High Yield Trust

Monthly Performance Report

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

May 2025

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Investment Overview

Performance and Activity

In May the High Yield Trust return decreased, due to the RBA 0.25% cash rate cut, to 10.33%. Since inception in August 2017 the High Yield Trust has maintained zero losses as at 31st May 2025.

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

65.62% as at 31-May-2025

Average life of loan

21.4 months as at 31-May-2025

APIR Code

TTG2419AU

*Data as at 31st May 2025

Market Ratings

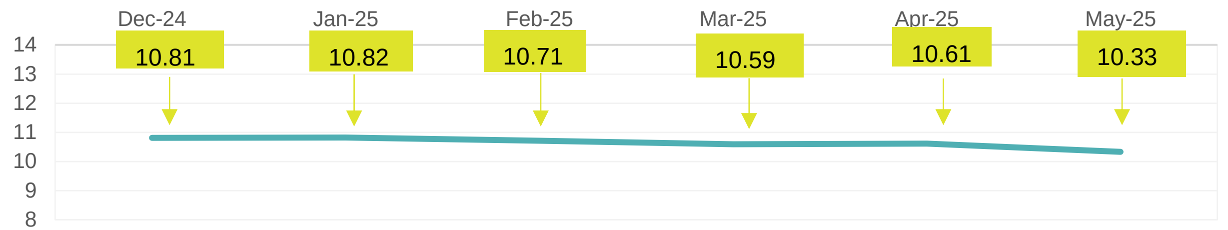
▶ Stable ▲ Improving ▼ Deteriorating

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

High Yield Trust Monthly Performance Report

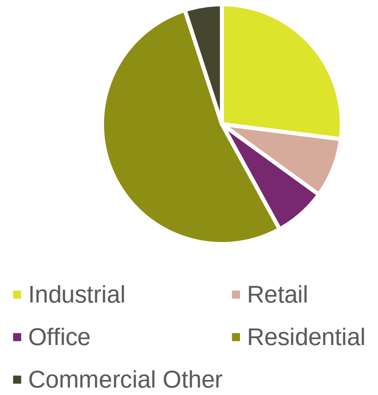
RETURN AS AT MAY 31, 2025

Annualised Return %

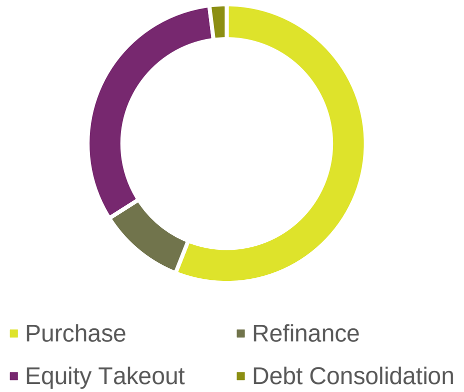


Thinktank Loan Book Metrics*

Loan by Security Type*



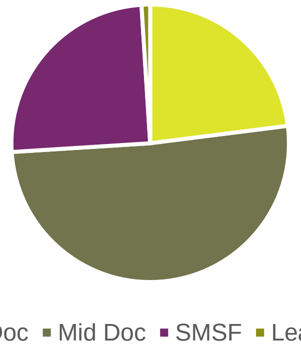
Loan by Occupancy*



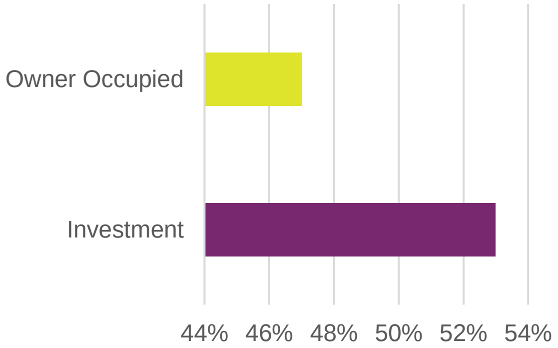
Thinktank Loan Book Metrics

Thinktank

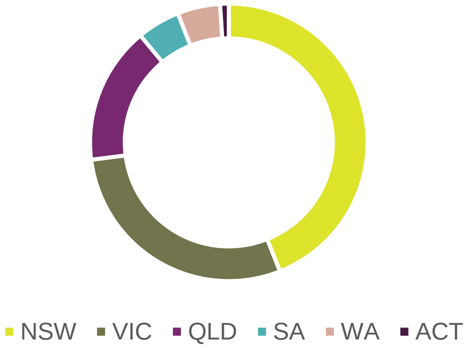
Loan by Product Type*



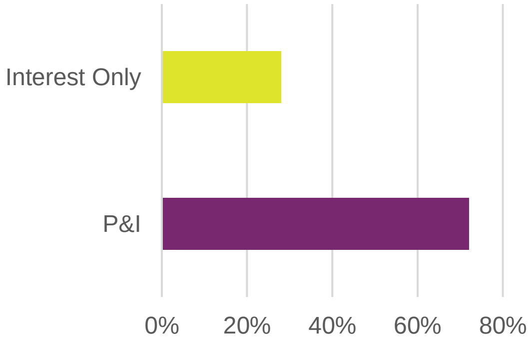
Loan by Occupancy*



Loans by State*



Repayment Type*



Market Commentary

by Per Amundsen, Head of Research

The Westpac–MI Consumer Sentiment Index improved somewhat in May, rising to 92.1 from 90.1 in May. The survey was conducted before the RBA meeting but reflected expectations of the cut in the Cash Rate that occurred.

