

# 2024 Annual Investor Letter

*A year of growth*



**Dear Investors,**

My co-founders and I are pleased to share the **Rixon Income Fund** celebrates its **2nd anniversary** this month. Managing **over \$70m in investor funds** and having delivered a **12% p.a. net cash return since inception**, this letter is a happy one to write.

While double-digit returns are widely available in a high-interest rate environment, the **Rixon Income Fund** is a differentiated offering. Our strategy only permits senior secured, asset backed loans that pay interest in cash. On a portfolio with a **<50% weighted average LVR**, we believe this makes the **Rixon Income Fund** the best risk-adjusted proposition in the Australian private credit market.

A boutique fund strategy, our portfolio currently comprises 12 loans reflecting exposures to a broad range of sectors. Investors often ask – “*why so few loans*”? A fair question, it offers the opportunity to communicate two important messages.

First, our prescriptive lending mandate meaningfully narrows our lending universe. There are a limited number of quality, asset-backed opportunities delivering double-digit yields in the market. There are plenty of non-asset backed and subordinated loan opportunities available – but they are riskier and *verboden* under our mandate.

Second, we understand that debt investors do not benefit from underlying borrower outperformance. Therefore we focus our efforts on downside protection by way of careful, detailed due diligence and bespoke loan & security documentation. This takes time and focus.

Are we overanxious? Would a Xanax® prescription change the way we operate? I offer an emphatic no.

First, as the investment manager we have a duty of care to do what is best for our investors, not what will maximise our fee pool.

Second, we would rather sweat over loan documents than over steaks in a restaurant we own via a debt-for-equity swap.

This September saw our considered approach validated by being awarded **Best Emerging Manager** and finalist for **Best Debt Manager** at the **Australian Alternative Investment Awards**. This was in addition to having **SQM Research** upgrade the **Rixon Income Fund** to a **strong Investment Grade** rating or **3.75-stars**.

The **Rixon Capital** team views the next 12-months with optimism. While market conditions are challenging for some segments of the economy, we expect a focus on our conservative niche will continue to deliver our investors value and stability.

It is apt to end this Annual Investor Letter on a note of thanks.

I track our monthly growth in investor funds on a whiteboard in our office. Whenever inclined to feel cocky I look to the bottom of the chart and read – “**November 2022 | \$3.2m**” – and am quickly humbled. That inaugural investor subscription came primarily from investors who were strangers to the **Rixon Capital** team yet believed in our vision, put their trust in us, and allowed us to achieve our ambitions.

We are honoured that you choose to invest with us. Thank you for including the **Rixon Income Fund** in your portfolio, and we look forward to creating value for you for many years to come.

*My deepest thanks for your support.*

**Patrick William**

Co-founder & Managing Director