



High Yield Trust

Monthly Performance Report

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

June 2024

Thinktank.

Investment Overview

Performance and Activity

In June 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 30th June 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

66% as at 30-Jun-2024

Average life of loan

21.35 months as at 30-Jun-2024

*Data as at 30th June 2024

Market Ratings

▶ Stable ▲ Improving
▼ Deteriorating

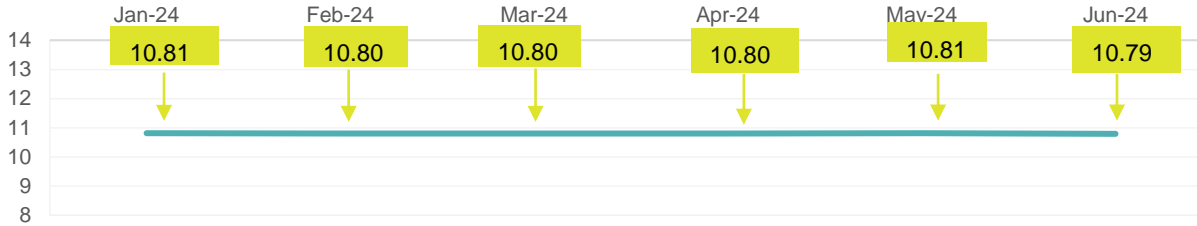
	Sydney	Melbourne	Adelaide	Brisbane	Perth
Residential Homes	Good ▶	Fair ▶	Good ▶	Good ▶	Strong ▲
Residential Units	Good ▶	Fair ▶	Good ▶	Good ▶	Strong ▲
Office	Fair ▶	Weak ▶	Fair ▶	Fair ▶	Good ▲
Retail	Fair ▶	Weak ▼	Weak ▼	Weak ▼	Fair ▶
Industrial	Strong ▶	Good ▶	Strong ▶	Strong ▶	Strong ▲

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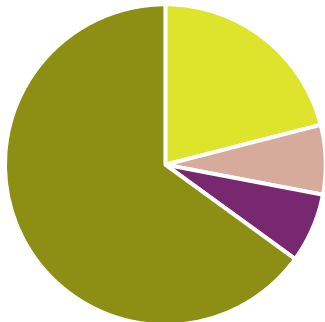
RETURN AS AT JUNE 30, 2024

