Daintree CAPITAL

DAINTREE CORE INCOME PIE

MONTHLY FACTSHEET: **31 JANUARY 2025**

ABOUT THE FUND

The Daintree Core Income PIE (the Fund) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Daintree Core Income Trust (NZD Unit Class). Through this structure, the Fund will invest in a diversified portfolio of credit, fixed income securities and cash and applies a range of strategies that include duration and yield curve management, (actively managing the maturity profile of the portfolio), sector rotation and individual security selection. Derivatives may also be used for investment and risk management purposes. Where the Daintree Core Income Trust (NZD Unit Class) invests in overseas securities, these are hedged back to the NZD.

In this document, we refer to the Daintree Core Income Trust (NZD Unit Class) as the Underlying Fund. In most sections of this document, the metrics and commentary shown are taken from the Underlying Fund. We have signalled these sections with a hashtag in the section heading. From time to time there may be small differences between the metrics of the Fund and the Underlying Fund, as a result of liquidity cash held in the Fund.

PERFORMANCE AND ANALYTICS

Daintree Core Income Trust#	MONTH (%)	QUARTER (%)	1 YEAR (%)	3 YEARS (% pa)	5 YEARS (% pa)	INCEPTION (% pa)
Fund (gross)	0.62	1.72	9.37	5.76	4.32	4.37
Fund (net)	0.58	1.59	8.82	5.23	3.80	3.84
Distribution (net)	0.32	0.97	4.41	3.03	2.42	2.44
Growth (net)	0.26	0.61	4.42	2.20	1.39	1.40
RBNZ Cash Rate	0.36	1.11	5.15	4.33	2.74	2.43
Excess Return	0.22	0.48	3.67	0.90	1.06	1.41

Note: Performance inception is 1 June 2018. 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.

Daintree Core Income PIE	MONTH (%)	QUARTER (%)	1 YEAR (%)	3 YEARS (% pa)	5 YEARS (% pa)	INCEPTION (%)
Fund (gross)	0.60	1.62	-	-	-	3.62
Fund (net)	0.57	1.52	-	-	-	3.38
Distribution (net)	0.31	0.94	-	-	-	1.59
Growth (net)	0.26	0.58	-	-	-	1.79
RBNZ Cash Rate	0.36	1.12	-	-	-	2.44
Excess Return	0.21	0.40	-	-	-	0.94
NZ Benchmark	0.38	1.58	-	-	-	1.56
Excess Return	0.19	-0.06	-	-	-	1.82

The benchmark for the Daintree Core Income PIE is the Bloomberg AusBond Composite 0-5 Yr, 100% hedged to NZD. This benchmark has been chosen to align with the requirements of the Financial Markets Conduct Act and supporting regulations.

Gross returns are before deductions for fees and before tax. Net returns are after deductions for fees and before tax.

FUND REVIEW#

The Daintree Core Income PIE returned 0.57% for the month, net of fees. The primary performance driver was coupon income, while credit spreads and overlay made positive but more modest contributions.

The Underlying 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.

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FUND OBJECTIVE

The aim of the Fund is to provide an absolute return (greater than cash) over time and a steady stream of income and capital stability over the medium term.

MONTHLY HIGHLIGHTS#

- The primary performance driver was coupon income, while credit spreads and overlay strategies made positive but more modest contributions
- The Underlying Fund continues to selectively engage in new issuance to optimise future

