

### Awards & Credentials

The Daintree Core Income Trust has been awarded a Recommended rating by both Lonsec and Zenith. Daintree Capital is also a signatory to the United Nations Principles for Responsible Investment.



### Fund Description

The Daintree Core Income Trust NZD Unit Class (the Fund) is an absolute return, cash plus bond strategy. The Fund is not constrained by any traditional fixed income index, which provides us the flexibility to seek out the best risk adjusted returns available across regions, sectors and securities.

### Fund Objective

The aim of the Fund is to provide a steady stream of income and capital stability over the medium term by investing in a diversified portfolio of fixed income securities and cash. The Fund seeks to produce a return (net of fees) that exceeds the RBNZ Cash Rate by 2.00-2.50% p.a. over a rolling three-year period.

### Monthly Highlights

- Wider credit spreads detracted from performance in August, with weakness in the industrial sector the main driver
- Duration and curve positioning were negative contributors to our overlay for the month, though positive contributions from credit-oriented quantitative strategies were a partial offset

### Key Statistics

Modified Duration (Yrs)	0.66
Spread Duration (Yrs)	3.08
Portfolio Yield (%)	1.53
Average Credit Quality	A
Portfolio ESG score (MSCI)	A

Note: Portfolio yield is the expected return over the next year, assuming no changes to either portfolio composition or market yields. Average credit quality excludes overlay positions. Portfolio yield and spread duration reflect the net credit default swap exposures in the portfolio. The Portfolio ESG score is the weighted average portfolio ESG rating based on Daintree Capital's application of MSCI data

### Fund facts

Trust name	Daintree Core Income Trust (NZD Unit Class)
Funds under management	NZD583m
Responsible Entity	Perennial Investment Management Ltd
Portfolio managers	Mark Mitchell & Justin Tyler
Inception date	14 May 2018
APIR code	WPC0696AU
Management costs	0.50% pa
Buy/sell spread	+0.05% / -0.05%
Entry and exit fees	None
Pricing frequency	Daily
Initial investment	\$25,000
Distribution frequency	Monthly
Currency	New Zealand Dollar

### Platforms

The Daintree Core Income Trust (NZD Unit Class) is available on the following platforms:

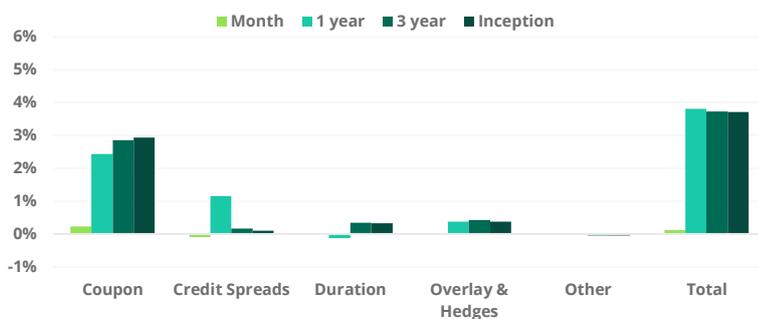
- FNZ
- NZXWT
- Aegis

### Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Year (% pa)	Inception (% pa)
Fund (gross)	0.11	0.58	3.82	3.74	3.71
Fund (net)	0.07	0.45	3.32	3.21	3.18
Distribution (net)	0.10	0.75	1.63	1.83	2.07
Growth (net)	-0.03	-0.30	1.69	1.38	1.11
RBNZ Cash Rate	0.02	0.06	0.25	0.85	0.92
Excess Return	0.05	0.39	3.07	2.36	2.26

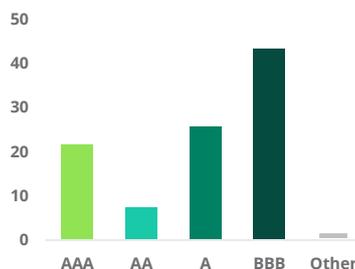
Note: Performance inception is 1 June 2018. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator of future performance.

