

	Month (%)	Quarter (%)	1 Year (%)	Since Inception^ (% p.a.)
eInvest Income Maximiser Fund (EMAX)	0.11	0.87	9.05	0.19
Daintree High Income Trust	0.11	0.86	8.51	2.79
RBA Cash Rate	0.01	0.02	0.19	0.32
Excess Return	0.10	0.85	8.86	-0.13

^Inception date for EMAX was 22 November 2019 and inception date for the underlying Daintree High Income Trust was 1 November 2018. 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 High 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 Income Maximiser Fund

EMAX is an absolute return bond strategy. The Fund 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

EMAX aims to provide investors with a monthly income stream over the medium term by investing in a diversified portfolio of credit fixed income securities and cash that exceeds the RBA Cash Rate (after fees) by 3-4% over a market cycle.

Quarterly Highlights

- In a challenging period for markets, the fund delivered positive performance in each month of the quarter.
- Overlay performance was positive for the quarter, offsetting weaker performance from higher interest rates. Tighter credit spreads in the Australian residential mortgage-backed securities sector also added value.

Key Statistics

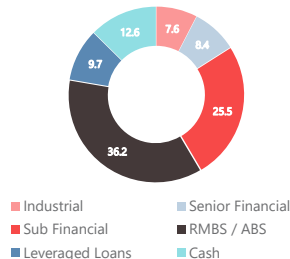
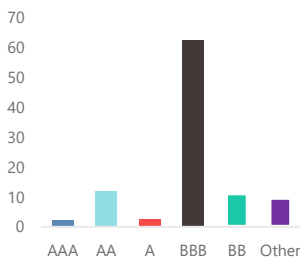
Modified Duration
0.81

Portfolio Yield
3.82

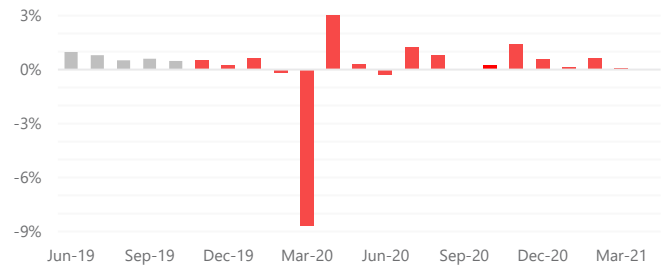
Portfolio ESG Score (MSCI)
A

Average Credit Quality
BBB

Rating and Sector Exposure



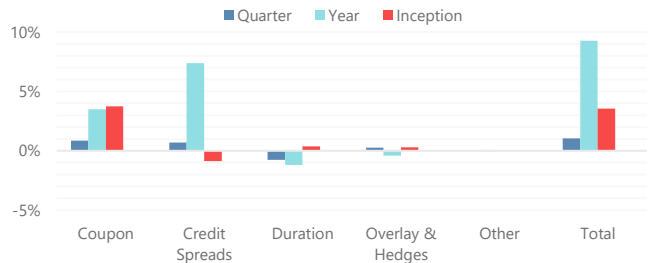
Monthly Performance



Source: Daintree Capital. As at 31 March 2021.

The above figures show the monthly performance of the Daintree High Income Trust since June 2019 to October 2019. EMAX Fund holds the same investments. After October 2019, EMAX performance is shown.

Performance Contributions



Source: Daintree Capital. As at 31 March 2021.

Quarter, 1 year and Inception performance figures reflect the performance of the Daintree High Income Trust.

Fund Facts

Management Cost
0.65% (incl of GST & RITC)

Inception Date
22 November 2019

Fund Review

The first quarter of 2021 will be remembered as one of the most challenging for duration-exposed investors, as growth optimism and growing inflation concerns triggered a meaningful move higher in interest rates. The Federal Reserve lent implicit support to market pricing when it announced in mid-March that it would not extend a pandemic relief program for the banks, and that it would not stand in the way of (modestly) higher rates.

Our core duration position was a small detractor in this environment of higher bond yields, however credit spreads offset this with positive performance from the residential mortgage-backed securities sector in particular. Strong performance from overlay positions also added to performance, allowing the funds to post positive net performance in each month of the quarter.