PLATFORMS

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

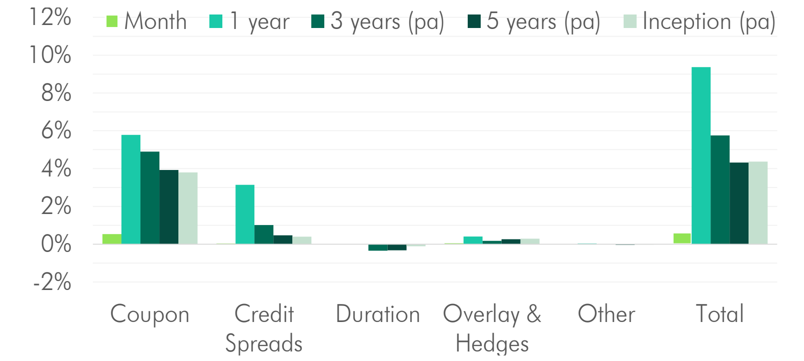
- Adminis
- Apex
- FNZ
- NZX Wealth

KEY STATISTICS#

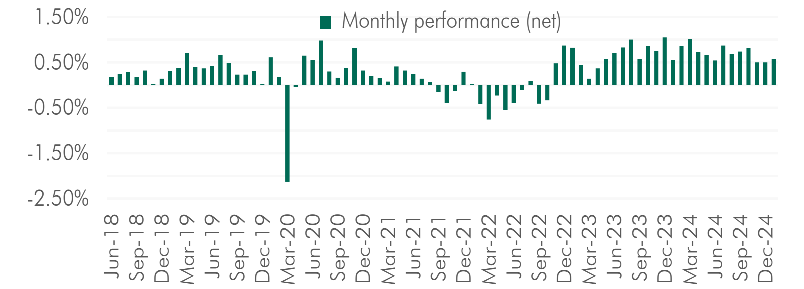
Modified Duration (Yrs)	0.12
Spread Duration (Yrs)	2.63
Yield to Maturity (%)	6.10
Running Yield (%)	6.08
Average Credit Quality	A-
Portfolio ESG score (MSCI)	AA

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.

Performance Contribution (pre Fees)#

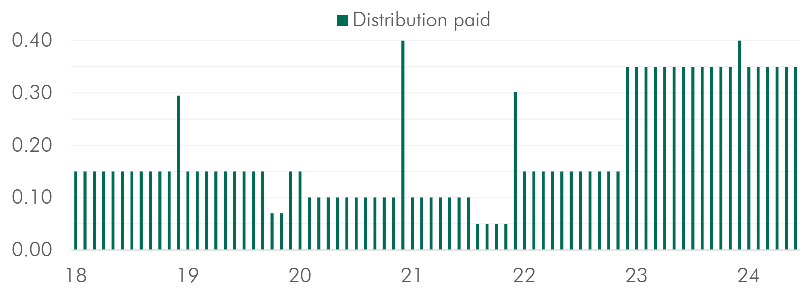


Monthly Performance#

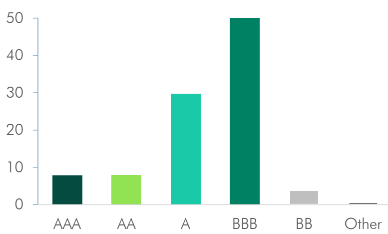


Cash Income#

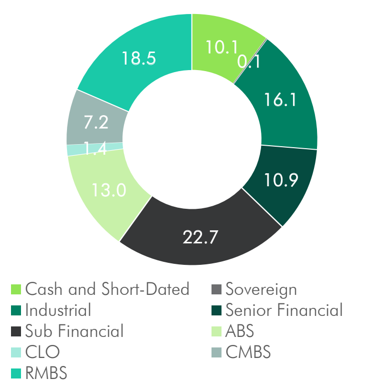
The Underlying Fund paid a 0.35 cent per unit distribution in January.



Rating Exposure (%)#



Sector Exposure (%)#



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OUTLOOK#

The new year is off to a frenetic start. Everyone is coming to terms with a new US President, and the effects are being felt well beyond American shores. But one thing is clear – President Trump is moving quickly to implement his America First agenda, with global ramifications.

On the trade front, tariffs (or more specifically, the threat of tariffs) are back in a big way. Foreign exchange, bond yields, equity and corporate bond markets have responded to varying degrees, but the strength of the US dollar has been notable. For open, trade-dependent economies like Australia, a strong USD is a double-edged sword, but in the current environment does the RBA no favours in their pursuit of lower inflation.

Meanwhile, the outlook for the US economy has improved in recent months. Private consumption and corporate profit margins both suggest that growth expectations for this year are on firm footings. When combined with tariff uncertainties, it is possible that the Federal Reserve may be closer than some might like to reaching the terminal rate in this easing cycle.

Locally, the evolving economic data has something for both the monetary policy hawks and doves, leaving open the possibility that the RBA could embark on an easing cycle as early as February. The latest inflation data arguably tipped the scales toward a move this month. Markets have up to 3 interest rate cuts priced over the course of the year, but in our view the risk is in an elongated but modest easing cycle because of economic resilience like the US. The looming spectre of a federal election will also complicate deliberations.

With risk premia being as compressed as they are, we face a growing dilemma as we seek to balance the desire for coupon income with the prices paid to secure that income. We are still positive on the prospects for investment grade bond issuers because of strong balance sheets and corporate profitability, but credit spreads leave little allowance for changing market conditions. Similarly, neutral duration positioning reflects our view that while we should see lower short rates over the course of the year, yield curves have been steepening due to the impact of the fiscal situation in the US and elsewhere on longer tenor yields. While inflation outcomes should remain the primary driver of monetary policy-sensitive short-tenor bond yields, fiscal considerations in highly indebted countries are likely to remain influential, limiting the extent to which curves can flatten.

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