AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

eInvest Cash Booster Fund (Ticker: ECAS)

November 2019

INDEPENDENT INVESTMENT RESEARCH

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1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

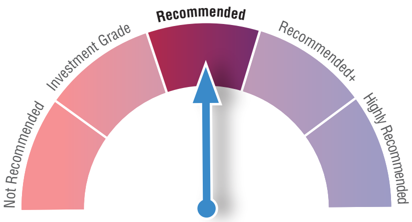
For more information regarding our services please refer to our website www.independentresearch.com.au.

eInvest Cash Booster Fund

(Ticker: ECAS)

Note: This report is based on information provided by the Manager and contained in the PDS dated 1 November 2019.

Rating



Key Investment Information

Name of ETF	eInvest Cash Booster Fund
Manager	Daintree Capital Management Pty Limited
Responsible Entity	Perennial Investment Management Limited
Market Maker	Deutsche Securities Australia Limited
Investment Type	ETF
Ticker	ECAS
Listing Date	11 November 2019
Issue Price	$50.00
Liquidity	Daily
Return Target	RBA Cash Rate + 0.5-0.75% p.a. (net)
Distribution	Monthly
Rec Timeframe	1 years
FX Exposure	AUD exposures only
Management Costs	0.15 p.a.
Performance Fee	None

Fees Commentary

At 0.15% p.a., IIR believes ECAS is competitively priced, albeit appropriately so given the low risk-return target of the Fund.

Target Portfolio Characteristics

Investment Grade/High Yield	100%/0%
Average Credit Quality	A1
Minimum Security Rating	BBB-
Duration	Range 0 to +1
No. Securities	20 - 30
AUD Exposure	100%
Modified Duration *	0.33 years
Spread Duration *	0.26 years
Portfolio Yield *	1.54%

* As at 1 November 2019

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

The eInvest Cash Booster Fund ('the Fund' or Ticker: ECAS) is an Exchange Traded Fund (ETF) that listed on 11 November 2019. It is very low risk, return Australian debt and term deposits (TDs) mandate managed by Daintree Capital Management Pty Limited (the 'Manager' or 'Daintree'), a Sydney based boutique fixed income specialist founded in 2017 as a 50/50 joint venture (JV) with PVM Capital Partners Ltd (Perennial)). The Fund targets an annualised return of RBA Cash + 50-75 basis points (bps) with consistent monthly income and very limited volatility and risk of negative performance months. ECAS is designed to be an alternative to TDs, with the additional benefit of daily liquidity. ECAS is a newly formed investment strategy with existing track-record, but IIR notes the Manager has successfully managed the Daintree Core Income Trust and the Daintree High Income Trust since July 2017 and November 2018, respectively. The Manager utilises a bottom up, top down investment strategy that is flexible and market driven opportunistic, with the Manager seeking the most attractive relative value opportunities and to do so with the lowest degree of credit, duration, and illiquidity risk to achieve the stated returns target. That said, given the low risk-return nature of the Fund and expectation of the underlying portfolio comprising the upper tier on investment grade debt securities and a material allocation to TDs, there will be natural limits to the degree to which manager skill can add value. While Daintree is relatively newly formed, the founding partners, Mark Mitchell and Justin Tyler, are experienced fixed income industry veterans.

INVESTOR SUITABILITY

ECAS should be viewed strictly as a term deposit alternative, with the benefit of daily liquidity, and the potential for a marginal degree of enhanced income over prevailing TD rates. The real benefit for investors relative to TDs is the daily liquidity and ease in investing by way of the ETF structure. On account of both, ECAS may represent a suitable strategic asset allocation option for investors seeking to either temporarily or indefinitely partly reallocate out of riskier asset classes. While ECAS represents a new investment strategy, IIR notes that over the Daintree Core Income Trust's two year track-record, the Manager's risk-return objectives have been achieved. Furthermore, during this period, there have been no negative monthly periods, including during the investment grade credit spread widening events from March to June 2018 and November and December 2018. Monthly distributions have been smooth and consistent. In a peer group analysis, the Trust has outperformed in every important measure (returns, risk, negative months). In short, IIR has a high degree of confidence in the Manager achieving the investment objectives for ECAS, notwithstanding the investment strategy's absence of a track-record.

