Kapstream
—JANUS HENDERSON—

ARSN 632 896 176

Kapstream Absolute Return Income Active ETF (CXA:XKAP)

Fund Facts – 28 February 2026

CXA Ticker	XKAP		
Fund Inception Date	10 October 2019	**Fund Size**	$30.4 million
Underlying Fund Inception Date	31 March 2007	**Underlying Fund Size**	$2.2 billion
Distribution Frequency	Quarterly	**Unit Registry**	MUFG Corporate Markets (AU) Limited
Management Fee	0.55% p.a.	**Fund Issuer**	Fidante Partners Limited

Fund Overview

The Kapstream Absolute Return Income Active ETF aims to deliver an alternative approach to fixed income. It provides access to global fixed income markets, in order to facilitate a steady income stream with capital stability across economic cycles.

Kapstream adheres to an active and less traditional approach to fixed interest management, one that blends top down macroeconomic outputs with bottom-up security selection. Unlike more mainstream competitors, it is not subject to the same benchmark relative constraints, providing the investment team with greater scope to incorporate best trade ideas and position the portfolio in response to varying market conditions.

Suits Investors Seeking

- Stable income across market cycles.
- Potentially higher levels of returns compared to cash.
- Low to moderate volatility.
- A diversified portfolio that can complement other asset classes.

Monthly Performance Report – 28 February 2026

Fund Performance[1, 2]	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception[3]
Fund	0.38	1.45	0.97	6.04	6.09	3.73	3.77
RBA Cash Rate	0.29	0.90	0.58	3.77	4.07	2.79	2.26
Excess Return	0.09	0.55	0.39	2.26	2.03	0.94	1.50

1 Performance figures are based on the Fund's net asset value, are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of likely future performance. All periods longer than 1 year are annualised.

2 The performance of the Fund will not exactly replicate that of the Underlying Fund, for example, where cash is held by the Fund.

3 The Fund's inception date is 10 October 2019.

Source: Fidante Partners Limited, 28 February 2026.

Underlying Fund

The Fund invests in Kapstream Absolute Return Income Fund (Underlying Fund). In this report, where we refer to the Fund's investments we generally do so on a 'look-through' basis; that is, we are referring to the underlying assets that the Fund is exposed to through its investment in the Underlying Fund.

Underlying Fund Performance[4]	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception[5]
Underlying Fund	0.38	1.44	0.97	6.05	6.13	3.76	4.21
RBA Cash Rate[6]	0.29	0.90	0.58	3.77	4.06	2.80	2.87
Excess Return	0.09	0.54	0.39	2.28	2.06	0.96	1.34

4 Performance figures are calculated after fees have been deducted, assume distributions have been reinvested, and include the impact of sell spreads. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of likely future performance. All periods longer than 1 year are annualised.
5 The Underlying Fund's inception date is 31 March 2007.
6 From 1 February 2014 to 30 October 2019, the Fund's benchmark was a composite benchmark comprising 50% Bloomberg Ausbond 0-3 Yr Index & 50% Bloomberg Ausbond Bank Bill Index. Prior to 1 February 2014, the Fund's benchmark was the RBA Cash Rate.
Source: Fidante Partners Limited, 28 February 2026.

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Fund Benefits
Unconstrained approach Investing wherever the best risk adjusted opportunities can be found by Kapstream irrespective of the benchmark index.
Conservative risk focus Priority is given to actively managing the Fund's investment risks within limits.
Flexibility Able to meaningfully shift exposure to different geographies, sectors and fixed income categories to meet its return and risk objectives.
Capital stability Conservatively managed, the Fund is well suited to investors looking for potentially higher levels of returns compared to cash with low to moderate volatility.
Income stream Investing predominantly in high quality bonds provides the potential for a stable quarterly income stream.
Diversification A flexible, unconstrained approach results in a diversified portfolio that can be complementary to other asset classes.
Fund Risks
The Fund is exposed to a number of risks including interest rate risk, market risk, and collateral risk. Please refer to the Product Disclosure Statement for more information.

Underlying Fund Guidelines

Target Return	Target Volatility	Duration Limits	Credit Quality
Cash plus 2-3%	<1.5% annualised	-2 to +2 years	>85% investment grade

Underlying Fund Statistics

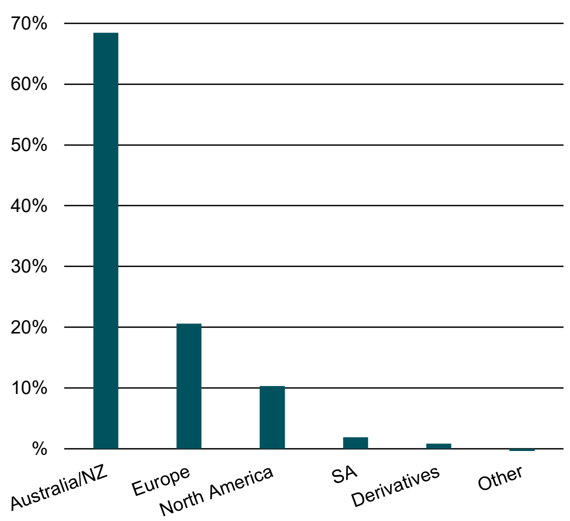
Interest Rate Duration	Credit Spread Duration	Average Credit Rating	Number of Issuers	Yield to Maturity
0.83yrs	2.19yrs	A-	81	5.50%

