

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

- With investor interest in credit continuing, fund performance was again supported by coupon income and credit spreads. Credit spreads have been a positive contributor to returns over the last 12 months.
- Interest rates rose substantially over the month, but having reduced duration toward the beginning of May the impact on performance was minimal.
- The Fund continues to prudently add risk, which includes selective participation in primary issuance across financial, corporate and securitised transactions.

Key Statistics

Modified Duration (Yrs)	0.15
Spread Duration (Yrs)	2.66
Yield to Maturity (%)	6.51
Running Yield (%)	5.80
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	AUD653m
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 + 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	Australian Dollar

Platforms

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

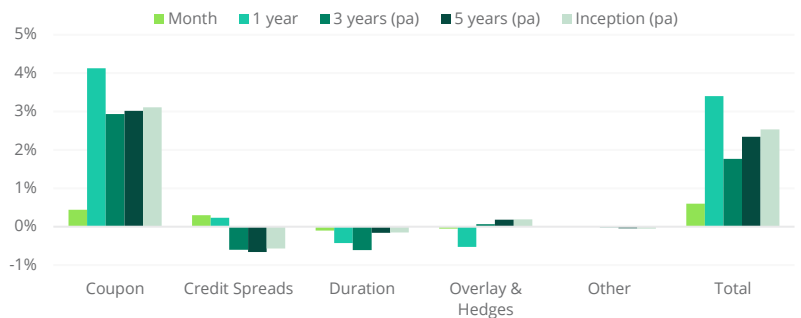
- AMP North
- Asgard
- BT Panorama
- Colonial FirstWrap
- HUB24
- Insignia
- Macquarie Wrap
- Mason Stevens
- MLC Navigator
- MLC Wrap
- Netwealth
- Praemium
- uXchange
- Xplore Wealth

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	0.60	1.41	3.40	1.77	2.34	2.53
Fund (net)	0.56	1.28	2.90	1.27	1.82	2.00
Distribution (net)	0.15	0.47	4.78	2.53	2.46	2.34
Growth (net)	0.40	0.81	-1.88	-1.26	-0.64	-0.34
RBA Cash Rate	0.33	0.96	2.96	1.09	1.08	1.15
Excess Return	0.23	0.32	-0.06	0.18	0.74	0.85

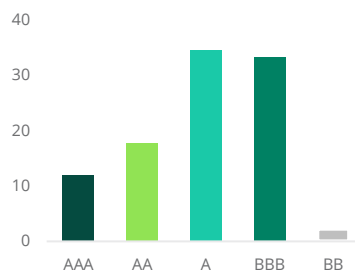
Note: Performance inception is 1 July 2017. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator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

Performance Contribution (Pre Fees)

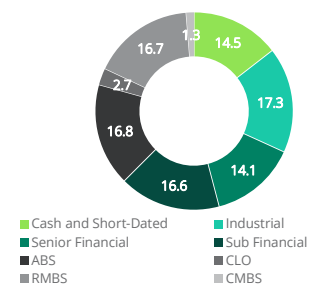


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

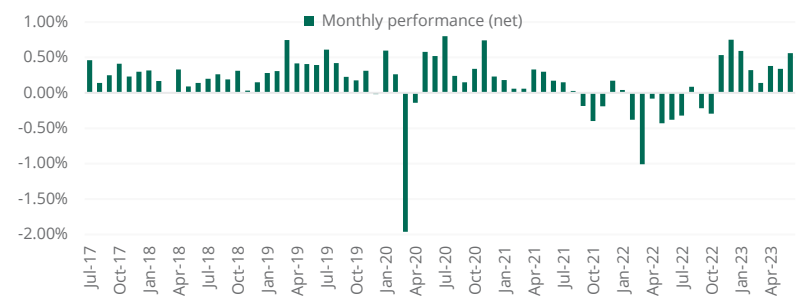
Rating Exposure (%)



Sector Exposure (%)

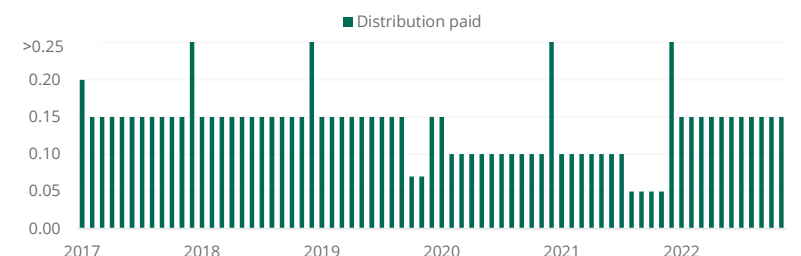


Monthly Performance



Cash Income

The Fund distributed 0.15 cents per unit in June.



Fund Review

The Core Income Trust returned 0.56% for the month net of fees. The fund's performance was supported by coupon income and credit spreads. Duration created a modest drag as did overlay and hedging.

Credit markets continued their positive year, with volatility in March quickly absorbed by the larger tightening trend. Spread performance suggests credit investors are sanguine about the short-to-medium term outlook.