RECOMMENDATION

IIR ascribes a "**RECOMMENDED**" rating to the Fund. Daintree, while having a short track record as an entity, represents an experienced investment team led by its two industry veteran portfolio managers (PMs), Mark Mitchell and Justin Tyler. While the boutique manager may not have the resources of larger investment managers, the Manager plays to its relative strengths and has developed internally robust processes and systems. While less relevant to ECAS than the Manager's other two higher risk-return investment strategies, IIR believes, in particular, its ability to manage the ever increasing downside risks in the traded debt markets sets it apart from many other comparable mandates available to domestic investors. We also believe its flexible, market driven opportunistic investment strategy is best suited to the current market environment, the key dynamics of which (low yields, heighten volatility and tail risks, material long duration risk) IIR believes will persist for the foreseeable future. In short, IIR believes ECAS represents a sound investment option for its stated and intended use as a daily liquid TD alternative.

SWOT ANALYSIS

Strengths

- A strong, experienced (albeit small) investment team, with the two PMs having complementary skill sets and experience through full market cycles. The team have institutional grade technical infrastructure and quantitative investment research tools, both internally developed and externally contracted, that allow the Manager to carry out its strategy efficiently.
- ECAS is intentionally by design a very simple, low risk investment strategy designed to fulfil a specific investment solution.
- IIR is of the firm view that the Manager's flexible, benchmark unaware, market driven opportunistic investment strategy with a strong focus on downside risk mitigation is the prudent way in which to manage traded debt in the current market environment and one which is likely to persist over the foreseeable future.
- The boutique structure of Daintree ensures that the investment teams' interests are fully aligned with those of its investors. All members of the investment team have an equity interest in the business and are co-invested in the funds. Perennial is a very strong and supportive partner for the firm, providing operational and marketing services than allow the investment team to focus on managing money.

Weaknesses

- The Manager has a relatively short two year track record and ECAS itself lacks a track-record. That said, this is mitigated by the successful prior track records of Daintree's co-founders, Mark Mitchell and Justin Tyler. Additionally, we note the Trust has performed in a manner consistent with its design and stated performance objectives, including two periods of notable credit spread widening (the portfolio's most significant risk).
- As with all smaller boutique investment managers, there is material key person risk, specifically with the two PMs. While the complementarity of their respective skills sets is a positive, it arguably increases the key person risk, in that it potentially equally applies to both the PMs.

Opportunities

- As noted, ECAS should be viewed strictly as a term deposit alternative, with the benefit of daily liquidity, and the potential for a marginal degree of enhanced income over prevailing TD rates. The real benefit for investors relative to TDs is the daily liquidity and ease in investing by way of the ETF structure. On account of both, ECAS may represent a suitable strategic asset allocation option for investors seeking to either temporarily or indefinitely partly reallocate out of riskier asset classes.
- While less relevant to ECAS than the Manager's other two higher risk-return mandates, IIR notes that by most measures, the global economic cycle is in its latter stages, and the resulting volatility and rapid shifts in both risk and opportunity create a challenging environment for benchmark-constrained mandates. In contrast, a well-designed dynamic and opportunistic fixed income strategy may benefit from greater investment flexibility to defend against scenarios that are challenging for traditional strategies, while potentially capitalising on market shifts.

Threats

- IIR expects the inherent downside risk of ECAS will be significantly mitigated by what we would expect to be a material portfolio allocation to TDs and cash, in addition to the high credit quality of traded debt securities. Nevertheless, the latter by definition does introduce a degree of downside risks that investors need to be cognisant of.

PRODUCT OVERVIEW

The aim of the eInvest Cash Booster Fund is about consistency and no surprises. Specifically, to provide very steady income and a very high degree of capital stability over the short and medium term. The Manager seeks to achieve this through a number of means: a portfolio of high credit quality investment grade traded debt securities, a sizeable portfolio allocation of TDs, having a market-driven opportunistic and benchmark unaware strategy to maximise the relative value opportunity set (maximising risk-return), and exercising a strong philosophy on downside protection.

While the Manager has a relatively short two year track record at Daintree, Mark Mitchell was involved in running a mandate based on a comparable investment strategy for seven years at Kapstream Capital Pty Limited. During this period, the Kapstream Absolute Return Income Fund, grew from approximately $300m to $3.5bn in FUM, with an additional $4bn in absolute returns strategies.

The ECAS portfolio will generate returns through credit risk implemented through a fundamental bottom-up and top-down approach. The bottom-up approach is based very much a conventional assessment of credit risk with a focus is on finding securities that demonstrates attractive risk/ return characteristics.

The top down component sets general risk guidelines for the overall portfolio. This includes things such as interest rate duration, credit spread duration, cash levels, credit risk tolerances, and other various targets at the portfolio level. Top down views, formally set on a quarterly basis, guides the purchase of new securities as well as the Manager 'tilting' the profile of the portfolio of existing holdings in-line with its macro views.

