eInvest Core Income Fund (Managed Fund)

CODE: ECOR

MONTHLY REPORT MAY 2022

	Month (%)	Quarter (%)	1 Year (%)	2 Years (%)	Since Inception^ (% p.a.)
eInvest Core Income Fund (ECOR)	-0.42	-1.51	-2.08	0.99	0.71
Daintree Core Income Trust	-0.43	-1.51	-2.10	0.92	1.93
RBA Cash Rate	0.03	0.04	0.14	0.14	0.23
Excess Return	**-0.45**	**-1.55**	**-2.20**	**0.84**	**0.48**

^ Inception date for ECOR was 22 November 2019 and inception date for the underlying Daintree Core Income Trust was 1 July 2017. Performance shown above are net of fees. To give a long-term view of the fund performance in the asset class, we have shown the returns of the Daintree Core Income Trust. The Trust has identical investments. Fund returns are calculated using net asset value per unit of the underlying fund at the start and end of the specified period and do not reflect the brokerage or the bid/ask spread that investors incur when buying and selling units on the exchange. Past performance is not a reliable indicator of future performance.

eInvest Core Income Fund

ECOR is an absolute return, cash plus, investment grade bond strategy. ECOR 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 ECOR 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. ECOR seeks to produce a return (net of fees) that exceeds the RBA Cash Rate by 1.50-2.00% p.a. within a cycle.

Monthly Highlights

- The fund's performance was negatively impacted by wider credit spreads, particularly in CLOs and Tier 2 financials. Overlay and hedging strategies also contributed small negative returns.
- We avoided most new issuance during the month in line with our defensive stance.

Key Statistics

Modified Duration (years)
0.41

Portfolio Yield (%)
2.48

Portfolio ESG Score (MSCI)
A

Average Credit Quality
A

Fund Facts

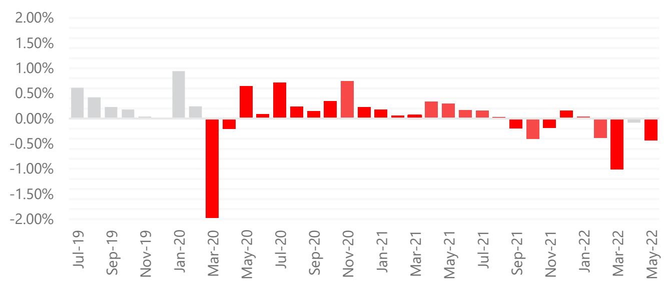
Management Cost
0.45% (incl of GST & RITC)

Inception Date
22 November 2019

Investment Manager

Daintree Capital, the investment manager of ECOR, is a boutique investment manager specialising in the construction of absolute return, income generating portfolios. The firm was nominated as a Finalist for the Money Management Fund Manager of the Year Award in the Emerging Manager category for 2019, and ECOR has a 'Recommended' rating from Lonsec and Zenith. Daintree Capital is also a signatory to the United Nations Principles for Responsible Investment.

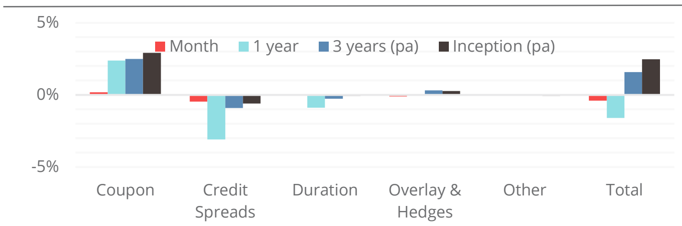
Monthly Performance



Source: Daintree Capital. As at 31 May 2022.

The above figures show the monthly performance of the Daintree Core Income Trust from January to October 2019. The eInvest Core Income Fund holds the same investments. After October 2019 the performance of ECOR is shown. Past performance is not a reliable indicator of future performance.

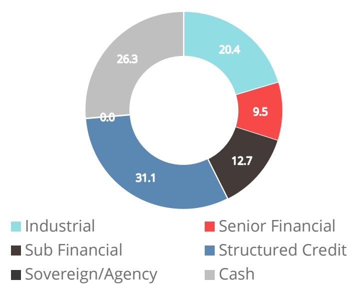
Performance Contributions

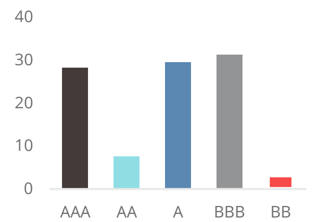


Source: Daintree Capital. As at 31 May 2022.

Month, 1 year and inception performance figures reflect the performance of the Daintree Core Income Fund

Rating and Sector Exposure





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Fund Review

ECOR returned -0.42% for the month net of fees. The fund's performance was negatively impacted by wider credit spreads which offset coupon income. In addition, the fund had a small negative contribution from overlay and hedge positions. Performance was most negatively impacted by our CLO and Tier 2 financials exposure. On average Australian credit spreads were approximately eight basis points wider on the month, underperforming US$ spreads which were about five basis points tighter. We slightly increased the fund core interest rate position in the month from 0 to 0.25 years.
Given our defensive positioning and continuing bearish outlook for spreads, we largely avoided new issues during the month but did participate in the Vicinity green bond issue.

Outlook

Despite major intra-month volatility in rates and equities markets, by the end of May risk assets had largely finished where they started. The volatility is being driven by the ongoing tension caused by persistent inflation rubbing up against a more uncertain growth outlook. Indeed, while 2022 consensus inflation forecasts now average more than 7% across the United States, Europe and the UK, consensus growth estimates have fallen from an average of 4.5% in March to now be only just above 3%. The primary dilemma for central banks remains how to address inflation without impeding growth expectations too severely.

Supply chain disruptions and rising energy costs continue to cast a long shadow over the global economy. Despite this, late May gave rise to a relief rally of sorts as COVID lockdowns in China began to ease. The reopening of some the largest container ports in the world will have a positive knock-on effect for parts of the supply chain, but restrictive transport costs and the impact of the war in Ukraine will persist for at least the remainder of this year. Supply-side inflationary forces such as these will limit the effectiveness of the interest rate tightening cycle. The question is, will high energy prices and shortages sufficiently dampen activity of their own accord and reduce the need for restrictive tightening, or will they keep inflation elevated and force central banks to continue their normalisation agenda?

The RBA increased the cash rate for the first time in more than a decade, and Australia saw a change of federal government during the month. With little detail or major differentiation in the policy outlook, let alone anything resembling a reform agenda, financial markets took little notice of the election result. However, the movement in cash rate was notable in that it occurred during the election campaign and before the release of highly anticipated wage data that printed below expectations. We would expect additional increases at most meetings for the remainder of the year, while not discounting the possibility that headline inflation has yet to peak. We also note that the structure of Australian mortgage markets allows the transmission mechanism of cash rates through to the real economy to be quick and direct, at least for borrowers. In the banking system, deposits continue to grow faster than loans, suggesting an underlying caution amongst households as cost-of-living pressures remain front-of-mind.

Credit spreads continue to gradually widen, a trend that has persisted for close to a year. Relative value is emerging across a range of sectors, because while economic uncertainty has increased, expected returns have in some cases doubled while the probability of default has not. While asset valuations in some growth-heavy sectors have moderated in recent months, corporate fundamentals overall remain strong. Similarly, bank balance sheets have limited allowances for credit losses, but households are showing a high degree of prudence in uncertain times. We retain a degree of flexibility in our portfolios, with modest credit hedges complementing higher-than-normal cash levels, and limited duration.