High Yield Trust

Monthly Performance Report

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

October 2024

Thinktank

Investment Overview

Performance and Activity

In October 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 October 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

65.31% as at 31-Oct-2024

Average life of loan

22.55 months as at 31-Oct-2024

APIR Code

TTG2419AU

*Data as at 31st October 2024

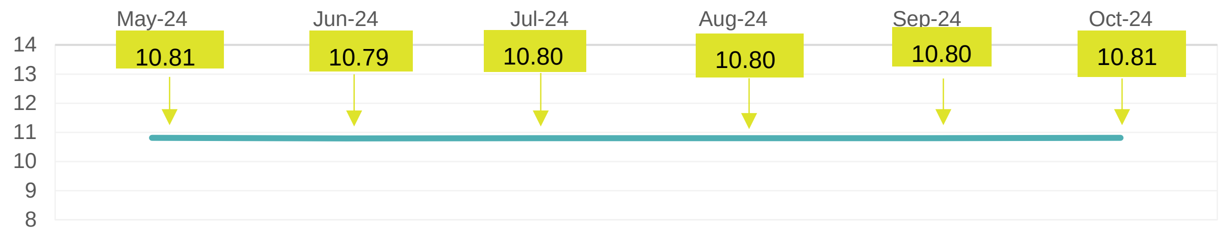
Market Ratings

▶ 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 ▲

High Yield Trust Monthly Performance Report

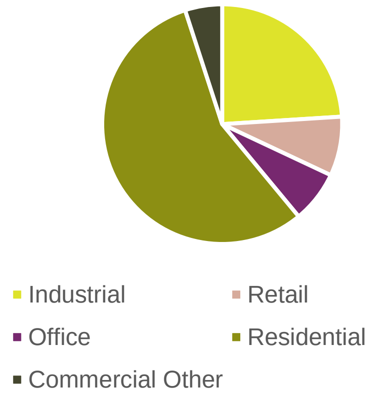
RETURN AS AT OCTOBER 31, 2024

Annualised Return %

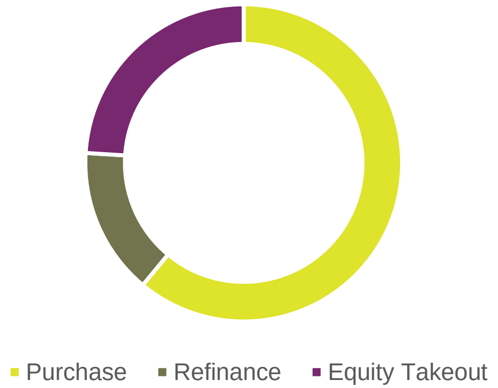


Thinktank Loan Book Metrics*

Loan by Security Type*

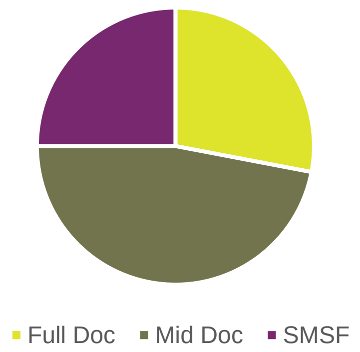


Loan by Occupancy*

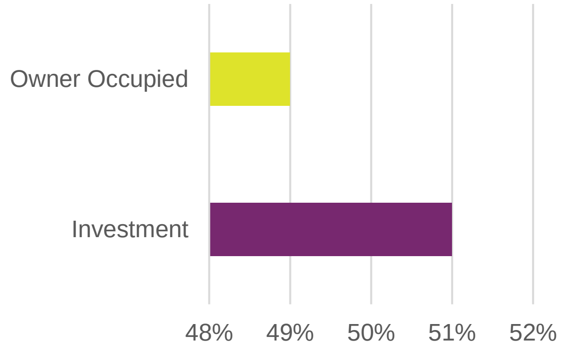


Thinktank Loan Book Metrics

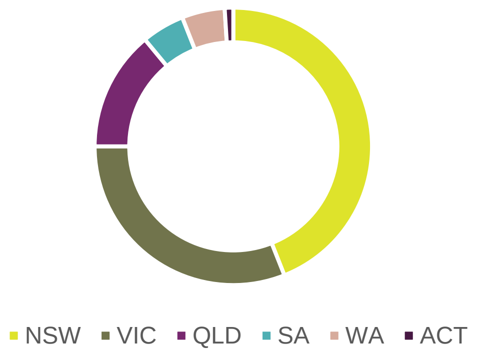
Loan by Product Type*



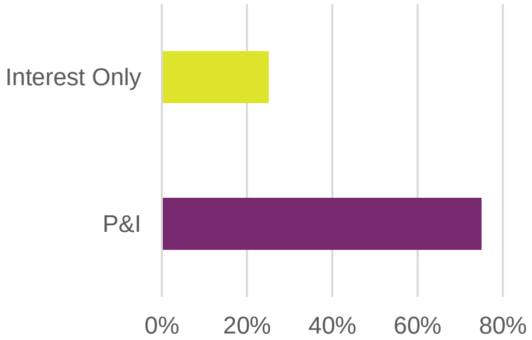
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index rose by 6.2% in October to 89.8% a two and a half year high but with sentiment still below 100. In the latest survey, consumers are still troubled by the overall economic outlook and cost of living pressures.