The portfolio is characterised by high quality credit portfolio, with an average rating of A1 (comparable to the Australian regional banks in terms of risk profile). It is moderately well diversified by issuer (around 30 issuing entities) and sector, mitigating return and income risks. The portfolio will only contain Australian investments, partly reflecting the Manager's long held view that there is both attractive relative value in Australia versus offshore credit and, more importantly, Australian credit is materially less volatile than offshore credit.

It is a very low duration strategy, with expected duration of less than one year. This is in contrast with many passive fixed income products which tend to follow a benchmark and have longer duration. The Manager's view on duration is that is currently not a good point in the cycle to be taking a lot of duration risk given historically low yields and how the market is pricing longer dated instruments, with the view investors are not being adequately compensated for the additional duration risk.

The use of an ETF structure, versus a Listed Investment Trust (LIT), makes sense given the relatively low risk-return nature of the Fund. Under a LIT, share price discount to NAV risk would undermine the purpose of the strategy by potentially compromising the RBA plus target and its intended use as a term deposit alternative.

The Fund charges an MER of 0.18% p.a. IIR view this as a competitive fee level, albeit appropriate given the relatively low risk-return target.

MANAGEMENT GROUP PROFILE

Daintree was established by Mark Mitchell and Justin Tyler in January 2017. The other three investment team members were brought into the investment team shortly thereafter. It currently manages two investment strategies, specifically the Daintree Core Income Fund and the Daintree High Income Fund (launched in October 2018), with the eInvest Cash Booster Fund to be launched imminently.

While three mandates for an investment team numbering five individuals may suggest a stretch of resources, the three mandates are very scalable, utilising the same investment process and often investing in the same issuing entities (albeit at different points in the capital structure / ratings spectrum). In such cases, the per issuer workload is the same, but the Manager is allowing itself to adopt differing levels of risk (by the differing instruments) to align with the respective returns targets of the three products.

At the time of establishment in January 2017, Daintree entered into a partnership with PVM Capital Partners Ltd (Perennial), which acquired a 50% stake in Daintree. Perennial provides support to Daintree in the form of initial working capital, seed investment for the Daintree products, distribution, operations support, IT services, and legal and compliance support.

Perennial also acts as Responsible Entity to the Daintree suite of products. Daintree's partnership with Perennial means access to market best-practice operational, distribution and systems expertise; enabling the Daintree investment team to focus wholly on investing.

As at November 2019, Daintree had approximately $162m in FUM across its two strategies. Short of an unforeseen material and sustained outflow of funds, IIR does not perceive any material business sustainability risks for the still relatively newly formed investment manager. In fact, given the general flow of funds into fixed income mandates and the Manager's strong positioning in a potential market downturn by way of its investment strategy, we believe Daintree is well placed to continue to grow solidly over time.

Daintree's three investment strategies are summarised below.

Criteria	Cash Booster	Core Income	High Income / Income Maximiser
Return Target	**RBA Cash + 50-75bps**	**RBA Cash + 150-200bps**	**RBA Cash + 300-400bps**
Inception Date	2H 2019 *	July 2017	October 2018
Structure	ETF	Unit trust / ETF*	Unit trust / ETF*
ETF Code	ECAS	ECOR	EMAX
Core Portfolio Risk Budget	100%	90%	85%
Overlay Portfolio Risk Budget	0%	10%	15%
Application	TD Alternative	TD Alt / Enhanced Cash	Equity / Hybrid Alternative
Cash Range	0-100%	0-100%	0-100%
Investment Grade/High Yield	100%, 0%	90--100%, 0-10%	50-100%, 0-50%
Average Credit Quality	A1	A+/A	BBB/BBB-
Minimum Security Rating	A2/P2	BB-	N/A
Foreign Country Risk	0-20%	0-40%	0-100%
Duration	Range 0 to +1	Range -1 to +3	Range -2 to +4
AUD Exposure	100%	90% - 110%	80% - 120%
Securities	20-30	100-150	200-400
Distribution Frequency	Monthly	Monthly	Monthly
Liquidity	Daily	Daily	Daily
Rec Min Timeframe	1 year	3 years	3 - 5 years
PDS Fee	15bps	45bps	65bps

* Expected launch 2H 2019

INVESTMENT TEAM

The investment team comprises five members, specifically the two PMs Mark Mitchell and Justin Tyler, two supporting credit analysts, and a quantitative analyst. As a boutique, the investment team has a flat structure that maximises flexibility and speed of decision-making. All members of the team report directly to Mark Mitchell, who has ultimate responsibility for investment decisions. Justin Tyler, Director - Interest Rates and Currency, is a co-PM. The two PMs have quite complementary skillsets, with Mr Mitchell's credit centric experience dovetailing well into Mr Tyler's career focus on macro, rates, inflation, and currency areas. The two first met and worked together at Colonial First State Global Asset Management in the early 2000s, which augurs well for team stability.

