

Fund Description

The Daintree Defensive Plus Trust (the Fund) consists of an actively managed portfolio of fixed income securities that Daintree believes offer investors a good absolute return and strong income characteristics, combined with a defensive overlay that may provide outperformance during large market drawdowns.

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, while offering the potential for outperformance during large equity market drawdowns. The Fund seeks to produce a return (net of fees) that exceeds the RBA Cash Rate by 0.50-1.00% p.a. over a rolling three-year period.

Monthly Highlights

- Coupon was a positive contributor for the month. Physical credit spreads widened somewhat, led by financial names, but this was more than offset by outperformance in the overlay.
- The Protection Strategy dragged through the month as risk assets rallied and option markets became increasingly sanguine, with the VIX finishing at recent lows.
- The macro environment continues to feature sticky inflation, slowing growth, and policy uncertainty. This backdrop favours active management, credit selectivity, and a disciplined approach to duration. Portfolios are flexibly positioned to capture credit premium while closely managing interest rate and credit risks.

Key Statistics

Modified Duration (Yrs)	0.00
Spread Duration (Yrs)	2.41
Yield to Maturity (%)	6.33
Running Yield (%)	6.13
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 and excluding PnL from equity option strategies. 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 Defensive Plus Trust
Responsible Entity	Perennial Investment Management Ltd
Portfolio managers	Michael Pollard, Mark Mitchell & Justin Tyler
Inception date	16 June 2021
APIR code	WPC3204AU
Management costs	0.60% pa + 0.10% pa expense recovery
Buy/sell spread	+0.05% / -0.10%
Entry and exit fees	None
Pricing frequency	Daily
Minimum initial investment	\$25,000
Distribution frequency	Quarterly
Currency	Australian Dollar

Platforms

The Daintree Defensive Plus Trust is available on the following platforms:

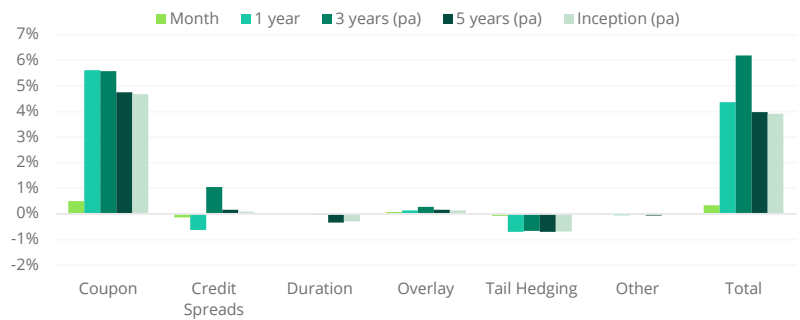
- BT Panorama
- HUB24
- Netwealth

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	0.34	1.35	4.37	6.20	3.97	3.91
Fund (net)	0.28	1.18	3.67	5.50	3.28	3.21
Distribution (net)	0.00	5.15	6.91	5.45	4.05	3.92
Growth (net)	0.28	-3.98	-3.24	0.05	-0.78	-0.71
RBA Cash Rate	0.37	1.10	3.94	4.13	3.23	3.13
Excess Return	-0.09	0.08	-0.27	1.37	0.04	0.08

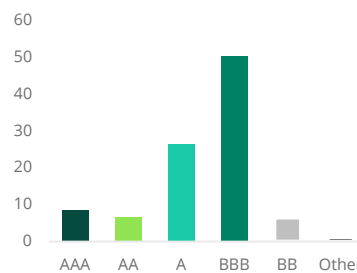
Note: Performance inception is 16 July 2021. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator of future performance.

Performance Contribution (Pre Fees)

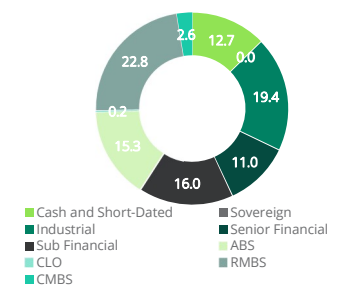


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

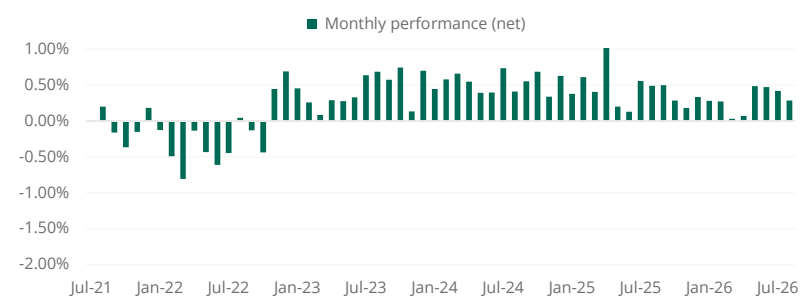
Rating Exposure (%)



