Kapstream Absolute Return Income Fund

Kapstream
— JANUS HENDERSON —

Monthly Report - Class A Units

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 2,205m
Distribution frequency	Quarterly
Management fee	0.55%
Buy/sell spread	0.00%/-0.07%
Running yield	5.43%

Fund Statistics

Interest rate duration	0.83yrs
Credit spread duration	2.19yrs
Average credit rating	A-
No of issuers	81
Yield to maturity	5.50%

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

February 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]	0.38	1.44	0.97	6.05	6.13	3.76	3.19	4.21
RBA Cash Rate[2]	0.29	0.90	0.58	3.77	4.06	2.80	1.99	2.87
Active Return[3]	0.09	0.54	0.39	2.28	2.06	0.96	1.21	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, 28 February 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.

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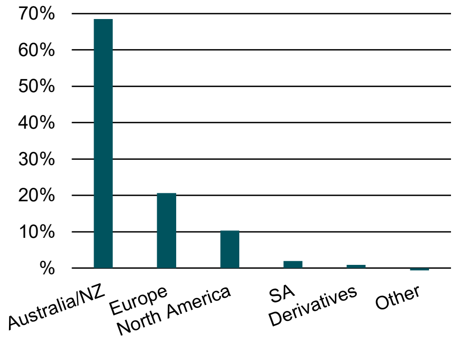
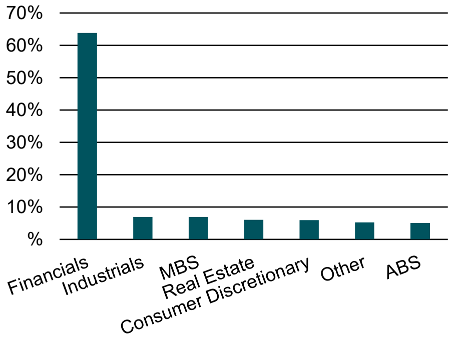
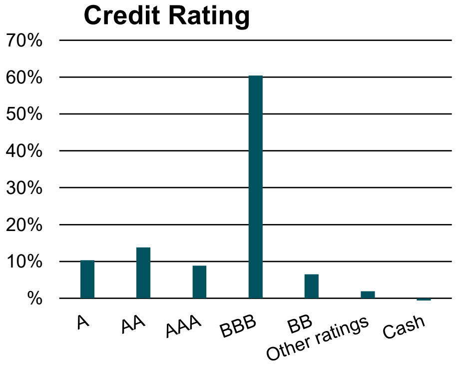
Geographic Allocation



Sector Allocation

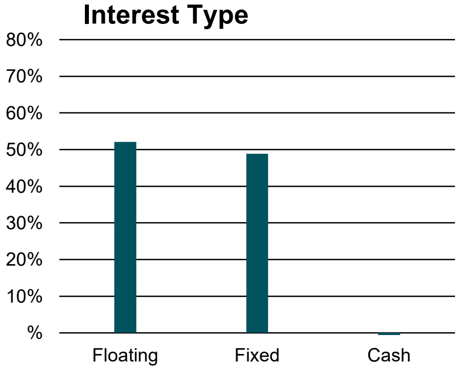


Credit Rating

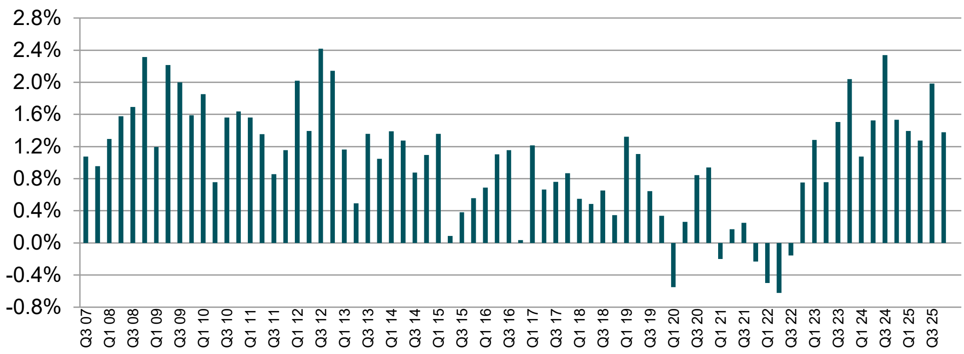


*of which 3.95% of Investment Grade and 0.35% of High Yield were internally rated

