

## Fund Description

DHOF targets an absolute return over time by investing in a diversified portfolio of hybrid securities which offer the best risk adjusted returns available from a global universe of securities.

DHOF is quoted on the ASX under the AQUA Rules.



## Fund Objective

The aim of DHOF is to provide a steady stream of income over the medium term, by investing in a diversified portfolio of Australian and global hybrid securities and cash, and to provide a total return (after fees) that exceeds the Benchmark by 3%-4% measured throughout a market cycle.

## 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)	0.54
Spread Duration (Yrs)	2.90
Running Yield (%)	6.60
Yield to Call (%)	7.40
Average Credit Quality	BBB
Portfolio ESG score (MSCI)	AA

Note: Average credit quality excludes overlay positions. Portfolio running 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. Data as of 31 October 2023.

## Fund facts

Trust name	Daintree Hybrid Opportunities Fund (Managed Fund) (ASX: DHOF)
Responsible Entity	Perennial Investment Management Ltd
Portfolio managers	Brad Dunn, Mark Mitchell & Justin Tyler
Inception date	1 March 2020
APIR code	WPC2054AU
ISIN	AU60WPC20540
Management costs	0.65% pa + 0.10% pa expense recovery
Buy/sell spread	+0.10% / -0.10% for non-quoted units; exchange-quoted spread for quoted units
Entry and exit fees	None for unlisted units; broker fees applicable to quoted units
Minimum initial investment	\$25,000 for non-quoted units; no minimum for quoted units
Distribution frequency	Quarterly
Currency	Australian Dollar

## Platforms

The Daintree Hybrid Opportunities Fund (Managed Fund) is available on the following platforms:

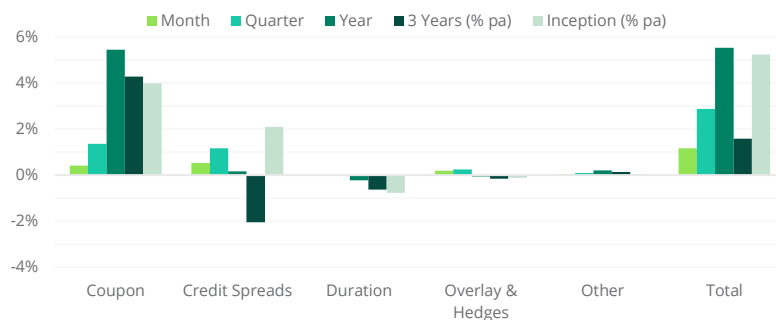
◇ BT Panorama ◇ HUB24 ◇ Macquarie Wrap ◇ Netwealth

## Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Year (% pa)	Inception (% pa)
Fund (gross)	1.17	2.87	5.53	1.58	5.23
Fund (net)	1.11	2.68	4.78	0.83	4.48
Distribution (net)	0.00	0.00	3.51	2.40	2.16
Growth (net)	1.11	2.68	1.27	-1.56	2.32
RBA Cash Rate	0.37	1.07	3.94	1.76	1.43
Excess Return	0.74	1.61	0.83	-0.93	3.05

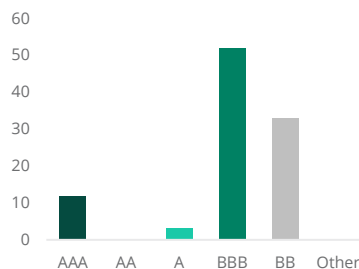
Note: Performance inception is 1 March 2020. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator of future performance.

### Performance Contribution (Pre-Fees)



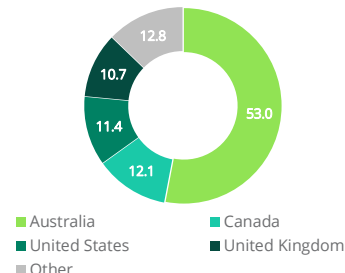
Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

### Rating Exposure (%)



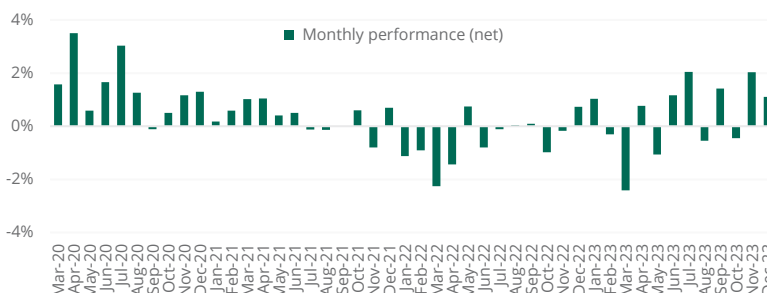
Data as of 30 September 2023

### Country Exposure (%)



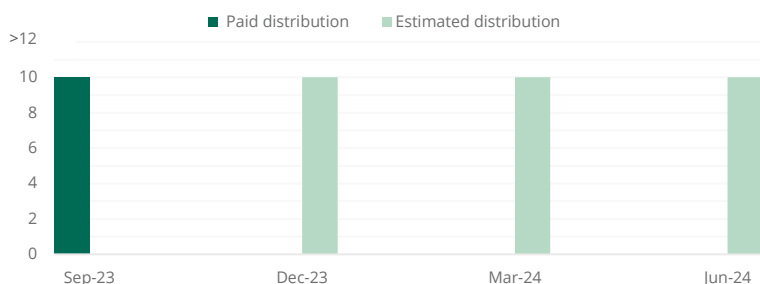
Data as of 30 September 2023

### Monthly Performance



### Cash Income

The Fund distributed 10CPU in December 2023. The next distribution will be paid in March 2024.



## Fund Review

The Hybrid Opportunities Fund returned 1.11% for the month net of fees. The Fund's performance was supported by coupon income, but improving hybrid credit spreads were once again the primary driver. Duration provided some additional support within the overlay book.

Hybrid performance was positive but muted relative to the buoyant market environment sparked by the dovish December Federal Reserve meeting.

The Fund continued to deploy inflows into high yielding floating rate securities in the US, innovative capital securities in Canada, and to top up on preferred names locally. Portfolio positioning and cash levels are reflective of an expectation that momentum in hybrid markets observed in the latter part of 2023 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.