Kapstream
— JANUS HENDERSON —

Monthly Report - Class A Units

Kapstream Absolute Return Income Fund

KANGANEWS AWARDS 2023 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR | KANGANEWS AWARDS 2022 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR | KANGANEWS AWARDS 2021 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR | KANGANEWS AWARDS 2019 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR | KANGANEWS AWARDS 2018 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR | KANGANEWS AWARDS 2017 WINNER - AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR

Fund Objective

The Fund aims to provide a steady stream of income and capital stability over the medium term while aiming to outperform its benchmark through market cycles.

Fund Details

APIR code	HOW0052AU
Inception date	31 May 2007
Fund size	AUD 2,167m
Distribution frequency	Quarterly
Management fee	0.55%
Buy/sell spread	0.00%/-0.07%
Running yield	5.38%

Fund Statistics

Interest rate duration	0.42yrs
Credit spread duration	2.17yrs
Average credit rating	A-
No of issuers	78
Yield to maturity	5.45%

Fund Guidelines

Target return	cash plus 2-3%
Target volatility	<1.5% annualised
Duration limits	-2 to +2 years
Credit quality	>85% investment grade

Fund Platform Availability

AMP North
BT Panorama
CFS Edge
FirstChoice
HUB24
MLC Expand
Macquarie Wrap
Mason Stevens
Netwealth
Powerwrap
Praemium

Portfolio Managers

Daniel Siluk
Portfolio Manager

Dylan Bourke
Portfolio Manager

January 2026

Performance	1 month %	3 months %	CYTD	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund Return (Net)[1]	0.59	1.46	0.59	6.20	6.22	3.64	3.14	4.21
RBA Cash Rate[2]	0.29	0.89	0.29	3.81	4.05	2.74	1.97	2.87
Active Return[3]	0.29	0.58	0.29	2.39	2.17	0.90	1.17	1.34

Past performance is not a reliable indicator of future performance

[1] Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. After-fee returns are inclusive of annualised total expenses for Class A Units. Prior to 1 October 2019, management fees and costs were 0.70%. From 1 October 2019 these were reduced to 0.55%. To the extent that the Manager invests in other third-party managed funds or ETFs, these are not reflected in the management fees and costs quoted. No allowance is made for tax. Numbers may not add due to rounding. Past performance is not a guarantee of future results.

[2] From 1 February 2014 to 30 September 2019, the Fund's benchmark was a composite benchmark comprising 50% Bloomberg AusBond 0–3 Year Index and 50% Bloomberg AusBond Bank Bill Index. Prior to 1 February 2014, the Fund's benchmark was the RBA Cash Rate.

[3] Active return represents the Fund's return in excess of its benchmark (RBA Cash Rate).

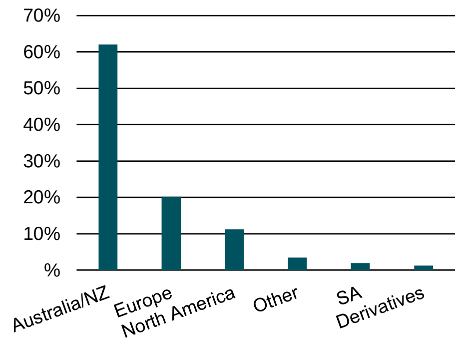
Source: Fidante Partners Limited, 31 January 2026

Quarterly Distribution Returns History (%)[4]

