



High Yield Trust

## Monthly Performance Report

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

September 2024

**Thinktank.**

# Investment Overview

## Performance and Activity

In September 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 30<sup>th</sup> September 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

65.29% as at 30-Sep-2024

## Average life of loan

22.81 months as at 30-Sep-2024

## APIR Code

TTG2419AU

\*Data as at 30<sup>th</sup> September 2024

# Market Ratings

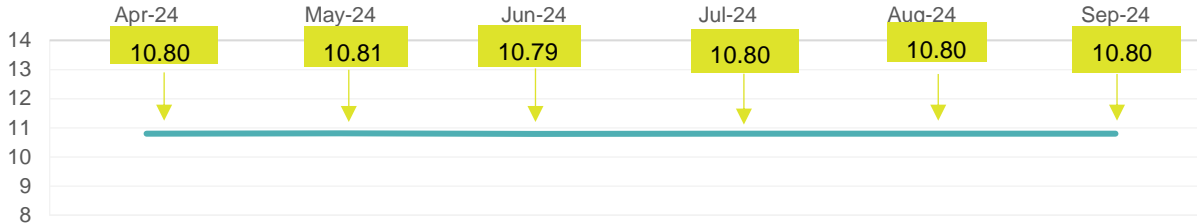
▶ Stable ▲ Improving  
▼ Deteriorating

	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

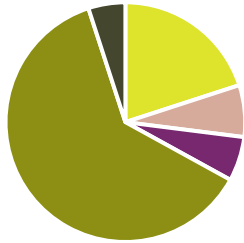
RETURN AS AT SEPTEMBER 30, 2024

## Annualised Return %



## Thinktank Loan Book Metrics\*

### Loan by Security Type\*



- Industrial
- Office
- Commercial Other
- Retail
- Residential

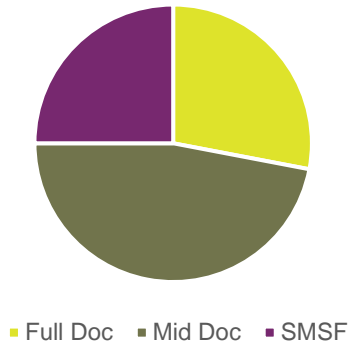
### Loan by Occupancy\*



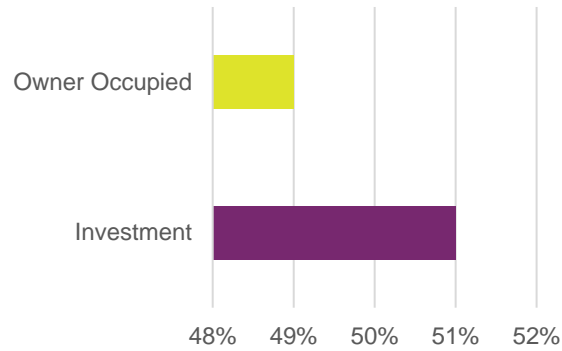
- Purchase
- Refinance
- Equity Takeout

# Thinktank Loan Book Metrics

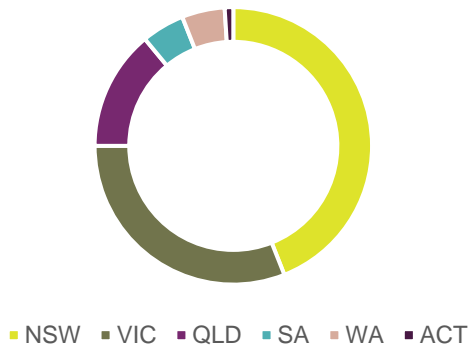
Loan by Product Type\*



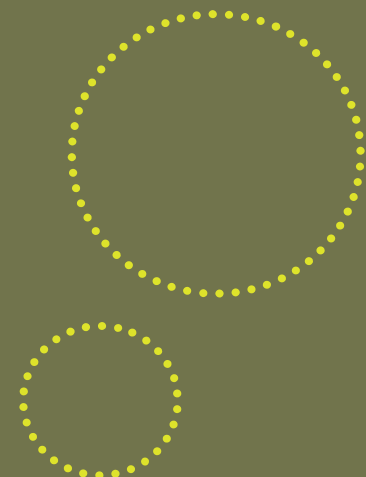
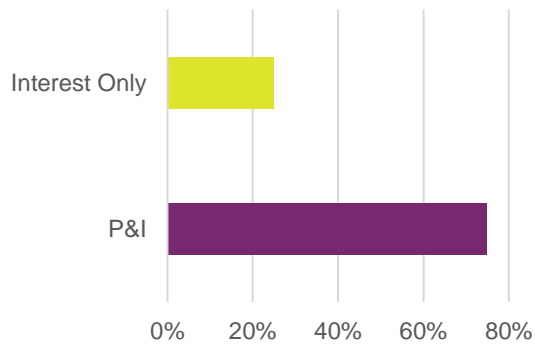
Loan by Occupancy\*



