

Fund Facts – 31 May 2026

CXA Ticker	XKAP		
Fund Inception Date	10 October 2019	Fund Size	\$31.4 million
Underlying Fund Inception Date	31 March 2007	Underlying Fund Size	\$2.6 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 May 2026

Fund Performance^{1, 2}	1 month	3 months	CYTD	1 year	3 years	5 years	Since inception³
Fund	0.35	0.57	1.54	5.41	6.00	3.84	3.71
RBA Cash Rate	0.33	1.01	1.59	3.78	4.10	3.00	2.33
Excess Return	0.02	-0.44	-0.05	1.63	1.90	0.84	1.38

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 May 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	0.36	0.56	1.54	5.42	6.03	3.86	4.19
RBA Cash Rate ⁶	0.34	1.01	1.60	3.77	4.10	3.00	2.89
Excess Return	0.02	-0.45	-0.06	1.65	1.93	0.86	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, 31 May 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

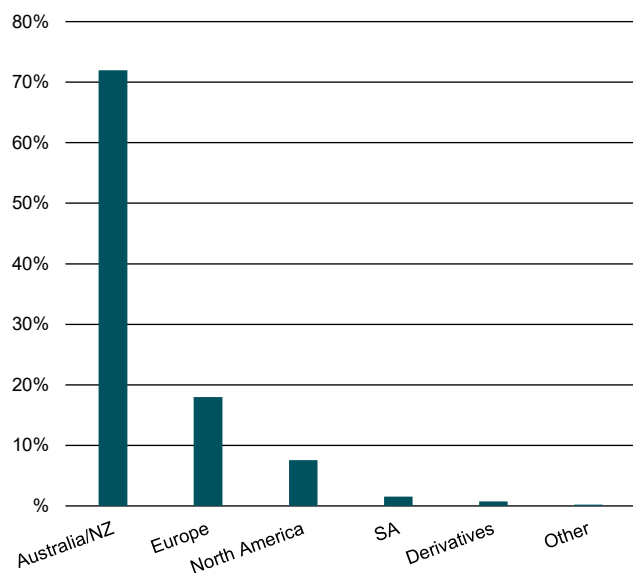
Interest Rate Duration	Credit Spread Duration	Average Credit Rating	Number of Issuers	Yield to Maturity
0.68yrs	2.05yrs	A-	78	5.90%

Quarterly Distribution Returns History (%)⁷

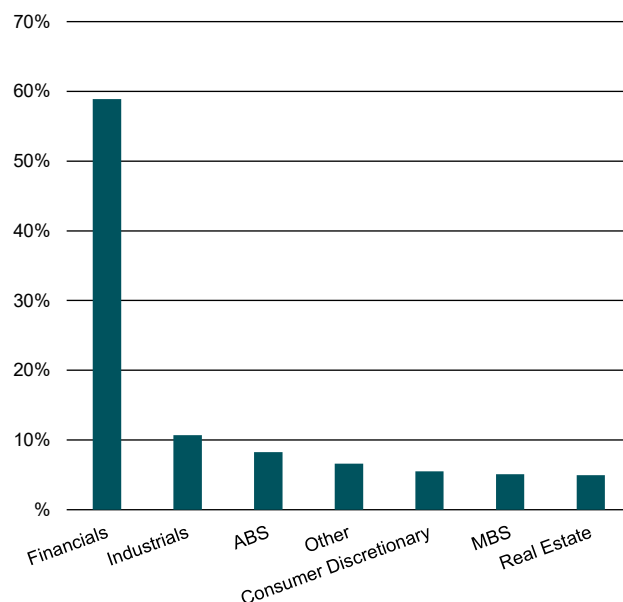
Year	Mar	Jun	Sep	Dec	FYTD ⁸
2026	0.94%				
2025	1.46%	2.20%	0.88%	0.98%	5.82%
2024	1.07%	1.07%	1.01%	0.93%	4.34%
2023	0.76%	0.74%	0.95%	1.08%	2.95%
2022	0.42%	1.25%	0.68%	0.73%	2.27%
2021	0.23%	2.27%	0.44%	0.20%	3.21%
2020	1.86%	0.38%	0.35%	0.34%	2.78%
2019	0.00%	0.00%	0.00%	0.49%	0.00%

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.

