DAINTREE
CORE INCOME TRUST (NZD)

MONTHLY FACTSHEET: 30 June 2024

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

- Coupon income continues to drive fund performance, again with some assistance from tighter credit spreads
- Portfolio positioning and cash levels are reflective of an expectation that momentum in investment grade credit markets can be maintained over the coming months

Key Statistics

Modified Duration (Yrs)	0.07
Spread Duration (Yrs)	2.85
Yield to Maturity (%)	8.14
Running Yield (%)	7.69
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 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	NZD938m
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 + 0.05% pa expense recovery
Buy/sell spread	+0.00% / -0.05%
Entry and exit fees	None
Pricing frequency	Daily
Minimum 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:

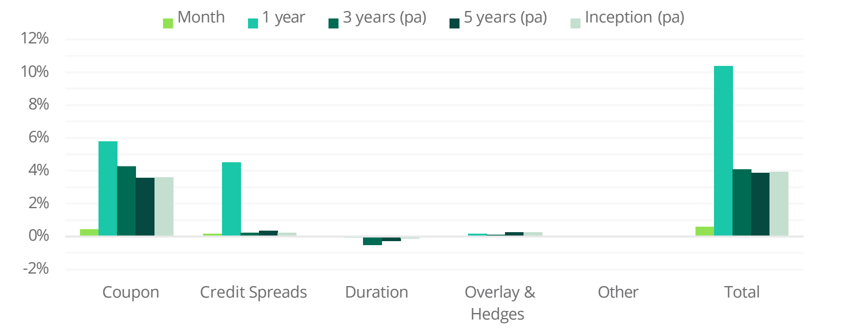
◊ Adminis ◊ Apex ◊ FNZ
◊ NZX Wealth

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	0.59	2.07	10.40	4.08	3.87	3.95
Fund (net)	0.54	1.94	9.85	3.56	3.36	3.42
Distribution (net)	0.33	1.00	4.33	2.53	2.14	2.24
Growth (net)	0.21	0.94	5.52	1.03	1.22	1.18
RBNZ Cash Rate	0.45	1.38	5.66	3.52	2.32	2.21
Excess Return	0.09	0.56	4.19	0.04	1.04	1.21

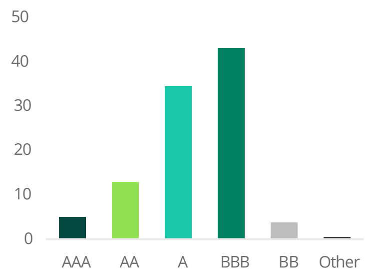
Note: Performance inception is 1 June 2018. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator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

Performance Contribution (Pre Fees)

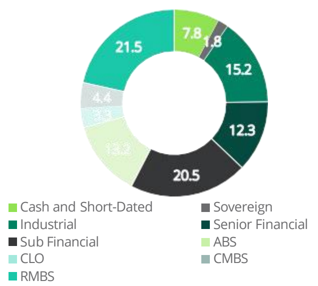


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

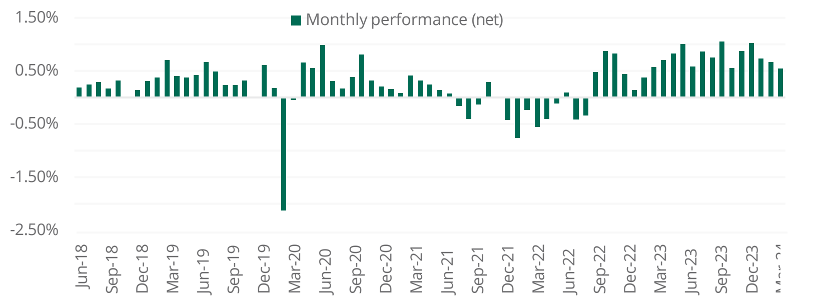
Rating Exposure (%)



Sector Exposure (%)

