Daintree CAPITAL

DAINTREE HIGH INCOME PIE

MONTHLY FACTSHEET: 31 OCTOBER 2026

ABOUT THE FUND

The Daintree High Income PIE (the Fund) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Daintree High 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 High Income Trust (NZD Unit Class) invests in overseas securities, these are hedged back to the NZD.

In this document, we refer to the Daintree High 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 High Income Trust#	MONTH (%)	QUARTER (%)	1 YEAR (%)	3 YEARS (% pa)	5 YEARS (% pa)	INCEPTION (% pa)
Fund (gross)	0.37	1.31	5.11	8.07	5.93	5.19
Fund (net)	0.31	1.14	4.44	7.36	5.20	4.46
Distribution (net)	0.00	0.83	2.58	5.80	4.56	4.03
Growth (net)	0.31	0.31	1.86	1.55	0.64	0.43
RBNZ Cash Rate	0.23	0.67	2.40	3.87	3.67	2.51
Excess Return (over/under RBNZ cash rate)	0.08	0.47	2.05	3.48	1.53	1.94

Note: Performance inception is 1 November 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.

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

Daintree High Income PIE	MONTH (%)	QUARTER (%)	1 YEAR (%)	3 YEARS (% pa)	5 YEARS (% pa)	INCEPTION (%)
Fund (gross)	0.37	1.31	-	-	-	5.05
Fund (net)	0.29	1.07	-	-	-	4.08
Distribution (net)	0.00	0.82	-	-	-	2.14
Growth (net)	0.29	0.25	-	-	-	1.94
RBNZ Cash Rate	0.23	0.67	-	-	-	2.39
Excess Return (over/under RBNZ cash rate)	0.06	0.40	-	-	-	1.69
NZ Benchmark	0.48	-0.03	-	-	-	0.15
Excess Return (over/under NZ Benchmark)	-0.19	1.11	-	-	-	3.93

The benchmark for the Daintree High 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. Inception date 4 November 2025.

FUND REVIEW#

The Daintree High Income PIE returned 0.29% for the month, net of fees. Over the last three years, the Underlying Fund has delivered a return of 7.36%pa net of fees, equivalent to an excess return of 3.48%pa over the Bloomberg AusBond Composite 0-5 Yr, which is 100% hedged to NZD. Coupon receipts and duration positioning were the main positive contributors for the month, while wider credit spreads detracted.

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 a steady stream of income over the medium term, by investing in a diversified portfolio of fixed income securities. The Fund seeks to produce a return (net of fees) that exceeds the benchmark.

MONTHLY HIGHLIGHTS#

- Coupon receipts and duration positioning were the main positive contributors for the month, while wider credit spreads detracted.
- The macro environment continues to feature sticky inflation, slowing growth, and policy uncertainty. This backdrop favours active management, credit selectivity, and a disciplined approach to duration. Portfolios are flexibly positioned to capture credit premium while closely managing interest rate and credit risks.

PLATFORMS

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

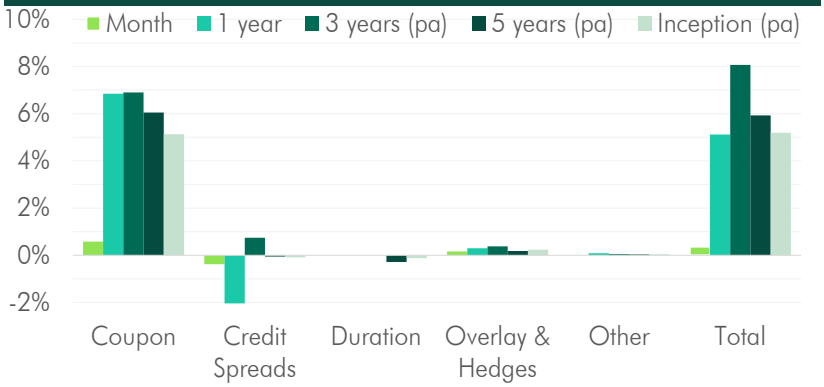
- Apex
- FNZ
- NZX Wealth
- Adminis

KEY STATISTICS#

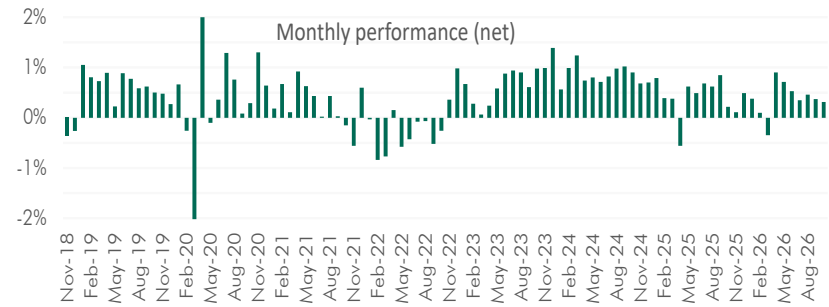
Modified Duration (Yrs)	0.70
Spread Duration (Yrs)	2.02
Yield to Maturity (%)	5.99
Running Yield (%)	5.45
Average Credit Quality	BBB
Portfolio ESG score (MSCI)	AA