The Westpac Melbourne Institute Leading Index rose slightly from -0.26 in August to -0.15 in September. The concerns continue to relate to economic growth. The Reserve Bank of Australia (RBA) met on 4 & 5 November and the Cash Rate was left unchanged as it has been for the last year when it was increased by 0.25% to 4.35%. The RBA Board will meet again in December and after that not until February 2025.

Comments by the Governor indicate no change to rates is expected until positive data releases occur. Most economists agree and markets continue to price in only a slim chance of a reduction in interest rates at the first RBA Board meeting in the New Year being February. CPI data for the September quarter was released on 30 October the week before the RBA meetings and the result while positive at +0.2% for the quarter and +2.8% for the year was not enough to sway the RBA.

Internationally similar issues continue to be confronted by Central Banks with many now having started to cut rates. The Federal Reserve Bank in the United States cut US rates at their September meeting by 50 basis points and are expected to cut again this month by 0.25%.

Current US 10 year Government Bond yields are up at 4.29% while in Australia 10 year bonds are up at 4.56%. The AUD has fallen steadily since last month from just under 0.69 to 0.6635 . CoreLogic dwelling prices for October continued their National recovery but for the first time since January 2023 with the exception of Sydney in addition to Melbourne both showing small declines.

National Housing values posted a 0.3% gain for the month and up 0.9% for the quarter but with Melbourne being down -0.8% for the quarter and down -0.2% for the month and joined by Sydney which was down -0.1% for the month.

We continue to reflect the improvement of Residential in almost all areas except Melbourne and Sydney this month and we maintain our view that interest rates are likely to fall early next year. Retail continues to struggle but Industrial remains strong across the country. Office continues to do better in some Capitals but a real recovery has yet to occur.

Thinktank..

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

Access it here

Investment Commentary

by Lauren Ryan, Business Development Manager, Investments

Thinktank

The Reserve Bank of Australia (RBA) met on 4-5 November 2024 and, as widely anticipated, decided to maintain the Official Cash Rate at 4.35%. Although headline inflation has now fallen within the RBA's target band of 2-3%, this reduction has been largely attributed to Government energy rebates and a decline in fuel prices. Meanwhile, the RBA's preferred trimmed mean inflation measure remains persistently high at 3.5%. The RBA's Statement on Monetary Policy indicates that a return to the midpoint of 2.5% is not expected until 2026. Consequently, many market analysts and economists have revised their forecasts for the first rate cut, now projecting it to occur around early to mid 2025.

This week also saw the highly anticipated U.S. presidential election, with Donald Trump becoming the 47th president of the USA. Despite the global attention on this event and the insights it offered into American democracy, at this stage the outcome is not expected to have a material impact on Australia's domestic credit market or interest rate environment although notably, the market has repriced the first RBA rate cut from February to July.

Economic forecasts released in November closely mirrored those published in August, with the unemployment rate remaining stable at 4.1%, reflecting surprising resilience in the labour market. While wage pressures have moderated, productivity growth remains a concern, with current levels akin to those observed in 2016.In the housing sector, Sydney experienced a slight decline in home values in October, following a period of successive record high prices. This marked the first month on month decrease since early 2023. Additionally, rental price growth has started to moderate across the country, indicating that both borrowers and renters are approaching their capacity limits. Interestingly, Melbourne's home value growth has been surpassed by that of Perth, Adelaide, and Brisbane, as the Victorian economy lags further behind other Australian states and territories.

In October, I had the privilege of participating on a panel at the SMSF Tech Strategy Day, which was held in Sydney, Melbourne, and Brisbane. This event, tailored for Self-Managed Superannuation Fund (SMSF) professionals, focused on the technical aspects of servicing clients within the dynamic SMSF landscape. A key topic of interest was private credit, which has gained significant attention as investors and advisers search for other stable, secure income solutions for their portfolios. A recurring message across many events I have attended this year has been the importance of diversification and collaborating with trusted managers. It is encouraging to see growing interest among investors and advisers in the mortgage secured area of the private credit investment space, particularly as they seek transparent risk-adjusted returns.

In October, Thinktank recorded $295 million in new mortgage loan originations. As of 31 October, the portfolio's 30+ day arrears rate showed a slight improvement, decreasing to 3.1%. The High Yield Trust, meanwhile, has delivered an annualised return of 10.81%.

Contact Us

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

lryan@thinktank.net.au

0401 974 839