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Private Credit Income Fund
May Update

Fund overview

Fund Objective

Fund strategy targets a return of 4.00% (net of fees) above the RBA cash rate. The Fund may suit investors seeking a higher yield return with a low to moderate risk tolerance.

Fund Withdrawal Windows

The next fund withdrawal window will be closing at 5pm AEDT on 14th July 2023, with redemptions payments made 14th July 2023. The fund currently holds (36.39%) of its asset base in cash or short dated credit contracts. Redemption requests can be made via our investor portal or via the online form located at **www.remara.com.au**

Applications

Online application portal at **www.remara.com.au/applications**

Fund Strategy

Remara has established direct lending platforms within the SME and Real Estate finance sectors. Remara used its vertical integration model to generate credit assets for Fund and other institutional investors. The Fund invests into a series of securitised warehouses and direct loans originated and serviced via Remara portfolio companies. Through our direct ownership, Remara has the ability to actively manage and control the generation of credit assets and respond to macro and micro changes quickly.

Remara via its equity investments into its portfolio companies invests a minimum of 5% into the first loss of each and every loan generated across the platform, Remara believes this creates superior alignment with investors as our money is at risk ahead of Fund investors.

Fund Update

The Fund is currently invested across 4 major asset classes, with strong diversification across contract type, geography and obligors. The Fund focuses on Prime commercial borrowers, we have seen a continuation of the strength of these borrowers with arrears across the portfolio at 0.88% and underlying net losses maintaining at 0.45%. The Remara Private Credit funds portfolio has performed favourably to the market with S&P Prime SPIN at 0.95% as at Mar-23.

Fund details

Particulars			
Distributions	Monthly	**Benchmark**	RBA Cash Rate
Applications	Monthly	**Buy/Sell Spread**	N/a
Withdrawals	Quarterly	**Distribution Reinvestment**	Yes
Next Redemption Window	30 June	**APIR Code**	Pending
Pricing & Reporting	Monthly	**Management Fees**	0.85% <$250K 0.50% >$250K
Inception Date	1 August 2022		

Performance overview

Period	Total Return	RBA Cash Rate	Active Gain
1 Month	0.99%	0.30%	0.63%
3 Month	2.95%	0.88%	2.07%
6 Month	5.81%	1.63%	4.18%
Since Inception	8.18%	2.20%	5.98%

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Market overview

Market Update

The RBA elected to increase rates a further 0.25% in it's May meeting, stating that while inflation has passed its peak, at a running 7% p.a. it is still too high and will take some time before it is back within target range. Remara retains the outlook that the consistent and speedy rate rises will impact servicing capability for sub-prime borrowers and this could have adverse impacts on arrears and losses experienced across sub-prime borrowers pools. The S&P arrears SPIN data for non-conforming (otherwise known as subprime) was recorded at 3.7% for Mar-23 (compared to 0.95% for Prime borrowers). The Fund doesn't have any material exposure to subprime borrowers and expects to be insulated from these potential arrears and defaults. The Fund is currently achieving a running yield of 11.9% post fees against its benchmark return hurdle of 7.85% (RBA 3.85% + Active Return 4.00%).

In the US we have seen equity & rates markets increasingly more positive on increasing expectations that the Fed is headed for a pause in June. Sentiment was further supported by the ISM prices paid component which fell sharply while the overall manufacturing gauge remained in contractionary territory, and we also heard from Philly Fed boss Harker who said "we should at least skip this meeting"

We have seen credit products perform well over the last month (and exceptionally well on a year-to-date basis with Aust Itraxx tighter by 11bp to 82bps, Xover tighter by 50bps so far this year at 424bps). This strong credit performance has more than made up for losses faced around March when we had the Credit Suisse debacle. We still get the feeling that investors are still taking shelter than seeing the opportunity.

The RBA meeting for this Tuesday (6June) and our base case is for a 25bps hike. There are a lot of reasons to hold though. Looking at the health of mortgages in our country as a guide to potential arrears in credit products, our focus has been on what has been happening on the non-conforming arrears data (Mortgage SPIN index from S&P) which has pushed up a lot since June last year of 2.24% to 3.7% now (Mar23). What we have seen however is the SPIN moderating in March vs February of 3.99%. We think that borrowers have been adjusting spending habits and as a result we are seeing a moderation of the arrears trend which is somewhat pleasing to note.

That being said overall SPIN index is back to levels we used to see during the period 2015 to 2020 (pre covid).

Arrears stats in prime mortgages are equally deteriorating (at 0.98% 30days+) vs 0.69% in June last year. Looking back to levels experienced in 2000 to 2020 we saw a range of around 1% to 2% so nothing that should be of cause for concern. We think the arrears now looks more normal vs the very low arrears experienced through Covid period due to low interest rates and government support.

Provided RBA rates aren't increased significantly further, we don't expect to see any significant impact vs loss rates experienced during 2010-2020 levels even if we would expect loss rates to shift higher by 2-3x from 2021-22 levels. Securitisation markets in Australia (RMBS+ABS) seem to be doing ok with AAA and investment grade pieces well supported. We are seeing very strong buying of the BB tranches and at around 1mBBSW+750 this seems cheap though. B tranches remain unloved with levels now pushing out to 900bps over swaps. Provided the arrears trend stabilises, B tranches clearly offer the better value.

