Kapstream
— JANUS HENDERSON —

ARSN 632 896 176

Kapstream Absolute Return Income Active ETF (CXA:XKAP)

Fund Facts – 30 June 2026

CXA Ticker	XKAP		
Fund Inception Date	10 October 2019	**Fund Size**	$32.0 million
Underlying Fund Inception Date	31 March 2007	**Underlying Fund Size**	$2.5 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 – 30 June 2026

Fund Performance[1, 2]	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception[3]
Fund	0.58	1.52	2.13	5.59	6.16	3.96	3.75
RBA Cash Rate	0.37	1.04	1.97	3.84	4.11	3.07	2.36
Excess Return	0.21	0.48	0.16	1.75	2.05	0.89	1.39

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, 30 June 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	0.58	1.52	2.13	5.59	6.19	3.98	4.20
RBA Cash Rate[6]	0.37	1.04	1.98	3.84	4.11	3.07	2.89
Excess Return	0.21	0.48	0.15	1.75	2.08	0.91	1.30

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, 30 June 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

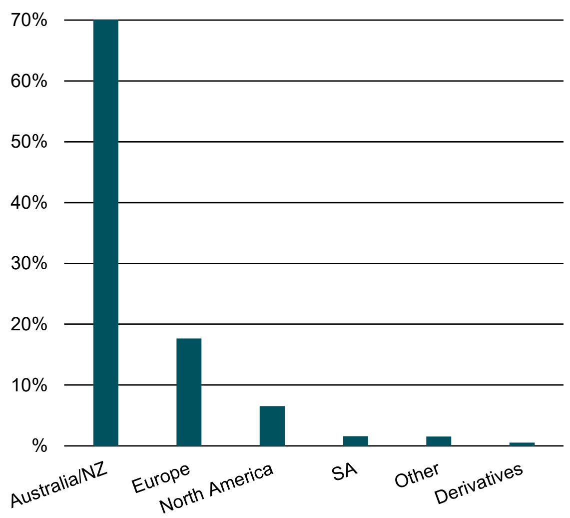
Interest Rate Duration	Credit Spread Duration	Average Credit Rating	Number of Issuers	Yield to Maturity
0.79yrs	2.40yrs	A-	77	5.85%

Quarterly Distribution Returns History (%)[7]

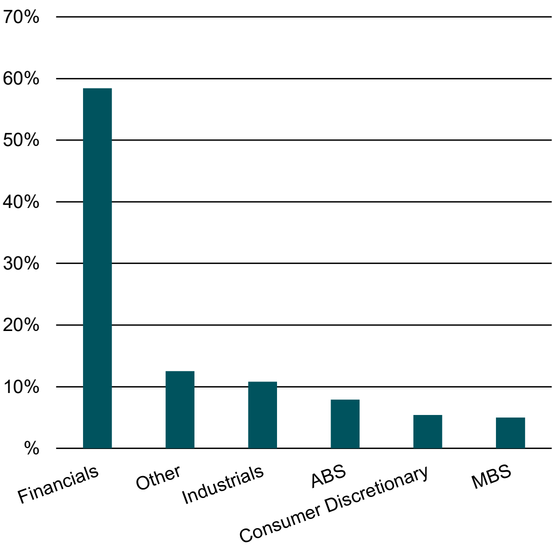
Year	Mar	Jun	Sep	Dec	FYTD[8]
2026	0.94%	2.04%			4.84%
2025	1.46%	2.20%	0.88%	0.98%	5.82%
2024	1.07%	1.07%	1.01%	0.93%	4.34%
2023	0.76%	0.74%	0.95%	1.08%	2.95%
2022	0.42%	1.25%	0.68%	0.73%	2.27%
2021	0.23%	2.27%	0.44%	0.20%	3.21%
2020	1.86%	0.38%	0.35%	0.34%	2.78%
2019	0.00%	0.00%	0.00%	0.49%	0.00%

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.

