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Private Credit Income Fund
December 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 28 February 2024, with redemptions payments made 15 April 2024. The fund currently holds 25% 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/

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 underlying portfolio + 30 days arrears of 0.49% and underlying net losses maintaining at 0.15% p.a. annualised.

Fund details

Particulars			
Distributions	Monthly	Benchmark	RBA / BBSW1m
Applications	Monthly	Buy/Sell Spread	N/A
Withdrawals	Quarterly	Distribution Reinvestment	Yes
Next Redemption Window	31 March 2024	APIR Code	MSC8502AU
Pricing & Reporting	Monthly	ASRN	669 647 643
Inception Date	1 August 2022	Management Fees	0.50%

Performance overview*

Period	Total Return	RBA / BBSW1m	Active Gain
1 Month	1.10%	0.36%	0.74%
3 Month	3.32%	1.05%	2.27%
6 Month	6.18%	2.09%	4.09%
Since Inception	15.36%	4.61%	10.74%

+ Target returns are not guaranteed.
* Past performance is not an indicator of future performance.

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Market overview

Market Update

November saw a positive turn for both stocks and bonds, largely driven by slowing inflation in the US and other regions, which fuelled hopes that interest rates may have peaked. This led to strong performances in growth stocks, particularly in the technology sector, while commodities fell due to weakness in energy prices.

In the US, there were indications of a cooling economy, with modest rises in jobless claims and credit card delinquencies. Retail spending saw a slight decline in October, suggesting a moderation in consumer spending patterns. Despite this, the equity market, especially small caps and technology stocks, rallied significantly in November. The U.S. Treasury yields also saw a notable decline, indicating a shift in expectations towards the Federal Reserve maintaining the current interest rate levels.

European markets showed mixed signals. While inflation rates slowed, the European Central Bank remained cautious about the inflation outlook. Manufacturing activity and industrial production remained low, particularly in Germany and France. However, employment growth in the eurozone was robust.

The fixed income market saw a positive trend, with govt. bonds, credit, and securitised assets all rallying. This was fuelled by speculation of potential rate cuts in the future. Core government bonds, including US Treasuries, German Bunds, and UK Gilts, experienced significant yield declines. The retail sector had mixed results. While there was an increase in the number of Americans shopping during the Black Friday weekend, average spending on holiday-related purchases was moderate. Online sales, however, showed a significant increase, particularly on Cyber Monday.

The RBA has increased rates a further 25bps, taking the RBA cash rate to 4.35%. The RBA has noted a few key items, noting that high inflation is weakening and the elevated rates are weighing on peoples incomes and household consumption, growth is weak and so is dwelling investment, however, the persistence in Services inflation and jobs is creating uncertainties around the outlook.

It is clear from the commentary that the persistent areas of high inflation are the target areas of the RBA and they are willing to take the required actions to ensure inflation is tamed.

The RBA noted "Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks". This commentary leads Remara to believe we are in for a longer period of higher rates & rates could further increase to allow the RBA the confidence to claim they have dealt with inflation if the employment rate remains stubbornly low and Services inflation remains high in the near term.

The 10-year Aust Government bond rallied through November opening at 4.95% and closing November at 4.5% reflecting the realisation of the rate rise in November and the softer projections of future rate increases. The 2-year Aust Govt. bond also rallied during November, opening at 4.47% and closing at 4.17%.

During the month with credit indices (Itraxx Australia) saw spreads moving sharply lower from November opening of 97 to the closing November value of (76). The improved conditions witnessed in October has been reversed in November post the recent rate rise, the market was starting to anticipate a potential softer landing, however, has now priced in a slightly harder landing is anticipated.

The Remara Private Credit Fund is invested to provide a resilient return to investors through the market cycle through significant diversification of credit instruments and industry exposure. 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 is either floating or shorter dated, allowing for our Fund to capture any rate increases & ensure investors are compensated for changes to rates as and when they occur. The Fund is currently achieving a running yield of 13.30% (post fees) against a benchmark of 8.3% (BBSW1m 4.3% + 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%
July	0.93%	0.35%	0.58%
August	1.09%	0.35%	0.74%
September	1.11%	0.35%	0.76%
October	1.11%	0.35%	0.76%
November	1.10%	0.36%	0.74%

* Past performance is not an indicator of future performance.

