ANGAS prime

INVESTOR NEWS

WINTER 2024

6.5% P.A.*
TARGET RATE

The Silent Generation and the Rise of Private Lending

Commentary in the national press predicts that you are going to hear a lot more this year about private credit. This will gain traction as an important investment asset and will be added to an increasing number of client portfolios.

This may be especially so for those investors who want to reduce their exposure to the volatility of public market assets such as shares, and those who want attractive returns and regular income.

Baby boomers were born during an 18 year period of elevated births after WWII between 1946 and 1964. Last year, boomers celebrated birthdays between the ages of 59 and 77. It's the baby boomers who seem to dominate discussing retirement incomes and post-retirement investing, but there is a cohort of investors who have already been quietly investing and supporting themselves and their families for many years. Known as the Silent Generation (or the Builders), born between 1928 and 1945, they preceded the boomers and are now aged between 78 and 95.

What has been startling about this generation – apart from the realisation that they are the great upholders of many of the values our society relies on to operate – is how many are unwilling to ride the ups and downs of the stock market. Selling out entirely and throwing it all into a term deposit is not an uncommon approach by this cohort amid a general desire to "simplify one's affairs". It seems


Simon Thompson, Chief Financial Officer with Jeffrey Hill, Assistant Finance Administrator & Peter Latzel, Accountant

that once investors reach their late 70s and early 80s, there's a strong desire to invest in something that can be relied on to produce more stable and regular cash returns.

What is now being called private credit is becoming increasingly popular.

In Australia, a gap exists between what small to medium-sized corporates in Australia would like to borrow for growth and what the banks are willing to finance. That gap has nothing to do with the quality of the borrowers, many of whom are able to provide first mortgages, directors guarantee, general security agreements and other high levels of security and collateral. The gap exists because regulatory changes made lending to small and medium-sized businesses more challenging for the big banks.

Fifteen years ago, had someone been approached to lend money to small to medium-sized businesses, he or she might have thought it was too risky. There was a perception that this was lending to businesses that the banks didn't want to touch. Today, the businesses looking for funding haven't been rejected by the big banks at all. Instead, the big banks, due to regulation, have progressively shut their doors to that type of lending.

This has created great opportunities for private credit to generate attractive returns.

B PAY

Angas Prime offers investors the convenience of using BPay to make additional investments. To make additional deposits using BPAY simply use your BPAY Reference Number which can be easily located on your Unit Holding Certificate.

If you cannot locate your Reference Number, please contact our Investor Relations Team on 1800 010 800.

Regional Towns Continue to Attract Property Investment


Launceston, Tasmania

Property prices in regional towns were expected to slump as the cities roared back post Covid. But the bush is winning again. Regional centres are beating the bigger cities on both price gains and rental growth.

New figures for the three months to December 2023 confirm the trend. Regional centres have traditionally trailed the major cities with weaker price growth and an oversupply of rental space. Two key factors have been at play. First, prohibitive prices in the major cities have underpinned price rises in regional centres. Secondly, the practice of working from home (often in regional centres) remains resilient.

The exodus from offices in city CBDs is plain to see in the most recent commercial property data. Office property is now in a deep slump, with recession-like vacancy rates of more than 20 per cent in some districts. It seems a significant number of those empty desks in the city centre once belonged to workers who are now in so-called sweet spots. These are the towns where they can live affordably but commute to a day job in the city. Take the case of Tasmania where Angas Prime opened a representative office two years ago. After selling up in the city, a one time office worker who has bought in Launceston or Devonport can take a cheap flight to Melbourne for a couple of days a fortnight in the office whilst working from home the rest of the time with family enjoying quality living at a lower cost.

In the three months to the end of December 2023, dwelling values in regional Australia rose by 1.2 per cent while capital cities were running at 1 per cent over the same period. The outpacing of the city residential markets by regional centres is also clear in rental data, where regional rents rose 2.3 per cent over the same period whilst capital city rents rose by 2.1 per cent – though yields in regional property are often skewed by changes in highly volatile mining towns. The share of people who are willing to live outside the major cities and commute has clearly changed. There is likely to be a legacy of Covid with remote working at least partially embedded in workplace policies. It's unclear how work from home policies will evolve over time.

The question for property developers seeking commercial finance from a private lender like Angas Prime is whether they are looking at a structural change in the market? Many commentators think that the trend is structural and it's going to keep happening until there is a convergence of prices between the regional areas and cities. That is likely going to take a while. One thing learnt from the Covid era was that people were willing to commute. Now it is seen that people are willing to commute for two and a half hours if they are only going into the city when it's necessary. Angas Securities has been advancing loans in regional centres from Townsville in Queensland, Wagga Wagga in New South Wales, Ballarat in Victoria and Pinjarra in Western Australia. Well located subdivisions have proven very popular amongst buyers, especially because they are sold at a competitive price.

You Can Prosper Through Angas Prime Investments

Borrowers once thought the best financing solution is one provided by a bank. For many mid-market commercial property borrowers, this simply is not the case. In reality, many mid-sized borrowers have financing requirements that fall outside traditional bank parameters. Even if the borrower has high quality assets, this does not account for the nuance of every deal.

For example, borrowers often prefer a high degree of flexibility to meet their funding requirements, be it as to the length of the loan term, capitalization of interest, leverage or non-standard loan covenants. Such variances will require an alternative approach that involves the type of lateral thinking not commonly associated with a major bank. The borrower finds that the deal is unpalatable to its bank. That doesn't mean there is not a suitable financing solution available. Or that the deal is too risky or does not stack up as a commercial proposition.