As a relatively small boutique, the cultural is predictability flat and collegiate where a collaborative decision-making process is balanced by individual accountability for portfolio recommendations. While the two PMs are ultimately responsible for making buy and sell decisions, the team's individual analysts have primary responsibility for identifying investment ideas and carrying out all aspects of the research process in their respective sectors of focus. As such, the team has an organisational structure through which it seeks to maximize the potential contributions of each team member.

Daintree is a genuine boutique. Each team member has an equity interest in the business, is co-invested in the funds, and there are significant lock-ups with dividend and bonuses. This structure is designed to attract the best talent and retain and incentivise that talent in order to have very low staff turnover over time. For investors, ideally this should translate into better innovation, better performance and hopefully more predictable performance from a stable team that has an entrepreneurial way of doing things. In dealing with Daintree, investors are dealing with the owners of the business, as opposed to larger investment managers were the inherent risk of key investment personnel is higher.

A summary of the team members is contained below.

Mark Mitchell, Portfolio Manager & Director – Credit. Mark Mitchell established Daintree in January 2017 and has over 23 years' industry experience both in Australia and the USA, specialising in fixed income securities analysis and portfolio management. Prior to establishing Daintree, Mark was the Head of Credit and Portfolio Manager for over seven years at Kapstream Capital. There, he was ultimately responsible for the development and implementation of the credit research processes and portfolio management until the time he left in October 2015. Over this time, Kapstream grew from $350m to over $10bn in assets under management. Prior to his time at Kapstream, Mark was a Portfolio Manager/Senior Credit Analyst specialising in global credit securities at Colonial First State Global Asset Management between March 2001 and September 2008. Before moving to Australia, Mark achieved nearly a decade's work experience in the USA across a range of sectors including high yield, bank loans, commodities, futures and listed equities. Mark holds a Bachelor of Science (Finance) from DePaul University (Chicago) and is a CFA Charterholder.

Justin Tyler, Portfolio Manager & Director - Interest Rates & Currency. Justin Tyler is a founding partner of Daintree, responsible for interest rate and currency decisions. Justin has over 16 years of experience in the industry. Prior to Daintree, Justin was a Senior Investment Manager at Aberdeen. There, he specialised in Inflation and Interest Rate decisions and was a member of Aberdeen's Risk Oversight Group. Justin joined Aberdeen in 2009 following the acquisition of Credit Suisse Asset Management (Australia) Limited. Prior to Aberdeen, Justin spent over 10 years specialising in fixed income analysis and investment banking with RBC Capital Markets and Colonial First State Global Asset Management. Justin is a CFA Charter holder and active volunteer for CFA Institute. He also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. Justin graduated from the University of Sydney with Bachelor of Science and Bachelor of Arts degrees, majoring in Pure Mathematics.

Brad Dunn, Senior Credit Analyst - Brad Dunn commenced with Daintree in May 2017 as a Senior Credit Analyst. Prior to Daintree, Brad was with Ord Minnett for over 10 years. Brad's most recent role at Ord Minnett was as Senior Analyst and Portfolio Manager in the Fixed Income team. In this role, Brad was responsible for the portfolio management of an income orientated portfolio and providing modelling and valuation analysis on listed interest rate securities. Brad would also undertake strategic asset allocation advice for Ord Minnett's internal models. Brad also gained extensive experience as an equities analyst whilst at Ord Minnett, covering the consumer services, property, mining services, retail, technology and industrial sectors. Brad has a Bachelor of Economics, majoring in Economics and Finance, as well as a Master of Applied Finance both from Macquarie University. Brad has also completed Level 1 CFA.

Simon Wang, Senior Credit Analyst - Simon Wang joined Daintree Capital in April 2017 as a Senior Credit Analyst. Prior to Daintree, Simon worked at Nikko Asset Management as a Credit Analyst for over five and a half years. There, he was the lead credit analyst covering all domestic and international corporate, financial and structured finance issuers issuing into the Australia fixed and floating rate market. At Nikko he also generated alpha ideas based on relative value, market mispricing and quantitative analysis. Prior to Nikko, Simon worked with Mazers Global Infrastructure Finance, and ING Investment Management for five years as an Analyst within the Fixed Income team analysing structured securities. Simon has a Bachelor of Commerce and Science, majoring in Actuarial Studies and Mathematics (Statistics). Simon has also completed the first two levels of the CFA.