Loans by State\*



Repayment Type\*



# Market Commentary

by Per Amundsen, Head of Research

The Westpac-MI Consumer Sentiment Index was down slightly by 0.5% in September to 84.6% and continued an over two year slump in sentiment below 100. In the latest survey, consumers appear to be less concerned about further interest rate increases but still troubled by the overall economic outlook. The Westpac Melbourne Institute Leading Index also declined slightly from +0.04 in July to -0.27 in August. The concerns also relate to economic growth.

The Reserve Bank of Australia (RBA) last met on 23 and 24 September and the Cash Rate was left unchanged as it has been since November 2023 when it was increased by 0.25% to 4.35%. The RBA Board will not meet again until 2 & 3 November with their decision on interest Rates to be made on Melbourne Cup Day. Comments by the Governor indicate no change to rates is expected but more positive data releases may change. CPI data for the September quarter will be released on 30 October the week before the RBA meetings and the result may influence the Board's decision.

The ABS recently released the August Retail figures which were unchanged from the previous month and up 3.1% on a year earlier

and the best in 12 months. Unemployment released on 19 September for August 2024 seasonally adjusted was steady at 4.2%. Internationally similar issues continue to be confronted by Central Banks with many starting to cut rates.

The Federal Reserve Bank in the United States continues to be most watched and Chairman Jerome Powell and other FOMC Board members cut US rates at their September meeting by 50 basis points. CoreLogic dwelling prices for September continued their National recovery but again with the exception of Melbourne and at a slightly slower pace. National Housing values posted a 0.4% gain for the month and up 1.0% for the quarter but with Melbourne being down -1.1% for the quarter and down -0.1% for the month.

Melbourne has fallen to fifth place in median home value amongst the Capital Cities. Retail is picking up a bit as reflected in the August ABS data. Industrial continues to be strong across the country but coming off their highs and while Office continues to do better in some Capitals, a real recovery still 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, Business Development Manager, Investments

The Reserve Bank of Australia (RBA) convened on 23-24 September and, as widely expected, held the Official Cash Rate at 4.35%. While monthly inflation is gradually approaching the target range of 2-3%, it remains above the midpoint. Current forecasts by some economists indicate that inflation is not expected to return sustainably to target levels until 2026. Notably, the decline in headline inflation observed in July was predominantly attributable to temporary cost of living relief measures implemented by both state and federal governments.

On the global front, two of the largest economies, the United States and China, have adopted more accommodative monetary policies. In China's case, the reduction of banking reserve requirements aims to stimulate its struggling property market. It is important for Australian mortgage holders and consumers to recognise that since monetary tightening began, the United States, and many other global economies, have increased their interest rates by over 1% compared to the RBA.

Following the recent rate cut, the U.S. Federal Funds Rate now stands at 5%, which remains 0.65% higher than the RBA's Official Cash Rate of 4.35%. RBA Governor Michelle Bullock emphasised in her recent press conference that the RBA's primary focus is on the domestic economy and inflation outlook, thereby reinforcing the view that higher interest rates may persist for some time. Australian banks however have concluded that rates will eventually fall, as evidenced by the recent reduction in three year fixed rate mortgage and term deposit rates. It is likely though that heightened competition in the prime residential

mortgage market has significantly contributed to these rate cuts with ongoing pressure on margins across the banking sector.

In September, Thinktank successfully settled its second Residential Mortgage Backed Securitisation (RMBS) of 2024, increasing the transaction size from \$500 million to \$750 million. The offering attracted over \$1 billion in bids, underscoring strong institutional investor interest in domestic mortgage backed securities and serving as a testament to the quality of Thinktank's loan portfolio. Recently, I had the opportunity to present at Benchmark Media's SMSF Trustee Empowerment Day in Sydney and Melbourne.

This event, designed for self-directed Self-Managed Superannuation Fund (SMSF) trustees, facilitated valuable discussions regarding income needs in retirement and the potential advantages of mortgage secured bonds in enhancing the income component of SMSF portfolios. There is an increasing interest among investors to integrate bonds and private credit into their portfolios, particularly among those comfortable with the associated illiquidity, as they seek to access a segment of the lending market typically occupied by institutional investors.

In September, Thinktank reported \$263 million in new mortgage loan originations. As of September 30, the portfolio's 30+ day arrears rate experienced a slight increase to 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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