

### 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

- Coupon income and narrower credit spreads supported performance during the month, though duration positioning detracted
- We continue to prudently shift portfolios away from cash and short-dated assets and modestly add duration

### Key Statistics

Modified Duration (Yrs)	0.48
Spread Duration (Yrs)	2.25
Yield to Maturity (%)	5.18
Average Credit Quality	A
Portfolio ESG score (MSCI)	A

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	AUD610m
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:

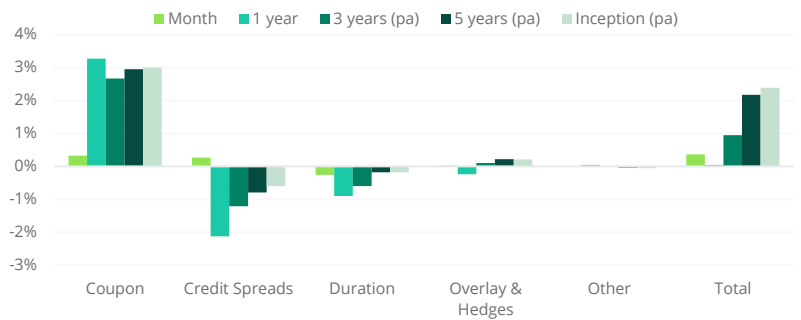
- AMP North
- Asgard
- BT Panorama
- Colonial FirstWrap
- HUB24
- Insignia
- Macquarie Wrap
- Mason Stevens
- MLC Navigator
- MLC Wrap
- Netwealth
- Praemium
- uXchange
- Xplore Wealth

### Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	0.36	1.80	0.04	0.95	2.17	2.39
Fund (net)	0.32	1.67	-0.46	0.45	1.65	1.86
Distribution (net)	0.16	0.47	4.23	2.45	2.45	2.36
Growth (net)	0.17	1.20	-4.69	-2.00	-0.80	-0.50
RBA Cash Rate	0.25	0.78	1.78	0.70	0.93	1.00
Excess Return	0.07	0.90	-2.25	-0.25	0.72	0.86

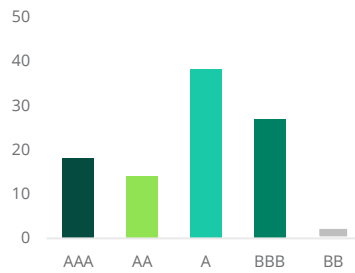
Note: Performance inception is 1 July 2017. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator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

### Performance Contribution (Pre Fees)

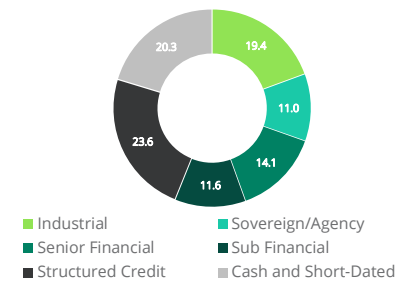


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

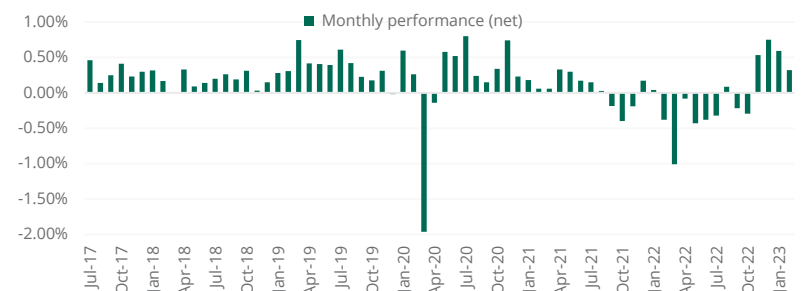
### Rating Exposure (%)



### Sector Exposure (%)

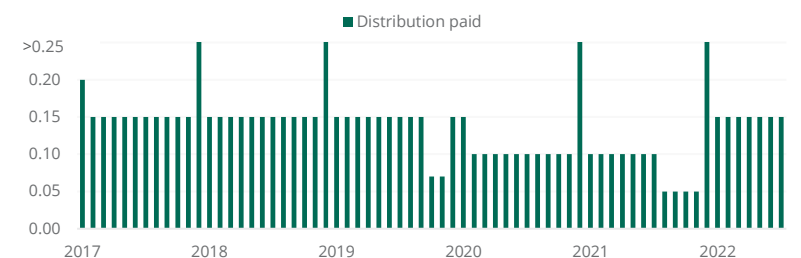


### Monthly Performance



### Cash Income

The Fund distributed 0.15 cents per unit in February.



## Fund Review

The Core Income Trust returned 0.32% for the month net of fees. The fund's performance was driven by coupon income and narrower credit spreads.

Continued stronger than expected economic data has encouraged investors to contemplate a scenario where growth remains resilient in the face of higher interest rates, scuttling any possibility of a pivot later this year, described as a "no landing". This was supportive of risk assets that have also benefitted from a short-term liquidity injection on a global basis even as the US Federal Reserve quantitative tightening programme continues. Sovereign yields at the short- and long-ends rose in response, while yield curves generally inverted further, in some cases to record levels.

The improvement in the growth backdrop is supported by various drivers such as the re-opening of China, strength in US consumption that is likely to continue for longer than expected, and the absence of the fiscal drag in the US that featured in 2022. In Australia too, the re-opening of China should support growth. We acknowledge that the RBA may remain hawkish for longer as a result.

Following our change in risk appetite in January, we continued to prudently shift portfolios away from cash and short-dated assets, selectively participating in primary issuance in the senior unsecured banking sector where the market technical was supportive, and in securitised assets where relative value remains attractive.

## Outlook

Recent economic data has exceeded market expectations, increasing the odds of higher interest rates for longer, and greatly reducing the prospect of a moderation in the monetary policy response to inflationary pressures this year. The expected terminal rate for Fed Funds is now well above 5%, while some local economists now expect

the RBA to reach a cycle high above 4%, implying multiple further quarter-point moves.

Even in the EU, where cash rates were negative for years, terminal rate expectations are now approaching 4%. A mild winter, falling energy prices, and a resilient banking system are leading forecasters to suggest that the continent may avoid a recession in 2023. The one-year anniversary of the conflict in Ukraine, with little hope of a peaceful resolution, is a stark reminder that geopolitical risks loom as a moderating factor to growth and confidence across the developed world.

Australian GDP growth underwhelmed in the last quarter of 2022, with the 0.5% result wholly reliant on net exports growth of 1.1% underpinned by strong resource prices and improving education and tourism exports. The recently concluded February reporting season showed that the corporate sector is adjusting to inflationary pressures but is still riding a COVID-reopening tailwind. Household savings data released as part of the national accounts suggest that households are starting to feel the impact of rising living costs, while wage data remains well anchored.

Credit markets have had a strong start to the year, suggesting that spreads were reflecting a more sanguine economic outlook in comparison to recent data. We think credit can rely on a strong technical foundation for 2023, with little refinancing pressure given how active wholesale borrowers were in 2021 and 2022 terming out debt obligations. Therefore, the impacts of higher borrowing costs will filter through gradually to corporate balance sheets. On the other hand, we remain cognisant of the possibility that our growth expectations may prove too optimistic, in which case spreads would be more likely to retrace some of their recent strength.

Therefore, while we continue to prudently shift portfolios away from cash and short-dated assets and modestly add duration, we retain optionality to respond to prevailing conditions.

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