Simon Lee, Senior Quantitative Analyst. Simon Lee is the quantitative analyst with responsibility for systems, database build and maintenance, portfolio reporting as well as dealing in the derivative and currency space (under the supervision of Justin Tyler). Simon Lee is a Senior Quantitative Analyst with Daintree Capital, responsible for quantitative analysis and development. Simon has over 15 years industry experience and joined Daintree from NAB's xVA trading desk where he was a quantitative analyst, responsible for developing and managing pricing and risk management tools. Prior to NAB, Simon worked at Aberdeen Asset Management in Sydney, London and Singapore where he invented a process to improve the efficiency of interest rate risk management for Aberdeen's fixed income portfolios, as well as developing key systems that handle billions of dollars in transactions for the group. Prior to Aberdeen, Simon has worked at Colonial First State, ING Investment Management, Morley Fund Managers (London) and Invesco Europe. Simon holds a B.Sc. (Hon) Physics from University College London and a Certificate in Quantitative Finance (CQF).

Daintree Capital Investment Team Summary				
Member	**Title**	**Role**	**Yrs Daintree**	**Yrs Ind**
Mark Mitchell	PM, Director, founding partner	Credit	2.5	23
Justin Tyler	PM, Director, founding partner	Interest Rates & Currency	2.5	18
Brad Dunn	Senior Credit Analyst	Credit analyst	2.5	12
Simon Wang	Senior Credit Analyst	Credit analyst	2.5	12
Simon Lee	Senior Quantitative Analyst	Quantitative analysis & development	2.5	16

INVESTMENT PHILOSOPHY

Daintree's investment philosophy rests on a number of firm beliefs in managing investment grade debt: 1) minimising credit and illiquidity risk to achieve the stated returns target; 2) being absolute return focused; 3) having a global mandate; 4) being unconstrained and benchmark unaware; 5) recognising that there will always be periods when fundamental views are not supported by the market and the consequent downside risks need to be managed, and; 6) incorporating a strong ESG component in the investment process.

While some of the above tenets do not apply to the more limited ECAS investment strategy, these beliefs are still nevertheless likely to shape its investment decisions to some degree for the ECAS investment strategy.

These philosophical views are based on a premise that the fixed income environment has fundamentally changed. Over the last thirty years, an investment manager could simply be long credit and duration and would fare reasonably well. Today however, with yields at (near) historic lows and secular changes in particular credit markets creating higher inherent volatility and tail risk, the Manager believes successful strategies are built on being market-driven opportunistic, benchmark unaware and proactively protecting against downside risks.

Each of Daintree's investment strategies are managed according to a specified returns target, with risk allocated to achieve these targets. Within the context of the target return, the Manager seeks to deliver the returns objective with the lowest degree of volatility and capital risk. That is, to maximise its Sharpe ratio and minimise drawdowns. Given the returns targets of the suite of its three products, ranging from RBA Cash Rate + 50-75 basis points through to RBA Cash Rate + 300-400 basis points, the Manager feels it does not need to take on a high degree of credit, duration or illiquidity risk to achieve these targets.

Daintree believes in the need to be an absolute returns manager, stating that performance relative to a benchmark is unsatisfactory given that, in doing so, the risk of negative performance is not being adequately managed. IIR believes this approach is timely, noting that secular market changes have increased the inherent risk of the bond (and bank loans) market, albeit to a lesser degree in the investment grade relative to the high yield segment. There have been both technical (ownership structure) and fundamental (underwriting) changes in traded debt markets that suggest heightened volatility and tail risk moving forward relative to the post-crisis environment over the last ten years. In the investment grade market, we would concur with the Manager that investors are not being adequately compensated for longer duration risk, risking material capital losses on such positions.

The Manager is also a firm believer in being unconstrained relative to a benchmark, noting that fixed income benchmarks are flawed for a number of reasons. These include: i) With new issuance making up an estimated 20 per cent of bond market capitalisation annually (as compared to about 1 per cent in equity markets) index composition change over time can be material, with changes typically reflecting bond structures that are favourable for issuers but not necessarily investors. This may lead to unwanted risks, such as longer duration, greater single name and sector exposures or greater overall credit risk. ii) There are many pockets of fixed income securities that simply do not appear in actively followed indices. By one estimate, approximately two-thirds of the investable universe in the US is not covered by a major index. iii) Indices can not take advantage of new issue primary market discounts. iv) A herding mentality tied with limited liquidity in bond markets (particularly during bouts of volatility) can lead to higher volatility and supply-demand related price distortions.

