

Fund Description

The Daintree High Income Trust NZD Unit Class (the Fund) is an absolute return 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 over the medium term, by investing in a diversified portfolio of fixed income securities. The Fund seeks to produce a return (net of fees) that exceeds the RBNZ Cash Rate by 3%-4% p.a. over a rolling three to five-year period.

Monthly Highlights

- High coupon receipts combined with a narrowing of credit spreads were the main drivers of returns as credit markets continued their positive year.
- Duration positioning added to performance as well amid a marked rally in government bond markets globally.
- The Fund selectively engaged in new issuance, favouring industrial and securitised assets. Portfolio positioning and cash levels are reflective of an expectation that momentum in investment grade credit markets can be maintained into 2024

Key Statistics

Modified Duration (Yrs)	0.55
Spread Duration (Yrs)	1.72
Yield to Maturity (%)	9.01
Running Yield (%)	7.38
Average Credit Quality	BBB+
Portfolio ESG score (MSCI)	AA

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 High Income Trust (NZD Unit Class)
Responsible Entity	Perennial Investment Management Ltd
Portfolio managers	Mark Mitchell & Justin Tyler
Inception date	1 November 2018
APIR code	WPC0529AU
Management costs	0.70% pa + 0.05% pa expense recovery
Buy/sell spread	+0.15% / -0.15%
Entry and exit fees	None
Pricing frequency	Daily
Minimum initial investment	\$10,000
Distribution frequency	Quarterly
Currency	New Zealand Dollar

Platforms

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

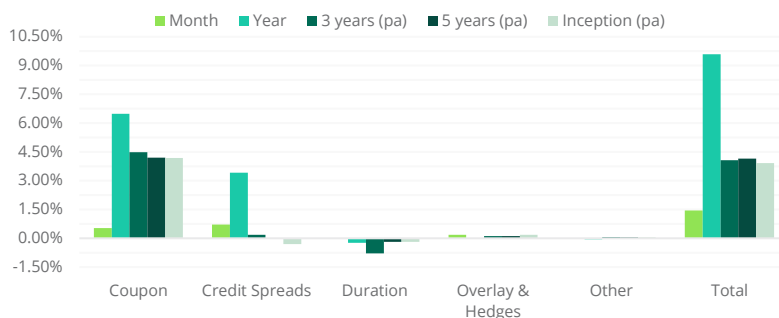
◊ FNZ ◊ Aegis ◊ NZXWT

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	1.45	3.58	9.58	4.01	4.15	3.91
Fund (net)	1.39	3.40	8.87	3.28	3.41	3.18
Distribution (net)	1.31	1.34	4.15	3.70	3.17	3.20
Growth (net)	0.08	2.06	4.72	-0.42	0.24	-0.03
RBNZ Cash Rate	0.47	1.39	5.32	2.62	1.93	1.86
Excess Return	0.93	2.01	3.55	0.66	1.48	1.31

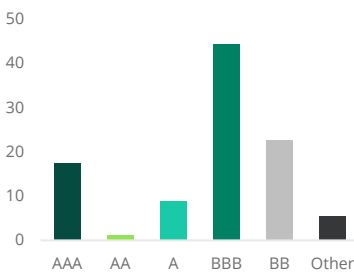
Note: Performance inception is 1 November 2018. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator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

Performance Contribution (Pre Fees)

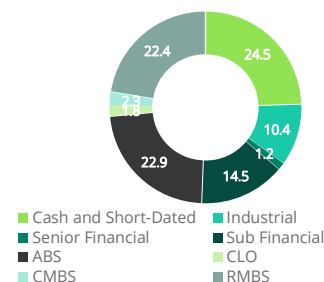


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

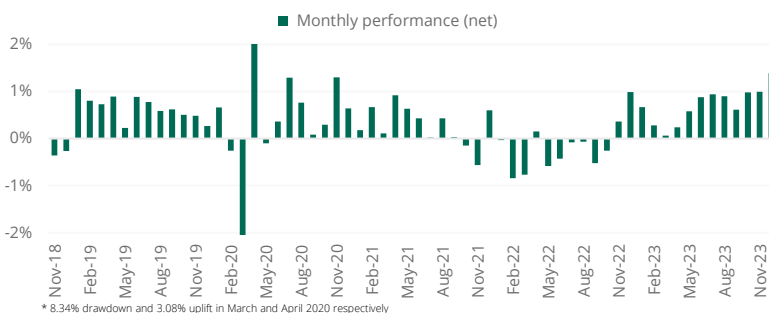
Rating Exposure (%)



Sector Exposure (%)

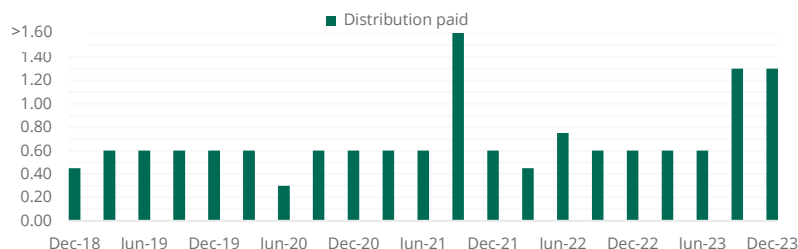


Monthly Performance



Cash Income

The Fund distributed 1.30CPU in December. The next distribution will be paid in March.



Fund Review

The High Income Trust NZD returned 1.39% for the month net of fees. The Fund's very strong performance was balanced between tightening credit spreads and regular coupon income. Duration provided some additional support within the overlay book.

Credit markets remained resilient and saw some spread compression in continuation of the dominant theme of 2023. Based on recent spread performance, credit investors remained more focussed on solid corporate fundamentals and a supportive technical backdrop as year-end approached.

The Fund selectively engaged in new issuance, although activity tapered off considerably over December. Portfolio positioning and cash levels are reflective of an expectation that momentum in investment grade credit markets can be maintained into 2024.

Outlook

Market conditions continued November's trend, reinforced by a remarkable shift in sentiment after a dovish December meeting of the US Federal Reserve. Bond yields fell precipitously, providing a strong impetus for risk assets to respond accordingly.

While Daintree was well positioned to benefit from this move, the strength and speed of the market reaction relative to the underlying fundamentals leaves us a little more circumspect. Having largely resolved the temporary factors driving the CPI, we are yet to be convinced that the "last mile" of bringing core inflation back to target

can be achieved with the current policy toolkit. Using Australia as an example, tensions are growing between monetary and fiscal approaches to moderate inflation without exacerbating cost-of-living, which continues to be a hot-button political issue here and around the world.

Important employment updates exceeded expectations, while central bank officials both in the US and abroad tried, in vain, to temper expectations of a significant dovish pivot taking hold across the monetary policy spectrum in 2024. Investors either couldn't (or didn't want to) heed the nuance in their messaging as the "silly season" loomed.

Arguably, robust labour market conditions were the biggest contributor to market resilience in 2023. Continued strength is pivotal to a more positive outlook for 2024 because we believe that low unemployment translates into stability in residential property prices, consumption and ultimately prices via a natural rebalancing of demand and supply.

Credit spreads tightened in December but did not get caught up in the near euphoric performance of other risk assets. We have noted in recent months that credit markets seem to be looking through the geopolitical tensions and short-term market noise, but 2024 will present a range of challenges including a growing refinancing wall, for which elevated interest rates pose a distinct risk. Should the availability of capital be constrained as this refinancing wave gathers pace, we cannot rule out some spread widening as the current economic cycle matures. Daintree retains the view that the investment grade segment of the credit market is well placed to navigate near-term challenges and strong coupon income will remain the foundation of the return profile over time.

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