Sector Exposure (%)

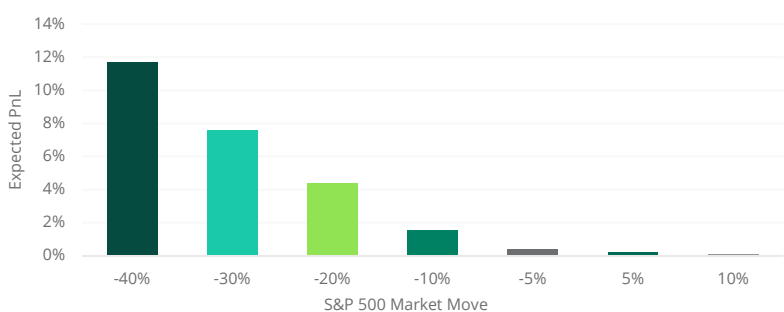


Monthly Performance



Note: Past performance is not a reliable indicator of future performance

Estimated PnL Outcomes by Market Move



Note: The chart provides the total expected portfolio profit or loss given a high velocity move in the S&P500.

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner

Fund Review

The Defensive Plus Trust returned 0.28% for the month, net of fees. Over the last three years, the fund has delivered a return of 5.50%pa net of fees, equivalent to an excess return of 1.37%pa. Coupon was a positive contributor for the month. Physical credit spreads widened somewhat, led by financial names, but this was more than offset by outperformance in the overlay.

The Protection Strategy suffered as option markets increasingly priced out event risk, despite the shifting macro backdrop and move in yields. This led to the option portfolio being marked down, with a typical carry-forward of future decay.

The fund continues to selectively engage in new issuance to optimise future income potential. Portfolio positioning and cash levels will enable portfolio managers to nimbly respond to the evolving market environment.

Outlook

The drivers of market performance shifted during August, as bond yields and fiscal concerns rose to the fore. Take the Middle East and energy markets: The pattern of the past six months has now repeated often enough that we see a structural energy premium emerging. This matters for the monetary policy outlook because it converts an inflation shock that central banks could reasonably look through into one they may feel obliged to respond to. Bond markets have seemingly arrived at the same conclusion, even if the reasons for rising yields are still hotly debated.

From a US Treasury perspective, the Federal Reserve's Jackson Hole symposium added further ambiguity. Chairman Warsh used his Jackson Hole address to clarify that he is focused on delivering 2% PCE inflation, but he also reiterated his opposition to forward guidance and questioned the usefulness of a published reaction function. Markets responded by lifting the implied probability of a September hike above 55% whilst also pricing a further move later in the year.

One complicating factor for the Fed is a visibly deteriorating US employment market. The unemployment rate declined to 4.1% in July, but only because the labour force shrank by 264,000 and participation

fell to 61.4%, the lowest in more than five years. The very real prospect of rate hikes against the backdrop of a weak employment outlook has the potential to roil both bond markets and the growth outlook.

With policy rates still on hold for now, investors are expressing views through the long end. Yields rose in most markets, but Japan deserves particular attention. Ten-year and thirty-year yields rose to or near all-time records, driven by fiscal anxiety around government spending plans and proposed budgetary adjustments. The Bank of Japan and Ministry of Finance intervened in the foreign exchange market, with the help of the United States, to curb depreciation in the yen.

The Reserve Bank met in August and unanimously held the cash rate steady but was explicit in its resolve to raise the cash rate further should upside risks materialise. Here the data has obliged - the July monthly inflation data revealed the trimmed mean has not moved towards target, instead remaining at around the same level (3.6%) for three months in a row. Australia's inflation problem is not just about energy; it is about housing, services and the absence of productivity growth.

Credit spreads tightened in August. The marked exception was debt raised by large technology companies, where heavy supply and portfolio concentration limits remain key issues. Financial paper also underperformed as investors sold this to make way for new technology-related issuance. Still, with yields at cyclical highs, broad demand for investment-grade income assets remains elevated and this is supporting spreads in aggregate. Corporate fundamentals such as earnings growth remain supportive of spread performance as well. Conversely, US private credit offered more evidence of the challenges posed by valuation opacity and liquidity mismatch, albeit with limited impacts on public credit markets.

At current levels, investment grade spreads provide little cushion to absorb rates volatility. That said, we expect carry to do much of the heavy lifting in coming months while keeping a tight rein on duration. Flat credit curves provide little incentive to look further out along the curve, but market distortions caused by heavy hyperscaler issuance may provide a window to opportunistically reposition portfolios. We remain flexibly positioned to capture credit premium while closely managing interest rate and credit risks.