Daintree is a signatory of the United Nations Principle for Responsible Investment (UNPRI) and applies an ESG filter as part of its fundamental credit analysis. This is in recognition of the impact that it believes environmental, social and governance ESG issues can have on long-term investment performance.

INVESTMENT STRATEGY

The portfolio invests in a portfolio of approximately 20-30 domestic investment grade credit securities and a sizeable expected allocation to TDs. In managing the portfolio, Daintree applies a range of strategies that include duration management, (actively managing the maturity profile of the portfolio), sector and asset class rotation, and individual security selection. All securities must carry a Standard & Poor's rating (or equivalent) of A2/P2 or higher at the time of purchase. The ECAS portfolio targets a return of 50 – 75 basis points above the RBA Overnight Cash Rate on an annualised basis.

The Manager applies a top down and bottom up investment process. The top down approach considers macroeconomic, market and central bank policies as factors that lead to the Manager to set duration and credit spread duration targets. The top down views are formally set on a quarterly basis.

The bottom up process provides the Fund with individual securities, drawn from all developed market fixed income securities that pass the Manager's filter process. The credit research focus is on finding securities that demonstrates attractive risk/ return characteristics. During this process, the key considerations are default risk, potential price falls and a strong focus on relative value considerations.

INVESTMENT PROCESS

The portfolio is a product of a bottom up and a top down process. The bottom up process focuses on individual security selection. Daintree has a flexible benchmark unaware approach, with the Manager having the flexibility to seek out the fixed income assets in all markets that offer the best risk adjusted returns on a relative value basis.

The top down component sets general risk guidelines for the overall portfolio. This includes things such as interest rate duration, credit spread duration, cash levels, credit risk tolerances, and other various targets at the portfolio level. Top down views, formally set on a quarterly basis, guides the purchase of new securities as well as the Manager tactically tilting the profile of the portfolio of existing holdings in-line with its dynamic macro views.

The construction of the portfolio can be broken down into four main steps: an initial screen to filter the eligible universe; fundamental credit review; macroeconomic and market reviews, and; portfolio diversification and limitations on exposure sizes at the portfolio construction stage.

Initial Screen

The investment process begins with the screening of the eligible universe to identify the securities that the Manager will consider for purchase. The goal is to reduce the eligible universe to a manageable size of potential investments that the Manager will subject to detailed fundamental analysis.

From the eligible universe of several thousand issuers, the team screens out for issuers in which the Manager can not gain comfort with, for example where there is insufficient data, or where its an industry it can neither fully understand or is facing substantial structural headwinds. Screening tools may include: publicly available agency ratings; liquidity considerations; issuers with publicly listed equity; active credit default swap market prices; indicative cash bond spread pricing; estimated loss given default, and; third-party research.

Additionally, as a signatory of the UNPRI, Daintree also applies an ESG filter as part of the initial screening processes, in recognition of the impact that it believes environmental, social and governance ESG issues can have on long-term investment performance.

These inputs allow the Manager to determine both risk and return elements of the security from multiple perspectives. It can then make an initial determination of the relative attractiveness of the asset and whether it warrants further research. Once a potential new asset is identified for inclusion in the portfolio (and before actual purchase), a credit analyst undertakes a full credit review of the asset.

Credit Research and Security Selection

The credit research process supports the key objectives of the fund, namely capital preservation and income generation. The objective is to identify borrowers that are highly likely to pay principal and interest back on schedule, with a minimal amount of uncertainty along the way, and that offer attractive relative value.

Once a potential asset is considered for inclusion in the portfolio, the credit analyst will undertake a preliminary review of the company or asset to determine its relative merits. The preliminary review process enables timely participation in, for example, new issues.

As part of the fundamental review process, the analyst will review information from a number of sources including rating agencies, brokers, media, company representatives and filings, and third party research providers. The outputs of both the analyst's detailed review and any subsequent changes flowing from ongoing monitoring are a rating for the issuer, as well as an estimated loss given default for the security. These outputs are used to assist in the relative value analysis process. Once an issuer is included in the portfolio, the analyst continues to monitor all exposures for material changes in credit profile.