Interest rates rose over the month, as rate hikes continue and expectations for further tightening remain priced for the remainder of this year. Having reduced duration toward the beginning of May, the impact on fund performance was minimal.

The Fund continues to prudently add risk, which includes selective participation in primary issuance across corporate and securitised transactions.

Outlook

As we pass the halfway point of the year, one could be forgiven for thinking that the technology sector, particularly artificial intelligence (AI), had single-handedly supported market performance. While there is an element of truth in this as it pertains to the performance of the tech-heavy Nasdaq or the increasingly tech-dominated S&P 500, underlying economic performance has also bettered expectations in most cases, with China being a notable exception.

While resilience in output and employment are creating a supportive outlook for risk assets in the short-term, it is also stifling attempts to rein in core inflation, although again China provides an interesting counterpoint. Core inflation is proving difficult to moderate because of rising services prices, which typically represent about half the CPI basket. This can be observed in actual prices and through diffusion indices such as the PMI.

The debate about how to address inflation is becoming more nuanced because while the overarching problem is the same, the underlying drivers vary across countries or regions. In the United States, there has been a clear divergence between "hard" economic data which has been beating expectations and "soft" data, such as consumer confidence surveys, that suggest households are quite downbeat.

Meanwhile, in addition to services, the UK is still grappling with high and rising headline inflation. Food prices are not falling as quickly as in Europe or other developed markets despite volatile energy prices easing over the last 12 months. In response, the Bank of England has no choice but to continue seeking to tighten financial conditions, prompting the government to offer a package of support for stressed mortgage owners forced to quickly adjust to higher repayments.

The Euro area has just entered a technical recession, but the ECB is showing no sign of resiling from its task of returning inflation to target. Consensus expectations are for a relatively short and shallow retrenchment in economic activity, and interest rate markets have no

cuts to interest rates priced in over the coming 12 months, in contrast to the United States where the Federal Reserve is expected to have begun easing within a year from now.

Similarly for Australia, we continue to believe it is a matter of when, not if, interest rates move higher from here. With almost all employment indicators at-or-near record levels, and residential property prices supported by a favourable supply-demand dynamic, the RBA will retain the flexibility to act quickly should inflation expectations begin rebasing higher. Labour productivity falling to generational lows is further complicating the outlook, making it harder to justify higher wages.

With the Chinese economy now fully reopened, focus has shifted to the property market, estimated to be the largest single asset market in the world. Sentiment remains fragile after a number of high-profile developers failed in recent years. Concern is growing that further support measures are required to protect buyer confidence and asset values as recent data suggests lending demand for newly built properties has fallen to levels last seen in 2013. Chinese authorities appear reluctant to implement any large stimulatory measures in fear of creating more leverage in the system.

From a markets perspective, the key to understanding prospective returns in the short-term is the evolution of financial conditions. There are several factors to consider. Following the resolution of the debt ceiling debate, the replenishment of the US Treasury General Account is an implied drain on liquidity but has yet to translate into any appreciable headwinds in the performance of risk assets. The immediate impact of these actions will translate through lower bank reserves, but the second order effects could include tighter lending standards and thus reduced credit availability. While not our core view, we note that when senior loan officer surveys have been this restrictive in the past, they have usually coincided with or peaked just before a recession.

Credit spreads continued their positive momentum in June even as expectations for tighter financial conditions rose at the margin. Demand remains strongest for investment grade securities, which is obscuring some more mixed results in segments such as leveraged loans, where defaults are being noted at an elevated rate. Credit availability is a key theme that we believe warrants close attention as the US Treasury resumes debt issuance, concerns linger in the commercial real estate space and banks become more selective about lending, particularly in the leveraged loan and high yield markets. We cannot rule out further spread widening as the current economic cycle matures, but a strong corporate sector will limit the impact, particularly in the investment grade segment where Daintree portfolios are heavily biased. With yields and risk compensation now much more favourable, the attractiveness of coupon income will be a more effective buffer to spread variability in the months ahead, providing Daintree with opportunities to gradually reposition portfolios in the months ahead.

Issued by: The Investment Manager, Daintree Capital Management Pty Ltd (ABN 45 610 989 912), a Corporate Authorised Representative (CAR 001304218) of Perennial Value Management Limited (ABN 22 090 879 904, AFSL 247293). Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trust must be accompanied by an application form. The current relevant product disclosure document, additional information booklet, application form and target market determination can be found on Daintree's website www.daintreecapital.com.au

The rating issued 09/2022 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2022 Lonsec. All rights reserved.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned June 2022) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <https://www.zenithpartners.com.au/RegulatoryGuidelines>

Evergreen Research Pty Ltd trading as ERIG Index ABN 17 647 506 590 is Authorised Representative 001289533 of Evergreen Fund Managers Pty Ltd ABN 75 602 703 202 AFSL 486275. The material is for the information purposes of non-retail clients only. It is not, and is not to be construed as, advice or a recommendation to acquire, hold or dispose of financial products or to use financial services. The ERIG Index measures only the Responsible Investment capabilities of funds. It does not assess the performance or other features of the funds.