



High Yield Trust

## Monthly Performance Report

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

December 2024

**Thinktank.**

# Investment Overview

## Performance and Activity

In December 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> December 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

65.84% as at 31-Dec-2024

## Average life of loan

21.64 months as at 31-Dec-2024

## APIR Code

TTG2419AU

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

# Market Ratings

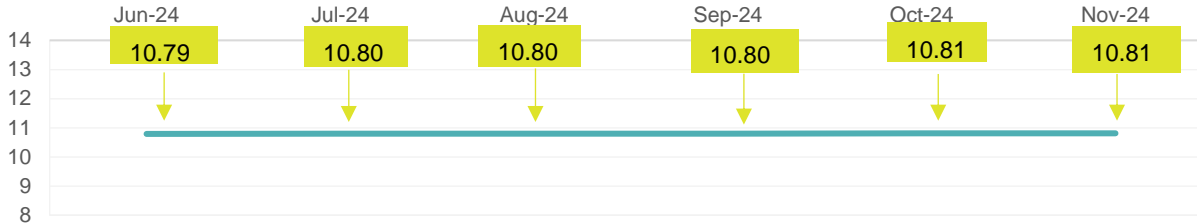
▶ Stable 
 ▲ Improving  
▼ Deteriorating

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

# High Yield Trust Monthly Performance Report

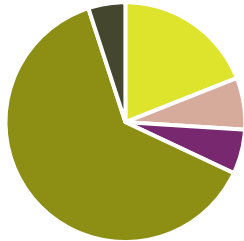
RETURN AS AT DECEMBER 31, 2024

## Annualised Return %



## Thinktank Loan Book Metrics\*

### Loan by Security Type\*



- Industrial
- Office
- Commercial Other
- Retail
- Residential

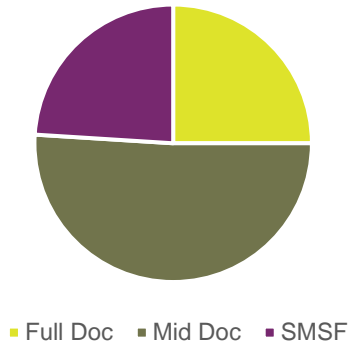
### Loan by Occupancy\*



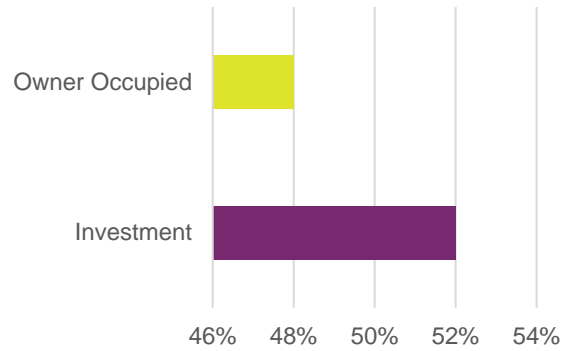
- Purchase
- Refinance
- Equity Takeout

# Thinktank Loan Book Metrics

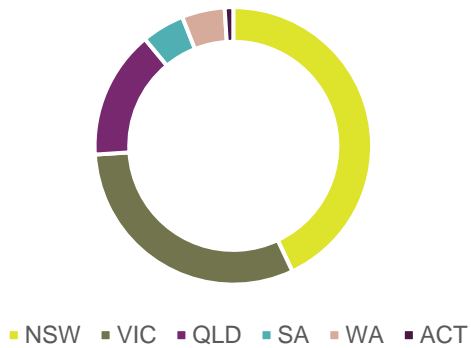
Loan by Product Type\*



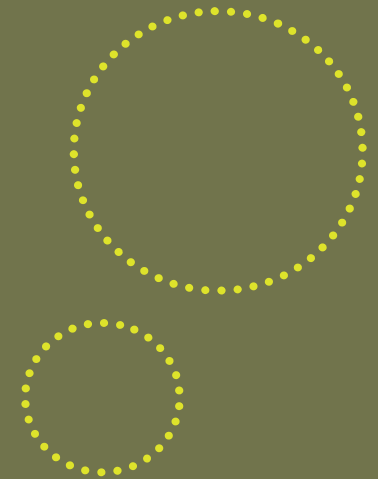
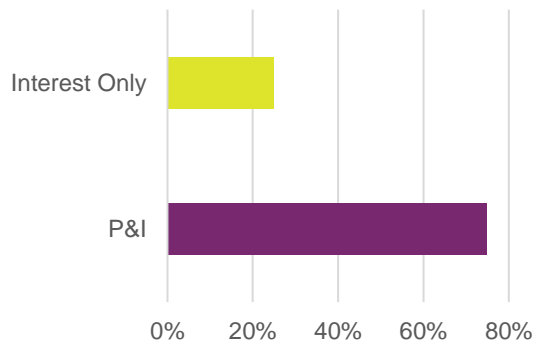
Loan by Occupancy\*



Loans by State\*



Repayment Type\*



# Market Commentary

by Per Amundsen, Head of Research

The Westpac–MI Consumer Sentiment Index fell by 1.8 points in December to 92.8 despite solid improvements in current economic conditions as consumers turned pessimistic again on the current economic outlook.