In seeking to avoid deteriorating credits, the analysts carry out in-depth fundamental credit research. The team believes this, tied with relative value processes, are the most important component for successful credit investing.

For a corporate issuer, the research process covers conventional aspects of credit investment decisions, including: i) a financial review with specific attention to revenue and cost drivers, predictability of cash flows, internal cash flow generation and the implications for interest and principal payments and capital expenditures; ii) deal structure and covenants; iii) an assessment of management; iv) an assessment of sources of liquidity such as bank lines, cash on hand, access to capital markets, and asset sales, and; v) an assessment of relative valuation based on its internally generated credit quality rating and prevailing spreads for the industries and quality tiers.

A key source of added value is the team's relative value analysis. The goal is to select instruments that analysts believe offer not only strong credit fundamentals, but also the potential for capital appreciation. The team seeks opportunities that it believes offer appropriate compensation for risk and seeks to avoid opportunities that it believes do not. The relative value analysis begins with assigning each security an internal credit rating, which emerges from the team's credit research.

Economic and Market Research

A central tenet of the Daintree investment philosophy is its absolute return approach. With credit risk expected to form the major component of returns, the Manager needs to be aware of any macroeconomic or exogenous shocks that might disrupt those returns during a spread widening / risk-off period.

Research focuses on a qualitative assessment of the medium-term path of growth and inflation in selected developed global economies. The Manager then determines how the expected policy response to this outlook is likely to effect global sovereign bond and credit markets at a high level over the medium-term. Daintree also models historical market dynamics, with an aim to assessing how markets may interact with one another in various scenarios that it may envisage.

Ongoing discussion of views is encouraged, and in addition to this the Manager undertakes a formal meeting every quarter to discuss the outlook and the implication of this on portfolios. A range of information is taken into consideration such as investment team views, reputable external strategists' views, internal modelling, and market inter-relationships.

The outcome of the quarterly process is preferred interest rate duration, credit spread duration, cash levels, credit risk tolerances, and various other targets as applicable. These preferences guide new securities purchases as well as tilting the characteristics of the existing static portfolio to closer align with the Manager's dynamic macro views.

Portfolio Construction

With respect to construction of the portfolio, the objective is to achieve the targeted level of return for investors while minimising risk. The Fund targets a weighted average credit rating of "A1" while seeking diversification across regions, sectors and issuers. Factors such as cash levels, interest rate duration, credit spread duration, and sector weightings are adjusted to optimise the risk/return characteristics of the portfolio. Additionally, Fund guidelines are utilised to prevent concentration at the rating, sector, or security level, as tabled below.

Ex-ante risk modelling is used in portfolio construction, particularly in the overlay, to keep the portfolio manager aware of the likely impact on portfolio return, volatility and skew when a position is added to the portfolio. The aim is to ensure that positions are only combined in the event that the correlation between them is low enough to provide an attractive risk/return contribution. Otherwise, alternative expressions of a particular view are sought to limit the possibility of any unintended amplification of risk.

The aggregate level of credit risk is measured with a number of metrics including credit spread duration; VaR and CVaR. In the bottom-up credit analysis, the team ensures that fundamental 'red flags' are identified and monitored for all holdings.

Portfolio Risk Parameters

Issuer Rating	Asset Allocation Range	Max Exposure per Issuer
AAA/AA+/AA/AA-/A1/A1+	0-100%	20%
A+/A/A-/A2	0-100%	10%
BBB+/BBB/BBB-	0-50%	5%

The portfolio as at 1 November 2019 the portfolio is detailed below. It is a high quality credit portfolio, with an average rating of A1 (comparable to the Australian regional banks in terms of risk profile). It is moderately concentrated by issuer (12 instruments) currently but expected to become more diversified over time once ECAS is launched. All investments are Australian securities, partly reflecting the Manager's long held view that there is both attractive relative value in Australia versus offshore credit and, more importantly, Australian credit is materially less volatile than offshore credit. In short, drawdown risks remain lower when credit underperforms and the Sharpe ratio remains superior from Australian credit than offshore credit. There is currently a 49% allocation to TDs and cash, providing a strong downside cushion for the overall portfolio.

It is a low duration strategy, with a duration of less than one year. The Manager's view on duration is that it is not a good point in the cycle to be taking a lot of duration risk, with yields at historic lows and investors today arguably not being adequately compensated for duration risk in longer dated instruments.