Outlook

The coming few quarters will require some perspective from investors. Global lockdowns, starting as early as February 2020 in some places, have caused huge disruptions for more than 12 months. Economic data should therefore be interpreted with caution because of the impact of base effects. Huge year-on-year growth numbers are being reported in some data, solely because the starting point for measurement one year ago is historically depressed. This is particularly the case for prices across economies, where markets are sensitive to any evidence of inflationary pressures building. Looking past the change in prices to their current level highlights the ground that needs to be made up, not just relative to the immediate pre-Covid period, but (more importantly) relative to years of disinflation.

Market sensitivity stems from the evidence that is beginning to pile up. A range of commodities are enjoying strong demand conditions, such as iron ore (China stimulus/recovery investment), copper (construction and renewable energy) and lumber (largely residential construction). Supply chain disruptions are also becoming evident due to a shortage of shipping containers, not to mention the temporary blockage of the Suez Canal! Ultimately, inflation data in the second quarter will matter little, because markets have discounted a wide range of expectations (hence higher bond market volatility) and central banks will in any case see the results as transitory.

For lasting inflation to take hold, further reductions in unemployment are required globally to catalyse stubbornly stagnant wage growth. Even if a strong recovery is sustained through 2021, employment markets, by their nature, will take longer to recover. For example, in the United States there are 10 million fewer people in work at the end of March 2021 than there was a year ago.

Some countries are deploying vaccines more effectively than others, but it is hard to argue that we have passed the peak rate of infections. Regardless of the progress on the vaccine front, we still see little appetite from governments to withdraw the many support measures in place. Indeed, there are discussions now commencing in the United States on a circa \$2tr infrastructure package, hot on the heels of a \$1.9tn stimulus package promised during the election.

The economic recovery is running ahead of schedule in Australia. Output is only about one percent below the peak reached in the fourth quarter of 2019, with the possibility of trend growth being re-established in early-to-mid 2022.

Investment Manager

Daintree Capital, the investment manager of EMAX, 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 EMAX has a 'Recommended+' rating from Independent Investment Research (IIR). Daintree Capital is also a signatory to the United Nations Principles for Responsible Investment.



Employment has also been a positive surprise, with the total number of people employed back to the pre-pandemic peak. Structural challenges will remain while international borders remain closed, with the agricultural and hospitality sectors struggling to attract workers to jobs normally filled by backpackers and seasonal workers from overseas. The end of JobKeeper has long been feared as a potential "cliff", but abundant job vacancies will help to cushion the immediate blow, in our view.

As 2021 progresses, we believe that interest rates will trickle higher on growth optimism, but bond market volatility will moderate. A risk to this view is a US infrastructure bill that is not largely or fully funded by accompanying revenue measures. While it is now attractive for European and Japanese investors to buy US Treasuries hedged back to their home currencies, the funding requirements for an infrastructure bill as well as the current fiscal deficit would be immense, and the future path for both US interest rates and the US dollar is therefore even more clouded than normal.

We expect a mild tightening of credit spreads on balance, within the context of a range-bound market. On the one hand, credit spreads have largely priced in a vaccine-led recovery and corporates have taken full advantage of this by refinancing at more attractive levels and at longer tenors. On the other hand, strong and consistent flows into credit ETFs and other passive products have in some cases forced real yields on corporate bonds below zero. This reinforces our view that spreads could trade in a narrow range because while we find it difficult to see negative catalysts on the horizon, persistent negative real yields may lead to sectoral rotation.

This backdrop remains challenging for those tasked with the stewardship of multi-asset portfolios – what is the best way to participate in upside price moves while limiting exposure to the downside? One option is the historical status quo of government bonds. The past quarter has highlighted the challenges of this status quo. Is duration exposure worthwhile while nominal yields remain at historic lows and real yields are stubbornly negative? We expect investors in government bonds to continue reassessing their exposures in the months ahead.

Another option is explicit protection strategies, for example those that utilise equity put options. We see such strategies as being very attractive, with equity volatility approaching the lows seen pre-Covid. These strategies are also quite path dependent though – that is, the efficacy of the protection received depends in large part on whether it was purchased at levels close to market turning points. Professional management is therefore a requirement.

Low duration credit portfolios, like those we manage at Daintree, also remain worthy of consideration. Credit represents a middle ground – a way for investors to generate a positive yield without taking excessive risk. There is no free lunch though, and investment returns will exhibit market-related volatility that increases with the yield the investor expects to earn.

As 2021 progresses, we thank our investors for their continued support. We remain committed not only to our products achieving their return objectives, but to their doing so while minimizing the various risks inherent in fixed income portfolios to the greatest extent possible.