

Fund Description

The Daintree Core Income Trust (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 RBA Cash Rate by 1.50-2.00% p.a. over a rolling three-year period.

Monthly Highlights

- Wider credit spreads detracted from performance during the month, as did overlay strategies
- The fund remains defensively positioned amid volatile market conditions, although we have increased exposure to short-dated assets

Key Statistics

Modified Duration (Yrs)	-0.01
Spread Duration (Yrs)	2.32
Yield to Maturity (%)	4.84
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
Funds under management	AUD599m
Responsible Entity	Perennial Investment Management Ltd
Portfolio managers	Mark Mitchell & Justin Tyler
Inception date	5 June 2017
APIR code	WPC1963AU
Management costs	0.50% pa
Buy/sell spread	+0.05% / -0.05%
Entry and exit fees	None
Pricing frequency	Daily
Minimum initial investment	\$25,000
Distribution frequency	Monthly
Currency	Australian Dollar

Platforms

The Daintree Core Income Trust is available on the following platforms:

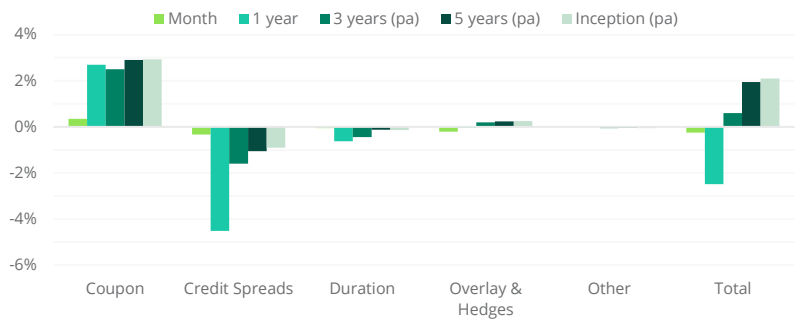
- AMP North
- Asgard
- BT Panorama
- Colonial FirstWrap
- HUB24
- Macquarie Wrap
- Mason Stevens
- MLC Navigator
- MLC Wrap
- Netwealth
- Praemium
- uXchange
- Xplore Wealth

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	-0.25	-0.30	-2.48	0.60	1.94	2.10
Fund (net)	-0.29	-0.43	-2.98	0.10	1.41	1.56
Distribution (net)	0.16	0.47	3.90	2.43	2.44	2.38
Growth (net)	-0.45	-0.89	-6.88	-2.33	-1.03	-0.82
RBA Cash Rate	0.21	0.55	0.80	0.44	0.83	0.87
Excess Return	-0.50	-0.98	-3.78	-0.34	0.58	0.69

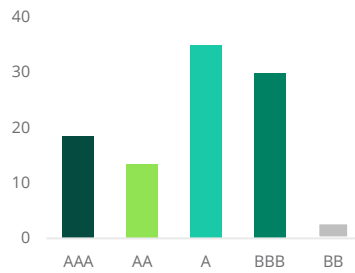
Note: Performance inception is 1 July 2017. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator of future performance.

Performance Contribution (Pre Fees)

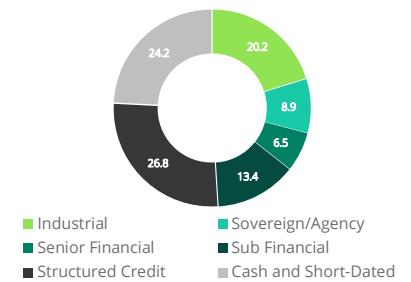


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

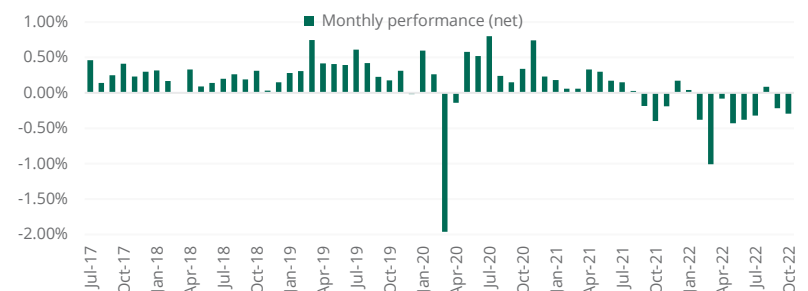
Rating Exposure (%)



Sector Exposure (%)

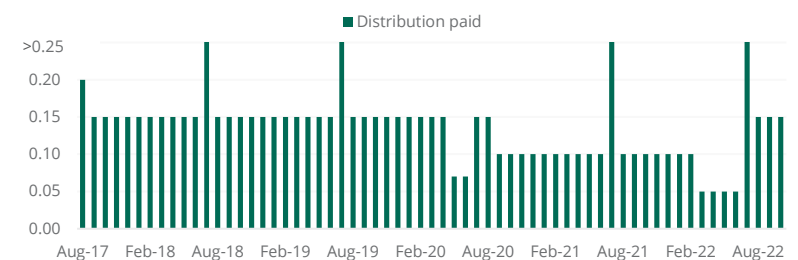


Monthly Performance



Cash Income

The Fund distributed 0.15 cents per unit in October.



Fund Review

The Core Income Fund returned -0.29% for the month net of fees. The fund's performance was positively impacted by coupon income, but wider credit spreads detracted. We also have hedges in place that underperformed given the relatively 'risk-on' tone seen during the month.

The Australian market underperformed markets offshore in October. US spreads were a little narrower but in Australia, financials led the way wider as supply weighed. On the other hand, structured credit was more resilient and offshore selling did nothing to widen spreads in either ABS or RMBS. On average, Australian financials credit spreads were approximately 11 basis points wider on the month, whereas non-financials were around 3 basis points wider.

Our interest rate position at month end was zero.

We participated in new LaTrobe and Pepper RMBS deals, but given our defensive positioning and continuing modestly bearish outlook for spreads over the medium term we largely avoided new issues during the month. We continue to carry larger than normal cash and short-term securities weightings in the fund.

Outlook

Central banks remain committed to the fight against inflation, but during October some surprised the market by slowing the pace of increases. In early October, the RBA surprised some with just a 25bp increase, followed by the Bank of Canada only increasing by 50bp

when the market had 75bp firmly pencilled in. In both cases, concerns are rising that the full impacts of prior policy tightening are yet to be felt given the sensitivity of consumers and the economy to higher funding costs.

Relative calm returned to UK markets with the ascension of a new Prime Minister and a repealing of much of the fiscal agenda that created such wide disruption both at home and abroad. This episode has left us acutely aware of the underlying fragility of global financial markets that have been set the task of shouldering a large (and growing) debt burden against a backdrop of tightening financial conditions.

While volatility in rates markets remains highly elevated, risk appetite returned through October on hopes of continued moderation in rate increases. Strength was notable in equities and high-yield credit spreads. Our view remains that corporate fundamentals are in good shape, but recent results highlight the medium-term dangers to earnings from a weakening consumer, margin compression, and continued USD strength, not to mention cautious outlook statements. Equity multiples remain vulnerable to further downward revision going into 2023.

The core drivers of credit spreads continue to point to further widening in the months ahead. Our response for much of 2022 has been to hold a neutral duration exposure, reduce higher beta exposures and retain a preference for shorter tenors and higher credit quality. Ultimately, we expect volatility to remain elevated until core inflation is sustainably contained.

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