Interest Type



Quarterly Performance History[1]



[3] **Source: Kapstream Capital, 28 February 2026**

Performance Commentary

Your portfolio returned +0.38% net of fees in February, taking 12-month net performance to 6.05%. This exceeded cash benchmark returns of +0.29% in the month (and 3.77% over the past year), continuing the run of positive monthly returns outcomes now stretching well beyond three years. Coupon income was a solid contributor to excess returns, with duration providing a similar contribution through February on a broad rally in global government bond yields. Credit spreads subtracted marginally from returns but outperformed what was implied by the global risk-off tone late in the month. The yield to maturity rose by 5bps to 5.50% as at the end of February, providing a solid base for expected returns looking forward.

Market Commentary

February saw a notable re-pricing in both credit and rates markets. Risk markets suffered from rising geopolitical risks, as the US built a more sizeable military presence in the Middle East. This saw equity markets pull back from the recent highs, with the S&P 500 finishing the month 0.9% lower. The move in credit markets was more significant. US physical credit spreads, such as the Bloomberg US Aggregate Corporate Average Option-Adjusted Spread (OAS) series, widened by 11bps, around two to three times that implied by such a small drop in equities. Admittedly this was from historic lows, but numerous concerns around private credit resulted in a greater reassessment of market pricing in the credit asset class.

Global bond yields fell materially across major markets, with the US and the back end of the curve leading the move. US 2-year yields declined 15bps to 3.37% and the US 10 -year yield fell 30bps to 3.94%. Similar rallies were seen in the UK and Europe, with UK 10- year yields down 29bps to 4.23% and German 10-year yields down 20bps to 2.64%. Australia participated, although to a lesser extent given the RBA hiked rates earlier in the month, with the Australian 10-year yield down 16bps to 4.65%. New Zealand also rallied strongly, with the NZ 2-year yield down 26bps to 3.077% and the NZ 10-year yield down 28bps to 4.328%.

Portfolio Strategy

Spread duration positioning was largely unchanged over February, remaining at low levels in absolute terms given where spreads are in relation to their historical ranges. In contrast, rates duration was increased over February as geopolitical risks increased, to protect the portfolio some of the more negative scenarios play out based on historical experience.

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 3.3 - 3.6 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 (~64%), corporates and REITs (Real Estate Investment Trusts) (~22%), 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 ~10% (cash, commercial paper, SSGA) and ‘Level 2’ liquidity at ~17% (<1yr investment grade paper).

Overall rates duration was taken back towards historical averages, rising 0.4pps to 0.8 years. Rising geopolitical risks led us to remove short positions to protect the portfolio should risk off moves materialise and as falling yields saw us take off positions aimed at benefiting from higher yields. Otherwise, we remain convicted on long duration positions in the UK, where duration was increased as we expect a deeper and quick easing cycle than what is priced. Exposure in Australia and New Zealand remained minimal, particularly given that the central bank has moved towards tightening.

Outlook

The key takeaway from February is that geographic dispersion remains a live opportunity set for active fixed income. The month delivered meaningful rates rally in the US, UK, Europe and New Zealand, with Australia moving in the same direction but less aggressively. In this environment, portfolio construction that is deliberate about where duration is held and where it is avoided can continue to add value, particularly when markets oscillate between the re-emergence of inflation, growth optimism and episodic risk aversion.

In credit, valuations remain sensitive to any incremental deterioration in risk sentiment, as illustrated by the widening in credit spreads during the month. While carry (income generated from holding bonds, coupon payments and credit spreads) remains a reliable base of return, February reinforced that spread outcomes can turn from supportive to mildly adverse quite quickly when macro or geopolitical uncertainty rises. We therefore continue to favour a disciplined approach to credit risk, focusing on resilient issuers, careful sizing, and maintaining flexibility to take advantage of any dislocations that may emerge if spread volatility persists.