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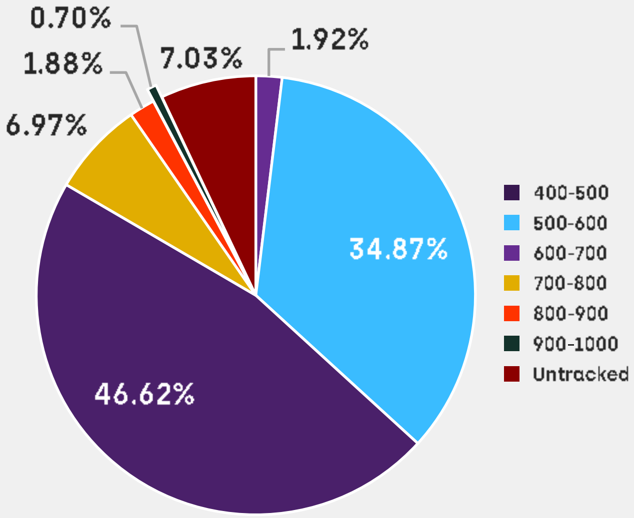
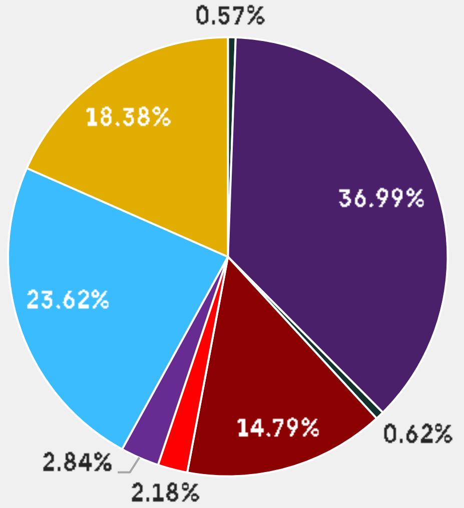
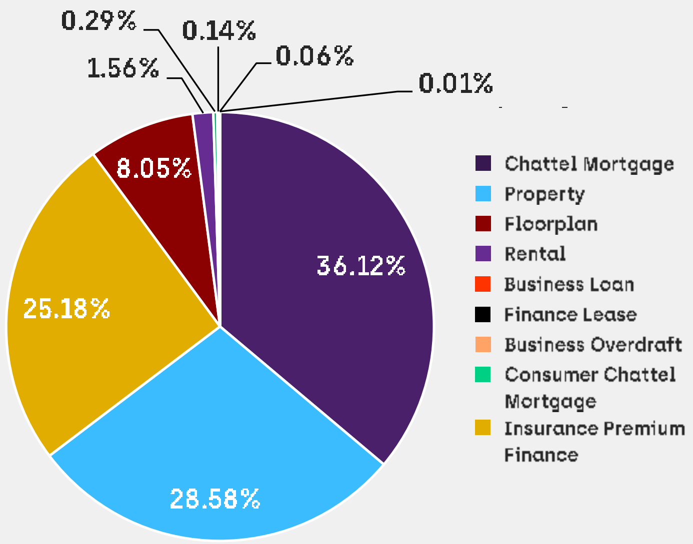
Credit Score[1]



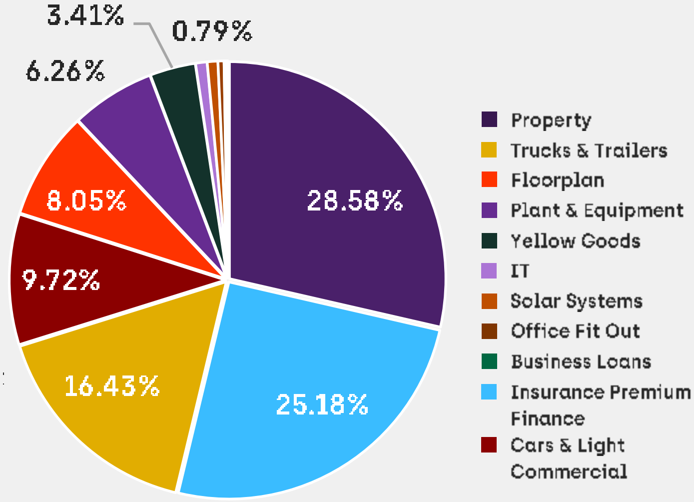
Geographic Distribution[1]



Contract Type[1]



Collateral Types[1]



Fund Statistics*

Metrics	
Running Yield	13.30% p.a.
Volatility# [Calculated since inception of the fund on monthly returns]	0.15%
Credit Duration	14 months
Look Through Obligor Exposures	4,418
Average position exposure	60,588

* Past performance is not an indicator of future performance.
[1] Source: Remara Private Credit Income Fund – Portfolio Statistics as at 30 November 2023.

Disclaimer

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