Kapstream
— JANUS HENDERSON —

Kapstream Absolute Return Income Active ETF (CXA:XKAP)
Monthly Report

July 2026

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 Application

Investors seeking to enhance their overall fixed income returns with a higher yielding, predominantly investment grade, absolute return-oriented global fixed income portfolio.

Performance as at 31 July 2026

PERFORMANCE (%) [1, 2]	1M	3M	6M	CYTD	1Y	3Y	5Y	SI[3]
Fund Return	0.38	1.32	1.92	2.52	5.27	6.07	3.99	3.76
RBA Cash Rate	0.36	1.07	2.05	2.34	3.88	4.12	3.14	2.38
Excess return	0.01	0.25	-0.12	0.18	1.39	1.95	0.85	1.38

Past performance is no guarantee of future results. Source: Fidante Partners Limited, 31 July 2026.
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.

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.

PERFORMANCE (%)[4]	1M	3M	6M	CYTD	1Y	3Y	5Y	SI[5]
Underlying Fund	0.39	1.33	1.92	2.52	5.27	6.10	4.01	4.20
RBA Cash Rate[6]	0.36	1.08	2.05	2.35	3.88	4.12	3.15	2.90
Excess return	0.02	0.25	-0.12	0.17	1.39	1.99	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 July 2026.

FUND DETAILS

CXA Ticker	XKAP
Inception date	10 October 2019
Underlying Fund Inception Date	31 March 2007
Fund size	AUD 31.4m
Underlying Fund Size	AUD 2.6m
Management fee	0.55% p.a.
Distribution Frequency	Quarterly
Fund Issuer	Fidante Partners Limited
Unit Registry	MUFG Corporate Markets (AU) Limited

UNDERLYING FUND GUIDELINES

Target return	Cash plus 2-3%
Target volatility	<1.5% annualised
Duration limit	-2 to +2 yrs
Credit quality	>85% investment grade

UNDERLYING FUND STATISTICS

Interest rate duration	0.79 yrs
Credit spread duration	2.39 yrs
Yield to maturity	5.90%
Average credit rating	A-
Number of Issuers	77

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PLATFORMS

AMP North	Macquarie Wrap
Netwealth	Clearstream/Ausmaq
HUB24	

PORTFOLIO MANAGERS

Daniel Siluk

Dylan Bourke

Kapstream
JANUS HENDERSON

Quarterly Distribution Returns History (%)[7]

	MAR	JUN	SEP	DEC	CYTD[8]
2026	0.94%	2.04%			
2025	1.46%	2.20%	0.88%	0.98%	5.27%
2024	1.07%	1.07%	1.01%	0.93%	4.26%
2023	0.76%	0.74%	0.95%	1.08%	3.66%
2022	0.42%	1.25%	0.68%	0.73%	3.03%
2021	0.23%	2.27%	0.44%	0.20%	3.11%
2020	1.86%	0.38%	0.35%	0.34%	3.02%
2019	0.00%	0.00%	0.00%	0.49%	0.49%

Source: Fidante Partners. Source: Fidante Partners.

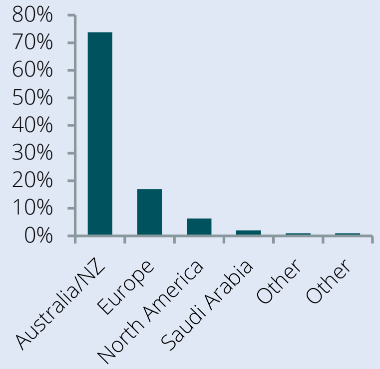
7) Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 8) Annual distribution return (Financial -Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Return (after fees) is calculated using pre-distribution quarter end withdrawal unit price, and assumes distributions are reinvested. Growth Return equals the percentage change in unit price.

Performance and Market Commentary

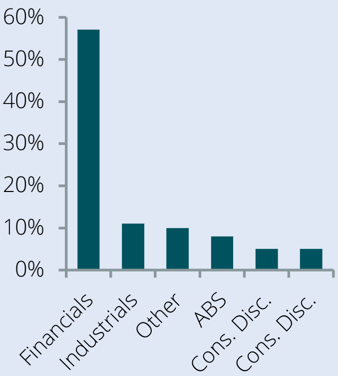
The Fund returned 0.38% in July after Class A Unit fees, taking 12-month net performance to 5.27%. This exceeded the RBA Cash Rate benchmark return of 0.36% for the month and remained well ahead of the 12-month benchmark return of 3.88%. Carry (the coupon income you receive for holding credit fixed income securities in particular) was again the primary driver, consistent with the Fund's design as a carry-focused strategy. Credit spread positioning contributed further, as portfolio spreads compressed and beneficial security selection outweighed broadly steady credit markets. This was partly offset by a duration headwind in July, as bond yield curves lifted strongly and steepened across the developed world on a renewed escalation in tensions in Iran. The Fund's yield to maturity rose 5 basis points to 5.90% accordingly, providing a solid base for expected returns looking forward.

