Kapstream
—JANUS HENDERSON—

ARSN 632 896 176

Kapstream Absolute Return Income Active ETF (CXA:XKAP)

Fund Facts – 31 March 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 – 31 March 2026

Fund Performance[1, 2]	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception[3]
Fund	-0.36	0.60	0.60	5.33	5.89	3.68	3.66
RBA Cash Rate	0.34	0.92	0.92	3.77	4.08	2.86	2.29
Excess Return	-0.70	-0.32	-0.32	1.55	1.82	0.82	1.37

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 March 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	-0.37	0.59	0.59	5.33	5.92	3.70	4.17
RBA Cash Rate[6]	0.34	0.92	0.92	3.77	4.07	2.87	2.88
Excess Return	-0.71	-0.33	-0.33	1.56	1.85	0.84	1.29

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 March 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

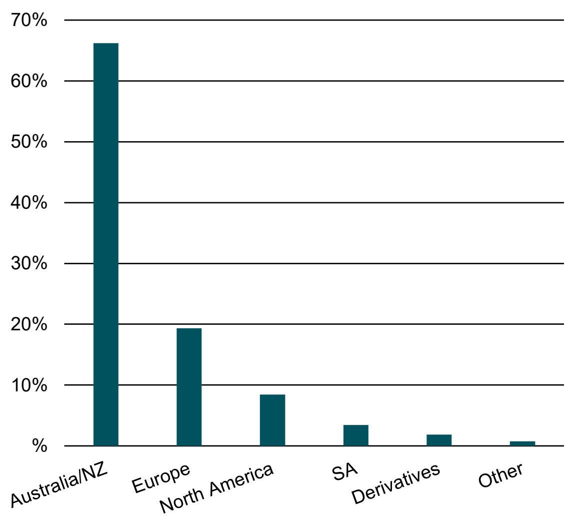
Interest Rate Duration	Credit Spread Duration	Average Credit Rating	Number of Issuers	Yield to Maturity
0.77yrs	2.17yrs	A-	81	5.95%

Quarterly Distribution Returns History (%)[7]

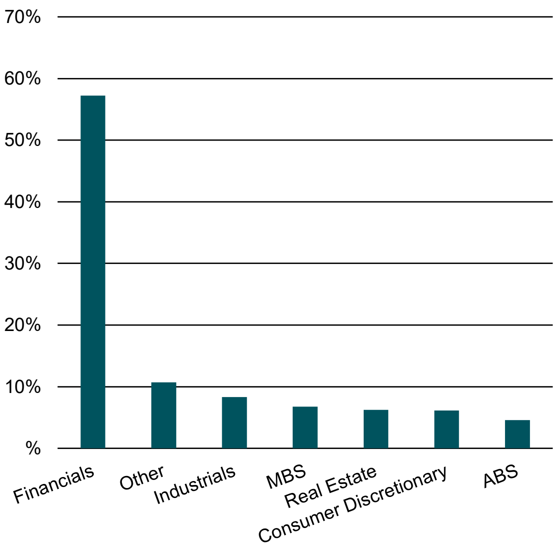
Year	Mar	Jun	Sep	Dec	FYTD[8]
2026	0.94%				
2025	1.46%	2.20%	0.88%	0.98%	5.82%
2024	1.07%	1.07%	1.01%	0.93%	4.34%
2023	0.76%	0.74%	0.95%	1.08%	2.95%
2022	0.42%	1.25%	0.68%	0.73%	2.27%
2021	0.23%	2.27%	0.44%	0.20%	3.21%
2020	1.86%	0.38%	0.35%	0.34%	2.78%
2019	0.00%	0.00%	0.00%	0.49%	0.00%

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.

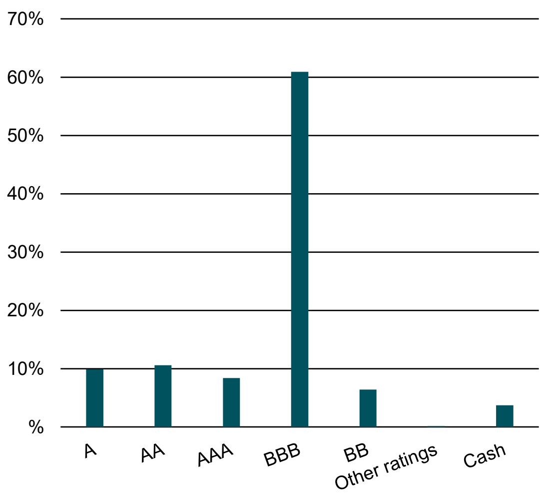
Geographic Allocation



Sector Allocation

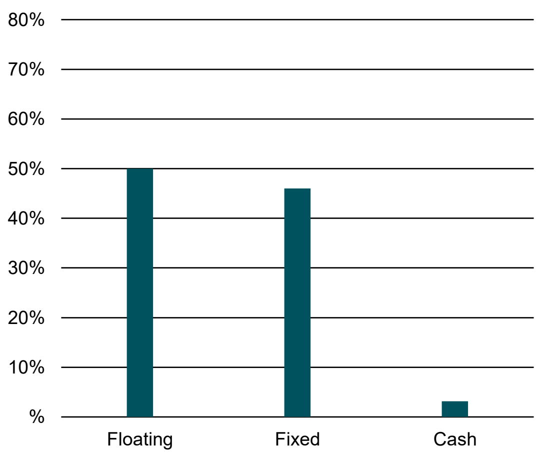


Credit Rating*



*of which 5.67% of Investment Grade and 0.38% 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 Commentary

