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Private Credit Income Fund
July 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 31st August 2023, with redemptions payments made 15th October 2023. The fund currently holds 21% 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 https://remara.com.au/funds/private-credit-fund/

VERY STRONG COMPLEX Foresight Analytics

Signatory of:

PRI Principles for Responsible Investment

Fund Strategy

Remara has established direct lending platforms within the SME and Real Estate finance sectors. Remara uses its vertical integration model to generate credit assets for the Fund & 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 0.50% and underlying net losses maintaining at 0.45%.

The Remara Private Credit Fund held ~15% of the fund assets in cash during the month reducing its overall returns by around 20bps for the month. The cash positioning was pending portfolio review of property mortgage loans and corresponding overall portfolio allocation following the RBA rate decision on 1 July. As a result of our now adjusted interest rate forecasts out into 2024 & combined with severe shortage of housing stock, we have recommended a greater weight into property mortgage loans. As a result, that cash is now fully deployed.

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 September	**APIR Code**	MSC8502AU
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	0.84%	0.35%	0.49%
3 Month	2.83%	0.97%	1.86%
6 Month	5.80%	1.80%	4.00%
Since Inception	10.02%	2.87%	7.15%

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Market overview

Market Update

The global markets have continued to be resilient to the rapid interest rate rises, with recent data suggesting that global economies may manage a soft landing and skirt a recession even as borrowing costs have increased. The Fed recently announced a further 0.25% increase in the federal funds target rate, however, it must be noted that the tone of the Fed's official statement was received as relatively benign, however, and expectations have grown that the Fed is now done raising rates, at least for the year.

In his post-meeting press conference, Fed Chair Jerome Powell acknowledged that "restrictive" monetary policy was now "putting downward pressure on economic growth and inflation," but he stressed that further changes to interest rates would be guided by incoming data.

During June the US stock market rallied, driven by the consumer discretionary sector, which was up over 11% for the month. The S&P 500 is up nearly 17% year to date, supported by better-than-expected data on the economy, and technology stocks, which are up 42.8% year to date. The Bloomberg U.S. Aggregate Bond Index fell 0.4% for the month while yields moved higher. Yields on the 2-year Treasury have risen, up 56 basis points since the start of the month from 4.34% to 4.90%. The 10-year Treasury yield rose from 3.61% to 3.84%, peaking at 3.87% on June 28. High-yield bonds were up 1.7%, outperforming core bonds. Small & mid-cap stocks rose 8.1% and 8.3%, respectively, as fears of recession receded. International markets ended the month with solid gains, underperforming the U.S. market as the U.S. dollar fell.

Closer to home, we have seen the RBA decide to leave the cash rate on hold at its July meeting with Governor Lowe noting that the higher interest rates are working to establish a more sustainable balance between supply and demand in the economy. Australian CPI data has passed its peak and the monthly CPI indicator has now shown a further decline since May, however, the unemployment rate remains stubbornly tight, which is anticipated to keep rates higher for longer to ensure there is no return of significant inflation challenges.

The 10-year Aust Government bond price steepened in June closing at ~400bps (up from ~360bps at 31 May). While the 3-year swap rate steeped also during June, from ~372 bps in May, to ~429bps as at the end of June. The steepening of both of these instruments represents the market's expectation of both a short-term increase in rates and a persistent structural increase in rates over the long term, indicating the market is expecting a higher for longer outcome.

We have seen credit products continue to perform well over the last month with the Aust Itraxx tighter by ~3bps to 79bps as at June month end, with the global index Xover tighter by ~32bps to 400bps as at the end of June. The tightening of credit spreads is a positive sign of the resilience of the global credit markets and broad market performance.

The Remara Private credit fund is well-positioned to face the current market environment. The fund's underlying obligor profile is a Prime borrower, meaning credit quality is strong and should be resilient in the face of market or liquidity shocks. The nature of the contracts are either floating or shorter-dated, allowing for the Fund to capture any rate increases and ensure investors are compensated for changes to rates as and when they occur. The Fund is currently achieving a running yield of 11.84% (post fees) against a benchmark of 8.10% (RBA Rate 4.10% + Active Gain of 4.0%).

