

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)	0.61	0.60	6.86	6.78	4.80	4.32
Fund (net)	0.57	0.47	6.31	6.25	4.28	3.79
Distribution (net)	0.32	0.96	4.27	3.42	2.58	2.51
Growth (net)	0.25	-0.49	2.04	2.83	1.70	1.28
RBNZ Cash Rate	0.30	0.91	4.55	4.61	2.95	2.49
Excess Return	0.27	-0.44	1.76	1.64	1.33	1.30

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)	0.58	0.57	-	-	-	4.69
Fund (net)	0.54	0.42	-	-	-	4.26
Distribution (net)	0.32	1.01	-	-	-	2.94
Growth (net)	0.22	-0.59	-	-	-	1.32
RBNZ Cash Rate	0.29	0.91	-	-	-	3.69
Excess Return	0.25	-0.49	-	-	-	0.56
NZ Benchmark	0.27	1.74	-	-	-	3.83
Excess Return	0.27	-1.32	-	-	-	0.43

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 0.54% for the month, net of fees. The primary performance driver was coupon income, with support from credit spreads and overlay positions. A generally positive market tone despite uncertainties saw hedge positions detract for the month.

The Underlying Fund's duration position remains neutral, but some tactical positions within the overlay saw some success during the month. As tariff-linked uncertainties linger, there are no major changes envisaged in the structural duration position.

The Underlying Fund continues to selectively engage in new issuance to optimise future income potential but has increased cash levels in the short term. Portfolio positioning and cash levels will enable portfolio managers to nimbly respond to the evolving market environment.



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[#]

- May saw a sharp recovery from the credit spread widening environment of April, with commensurately higher returns in Daintree fund
- We believe markets have been too quick to discount left-tail risks from market pricing, and expect further volatility in the coming months



PLATFORMS

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

- Adminis
- Apex
- FNZ
- NZX Wealth
- Snowball Effect

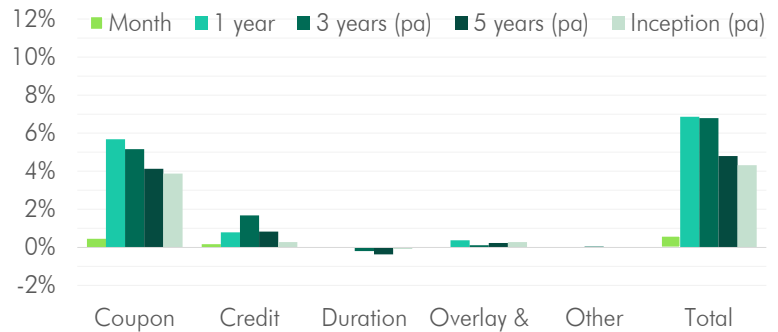


KEY STATISTICS[#]

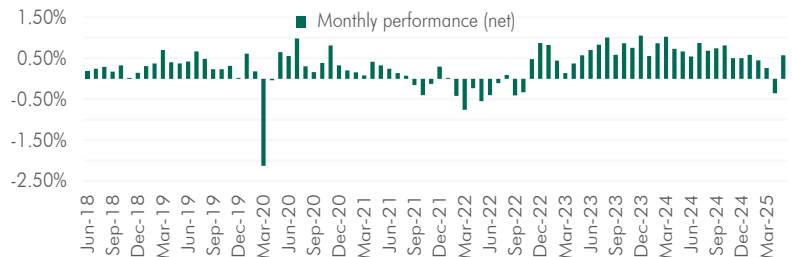
Modified Duration (Yrs)	0.26
Spread Duration (Yrs)	2.46
Yield to Maturity (%)	5.39
Running Yield (%)	5.63
Average Credit Quality	A-
Portfolio ESG score (MSCI)	AA

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)[#]