The developments in Iran, flagged in June as a lingering risk, re-escalated through July. Oil prices reversed their earlier decline and pushed higher, and this time bond yields followed, unwinding the more benign inflation narrative that had taken hold. Yields rose strongly across every developed market, with the move concentrated at the longer end. US 2-year yields rose 12 basis points to 4.29% and US 10-year yields rose 27 basis points to 4.73%, as resilient growth, the ongoing AI investment boom and above target inflation kept the Federal Reserve on a hawkish footing under FOMC (Federal Open Market Committee) Chair Warsh. Australian 3-year yields rose 13 basis points to 4.49%, with the market lifting the odds of a further RBA hike as higher oil fed back into the inflation outlook. New Zealand led the front end, with the 2-year swap up 35 basis points as the RBNZ (Reserve Bank of New Zealand) began moving policy towards a more neutral setting. European and UK front end yields rose 25 to 35 basis points on a similar impulse. Risk assets were calmer. The S&P 500 was little changed, easing 0.1%, while credit held firm. US investment grade spreads widened 4 basis points to 78 basis points and the Australian spread to swap series was steady near 76 basis points, close to its historic tights.

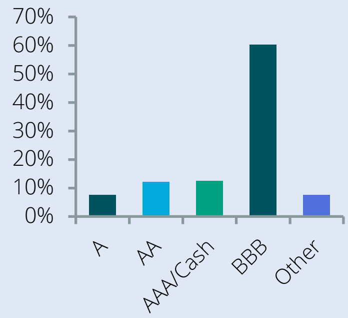
GEOGRAPHIC ALLOCATION



SECTOR ALLOCATION

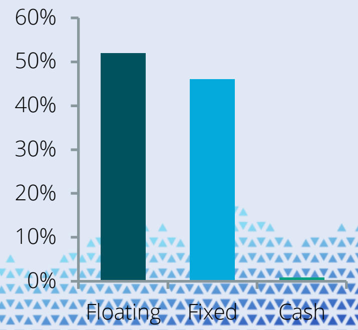


CREDIT RATING*



*of which 9.6% of Investment Grade and 0.8% of High Yield were internally rated

INTEREST TYPE



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Outlook and Positioning

We expect the AI investment boom to remain the dominant structural influence, underpinning a renewed US exceptionalism theme and a firmer US dollar. July was a reminder that this is not one way traffic. The re-escalation in the Middle East, and its pass through to oil and inflation, showed that geopolitical risk can still lift yields when it feeds the inflation channel rather than growth fears alone. The substantial capital expenditure behind AI still requires justification, though rising earnings continue to separate this cycle from the dot com era. In Australia, the tension between sticky inflation and an economy slowing under the weight of prior hikes and a housing sector negatively impacted by tax changes keeps the RBA path finely balanced. This argues for caution and a continued focus on carry.

Underlying portfolio positioning remains cautious given the balance of risks. Credit spreads sit at the expensive end of long run valuations, so we continue to favour quality overreaching for yield. Spread duration was little changed at a still modest 2.4 years, while the underlying portfolio spread compressed 6 basis points to 123 basis points, in line with a modest improvement in risk sentiment and the performance of recent new issues. The credit exposure remains skewed towards Australian credit for the additional yield and its tendency to behave as lower beta in a sell off, with a continued focus on investment grade names with sound fundamentals. Liquidity remains firm, with the level 1 and level 2 liquid sleeve of the underlying portfolio within the target range of 15 to 30%.

Rates' duration was little changed at around 0.8 years, remaining modestly below the structural level of around one year. The market is now pricing further Federal Reserve tightening, despite the Fed remaining on hold in July, but any tightening cycle from an above long-run neutral starting point is likely to be modest. Regionally, the majority of the exposure stays concentrated in US rates as a hedge against global risk sentiment. During the month around 0.1 years of European rates exposure was added at more attractive yields, alongside the smaller long positions retained in Australia and New Zealand.

At the underlying portfolio level, higher yields provide a strong starting point for absolute return expectations, a clear contrast to 2022 when yields were close to zero and offered little buffer. In a world of heightened uncertainty across most asset classes, including fixed income, we remain confident in the underlying Fund's ability to produce resilient and attractive returns in this environment. We continue to favour a short-duration approach to limit sensitivity to market moves in either direction, thereby generating consistent above cash returns through credit carry during these uncertain times.

More Information

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Recommended Lonsec

Zenith RECOMMENDED

Bronze

Important Information