

Fund Facts – 31 January 2025⁶

CXA Ticker	XKAP		
Fund Inception Date	10 October 2019	Fund Size	\$28.8 million
Underlying Fund Inception Date	31 March 2007	Underlying Fund Size	\$2.0 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 – 31 January 2026

Fund Performance^{1, 2}	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception³
Fund	0.59	1.46	0.59	6.18	6.18	3.62	3.75
RBA Cash Rate	0.29	0.89	0.29	3.81	4.05	2.74	2.25
Excess Return	0.30	0.58	0.30	2.37	2.13	0.80	1.51

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, 31 January 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 Performance⁴	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception⁵
Underlying Fund	0.59	1.46	0.59	6.20	6.22	3.64	4.21
RBA Cash Rate ⁶	0.29	0.89	0.29	3.81	4.05	2.74	2.87
Excess Return	0.29	0.58	0.29	2.39	2.17	0.90	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, 31 January 2026.

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

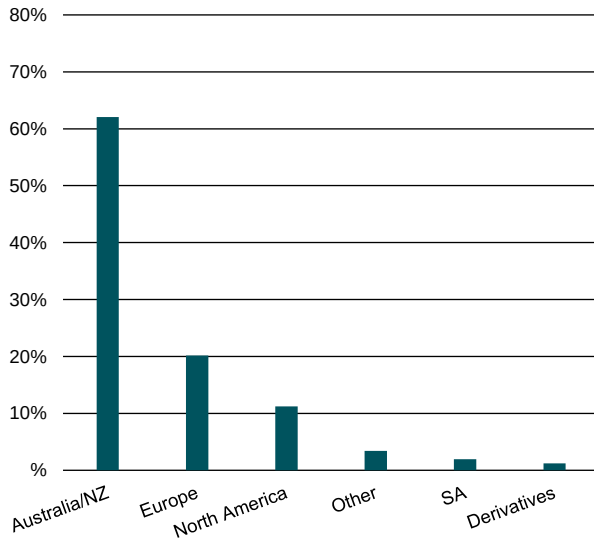
Interest Rate Duration	Credit Spread Duration	Average Credit Rating	Number of Issuers	Yield to Maturity
0.42yrs	2.17yrs	A-	78	5.45%

Quarterly Distribution Returns History (%)⁷

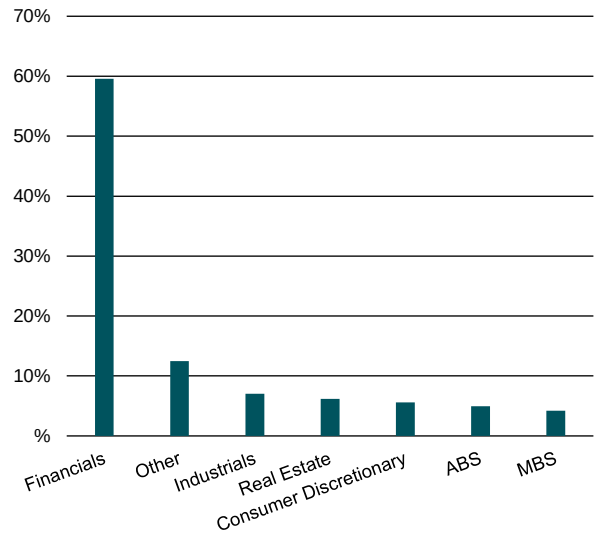
Year	Mar	Jun	Sep	Dec	FYTD ⁸
2025	1.46%	2.20%	0.88%	0.98%	5.82%
2024	1.07%	1.07%	1.01%	0.93%	4.34%
2023	0.76%	0.74%	0.95%	1.08%	2.95%
2022	0.42%	1.25%	0.68%	0.73%	2.27%
2021	0.23%	2.27%	0.44%	0.20%	3.21%
2020	1.86%	0.38%	0.35%	0.34%	2.78%
2019	0.00%	0.00%	0.00%	0.49%	0.00%

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.