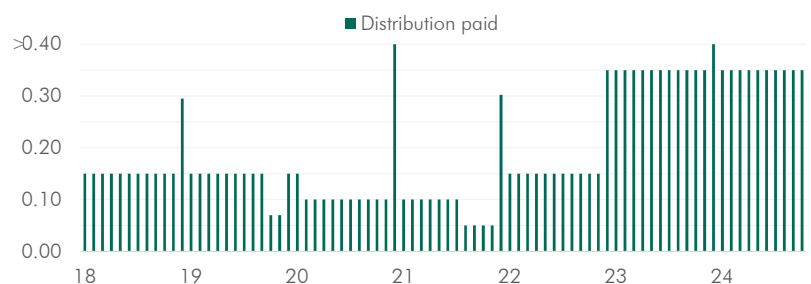


Monthly Performance[#]

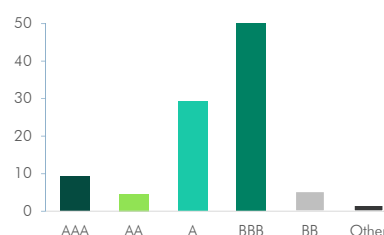


Cash Income[#]

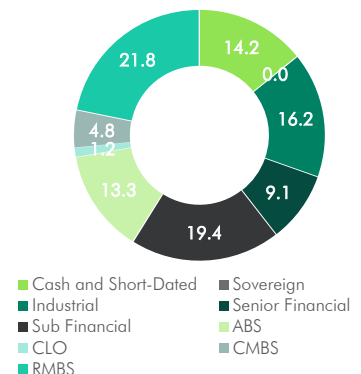
The Underlying Fund paid a 0.35 cent per unit distribution in May.



Rating Exposure (%)[#]



Sector Exposure (%)[#]



OUTLOOK[#]

Given the fluidity of markets, we have only modest levels of conviction when proffering a short-to-medium-term view of the outlook. We noted here last month that markets had very quickly begun to price progress on the trade front by the end of April, but as at the time of writing there has been little concrete evidence of substantial agreements in place. Instead, markets have concluded that a willingness on the part of the Trump administration to adopt moratoria means that left-tail risks have been truncated.

The dilemma for investors lays in reconciling the uncertain outlook with the robust current data, where the US economy particularly seems to be taking this trade mess largely in its stride. There are some caveats, however. We expect that in coming months the backward-looking data will show a bring-forward of imports from tariff-exposed countries like China, coupled with a similar phenomenon at the consumer level prior to tariff impacts embedding into supply chains.

To be clear, our view remains that the outlook for the US economy has deteriorated, due to both the direct and indirect effects of tariffs. Both growth and inflation concerns are rising and should ultimately start to manifest among consumers, while corporate profit margins are threatened by greater friction in global supply chains.

Volatility in bond yields remains high as traders debate whether the impact of tariffs on domestic consumer prices will be transitory (therefore the Federal Reserve can respond to economic weakness with interest rate cuts) or persistent (in which case monetary policy may be hamstrung in the short-to-medium term). The Federal Reserve has a difficult job balancing the messaging and its actions in the months ahead.

In Australia, global growth concerns and the expected spillover effects are feeding expectations of continued easing in monetary policy. Inflation data has receded back into the desired range at both the headline and underlying level, prompting growing expectations of further rate cuts as the year progresses. A weak GDP print in early June will likely provide further justification for the RBA to continue easing in the months ahead, even though labour productivity growth remains stubbornly weak.

We see US tariffs affecting Australia indirectly via our major trading partners, particularly China. Efforts by the Chinese government to stimulate activity will support demand for our mineral commodities, while improving diplomatic relations has seen embargoes lifted on our agricultural exports. With access to the United States impaired by numerous trade restrictions and tariffs, China will also be keen to identify alternative markets for its huge manufacturing base.

The scale and reach of recent trade announcements are reflecting in credit markets, drowning out the positive fundamentals story which has been the key market driver for much of the last two years. We are still predominantly exposed to high-quality investment grade issuers, but these distinctions can carry less weight when major macro events capture the market psyche. Similarly, neutral duration positioning has worked well as rates volatility has spiked again. With the clock ticking on tariff negotiations, we expect continued noise in risk assets including credit spreads, and so cash levels remain a little higher than normal. But even with the turmoil of April, credit spreads remain close to cycle lows. Expect more volatility ahead.

These views are those of Daintree Capital Management, who are the underlying investment manager for the Daintree Core Income PIE.

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