The Westpac Melbourne Institute Leading Index issued in late May fell to 0.2 in April from 0.5 in March reflecting heightened uncertainty around global trade. The Reserve Bank of Australia (RBA) met on 19 - 20 May and as expected cut the Cash Rate by 25 basis points to 3.85%.

Since then several key statistic have been released by the ABS showing the monthly CPI April at 2.4%. This was unchanged from last month and the same as the quarterly CPI to the end of March released before the meeting. Both are viewed as positive figures for future interest cuts.

More recently the March quarter GDP was up a very modest 0.2%, below expectations and produced further speculation of a July interest rate cut when the RBA next meets. The Federal Reserve Bank (FOMC) in the United States has again held rates unchanged in its May meeting and the Bank of Canada (BoC) held its rates steady at its recent June meeting at 2.75%.

Just before this meeting the OECD issued a Global Economic Outlook entitled "Tackling Uncertainty, Reviving Growth". Global GDP growth for 2025 was reduced from 3.1% to 2.9% with the USA down to 1.6% and Australia down to 1.8%.

Current US 10 year Government Bond yields are up slightly at 4.36% as are 2 year bonds at 3.87% . In Australia 10 year bonds are down slightly at 4.25% and 3 year bonds also down at 3.32%. The AUD continues to recover from having fallen from near 0.69 early last year and has now climbed from just below 0.60 to around 0.65 closing at a recent high of 0.6492.

Cotality (formerly known as CoreLogic) dwelling prices for May recorded another positive National result for the month up 0.5% and also up by 1.3% for the quarter. Sydney and Melbourne both showed monthly gains with Sydney up 0.5% and Melbourne 0.4%. Both were also up for the quarter 1.1% and 1.2% respectively. Melbourne remains in fifth place in median home value amongst the other major Capital Cities.

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Investment Commentary

by Lauren Ryan, National Manager, Investments

As anticipated by the market, the Reserve Bank of Australia (RBA) reduced the Official Cash Rate (OCR) by 0.25% to 3.85% during its meetings on 19th and 20th May. Notably, the decision followed considerable debate regarding whether a 0.25% or 0.50% reduction would be more appropriate, signalling the likelihood of further rate cuts throughout the remainder of 2025 as economic conditions soften.

NAB economist Sally Auld has forecast an additional three rate cuts within 2025, commencing from the July monetary policy meeting. Given that returns are linked to the 30-day Bank Bill Swap Rate (BBSW30), a decline in rates will correspondingly reduce investor returns. On the lending side, the majority of mortgages originated by Thinktank are variable rate loans. Consequently, borrowers are expected to benefit from lower interest rates and reduced repayment obligations. This, in turn, is expected to lower the default risk for investors.

May was a particularly active month for industry engagement, coinciding with the lead up to the end of the financial year. I attended the Stockbrokers and Investment Advisers Association (SIAA) conference, which featured extensive discussions on the dynamics between public and private credit markets, particularly in the context of the planned phase out of bank hybrids by 2032. The ongoing demand for stable, secured, income generating investments, balanced against the need for liquidity, remains a central theme. For investors with a higher risk tolerance and an acceptance of reduced liquidity, private credit markets continue to offer secured, stable income streams.

Thinktank also proudly sponsored the SMSF Professionals Day held in Sydney, Melbourne, and Brisbane. This technical event catered to advisers, accountants, auditors, and other professionals within the self managed super fund (SMSF) sector. Amidst evolving regulatory and taxation frameworks, the importance of partnering with SMSF specialists has never been more pronounced for current and prospective SMSF trustees.

On 22nd May, Thinktank successfully completed a $750 million residential mortgage-backed securities (RMBS) transaction, upsized from $500 million, marking the organisation's 19th capital markets issuance since 2014. The transaction drew bids from 31 investors, with 30 ultimately participating, and was oversubscribed by a factor of 2.2. Notably, seven new domestic and global investors participated. Since 2014, Thinktank has issued $9.95 billion through the debt capital markets, supporting ongoing loan origination and portfolio growth by ensuring continued access to funding and liquidity.

In May, Thinktank recorded new loan originations amounting to $339 million, bringing the portfolio's assets under management (AUM) to $7.11 billion. As of 31 May, the portfolio's 30-day arrears rate declined to 2.9%. Furthermore, the Thinktank High Yield Trust delivered an annualised return of 10.33% for the month.

Contact Us

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

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