### Performance Contribution (Pre Fees)

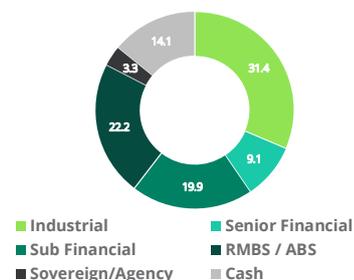


Note: Overlay strategies use derivatives to ensure that the fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

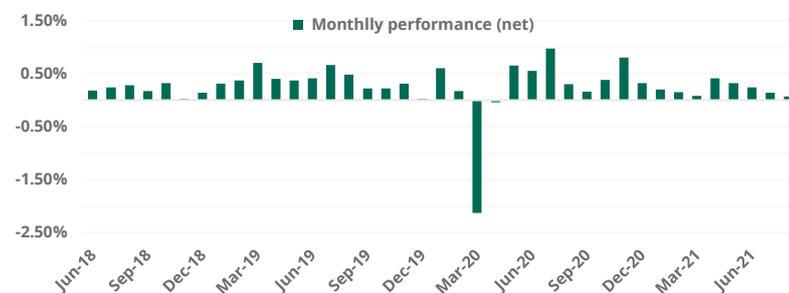
### Rating Exposure (%)



### Sector Exposure (%)

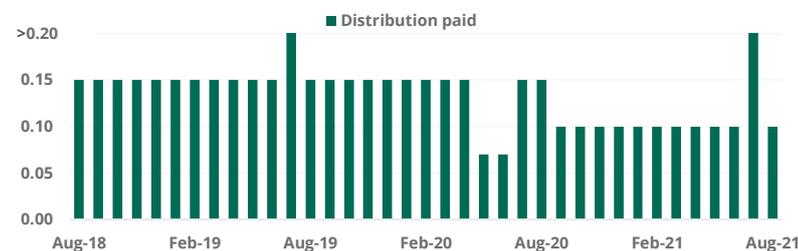


### Monthly Performance



### Cash Income

The Fund distributed 0.10 cents per unit in August.



## Fund Review

The Core Income Fund returned 0.07% for the month, bringing the rolling twelve-month performance to 3.32% net of fees. The contribution of duration to performance was limited during the month, while coupon income was largely offset by wider credit spreads and a small loss from overlay trading.

Australian market credit spreads were a little mixed during the month with mid tenor financials a touch wider, and similar tenor corporates and RMBS a little tighter. The bulk of the negative spread contribution in the portfolio was driven by longer dated corporates. The fund continues to have a modest interest rate duration positioning at 0.52 years.

NAB issued their first domestic benchmark issue since 2020 raising \$2.75b of funding. In the RMBS/ABS sector, we saw another very strong month of issuance. We participated in a handful of deals including Harvey 2021-1, Mortgage House 2021-2, Resimac 2021-2, and Think Tank 2021-1. Total primary securitisation issuance this year is well on pace to surpass 2020 totals. Several companies reported earnings during the month but overall, these reports did not have a material impact on spreads.

## Outlook

August saw somewhat less volatility in government bond yields than July, with the Australian 10yr trading in a 19.5bp range compared to a 43bp range last month. Nonetheless, the Australian 10yr hit its lowest yield since February (1.08 on August 20) before ending the month higher at 1.155. Some investment grade credit spreads widened (though financials and structured credit broadly performed well). In high yield, by contrast, credit spreads narrowed across the board and this supported performance in our funds. Fed Chair Powell's speech at Jackson Hole was the main driver of this risk asset performance, with equity markets also rallying as the Fed once again presented a more dovish outlook for policy than what markets had been expecting.

In Australia, speculation continued as to the RBA's reaction function: Will tapering of QE be delayed in September as the RBA aligns itself with 'Team Australia', or will tapering proceed regardless? The Australian dollar has already depreciated by 5.6% since mid-May (despite the 2% rally in the last week and a half of August). At current levels the currency is providing more outright support to the external sector of the Australian economy than has been the case for some time.

That said, we believe the more important consideration is the future profile for Australian domestic demand, which has clearly taken a hit due to lockdowns. The RBA is of the view that the rebound from lockdowns will be significant in 2022, but it remains to be seen whether this is in fact the case. In particular, the strong linkage between workers and employers that was a feature of the 2020 Job-Keeper support package is not replicated in current government support measures. Sharply weaker labour markets may therefore manifest in New South Wales and Victoria in the coming months.

In New Zealand, both the New Zealand dollar and New Zealand bond yields fell (as we foreshadowed last month) as the RBNZ held off on raising rates. We believe that on balance, the RBA should take the RBNZ's lead and hold off on tapering as well. On August 6, Phil Lowe said that "...we are expecting a return to strong growth next year. Any additional bond purchases would have their maximum effect at that time and only a very small effect right now when the extra support is needed most." Since then, however, lockdowns have been widened and extended and case numbers are yet to peak. The economy has likely therefore realized the RBA's downside scenario as outlined in the August Statement on Monetary Policy, which is characterized by extended lockdowns, weaker consumption and labour market outcomes, and a delayed opening of state and international borders. An adjustment to the policy trajectory is a sensible expectation based on these changed circumstances.

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