Annualised Return %



Thinktank Loan Book Metrics*

Loan by Security Type*



Industrial Retail Office Residential

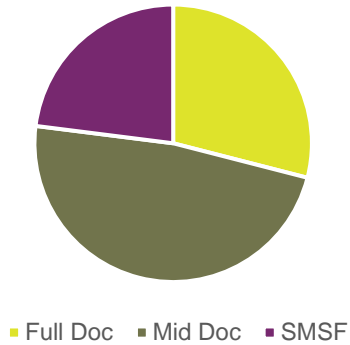
Loan by Occupancy*



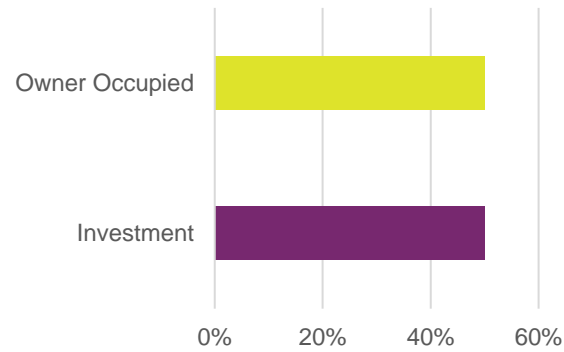
Purchase Refinance Equity Takeout

Thinktank Loan Book Metrics

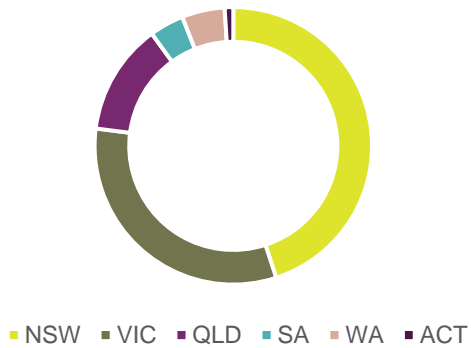
Loan by Product Type*



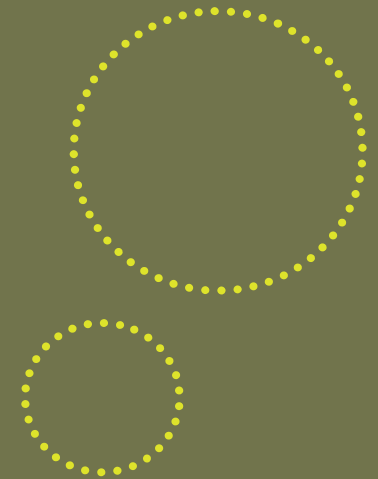
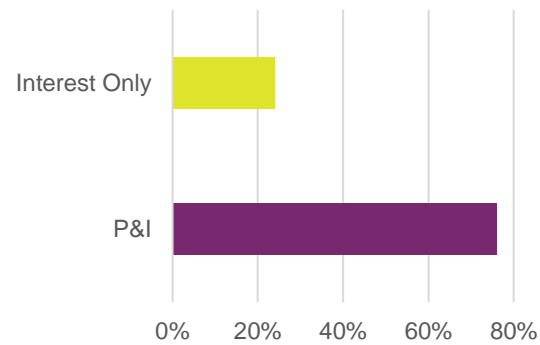
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index rose slightly by 1.7% in June to 83.6% but 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 slid slightly to -0.24 in June reversing a slight improvement in May. The Cash Rate was left unchanged at the RBA's June meeting as it has been since November 2023 when it was increased by 0.25%.

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 Statement on Monetary Policy (SoMP). Very importantly, the latest CPI Indicator for the month of May released by the ABS on 26 June came in at 4.0% for the 12 months.

This was higher than had originally been projected at 3.3% for June 2024 and this forecast was amended to 3.8% in the latest SoMP. Speculation has now arisen of an increase in the Cash Rate as early as at the August meeting. All eyes will now be on the more detailed Quarterly CPI figures to be released on 31 July the week before the RBA

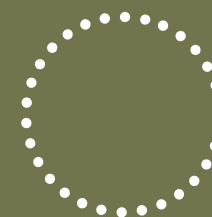
meets again in early August. Internationally similar issues continue to be confronted by Central Banks with almost daily adjustments to forecasts of when interest rates may fall.

CoreLogic dwelling prices for June continued their recovery across almost all Capitals but again with the exception of Melbourne and at very different paces. National Housing values posted another good 0.7% gain for the month and up 1.8% for the quarter with only Melbourne being down -0.6% for the quarter.

Momentum continues to be with the smaller Capital Cities but new uncertainty about interest rates is starting to raise questions for some commentators after 16 months of increases in National Housing values. 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.

While Office is doing better in some Capitals, a real recovery continues to remain some time into the future with expected negative full-year results and commentary from major REITs and forecasts of further falls in Office valuations.

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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) convened for the fourth time in 2024 on Tuesday, 18 June, and decided to maintain the Official Cash Rate at 4.35%. Governor Bullock has repeatedly emphasised that future rate change decisions will be data driven. The ongoing challenge for the RBA is the somewhat conflicting data that continues to emerge.

On one hand, it was announced on Wednesday, 26 June, that headline inflation for May increased from 3.6% to 4%. This increase was slightly higher than most economists expected, prompting the market to price in a higher likelihood of an August rate rise. On the other hand, a cooling labour market, low productivity, poor retail sales, and reduced savings buffers are all part of a slowing economy indicating inflation will subside.

July also marks the commencement of the revised Stage 3 tax cuts which will result in workers receiving more take home pay, alongside various other cost of living support packages. Whether these extra dollars, equivalent to an official rate cut of around 0.75%, will be saved, used for necessary items, or applied to consumer discretionary spending remains to be seen. It is important to note that the effects of the Stage 3 tax cuts won't be reflected in the data in time for the August rate decision.

As previously discussed, the Official Cash Rate is a blunt instrument and only one aspect of economic management. It is imperative that fiscal policy complements monetary policy as the Australian economy navigates this challenging period. July often serves as a time of reflection on the financial year that has passed. Despite a year filled with economic and geopolitical headwinds, Thinktank experienced another strong financial year with new loan originations totalling \$2.5 billion and a loan book in excess of \$5.8 billion.

In FY24, Thinktank successfully completed three mortgage-backed securitisation programs totalling \$2bn with broadening support from institutional investors looking to participate in the Australian mortgage market. Thinktank also improved and expanded its lending product suite and grew the funds under management (FUM) for the Income and High Yield Trust private investment offerings without compromising on credit and asset quality.

These results were made possible by the ongoing support of all stakeholders, for which we extend our gratitude. June finished strong, with Thinktank reporting \$227 million in new loan originations. As of 30 June, portfolio arrears stood at 3.2%, and the High Yield Trust achieved a return of 10.79%.

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Contact Us

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



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