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)#

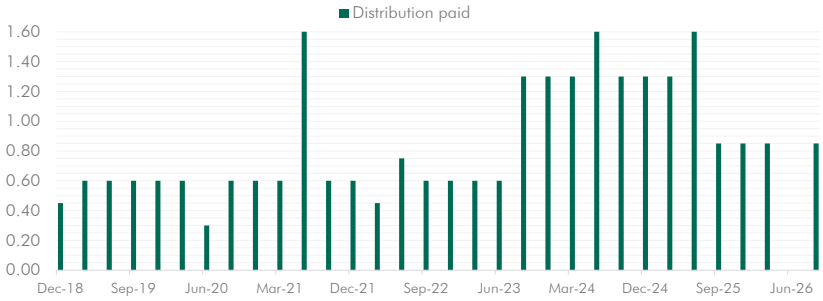


Monthly Performance#

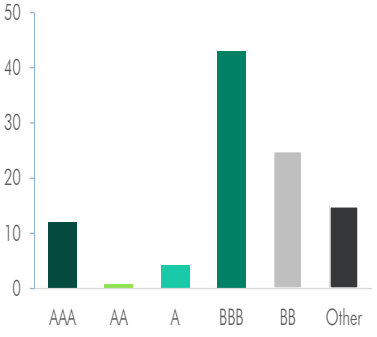


Cash Income#

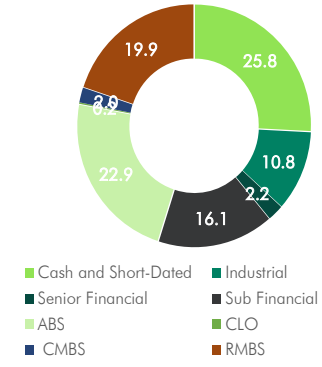
The Underlying Fund paid a distribution of 0.85 cent per unit in September. The next is payable in December



Rating Exposure (%)#



Sector Exposure (%)#



Signatory of: PRI Principles for Responsible Investment

Proudly supporting: ONE TREE PLANTED

OUTLOOK#

Three distinct market themes are exerting upward pressure on interest rates, sustaining a trend that has been in place for months. The first is the energy disruption in the Middle East, which shows little sign of resolution. The second is the scale of government borrowing across the developed world, now compounded by the rising cost of servicing existing debt. The third is the technology investment cycle, which is increasingly being funded through debt capital markets.

Each is adding to inflationary pressure, bond supply, or both, and central banks are being forced to respond. The Federal Reserve, ECB and Bank of Japan all held rates in October, although each faced members voting or arguing for a hike. The RBA raised rates for the fifth time this year, while markets expect the Bank of England to follow. The modest rally in US and Australian bonds during October should be read as a pause in this adjustment, rather than a change in direction.

Australia remains the clearest example of a central bank being forced to act against an inflation problem it can only partially influence. Headline inflation rose to 4.3% in the year to September, while the trimmed mean increased by 1.0% in the quarter, against the RBA's August assumption of 0.8%. This lifted its annual rate to 3.7%. Unemployment rose to 4.7% in September, the highest since late 2021, as participation fell. The 6–3 split among voting members, together with the removal of September's explicit warning about further increases, suggests the RBA board is itself divided on how much more tightening the economy can absorb.

In energy markets, Gulf crude exports rose above the pre-war average, yet prices continued to climb amid fears of renewed hostilities and depleted inventories. Even with raw supply seemingly normalising, attention has shifted to transport costs, which remain at multiples of pre-war levels, and shortages of refined products such as diesel. The inflationary pass-through is also becoming more apparent globally. For credit investors, however, energy has moved beyond being a headline inflation story to become a margin issue. We expect this pressure to feature in earnings results across a broad range of industries.

Fiscal pressure is less dramatic but more persistent. In the US, net interest on public debt is expected to rise by 11% this year to a record of roughly US$1.14 trillion. The US Treasury expects to borrow US$618 billion in the December quarter and a further US$800 billion in the March quarter, alongside its ongoing efforts to manage the shape of the yield curve. A similar pattern is evident in the UK and Japan, and increasingly across Europe. Sovereign issuance on this scale competes directly with corporate borrowers for investor capital. It is a key reason we expect term premia to remain elevated, irrespective of the path of policy rates.

Technology capex is adding to that competition. Investment in the sector is increasingly reliant on debt financing, making it arguably the biggest competitor for the marginal dollar of debt capital. Combined 2026 capital expenditure guidance for the largest technology companies now sits well above US$700 billion and is expected to exceed US$1 trillion next year. Investors are showing signs of fatigue across both public and private funding channels. We remain focused on the potential for spreads to widen across the investment grade universe, not just within technology.

Credit markets are undergoing a broad but orderly consolidation. With spreads still fairly to fully priced, and the pressures outlined above unlikely to dissipate quickly, further retracement over the coming months is possible. We favour higher-quality issuers with pricing power and resilient cash flows, with exposure concentrated in the short-to-intermediate part of the curve.

There is no shortage of potential catalysts for volatility over the remainder of the year. We see this as the principal source of opportunity for active credit managers. Portfolios remain flexibly positioned to capture credit premium while managing interest rate and credit risks closely.

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

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