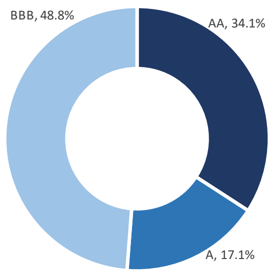
GICS Exposures

Cash	26.8%
Term Deposits	22.0%
AU Financials	17.1%
Other	34.1%
Total	100.0%

Top Issuers

National Australia Bank (TD)	12.2%
National Australia Bank (Cash)	12.2%
AMP Bank	12.2%
Aurizon Network	12.2%
Members Equity Bank (TD)	9.8%
Toyota Finance Australia	9.8%
AMP Bank (NDA)	7.3%
Members Equity Bank (NDA)	7.3%
Bank of Queensland	4.9%
Brisbane Airport	4.9%
Total	92.7%

Portfolio by Credit Quality (Market Value)



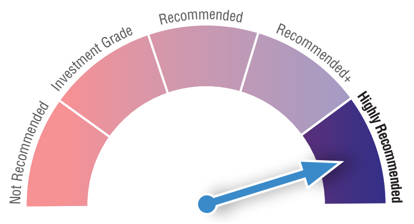
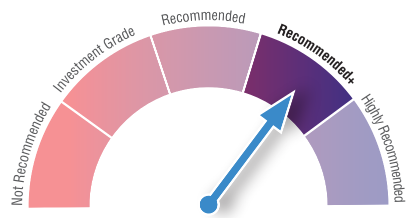
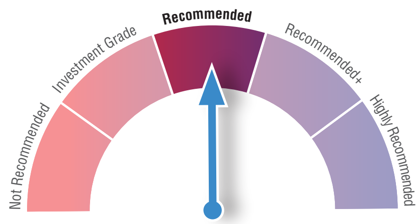
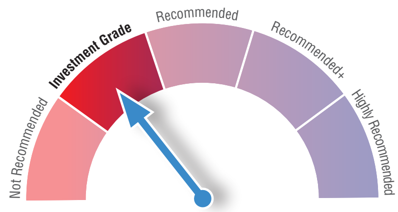
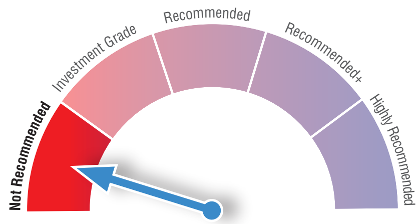
Portfolio Metrics (as at 1 November 2019)

Modified Duration	0.33
Spread Duration	0.26
Adjusted Yield	1.54
Average Spread	61
# of Securities	12
# of Unique Names	9
Average Rating	A-1
Average Rating	A1

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

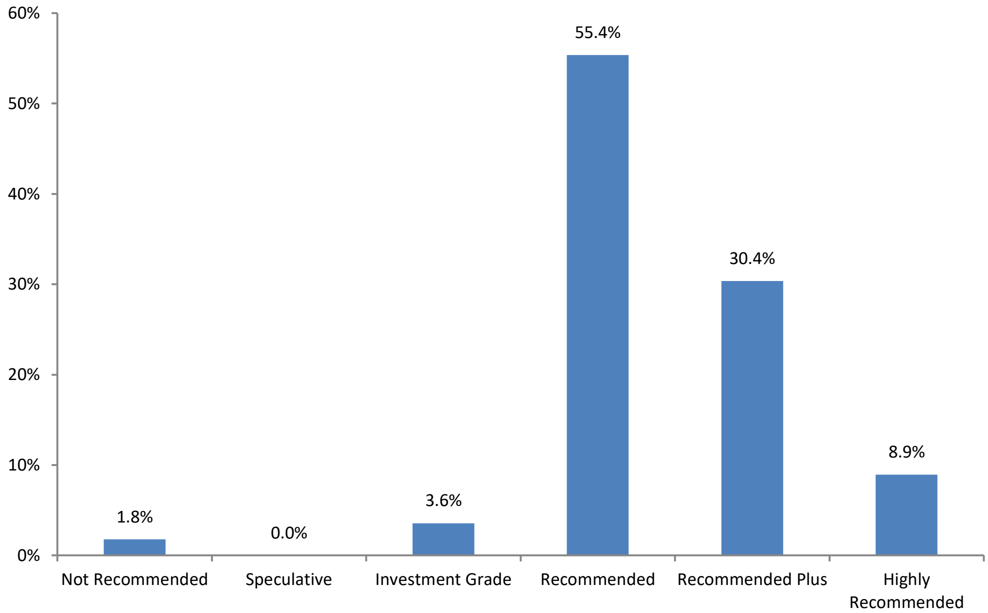
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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