

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 were volatile, with the shorter end of the curve rallying as the market debates whether the RBA tightening cycle has now concluded. We believe it is too early to make this determination and keep our duration positioning close to zero.
- The Fund did not participate in any new primary issuance in July, having taken significant steps during the first half of the year to reposition toward optimal coupon income generation.

Key Statistics

Modified Duration (Yrs)	0.17
Spread Duration (Yrs)	2.61
Yield to Maturity (%)	6.47
Running Yield (%)	5.93
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	AUD662m
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:

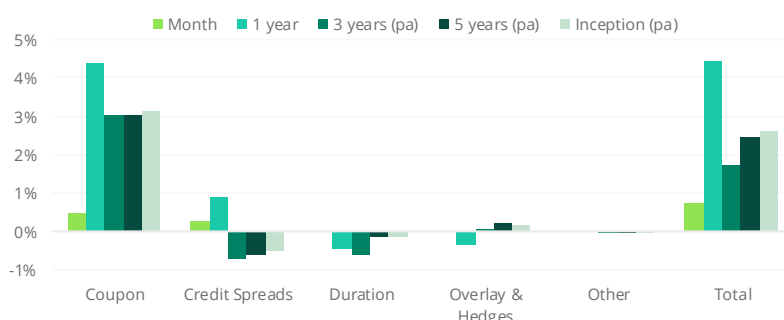
- AMP North
- Asgard
- BT Panorama
- Colonial FirstWrap
- HUB24
- Insignia
- Macquarie Wrap
- Mason Stevens
- MLC Navigator
- MLC Wrap
- Netwealth
- Praemium
- uXchange
- Xplore Wealth

Performance & Analytics

	Month (%)	Quarter (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception (% pa)
Fund (gross)	0.74	1.73	4.46	1.73	2.44	2.62
Fund (net)	0.70	1.60	3.96	1.24	1.92	2.09
Distribution (net)	0.36	0.68	2.13	2.60	2.31	2.37
Growth (net)	0.34	0.93	1.83	-1.36	-0.39	-0.28
RBA Cash Rate	0.35	1.01	3.21	1.20	1.13	1.20
Excess Return	0.35	0.59	0.75	0.04	0.80	0.89

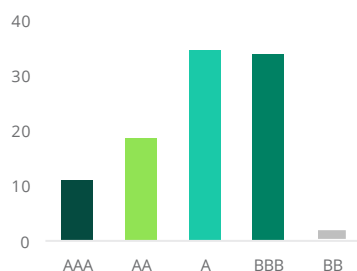
Note: Performance inception is 1 July 2017. Excess return is measured with reference to net performance. Returns for periods longer than one year are annualised. Distribution return is the difference between total return and ex-distribution unit price return. Past performance is not a reliable indicator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

Performance Contribution (Pre Fees)

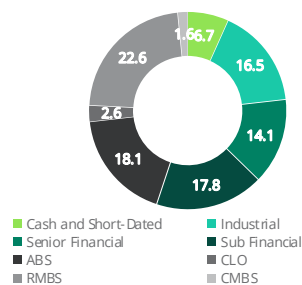


Note: Overlay strategies use derivatives to ensure that the Fund exposure to interest rates, credit and other relevant factors is controlled separately to the physical assets in the portfolio

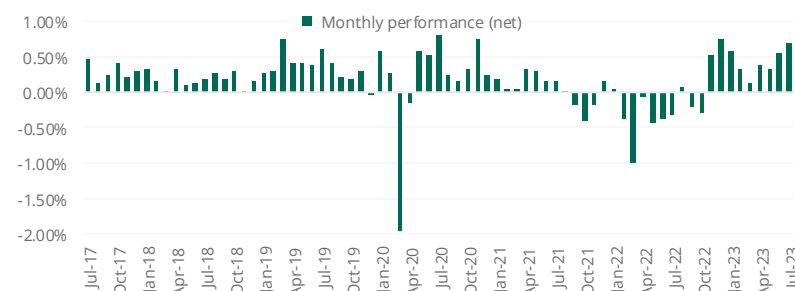
Rating Exposure (%)



Sector Exposure (%)