The fund returned -0.36% net of fees in March, taking 12-month net performance to 5.33%. This underperformed cash returns of 0.34% in the month, with yearly returns still far exceeding cash benchmark returns of 3.77%. The first negative month for returns in over three years reflected the initiation of military action in Iran, which sharply boosted energy prices globally as supply through the Strait of Hormuz was halted. Market reaction to this supply shock resulted in a sharp rise in inflation and rate hike expectations that precipitated a gradual decline in risk markets. US 2-year yields rose by 42bps in March, whilst the more energy-dependent UK saw 2-year Government yields rise by an even larger 88bps as pockets of illiquidity appeared. The S&P 500 finished the month down 5%, with credit spreads holding in relatively well with the Bloomberg US Credit Agg Corporate OAS 5bps wider to 89bps and the Bloomberg Ausbond 0+ Credit spread to swap out 9bps to 78bps. The portfolio's yield to maturity jumped 44bps to 5.95% accordingly, providing a solid basis for absolute returns looking forward.

Market Commentary

Geopolitical risks became a reality over March, as the continuation of the war that began a month ago saw market volatility increase. Oil prices surged as supply through the Strait of Hormuz was halted, seeing Brent Crude spike above USD100/bbl for the first time since August 2022. The broader market reaction focused on the possible inflationary impacts - risk markets were lower but not materially so relative to previous events of this nature. The S&P 500 was down a little less than 10% from its peak intra-month, considerably less than, for example, the greater than 20% drop seen during the Liberation Day tariff announcement impacted month of April 2025. A partial rebound as the US President looked towards potentially ending the military action was seen towards the end of the month. Credit spreads followed equity markets, widening noticeably but not hitting the peaks seen in 2025. Physical credit spreads in the US, such as the Bloomberg Corporate Agg OAS widened 5bps to 89bps. Australian credit spreads showed a slightly larger 9bps widening in the Bloomberg Ausbond Credit 0+spread to swap, to 78bps.

With the decline in risk markets somewhat contained, this left rates markets to show the far greater move. Rather than a flight-to-quality bid that often accompanies geopolitical risks materialising, yields jumped sharply as markets took the view that central banks would have to run tighter monetary policy than was seen prior to events escalating. Expectations of cuts in the US and the UK, for example, turned to hikes, with the rise in yields in the more energy-sensitive UK exacerbated by pockets of illiquidity. Central banks that were already in hiking mode, such as the RBA, also saw larger and more immediate rate hikes priced in, supported by the RBA hiking rates for the second meeting in a row in March.

Portfolio Strategy

Rates duration, which had been increased in February to 0.8 years to protect the portfolio and added in early March to around 1.0 years to provide further protection, was then reduced to 0.7 years as the market reaction more resembled a supply shock than a traditional risk-off episode.

Rates duration was increased to early in the month to as much as 1.0 years, designed to provide protection if the historical experience of a significant risk off move led to a decline in yields. This failed to materialise as the markets priced in significantly more rate hikes on inflationary fears, which saw us cut those additions and take duration down to 0.7 years. This included a reduction in our 2y UK position, which was more impacted by LNG (Liquefied Natural Gas) price movements. However, as oil prices and yields stabilised towards the end of the month, duration was raised back up to where it started the month at 0.8 years, in expectation of a possible unwinding as a potential end to military action became nearer.

Spread duration was reduced modestly over March, as the initial decline in risk markets was somewhat modest and gradual over the month. Spread duration was reduced from 2.20 years to a low of 2.06 years as we sold assets in anticipation of wider new issue concessions, which we saw and we started deploying in the second half of the month, finishing at 2.17 years.

We view selloffs as more likely a buying opportunity given the continued US support from lower taxes, de-regulation, corporate investment as well as the government remaining incentivized to maintain optimism through to the November midterms.

The credit exposure is skewed towards Australian credit because of additional yield, and it tends to behave as lower beta in a sell-off.

In terms of asset allocation, the portfolio can be split across three major 'buckets'; financials (~58%), corporates and REITs (Real Estate Investment Trusts) (~25%), 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 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 ~12% (cash, commercial paper, SSGA- Sovereign, Supranational Government and Agency) and 'Level 2' liquidity at ~17% (<1yr investment grade paper).

Outlook

The resolution of the military action in Iran and the market reaction function remain the key near-term risks to the outlook, with risks in both directions. A near-term resolution and opening of the Strait of Hormuz would likely see the sizeable moves in oil prices and yields reverse. The US President announcing the near-term intention to finish hostilities in two to three weeks is the strongest evidence that this may occur. However, further escalation is still possible which would see some of the recent moves extend. Troops are still being sent into the region with possible 'boots on the ground' and energy installations across the regions are still being targeted. In the adage of actions speak louder than words, an objective assessment of events suggests events in the region may still be escalating.

Central banks, for the most part, will wait to see the size of the arguably one-off impact from higher energy prices, possible second round impacts and any evidence of a de-anchoring of inflation expectations. The demand destructive elements will also be looked for, but these may not be seen for some time. As such, the sharp rise in yields may present an opportunity to increase exposure to duration, as the market response to date has been solely focused on the inflationary impacts when central banks often look through one-off moves.

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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.