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 2,215m
Distribution frequency	Quarterly
Management fee	0.55%
Buy/sell spread	0.00%/-0.07%
Running yield	5.71%

Fund Statistics

Interest rate duration	0.77yrs
Credit spread duration	2.17yrs
Average credit rating	A-
No of issuers	81
Yield to maturity	5.95%

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

March 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]	-0.37	0.59	0.59	5.33	5.92	3.70	3.11	4.17
RBA Cash Rate[2]	0.34	0.92	0.92	3.77	4.07	2.87	2.00	2.88
Active Return[3]	-0.71	-0.33	-0.33	1.56	1.85	0.84	1.10	1.29

Past performance is not a reliable indicator of future performance

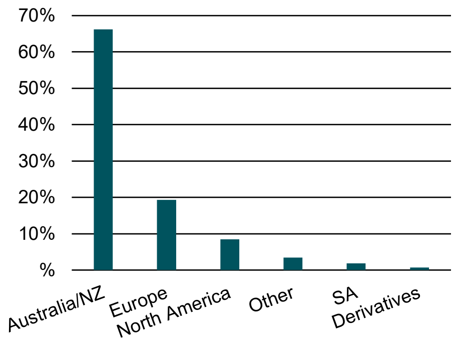
[1] Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. After-fee returns are inclusive of annualised total expenses for Class A Units. Prior to 1 October 2019, management fees and costs were 0.70%. From 1 October 2019 these were reduced to 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 March 2026

Quarterly Distribution Returns History (%)[4]

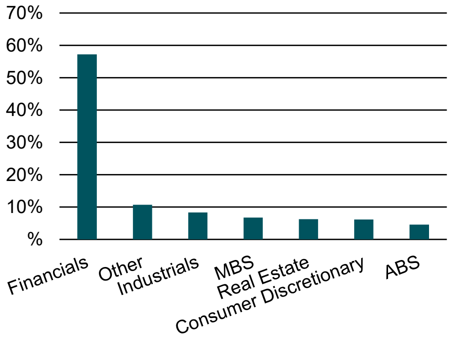
Year	Mar	Jun	Sep	Dec	FYTD[5]
2026	0.97%				
2025	1.50%	2.31%	0.98%	0.99%	6.23%
2024	1.06%	1.08%	1.09%	1.09%	4.41%
2023	0.73%	0.73%	1.01%	1.08%	2.97%
2022	0.43%	1.03%	0.74%	0.73%	2.11%
2021	0.28%	2.56%	0.33%	0.36%	3.75%
2020	0.48%	0.48%	0.43%	0.44%	1.94%
2019	0.78%	0.48%	0.48%	0.49%	2.73%
2018	0.66%	0.85%	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.

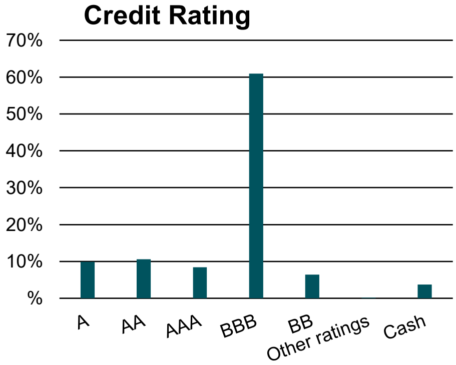
Geographic Allocation



Sector Allocation

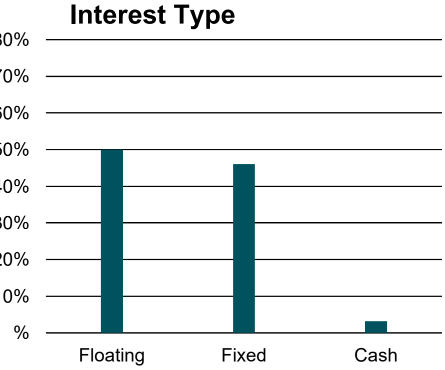


Credit Rating

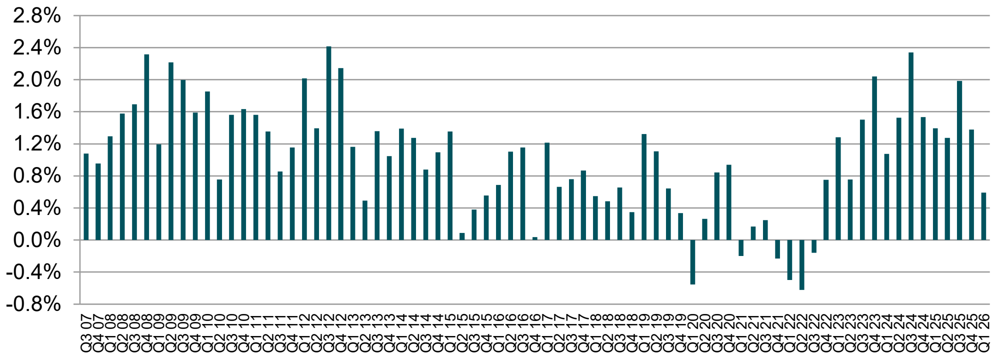


*of which 5.67% of Investment Grade and 0.38% of High Yield were internally rated

Interest Type



Quarterly Performance History[1]



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

Performance Commentary

The fund returned -0.37% 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.