The Westpac Melbourne Institute Leading Index however rose again slightly in November by 0.06 points to +0.32 recording its first positive back-to-back “above trend” results in nearly two and a half years. The Reserve Bank of Australia (RBA) will not meet again until mid-February after having left the Cash Rate unchanged for all of 2024.

No change to rates has been expected until positive data releases occur and the first of this year is the November Monthly CPI which has come in at a favourable 2.3%. The December Quarterly and Monthly statistics are not released until 29 January so any chance of a reduction in interest rates at the February RBA meeting is still up in the air.

As previously reported, GDP figures for the September quarter were released on 4 December and showed a low 0.3% gain for the quarter and an annual increase of only 0.8%

for the year. Internationally many other Central Banks have been cutting 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 December meeting by 25 basis points to 4.25% after a 50 basis point cut in September.

The Bank of Canada also cut its rates in December but by a further 50 basis points down to 3.25%. The AUD has continued its steady fall from just under 0.69 earlier in 2024 to just above 0.62 currently. CoreLogic dwelling prices for December recorded a small National negative result down -0.1% for the month and for the quarter and for the second month in a row, Sydney and Melbourne both showed monthly and quarterly declines.

Melbourne was down -1.8% for the quarter and down -0.7% for the month and joined by Sydney which was down -0.6% for the month and -1.4% for the quarter. Melbourne remains in fifth place in median home value amongst the other major Capital Cities but was down 3.0% for the year.

Thinktank..



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

[Access it here](#)



# Investment Commentary

by Lauren Ryan, National Manager, Investments

The Reserve Bank of Australia (RBA) is scheduled to meet again in February, marking the first meeting of 2025. This meeting is particularly noteworthy as interest rate reductions are widely anticipated across several developed economies in the latter half of the year. The RBA's Statement on Monetary Policy, released on 10 December 2024, highlighted that underlying inflation remains elevated above the target midpoint of 2.5%. The primary objective of the RBA continues to be the sustainable return of inflation to within the target range of 2-3% whilst preserving what continues to be a strong employment picture.

It is pertinent to remind investors as a possible rate cut looms, that the variable component of the High Yield Trust's return, based on BBSW 30, is closely correlated to changes in the RBA's cash rate. As the RBA reduces the Official Cash Rate, the BBSW 30 rate will likely decline accordingly. The vast majority of Thinktank's borrowers (approximately 99%) are on variable rate mortgages, meaning their repayments will decrease as well, resulting in a lowering of default risk for investors.

In December, I had the opportunity to present at two Accounting and Adviser Services education sessions, where I engaged with discrete groups of advisers seeking to learn more about investment opportunities within the debt markets. These conversations also focused on how product providers can address investor concerns and offer greater confidence when investing in debt.

I would like to extend my thanks to all who attended and actively participated in the discussions, sharing their past experiences with investing in the debt markets.

December traditionally offers a time for reflection on the past year. I would like to take this opportunity to express my gratitude to all of you for your ongoing support of the High Yield Trust and Thinktank's broader business. It has been a privilege to collaborate with you through another year, and I eagerly anticipate a continuation of similar success in 2025. In 2024, Thinktank achieved several significant milestones, including the settlement of a record \$3 billion in new originations, the issuance of \$2.5 billion in RMBS and CMBS term deals in global capital markets, and an increase in the High Yield Trust's funds under management by 40%. Although 2024 presented many challenges for both consumers and businesses, the dedication of Thinktank's credit underwriting and collections teams ensured that the 30 day+ arrears rate remained stable at approximately 3% for the year.

In December Thinktank recorded \$313 million in new loan originations. As of 31 December, the portfolio's 30 day+ arrears rate slightly increased to 3.4% which is lower than at the same point last year. It is historically common for arrears to experience a seasonal increase around the New Year and Thinktank anticipates that many of these loans will quickly cure over the next month or two. Meanwhile, the High Yield Trust has delivered an annualised return of 10.81% for the month.



# Contact Us

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



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