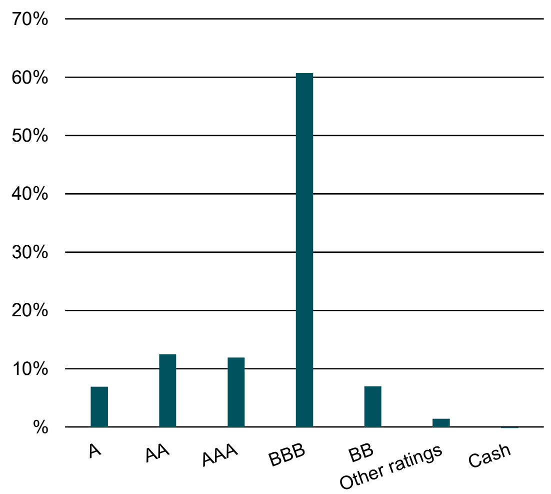
Geographic Allocation



Sector Allocation

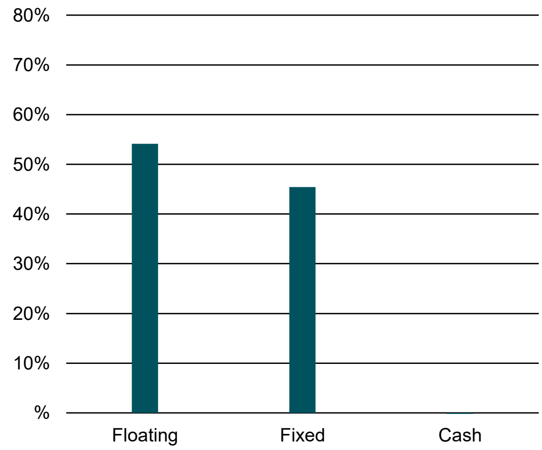


Credit Rating*



*of which 9.6% of Investment Grade and 0.8% of High Yield were internally rated

Interest Type



* 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 and Market Commentary

The fund returned 0.58% net of fees in June, taking 12-month net performance to 5.59%. This exceeded the RBA Cash Rate benchmark return of 0.37% for the month and remained well ahead of the 12-month performance benchmark return of 3.84%. Carry (the coupon income you receive for holding credit fixed income securities in particular) remained the primary driver of returns, consistent with the fund's design as a carry-focused strategy. Credit spread positioning added further, with name selection drove the underlying portfolio spread compression despite modest widening at the broader market level. This was partially offset by a small duration headwind, as US 2-year Treasury yields rose a further 17 basis points, though yields fell across the rest of the developed world. The fund's yield to maturity softened modestly by 5 basis points to 5.85%, providing a solid base for expected returns looking forward.

The Iranian conflict lessened in influence in June, with a Memorandum of Understanding agreed and the Strait of Hormuz opening intermittently. Oil prices drifted steadily lower, but bond yields did not follow. The dominant market theme remained the AI investment boom, with US economic growth and consumer spending well supported and inflation drifting further above target. A more hawkish stance from incoming FOMC Chair Warsh and other Federal Reserve Governors saw additional rate hikes built into the curve, lifting US 2-year Treasury yields 17 basis points to 4.17%. Elsewhere, the softer headline inflation outlook dominated given AI investment spending is less prominent. Australian 3-year yields declined 11 basis points to 4.36% as softer domestic activity, in particular cooling housing data influenced by recent tax changes, tempered expectations for further hikes despite still elevated trimmed mean inflation. NZ 2-year yields fell 20 basis points as the pullback in oil moderated the headline inflation concerns the RBNZ had recently cited. UK 2-year yields fell 6 basis points, and German 2-year yields were broadly unchanged, with the ECB still divided on whether to follow up on its recent hike. Risk sentiment softened modestly, with the S&P 500 declining 1.1% on concerns that optimism around AI had extended too far, and credit spreads drifted a touch wider. The US Bloomberg Corporate Agg OAS widened 2 basis points to 74bps, and the Bloomberg Ausbond 0+ Credit index spread to swap widened 1 basis point to 77bps.

Outlook and Positioning

We expect AI to remain the dominant market influence, supporting a renewed US exceptionalism theme. A strongly appreciating US dollar is one byproduct, although the slight drop in equity prices over the month cautions that it’s not one-way traffic. The substantial capital expenditure still requires justification in what is a rapidly evolving space. Currently, earnings are rising, distinguishing this period from the early 2000s dot-com bubble. When AI will increase productivity to the point where it lowers inflation remains unknown. Concerns around the US consumer spending beyond their means, with savings at low levels by historical standards, remain a risk at this stage that has not materialised. The developments in Iran, which still have the potential to re-escalate, are seen as less likely to influence yields, given the recent reaction function shown by financial markets in oil prices. In Australia, concerns that the economy will slow under the weight of recent rate hikes and unfavourable tax changes has become increasingly concerning.

Underlying portfolio positioning remains cautious given the risks around the outlook. Equities remain expensive on optimism around AI in the short term, with credit spreads at the expensive end of long-run valuations. During the month, the underlying fund selectively added credit exposure, with spread duration rising 0.3 years to a still modest 2.4 years, while the CDX credit hedge was removed. The underlying portfolio spread compressed 11 basis points to 126 basis points, reflecting the benefit of new issue premium and name selection rather than favourable market conditions. The credit exposure remains skewed towards Australian credit for the additional yield and its tendency to behave as lower beta in a sell-off. We continue to focus on investment grade credit with sound fundamentals. The underlying portfolio liquidity remains firm, with the level 1 and level 2 liquid sleeve of the underlying portfolio within the target range of 15 to 30%.

Rates duration was extended by 0.1 years to 0.8 years, remaining somewhat on the shorter side of historical averages given the upside risks to inflation, rate hikes and bond yields. However, as markets have priced in hikes by the US Federal Reserve, the desire to be underweight duration has diminished. Regionally the majority of exposure remained concentrated in US rates as a hedge against global risk sentiment. The underlying fund maintains small, long positions in Australia and New Zealand which offer better relative value.

At the underlying portfolio level, higher yields provide a strong starting point for absolute return expectations. This contrasts with the market backdrop in 2022 when yields were close to zero and provided significantly less buffer, alongside the scope for a 400 to 500 basis point rise in official interest rates and bond yields also being more limited given many central banks did not reach or move below neutral. We continue to favour a short duration approach to limit sensitivity to market volatility in either direction, thereby generating consistent above cash returns through credit carry during these uncertain times.

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

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