Quarterly Distribution Returns History (%)[7]

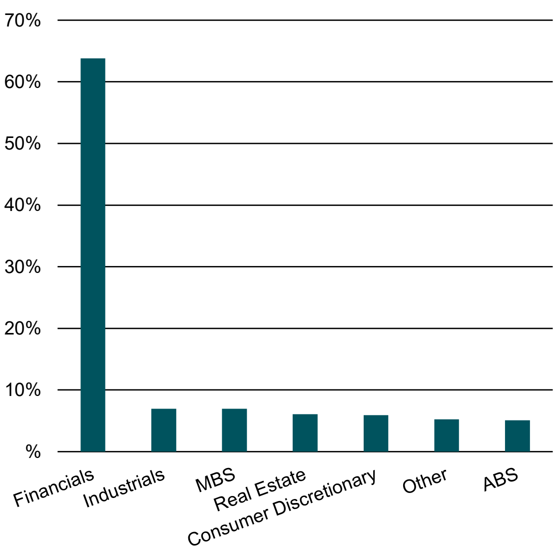
Year	Mar	Jun	Sep	Dec	FYTD[8]
2025	1.46%	2.20%	0.88%	0.98%	5.82%
2024	1.07%	1.07%	1.01%	0.93%	4.34%
2023	0.76%	0.74%	0.95%	1.08%	2.95%
2022	0.42%	1.25%	0.68%	0.73%	2.27%
2021	0.23%	2.27%	0.44%	0.20%	3.21%
2020	1.86%	0.38%	0.35%	0.34%	2.78%
2019	0.00%	0.00%	0.00%	0.49%	0.00%

Source: Fidante Partners. Past distributions are no indication of future distributions. 7) Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 8) Annual distribution return (Financial -Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Return (after fees) is calculated using pre-distribution quarter end withdrawal unit price, and assumes distributions are reinvested. Growth Return equals the percentage change in unit price.

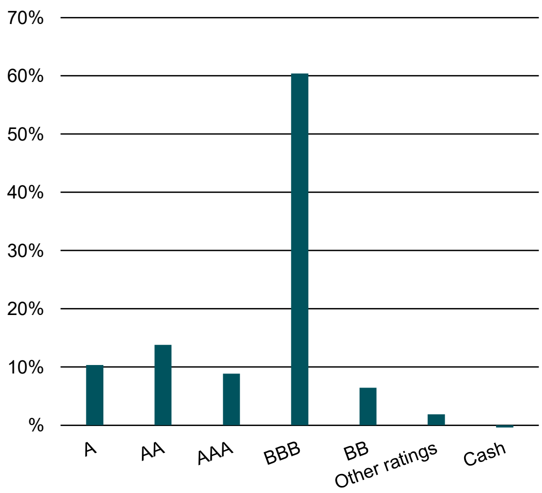
Geographic Allocation



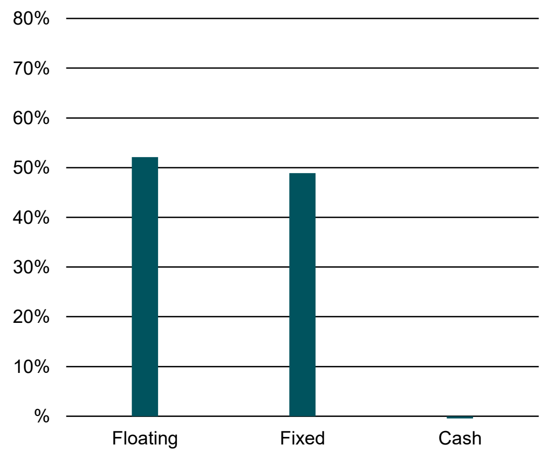
Sector Allocation



Credit Rating*



Interest Type



*of which 3.95% of Investment Grade and 0.35% of High Yield were internally rated

* Kapstream's flagship and plus funds have placed in the top quartile of various consultant return universe over the past 1, 3 and 5 years as at June 2024 including Mercer and Zenith, whilst being ranked in the bottom quartile for volatility.

** Kapstream has calculated the monthly return correlation with the Australian based indices used in APRA's annual performance test for the Australian superannuation industry and analysed 1yr, 3yr and 5yrs of the Australian indices.

