

Fund Description

ECOR is an absolute return, cash plus, investment grade bond strategy. ECOR 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 ECOR 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. ECOR seeks to produce a return (net of fees) that exceeds the RBA Cash Rate by 1.50-2.00% p.a. within a cycle.

Monthly Highlights

- High coupon receipts combined with a narrowing of credit spreads were the main drivers of returns as credit markets, a continuing theme in recent months.
- Duration positioning gave back a little of the strong performance seen last month.
- The Fund selectively engaged in new issuance, though local market activity remained subdued over the holiday period.

Key Statistics

Modified Duration (Yrs)	0.27
Yield to Maturity (%)	6.62
Average Credit Quality	A-
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 reflects 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

Management costs	0.45% (incl of GST & RITC)
Inception date	22 November 2019

Investment manager

Daintree Capital, the investment manager of ECOR, is a boutique investment manager specialising in the construction of absolute return, income generating portfolios. The firm was nominated as a Finalist for the Money Management Fund Manager of the Year Award in the Emerging Manager category for 2019, and ECOR has a 'Recommended' rating from Lonsec and Zenith. Daintree Capital is also a signatory to the United Nations Principles for Responsible Investment.

Platforms

The Daintree Core Income Fund (Managed Fund) is available on the following platforms:

- Netwealth
- PowerWrap
- Wealth02 / uXchange

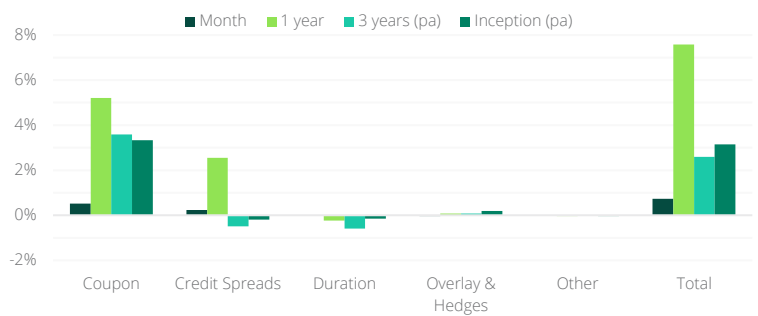


Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	Inception (% pa)
Daintree Core Income Fund (ECOR)	0.68	2.35	7.03	2.06	2.09
Daintree Core Income Trust	0.68	2.38	7.03	2.07	2.60
RBA Cash Rate	0.37	1.10	4.05	1.88	1.47
Excess Return	0.31	1.25	2.98	0.18	0.62

Note: Inception date for ECOR was 22 November 2019. Performance shown above is net of fees. The Fund has identical investments to Daintree Core Income Trust; however performance differences can be impacted by the timing of the distributions. Inception date for the underlying Daintree Core Income Trust was 1 July 2017, and this history is shown prior to the inception of ECOR to provide a longer-term view of Fund performance. Fund returns are calculated using net asset value per unit of the underlying fund at the start and end of the specified period and do not reflect the brokerage or the bid/ask spread that investors incur when buying and selling units on the exchange. Past performance is not a reliable indicator of future performance.

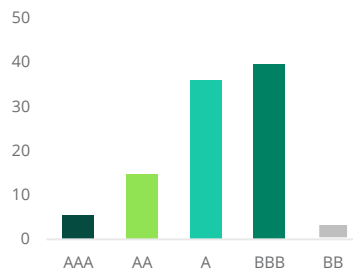
Performance Contribution



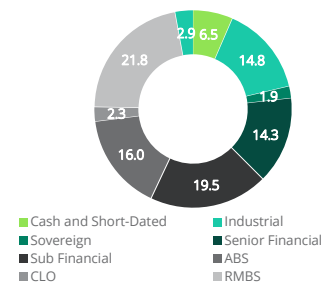
Source: Daintree Capital. As at 31 January 2024.

Month, 1 year, 3 year and inception performance figures reflect the performance of the Daintree Core Income Trust.

Rating Exposure (%)



Sector Exposure (%)



Monthly Performance



Fund Review

ECOR returned 0.68% for the month net of fees. The Fund's performance was driven by coupon income with support from credit spreads, while duration expressions in the overlay book gave back some of the solid contributions of recent months.

Credit markets remain resilient and saw some spread compression in continuation of the dominant theme of 2023. Based on recent spread performance, credit investors remain focused on solid corporate fundamentals and a supportive technical backdrop.

The Fund selectively engaged in new issuance, although activity remained subdued over the holiday period. Portfolio positioning and cash levels are reflective of an expectation that momentum in investment grade credit markets can be maintained into 2024.

Outlook

This economic cycle is like no other and has defied all historical reference to date. While endless column inches opine about the timing and trajectory of interest rates, it is just as possible that 2024 sees little, if any, movement in interest rates across the developed world.

Leading indicators point to slowing growth but not a collapse. There's still risk of recession, but a degree of comfort exists because there is significant headroom to cut rates should the need arise.

We are most confident about the US economy relative to other developed markets, primarily because they are almost alone globally in maintaining high levels of productivity with strong employment growth. In contrast, Australia, Europe, and the UK are struggling to drive meaningful economic efficiency gains. These countries also have high immigration rates, bolstering headline GDP at the expense of anaemic, or recessionary, per capita outcomes.

Chinese equity markets fell heavily in January in a move that is emblematic of the deeper structural issues that will continue to face the country over the coming decade. Policymakers are extremely reluctant to commit to major stimulus measures, fully cognisant of a populace that is still coming to terms with major ructions in property and employment markets.

Fiscal reticence in China is in stark contrast to its chief geopolitical rival, the United States. Heading into an election year stateside, we find it near enough to a certainty that any semblance of fiscal rectitude will be abandoned in the perennial battle to woo swinging voters. Simply speaking, this means government indebtedness is likely to accelerate higher, interest rates will remain higher for longer, and inflation will likely linger at rates above those desired.

Thus, as we posited earlier, the path of least resistance may be to do nothing with interest rates for the foreseeable future. If this scenario plays out, we are positive about the outlook for credit. Spreads remain at higher-than-average levels in Australia, but in some markets, they have tightened noticeably and further highlighted the attractiveness of local corporate bonds from both fundamental and valuation perspectives.

We have noted in recent months that credit markets seem to be looking through 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.

Signatory of:



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