Across Australia, we have seen property prices stabilise and start moving up again. We think that a shortage of supply (new development) in residential is driving prices. As most of our investors would be aware that Remara had avoided all property based loans in our funds over the last 3 years and we only started building our mortgage backed loans from around August22. As a result our fund is now 45% invested into small ticket property based loans.
It was consistent with our view that the circa 20% move down in property into June/July 22 had achieved most of the necessary move and lower LTV property loans started looking more interesting from a risk reward perspective. Even if we get 2 more RBA hikes, we don't see this demand from property abating due to lack of supply and thereby maintaining property demand and prices. Overall we are very optimistic on high yield credit products. Given equity markets performance year to date (S&P up 9.9% YTD, S&P 200 up 1% YTD) we see a strong case for allocation to floating interest rate credit vs equity with lower risk and superior yield returns.

2023 Monthly performance

Month	Total Return	RBA Cash Rate	Active Gain
January	1.01%	0.26%	0.75%
February	0.96%	0.28%	0.68%
March	1.00%	0.30%	0.70%
April	0.99%	0.30%	0.69%

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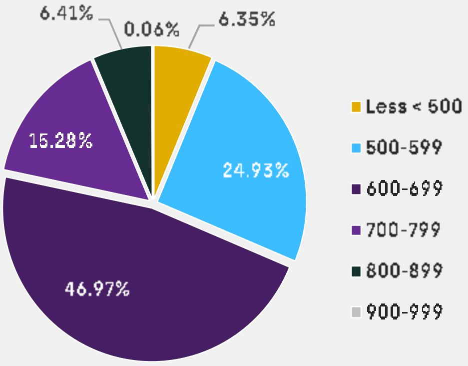
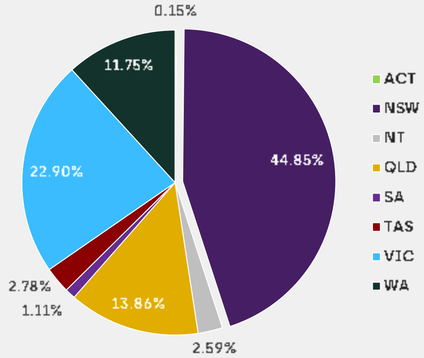
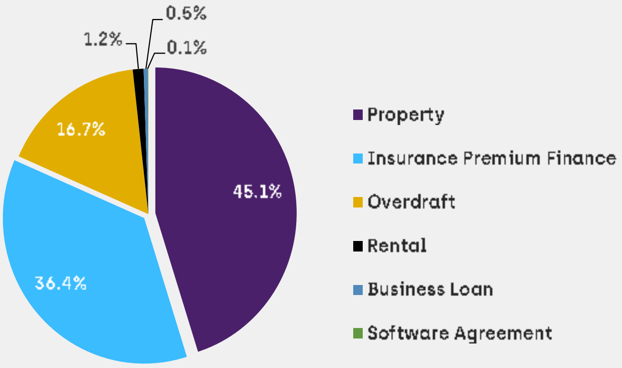
Credit Score



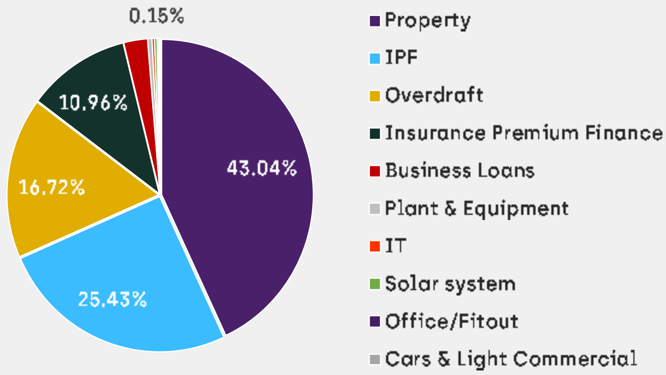
Geographic Distribution



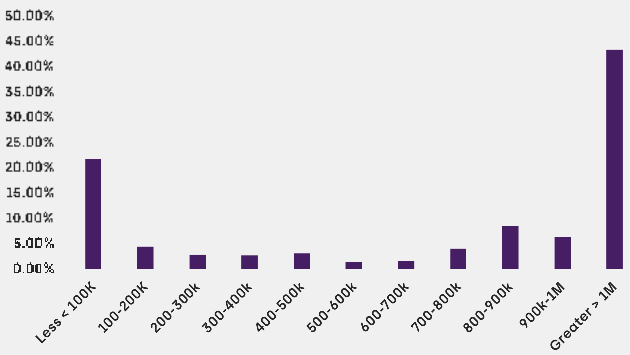
Contract Type



Collateral Types



Contract Value Exposure



Fund Statistics

Metrics	
Running Yield	11.90% p.a.
Volatility# [Calculated since inception of the fund on monthly returns]	0.17%
Credit Duration	18 months
Look Through Obligor Exposures	470
Average position exposure	40,934

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