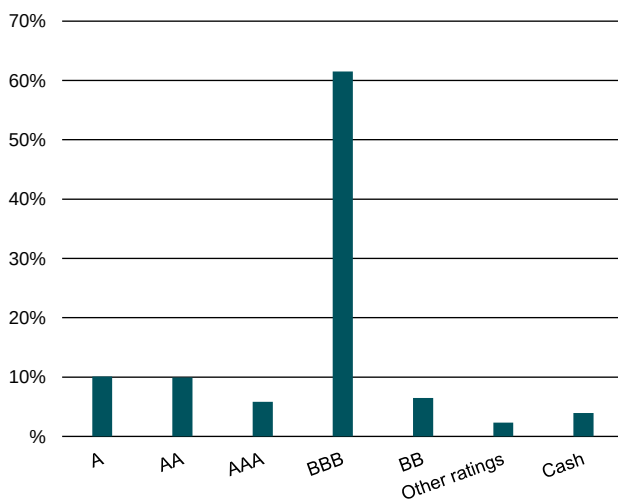
Geographic Allocation



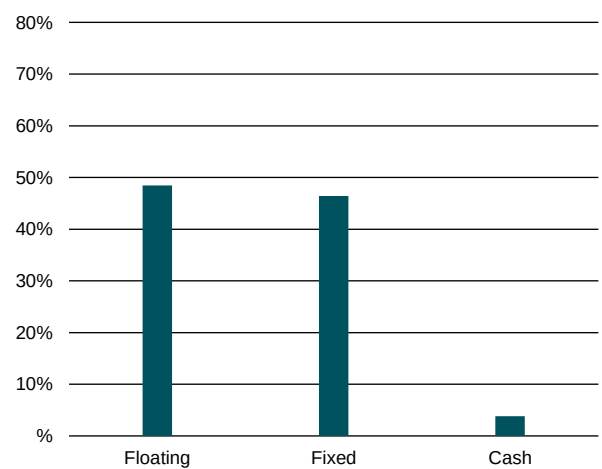
Sector Allocation



Credit Rating*



Interest Type



*of which 4.14% of Investment Grade and 1.29% 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

The Fund returned +0.59% in January, taking 12-month performance to 6.18% (after unit fees). Coupon income was again a solid driver of returns, but relative to cash spread compression was the single biggest contributor in the month. Portfolio credit spreads narrowed by 9bps, outpacing the 5bps decline in the US Corporate Aggregate Option-Adjusted Spread (OAS) series and the 8bps decline in the Australian Bloomberg 0+ credit spread to swap series over the month. Losses from a small increase in US yields were mostly offset by the benefits of a decline in UK front-end yields. The notable increases in NZ and Australian yields on increased rate hike expectations were avoided. The rise in Australian yields helped offset spread compression in January, such that the yield to maturity on the portfolio increased 1bp to 5.45% in the month. This continues to support a solid base for expected returns over 2026.

Market Commentary

January exhibited the key theme for 2026: expect the unexpected. Whilst we generally remain positive on our outlook for the economy and risk markets over the year, there remains significant scope in the current political environment for geopolitical and policy surprises. US military action in Venezuela and aspirations around Greenland were the key geopolitical issues that arose, with related threats around tariffs the key potential policy risk. The policy uncertainty is not just related to fiscal policy - the public announcement of Trump's nomination of former Fed Governor Kevin Warsh on January 30 also highlights some uncertainty around the outlook for the Fed Funds rate, as well as the size of the balance sheet. This also speaks to how monetary policy will develop over the course of this year when Fed Governor Powell's term as Chair ends. The above uncertainty aside, we remain of the view that the US administration will look to support the US economy heading into the US midterms in November this year. Being the engine of global growth, this will support global economic activity.