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%
May	1.00%	0.32%	0.68%
June	0.84%	0.35%	0.49%

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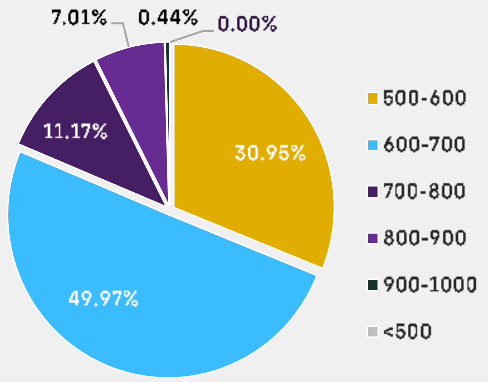
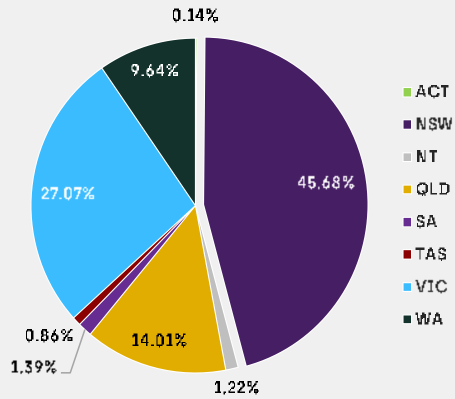
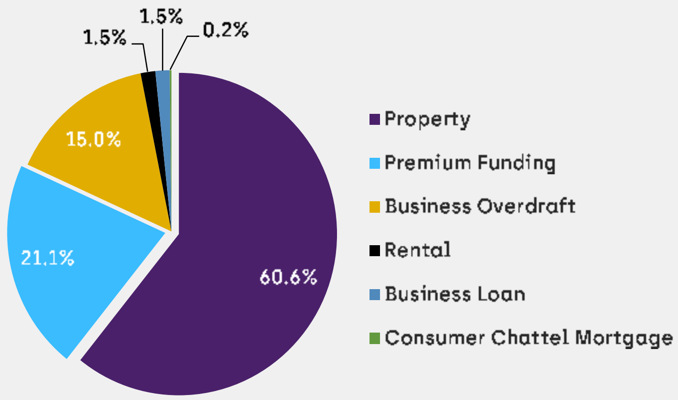
Credit Score



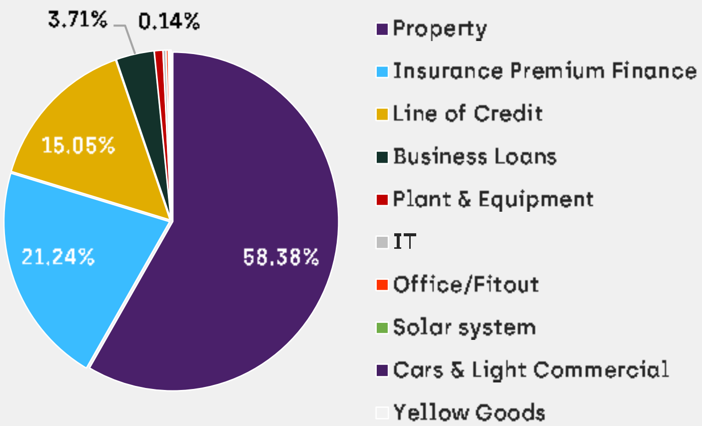
Geographic Distribution



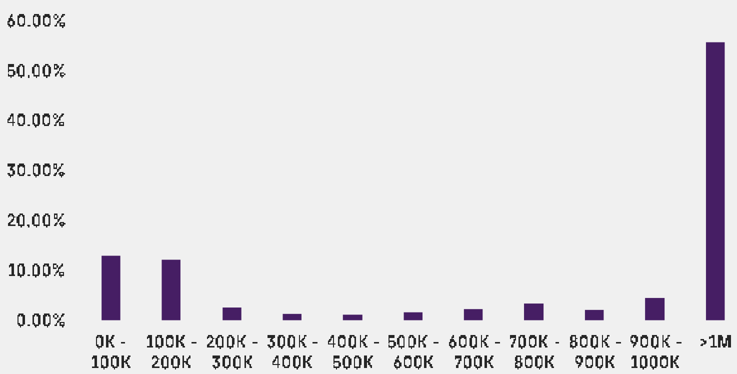
Contract Type



Collateral Types



Contract Value Exposure



Fund Statistics

Metrics	
Running Yield	11.84% p.a.
Volatility# [Calculated since inception of the fund on monthly returns]	0.15%
Credit Duration	16 months
Look Through Obligor Exposures	390
Average position exposure	139,585

Disclaimer

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