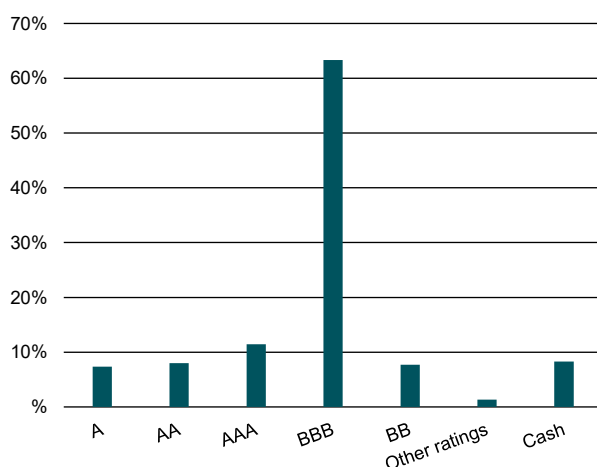
Geographic Allocation



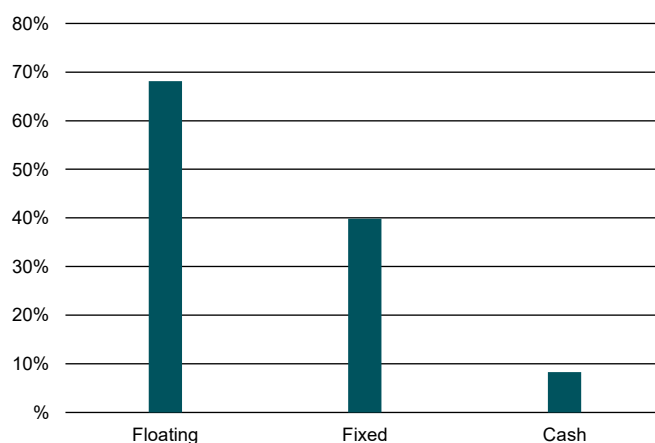
Sector Allocation



Credit Rating*



Interest Type



*of which 7.2% of Investment Grade and 0.9% 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 0.36% net of fees in May, taking 12-month net performance to 5.42%. This exceeded the RBA Cash Rate benchmark return of 0.33% for the month and significantly surpassed the 12-month performance benchmark return of 3.78%. Carry remained the primary driver of returns, consistent with the fund's design as a carry focused strategy. In addition, credit spread positioning was additive as US spreads compressed to multi-decade lows. Australian spreads were more stable but new issue compression continued to benefit the fund. This was partially offset by a duration headwind, as US 2-year Treasury yields rose 14 basis points over the month, although yields elsewhere in the developed world fell significantly. The fund's yield to maturity was unchanged at 5.90%, providing a solid base for expected returns.

Global bond markets experienced considerable volatility in May, driven by the ongoing conflict in Iran and disruptions related to the closure of the Strait of Hormuz. Yields surged to multi decade highs in the middle of the month as oil prices pushed above US\$110 per barrel, reigniting inflation concerns and forcing markets to reassess central bank rate expectations. The selloff reversed in the second half of May as progress in peace talks and weaker economic data eased concerns about further tightening. The US was the notable underperformer in government bond markets, with 2 year yields rising 14 basis points, as resilient economic activity and elevated inflation (core PCE at 3.3% year on year) on the back of the AI investment boom in particular kept the Federal Reserve on hold.

In contrast, yields fell meaningfully across other developed markets. Australian 3 year yields declined 29 basis points despite the RBA delivering its third consecutive rate hike, as weaker employment data and a conservative budget with proposed tax changes negatively impacting the housing sector tempering expectations for further tightening. UK 2 year yields fell 24 basis points and German 2 year yields declined 11 basis points. Credit markets performed well, continuing to unwind the Iran-related widening in March, with US Bloomberg Corporate Agg OAS spreads tightening approximately 6 basis points back to multi-decade lows of 72bps, while the S&P 500 rallied 5.1%. Australian credit spreads were flat by comparison, with the Bloomberg Ausbond 0+ Credit index spread to swap unchanged at 75bps, still some way from the historic lows of 57bps.

Outlook & Positioning

The outlook remains unclear, with the trajectory of the Iran conflict and its implications for energy prices and inflation the key variables for markets. Central bank policy has diverged, with the RBA tightening on local inflation concerns, the RBNZ a whisker away from following suit and the US Federal Reserve and other central banks on hold as they weigh inflation against the growth impact of elevated energy costs. As such there is a broad range of plausible scenarios ahead of us, from inflation-induced tightening cycles, a resolution to the conflict may see oil prices and yields fall and the possibility, of an energy price induced recession if consumers tighten their belts. For now though, the positive growth benefits from the AI thematic are keeping the probability of this latter scenario in check.

Portfolio positioning remains cautious on the back of the risks around the outlook. In the short term, we believe that equity and credit markets are not fully pricing in the full range of risks of a prolonged supply shock from the war in Iran reducing the supply of oil, gas, fertilisers and helium supply globally. However this is tempered by a medium term view that any more material sell-offs are likely a buying opportunity given the continued US support from lower taxes, de-regulation, corporate investment as well as the government remaining incentivised to maintain optimism through to the November midterms.

During the month, the fund selectively added credit exposure, with spread duration increasing 0.2 years to a still modest 2.1 years, including a c10% CDX credit hedge, as at the end of May. The portfolio spread increased 5bps to 168 basis points, reflecting the addition of higher spread names rather than adverse market movements. The credit exposure is skewed towards Australian credit because of additional yield and it tends to behave as lower beta in a sell-off. We continue to focus on investment grade credit with sound fundamentals.

Rates duration was broadly unchanged at 0.68 years, remaining on the shorter side of historical averages given the upside risks to inflation, rate hikes and bond yields, with the majority of exposure concentrated in US rates. The fund maintains small long positions in New Zealand and the UK. Other regional positioning was largely maintained through the month. Portfolio liquidity remains firm, with the level 1 and level 2 liquid sleeve of the portfolio around the upper arm of our target range of 15 to 30%.

At the portfolio level, higher yields provide a strong starting point for absolute return expectations. This contrasts with the market back drop in 2022 when yields were close to zero and provided significantly less buffer, alongside the scope for a ~400-500 rise in official interest rates and bond yields is also 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

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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.