Angas Prime is not a bank. At Angas Prime, we regularly meet advisers and borrowers that have been led to believe the best financing solution is one provided by a bank. Unfortunately, the term "best" is often a substitute for perceived "least expensive". This doesn't account for the reality that mid-market borrowers are becoming more sophisticated and nuanced in their financing solutions. This is coupled with the fact that major banks, faced with an inability to meet the level of flexibility required by mid-market borrowers, have a decreased appetite to cater to this fast-growing group of clients. This situation presents a compelling opportunity for borrowers to tap into the availability of non-bank funding from Angas Prime.

It is the experience of Angas Prime that every prospective borrower has a unique funding requirement. This can be based on the proposition that is presented or the property to be acquired. If potential is evident to Angas Prime, the right solution could propel the borrower towards a successful deal. Alternatively, it is not uncommon for Angas Prime to advance a loan to refinance the existing lender and provide additional capital for an expanded project. In such cases, repayment will usually come from re-finance to a bank once there is established trading history of the expanded venture. Or else Angas Prime might work with the borrower to undertake non-core asset sales and reposition the remainder for refinance with a traditional lender.

Angas Prime has funded transactions to asset rich companies to assist resolve disagreements between shareholders who are often family members of descendants of the founder. Such disputes commonly relate to which shareholder can buy out the others. Given the protracted timeframes for these situations to be resolved, Angas Prime funding has offered a liquidity source which would not disturb the assets of the business which was the subject of a shareholder dispute.

Angas Prime always takes a registered first mortgage over real property to support any loan. LVR cannot exceed 70%. Read the Angas Prime PDS to see how risks are managed. Angas Prime can look beyond conventional lending practices to get deals done with interest received from borrowers normally enabling Angas Prime to deliver rewarding returns.

Angas Gold Can Boost Your Returns

Angas Prime introduced a new investment product last year.

All Angas Prime investors are paid the same rate of return every month. Currently the target rate is 6.5% p.a. Angas Gold offers a higher distribution to investors who make new investments or roll over existing investments of $500,000 or more. A new investment of $500,000 will qualify for the Angas Gold target rate of 7.0% p.a. being fifty points or 0.5% above the prevailing target rate. The Angas Gold rate is higher for investments of $1.0 million or more and 8.0% p.a for investments above $1.5 million. Please note that the Angas Gold terms apply to standalone investments.

Ariana Woods,
Operations Manager
& Company Secretary

Could this be for you? If you are interested in taking advantage of Angas Gold then please contact Angas Prime on 1800 010 800 for more details.

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REGULATORY ADVICE

APPLICABLE TO ALL INVESTMENTS OF THIS NATURE:

The investment offer is contained in the current Product Disclosure Statement (PDS) which should be read carefully before investing. The Target Market Determination is available under the "For You" section on angasprime.com.au. An investment in Angas Prime is not a bank deposit. There is a risk you could lose some or all of your principal and that you may receive lower than expected returns.

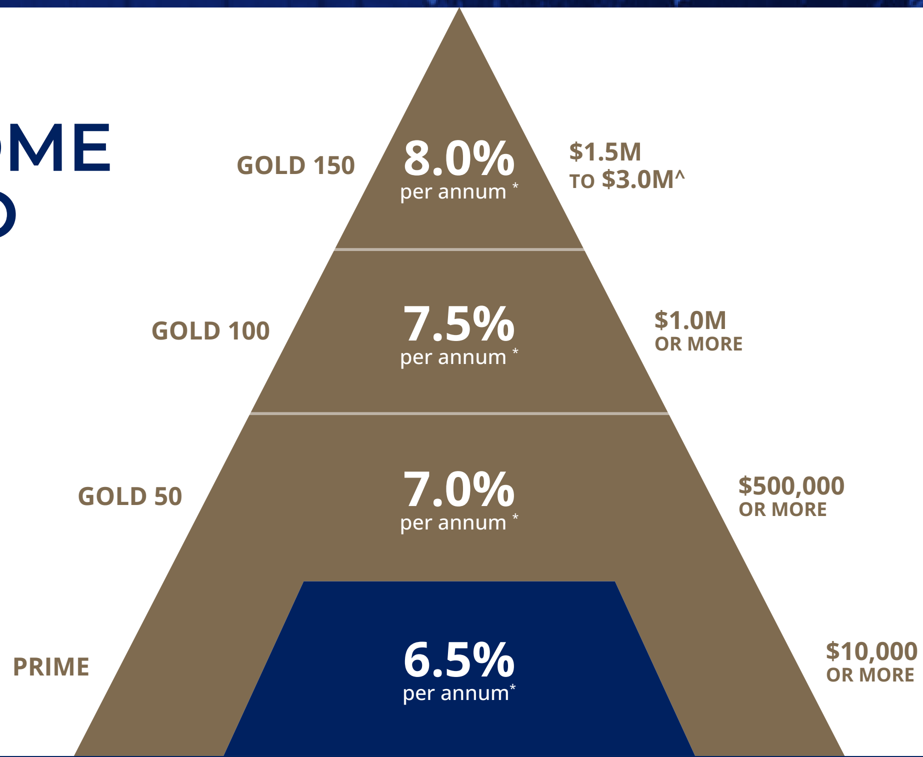
* Based on a Target Rate of 6.5% p.a. The Target Rate for your investment is not fixed and may fluctuate up or down during the term of your investment.

** There may be certain limitations on your ability to withdraw from the Fund at the end of the term and withdrawal requests may take up to 12 months to process.

^ Other terms and conditions apply.

EARN AN INCOME RATE OF UP TO

8.0% p.a.*



Contact us to find out if you qualify for

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