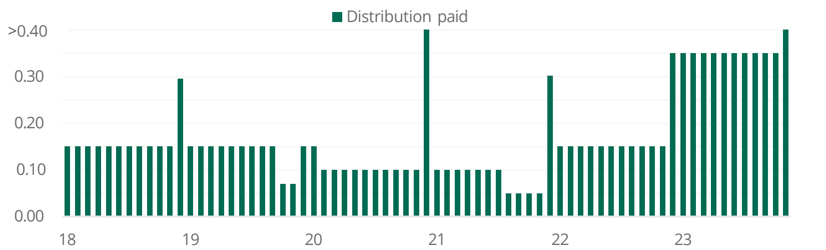


Monthly Performance



Cash Income

The Fund declared distributions totaling 0.95 cents per unit in June.



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Daintree CAPITAL

DAINTREE CORE INCOME TRUST (NZD)

MONTHLY FACTSHEET: 30 June 2024

Fund Review

The Core Income Trust NZD returned 0.54% for the month, net of fees. The primary performance driver was coupon income, while credit spreads also contributed positively. Overlay positions were slightly positive for the month.

The overall tone in credit remains constructive, supported by a solid technical picture. Demand for investment grade bonds has been strong all year, and new issuance markets have capitalised with good volumes at reasonable prices. Intra-month volatility in some offshore credit markets stemming from election uncertainty did little to influence local investors.

The Fund selectively engaged in new issuance, mostly in the securitised asset sectors, but also continued to seek trades to optimise future income potential. Portfolio positioning and cash levels are reflective of an expectation that momentum in investment grade credit markets can be maintained over the coming months.

Outlook

Economic data continued to print with a downside bias relative to expectations in June, but risk assets did not seem to mind much. Market breadth in equities remains narrow, and the northern hemisphere summer promises to keep turnover and liquidity subdued. Ordinarily, this creates ideal conditions for choppier markets, but over the last few months it has become evident that negative surprises are being treated as positive from the perspective of future interest rate levels. We still believe that any benefits from future rate cuts are already priced in, but we have to concede that the looming US presidential election may constrain the Federal Reserve's ability to cut before November. Therefore, while hard to reconcile based on fundamentals, equity markets could retain their tendency to trickle higher in the months ahead. We think that this also applies to credit markets, where we view spreads as full but fair.

A surprising result in the first round of French elections saw the possibility of "cohabitation", where a party different to the President's party garners a majority in the National Assembly. This saw French equities fall by 5.8%, with even larger falls experienced by major banks such as BNP Paribas and Société Générale. Meanwhile, in the lead up to elections in the UK, the FTSE 100 index fell by only 1.3%. In both cases, credit investors have remained fairly sanguine. In our view, the French result is causing concerns for markets because of the medium-term implications for fiscal policy in a country that already carries a debt-to-GDP ratio of more than 110%. The political process will somewhat constrain the passage of big spending budgets, but we expect investors to monitor France closely as the political transition proceeds.

In Australia, the newer monthly inflation series surprised to the upside once again. Prior to the release, the prospect of a cut remained an outside chance, but acceleration in the annualised rate to 4% now has the market at a 50/50 chance of an increase by December. We note that some of the factors driving the recent numbers were based on economic activity from March and April, with base effects also in play in some more volatile elements of the basket. Clearly, in the context of deep cost-of-living concerns within the community, and a looming election within the next 12 months, an increase would set the cat decidedly amongst a whole flock of pigeons. However, while acknowledging that the path is narrow (and recent data has narrowed it even further), the RBA has noted that current settings are starting to have an impact, albeit at a slower pace than they would like. We remain of the view that the RBA will remain on hold in 2024, however recent developments have increased the risk of a hike later this year.

Investment grade credit continues to benefit from an advantageous mix of strong fundamental and technical factors. On the fundamental side, issuer balance sheets are in good shape and the consumer has been resilient, supporting earnings growth. In terms of market technicals we note that flows into credit and fixed income funds have been positive all year, while new issuance has been priced with reasonable concessions to ensure robust demand from both professional and private investors. 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.