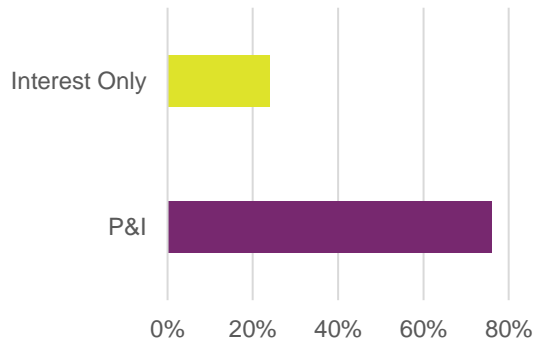
Loan by Occupancy\*



Loans by State\*



Repayment Type\*



# Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index fell slightly by 1.1% in July to 82.7% and continued a two year slump in sentiment below 100. The overall negative sentiment continues to be attributed to consumers reaction to ongoing inflation concerns.

The Westpac Leading Index however rose slightly to -0.13 in July reversing a slight fall in June. The concerns on interest rates and inflation appear to have been relieved somewhat by the latest CPI data commented on later in this report.

The Reserve Bank of Australia (RBA) last met in mid-June and with no meetings in July met again on 7, 8 August. The Cash Rate was left unchanged as it has been since November 2023 when it was increased by 0.25%.

The quarterly Statement on Monetary Policy (SoMP) which was last released on 7 May was published on 6 August. Key recent statistical releases continue to be outside of previous RBA expectations and this was reflected in the adjustments to be seen in the last SoMP. Very importantly, the latest CPI Indicator for the month of June released by the ABS on 31 July came in at 3.8% for the 12 months in line with the previously amended SoMP from last

quarter. Internationally similar issues continue to be confronted by Central Banks with increased forecasts of when interest rates may fall.

The Federal Reserve Bank in the United States is most watched and Chairman Jerome Powell and other FOMC Board members are now expected to begin easing US rates at their September meeting. CoreLogic dwelling prices for July continued their 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 1.7% for the quarter with only Melbourne being down -0.9% for the quarter and down 0.4% for the month. 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 is showing some signs of recovery although volatile, but sales are finally rising. Industrial continues to be strong across the country although coming off their peak and Office continues to experience high vacancy rates in all capital cities.

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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

The Reserve Bank of Australia (RBA) held its fifth meeting of the year over 5-6 August 2024 and decided to maintain the Official Cash Rate at 4.35%. Market speculation regarding a potential rate increase during June and July has largely dissipated. This change in sentiment follows signs of economic weakness in several major global economies, a decline in global inflation rates, and a domestic Consumer Price Index (CPI) reading of under 4% at the end of the last quarter. Commonwealth Bank of Australia Chief Economist Gareth Aird remains confident that the RBA will implement an initial rate cut in November.

Conversely, other market analysts predict that the first rate reduction may not occur until 2025 following the Governor's hawkish comments. Historically, the RBA has tended to maintain the cash rate for extended periods until sufficient data justifies a change. For instance, prior to the COVID-19 pandemic, the RBA sustained a cash rate of 1.5% for three years, from 2016 to 2019. There have been other instances in the years preceding 2016 where the cash rate remained stable for twelve months or more. While historical patterns of course do not guarantee future outcomes, they provide a level of insight into the RBA's approach during relatively stable market conditions. Investors should be reminded that returns on the Income

& High Yield Trust are variable and are directly influenced by the Bank Bill Swap Rate (BBSW) 30, which is affected by RBA cash rate decisions. Thinktank once again sponsored the SMSF Tech Summit, and I had the opportunity to speak with financial advisors and asset allocators at the Inside Network's Income & Defensive Symposium. In the current higher interest rate environment, there has been increased interest in credit instruments from both investors and advisors. It is always gratifying to share Thinktank's investment philosophy and to introduce investors to secured, income-producing asset classes that can help meet their income objectives.

On a personal note, many of you may be aware of my enthusiasm for sports. Having participated in several sports competitively throughout my youth and into my late 20s (though now I only play golf, and not very well), I have thoroughly enjoyed watching the Olympics. Regardless of the outcomes, the achievements of Australian athletes are amazing, and we can take considerable pride in their dedication and success. The new financial year has started strongly, with Thinktank reporting \$275 million in new loan originations. As of 31 July, the portfolio's 30+ day arrears rate stands at a consistent 3.2%, while the High Yield Trust has achieved a return of 10.80%.



# Contact Us

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



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