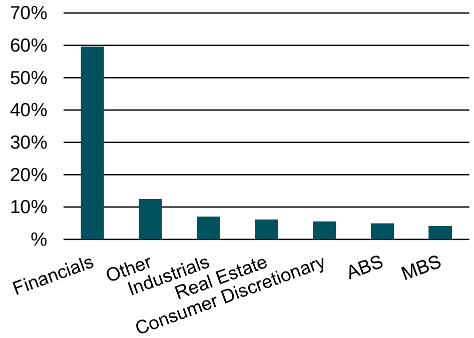
Year	Mar	Jun	Sep	Dec	FYTD[5]
2025	1.50%	2.31%	0.98%	0.99%	6.23%
2024	1.06%	1.08%	1.09%	1.09%	4.41%
2023	0.73%	0.73%	1.01%	1.08%	2.97%
2022	0.43%	1.03%	0.74%	0.73%	2.11%
2021	0.28%	2.56%	0.33%	0.36%	3.75%
2020	0.48%	0.48%	0.43%	0.44%	1.94%
2019	0.78%	0.48%	0.48%	0.49%	2.73%
2018	0.66%	0.85%	0.66%	0.76%	2.98%
2017	0.80%	1.06%	0.76%	0.66%	3.19%
2016	0.62%	0.49%	0.51%	0.76%	2.38%
2015	0.39%	0.99%	0.62%	0.61%	3.04%
2014	0.70%	1.62%	0.87%	0.73%	3.62%
2013	1.76%	0.87%	0.40%	0.77%	5.52%
2012	1.02%	0.66%	1.28%	1.41%	2.50%
2011	2.66%	1.33%	0.00%	0.73%	5.99%
2010	1.80%	2.44%	0.10%	1.69%	5.96%
2009	0.00%	0.04%	0.12%	1.35%	0.49%
2008	-0.01%	0.00%	0.00%	0.02%	-0.50%
2007	0.00%	0.00%	0.00%	-0.06%	0.00%

Source: Fidante Partners. Past distributions are no indication of future distributions. 4. Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 5. 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.

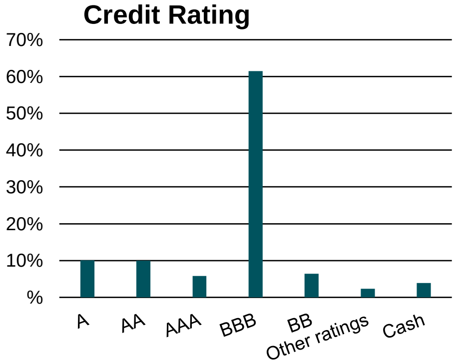
Geographic Allocation



Sector Allocation

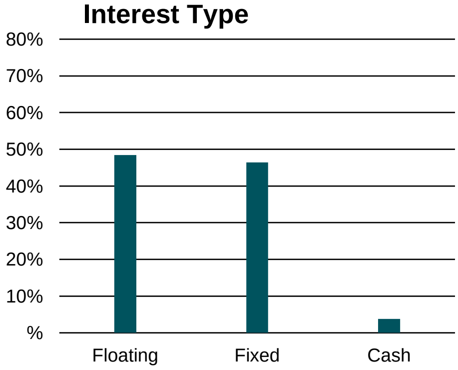


Credit Rating

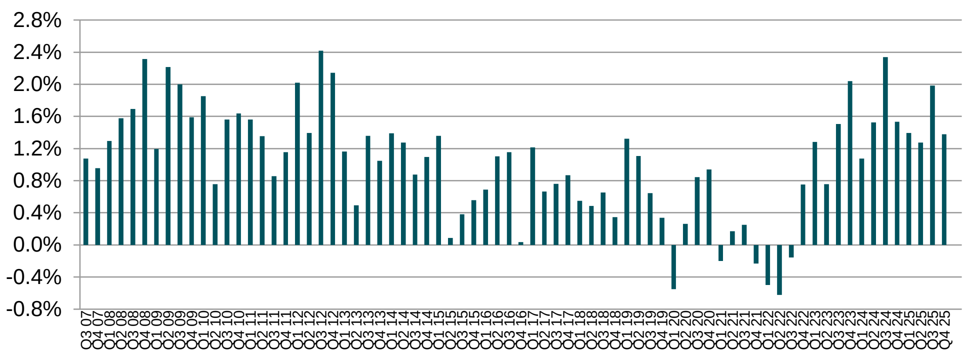


*of which 4.14% of Investment Grade and 1.29% of High Yield were internally rated

Interest Type



Quarterly Performance History[1]



[3] **Source: Kapstream Capital, 31 January 2026**

Performance Commentary

The Fund returned +0.58% in January, taking 12-month performance to 6.20% (after Class A 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 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 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.