Monthly Commentary

Performance Commentary

Your portfolio returned +0.38% net of fees in February, taking 12-month net performance to 6.04%. This exceeded cash benchmark returns of +0.29% in the month (and 3.77% over the past year), continuing the run of positive monthly returns outcomes now stretching well beyond three years. Coupon income was a solid contributor to excess returns, with duration providing a similar contribution through February on a broad rally in global government bond yields. Credit spreads subtracted marginally from returns but outperformed what was implied by the global risk-off tone late in the month. The yield to maturity rose by 5bps to 5.50% as at the end of February, providing a solid base for expected returns looking forward.

Market Commentary

February saw a notable re-pricing in both credit and rates markets. Risk markets suffered from rising geopolitical risks, as the US built a more sizeable military presence in the Middle East. This saw equity markets pull back from the recent highs, with the S&P 500 finishing the month 0.9% lower. The move in credit markets was more significant. US physical credit spreads, such as the Bloomberg US Aggregate Corporate Average Option-Adjusted Spread (OAS) series, widened by 11bps, around two to three times that implied by such a small drop in equities. Admittedly this was from historic lows, but numerous concerns around private credit resulted in a greater reassessment of market pricing in the credit asset class.

Global bond yields fell materially across major markets, with the US and the back end of the curve leading the move. US 2-year yields declined 15bps to 3.37% and the US 10 -year yield fell 30bps to 3.94%. Similar rallies were seen in the UK and Europe, with UK 10- year yields down 29bps to 4.23% and German 10-year yields down 20bps to 2.64%. Australia participated, although to a lesser extent given the RBA hiked rates earlier in the month, with the Australian 10-year yield down 16bps to 4.65%. New Zealand also rallied strongly, with the NZ 2-year yield down 26bps to 3.077% and the NZ 10-year yield down 28bps to 4.328%.

Portfolio Strategy

Spread duration positioning was largely unchanged over February, remaining at low levels in absolute terms given where spreads are in relation to their historical ranges. In contrast, rates duration was increased over February as geopolitical risks increased, to protect the underlying portfolio some of the more negative scenarios play out based on historical experience.

Lower taxes, de-regulation and potential corporate investment could underpin U.S. earnings and global sentiment in 2026, with the government incentivized to maintain optimism through the November midterms. Headline spread duration was maintained at 2 - 2.2 years. Once we adjust for beta of the bonds, it has tended to be 3.3 - 3.6 years, a little higher than the long run average we would expect of around 3 years. Balancing shorter term credit opportunities with our view that we expect the US government to potentially extend the credit cycle, offset by the possibility of short bouts of tariff and policy induced volatility.

The exposure is skewed towards Australian credit because of additional yield, and it tends to behave as lower beta in a sell-off. Considering the sustained interest from yield-seeking high-net-worth and Asian investors, we anticipate that Australian spreads will likely continue to move further towards the lower end of their historical ranges, unless disrupted by macro events.

In terms of asset allocation, the underlying portfolio can be split across three major 'buckets'; financials (~64%), corporates and REITs (Real Estate Investment Trusts) (~22%), and asset and mortgage-backed securities (<15%), with the residual in cash and liquids, noting some financials are considered very liquid. Close to ~67% of the underlying portfolio is held in Australian & New Zealand names, and by currency <7% is held in non-AUD denominated securities.

Liquidity remains strong with 'Level 1' liquidity at ~10% (cash, commercial paper, SSGA) and 'Level 2' liquidity at ~10% (<1yr investment grade paper).

Overall rates duration was taken back towards historical averages, rising 0.4pps to 0.8 years. Rising geopolitical risks led us to remove short positions to protect the underlying portfolio should risk off moves materialise and as falling yields saw us take off positions aimed at benefiting from higher yields. Otherwise, we remain convicted on long duration positions in the UK, where duration was increased as we expect a deeper and quick easing cycle than what is priced. Exposure in Australia and New Zealand remained minimal, particularly given that the central bank has moved towards tightening.

Outlook

The key takeaway from February is that geographic dispersion remains a live opportunity set for active fixed income. The month delivered meaningful rates rally in the US, UK, Europe and New Zealand, with Australia moving in the same direction but less aggressively. In this environment, underlying portfolio construction that is deliberate about where duration is held and where it is avoided can continue to add value, particularly when markets oscillate between the re-emergence of inflation, growth optimism and episodic risk aversion.

In credit, valuations remain sensitive to any incremental deterioration in risk sentiment, as illustrated by the widening in credit spreads during the month. While carry (income generated from holding bonds, coupon payments and credit spreads) remains a reliable base of return, February reinforced that spread outcomes can turn from supportive to mildly adverse quite quickly when macro or geopolitical uncertainty rises. We therefore continue to favour a disciplined approach to credit risk, focusing on resilient issuers, careful sizing, and maintaining flexibility to take advantage of any dislocations that may emerge if spread volatility persists.

CONTACT US

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