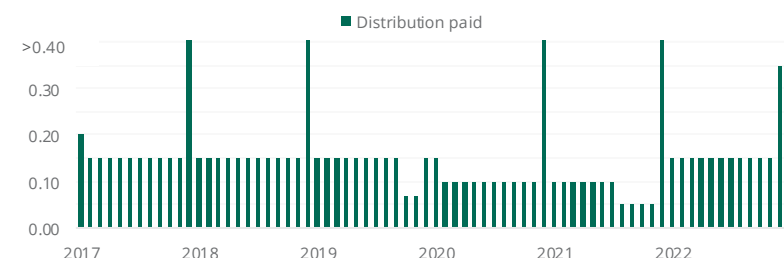


Monthly Performance



Cash Income

The Fund distributed 0.35 cents per unit in July.



Fund Review

The Core Income Trust returned 0.70% for the month, net of fees. The fund's performance was supported by coupon income and credit spreads.

Credit markets continued their positive year, with economic conditions exceeding expectations and pushing credit spreads tighter. Credit investors, based on recent spread performance, remain sanguine about the short-to-medium term outlook.

Interest rates were volatile, with the shorter end of the curve rallying as the market debates whether the RBA tightening cycle has now concluded. We believe it is too early to make this determination and keep our duration positioning close to zero.

The Fund did not participate in any new primary issuance in July, having taken significant steps during the first half of the year to reposition toward optimal coupon income generation.

Outlook

Growing belief in a soft landing for the global economy saw investors take a glass-half-full approach in July. Continued progress in moderating core inflationary impulses provided space to embed the prospect of a cyclical peak in rates into asset prices. Reduced volatility further supported the bullish tone, including in rates markets which have endured elevated uncertainty for more than a year.

Data dependent central banks will be tempted to slow their hiking plans as they seek to achieve "immaculate disinflation" - bringing prices to heel without causing significant damage to labour markets or output. If they can engineer such a scenario, it will be accompanied by sustained pauses across developed markets. However, the strength of underlying fundamentals will make the justification for near-term rate cuts harder, absent an unexpected or severe downturn in the economy or in financial conditions. We continue to believe a "higher-for longer" rates scenario is most likely through 2024.

Oil prices have jumped in recent weeks back to levels last seen in November 2022. This will filter through to transportation fuel prices in due course and if sustained could risk causing new ripples in headline inflation. Core inflation measures strip out volatile elements such as these, but energy is an essential input across the value chain and could complicate efforts to square inflation data with inflation messaging, where the dominant narrative remains a steady return to target over the medium term.

The Bank of Japan took markets by surprise, announcing a change to its Yield Curve Control (YCC) programme. While not a common topic of

discussion when considering the outlook, the implications are important. The changes will allow yields on Japanese government bonds to trade in a wider band, giving the BoJ more flexibility to implement its policy agenda. The wider trading band risks creating volatility in the world's second largest sovereign bond market, including spillover effects into the currency arena. Japanese investors have significant direct and financial investments offshore, including the carry trade, thus uncertainty in the yen should not be underestimated as an influence on risk assets.

Artificial intelligence, a prominent feature in the market dialogue of 2023, has wider implications than the performance of a narrow array of technology majors. At a geopolitical level, tension continues to bubble between the great powers of the United States and China. Political engagement is occurring at senior levels across a wide range of issues, including AI and in particular the input materials crucial to its growth. Here also, investors are interpreting this denouement of sorts in a positive light. But as Australia has found with China in recent months, translating dialogue to action is not always easy, and arguably the interdependency between the US and China means there is much more at stake than just trade.

Amidst a transition to a new governor in September, the RBA paused its hiking cycle in July, extending that pause to August in concert with other global central banks as evidence emerged that the much-anticipated moderation in local consumption activity was beginning to bite. Construction activity is slowing, and insolvencies are rising in this important sector of the economy. More homeowners are reaching their fixed-rate mortgage cliff, but Westpac recently noted that among its 12 million customers only 700 have made hardship requests so far in 2023.

Credit spreads continued their positive momentum in July 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. Concerns linger in the commercial real estate space and banks are becoming 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. Strong coupon income is well placed to provide a buffer to mild spread volatility in the months ahead.

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