Outside the US, economies have begun to diverge as time passes from the pandemic that acted to synchronise business cycles globally. The RBA was widely speculated to be the first developed central bank to reverse the course of cuts in 2025 with hikes in 2026. Falling unemployment to 4.1% in December and an above-expectations Q4 CPI outcome, with trimmed mean surging to 3.4%, underpinned these heightened expectations. Yields in Australia surged accordingly in recent months, bucking the largely sideways trend in global front end yields elsewhere. New Zealand showed a similar pattern, as the market moved from thinking about cuts to hikes in late 2025 as the economy recovers. Japanese yields also rose noticeably on rate hikes and political instability. Only in the UK did yields show a material decline in the major developed markets, as the economy and inflation slowed. The above themes highlight how divergent the world has become - local influences are increasingly shaping domestic market outcomes.

Portfolio Strategy

Headline positioning was modestly changed in January. Credit spread duration increased slightly over the month at just over two years. Rates duration drifted lower to 0.4 years over January.

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 3.2 - 3.7 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 (~60%), corporates and REITs (~23%), and asset and mortgage-backed securities (<15%), with the residual in cash and liquid assets. Close to ~67% of the underlying portfolio is held in Australian & New Zealand names, and by currency <8% is held in non-AUD denominated securities.

Liquidity remains strong with 'Level 1' liquidity at ~12% (cash, commercial paper, SSGA - Sovereign, Supranational Government and Agency) and 'Level 2' liquidity at ~13% (<1yr investment grade paper).

Overall rates duration was moved lower to 0.4 years in January, reflecting some shorter-term views around US rates duration. Rate cut expectations in the US continued to be more than what we expect, reflecting that inflation remains above target in the US, even excluding any tariff impacts, whilst GDP growth remains well above historical averages. Short positions in this space were introduced as a result at the back end of the US yield curve, to capture any re-assessment around monetary policy, as well as the impact of additional supply. Otherwise, we remain convicted on

long duration positions in the UK, where we expect a deeper and quick easing cycle than what is priced. Exposure in Australia and New Zealand remains minimal, allowing the funds to avoid the significant rise observed in both regions as the central banks shift from easing to tightening.

Outlook

Bumps in the road over 2026 are expected to continue, with only the size of the potholes yet to be known. A repeat of the moves seen around Liberation Day is not our base case, but caution remains warranted. While we are cautiously optimistic overall, tight credit spreads leave limited room for error and keep us alert to the risk of adverse spread moves. The tightening continued in January - the OAS closed 5bps lower at 73bps (vs an historic low of 71bps). Australian credit spreads also compressed, with the Bloomberg AusBond 0+ credit spread to swap 8bps to 69bps, still somewhat above the all-time low of 57bps.

We are still optimistic about expected returns over the coming year. Credit looks set to provide stable income, roll down potential and new issue premium capture opportunities. Additionally, given the uncertain and turbulent AI and software complex, we are seeing dispersion, in both equity and credit markets, at a single-name or issuer level, which also provides opportunities to drive return as dislocations become excessive. While the overall rates beta is not expected to add materially over the coming year, with US markets adequately factoring in a modest set of rate cuts, there will be significant opportunities to add value with geographic dispersion. January has already kicked off this theme. Active managers that are globally focused and absolute returns managers will be best placed to take advantage of this opportunity set, including avoiding the negative return impacts from rising yields from in regions seen like countries as Australia.

CONTACT US

For further information, please contact 1300 721 637 (within Australia) and 02 8023 5428 (outside of Australia) or Email: info@fidante.com.au

For investor enquiries, please contact Link Market Services: 1800 441 104, Email: fidante@linkmarketservices.com.au

For financial planner enquiries, please contact your local Business Development Manager or Email: bdm@fidante.com.au

www.fidante.com.au

This material has been prepared by Kapstream Capital Pty Ltd (ABN 19 122 076 117 AFSL 508870 (Kapstream)), the investment manager of Kapstream Absolute Return Income Fund (Fund) and the Kapstream Absolute Return Income Active ETF (Funds). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Kapstream and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Kapstream and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.