Kapstream
—JANUS HENDERSON—

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

October 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 october 2026

PERFORMANCE (%) [1, 2]	1M	3M	6M	CYTD	1Y	3Y	5Y	SI[3]
Fund Return	0.31	0.80	2.14	3.34	4.24	5.87	4.19	3.75
RBA Cash Rate	0.37	1.09	2.17	3.45	4.07	4.15	3.36	2.46
Excess return	-0.06	-0.28	-0.04	-0.11	0.18	1.72	0.83	1.29

Past performance is no guarantee of future results. Source: Fidante Partners Limited, 31 October 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	0.31	0.80	2.14	3.34	4.24	5.90	4.21	4.19
RBA Cash Rate[6]	0.37	1.09	2.18	3.46	4.07	4.14	3.37	2.92
Excess return	-0.06	-0.29	-0.04	-0.12	0.17	1.75	0.84	1.27

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 October 2026.

FUND DETAILS

CXA Ticker	XKAP
Inception date	10 October 2019
Underlying Fund Inception Date	31 May 2007
Fund size	AUD 33.4m
Underlying Fund Size	AUD 2,728m
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	0.22 yrs
Credit spread duration	2.44 yrs
Yield to maturity	6.34%
Average credit rating	A-
Number of Issuers	80

PLATFORMS

AMP North
Netwealth
HUB24
Macquarie Wrap
Clearstream/Ausmaq

PORTFOLIO MANAGERS



Daniel Siluk



Dylan Bourke

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Quarterly Distribution Returns History (%)[7]

	MAR	JUN	SEP	DEC	CYTD[8]
2026	0.94%	2.04%	0.92%		
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.

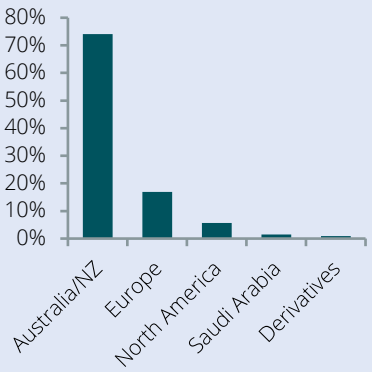
Performance and Market Commentary

The fund returned 0.31% net of fees in October, taking 12-month net performance to 4.24%. This was modestly below the RBA Cash Rate benchmark return of 0.37% for the month, although the fund remained ahead of the 12-month benchmark return of 4.07%. Carry (the coupon income you receive for holding credit fixed income securities in particular) was the key contributor to returns, as intended given the fund's income generation focus. However, this was partially offset by weaker risk sentiment that saw credit spreads widen and detract from performance in October. Rates positioning added modestly as government bond yields retreated from their recent highs on a flight to quality. In yield terms, lower government yields and wider spreads largely offset each other, with the marginally higher yield to maturity of 6.34%, providing a strong starting point for the fund's return potential looking forward.

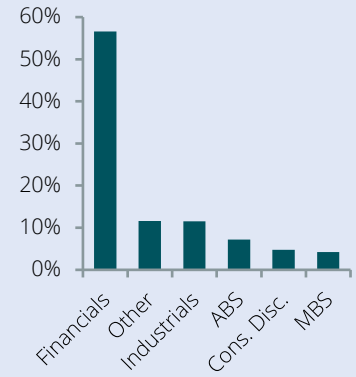
Risk markets softened as the AI investment boom was questioned. The S&P 500 fell a very modest 0.9%, but the technology heavy NASDAQ composite index was down 5.3%. US investment grade spreads widened 10bps to 90bps, their widest level since March, as heavy AI-related issuance supply. In Australia, the Bloomberg AusBond Credit 0+ spread to swap series widened 3bps to 82bps, still towards the lower end of its historical range.

Bond markets rallied on a flight to quality bid, in a welcome return of the negative correlation between bonds and risk that has been absent in recent years. The rally also occurred despite oil prices continuing to surge and US inflation exceeding expectations. Reversing much of September's sharp rise, US 2-year yields fell 30bps to 4.59% and US 10-year yields fell 36bps to 4.93%. The Federal Reserve kept rates at 3.75-4.00%, as expected, but two members voted for a hike and markets continued to expect a further increase in December. Yields elsewhere took their usual lead from the US, falling across Europe, Japan and Canada, with German 10-year yields down 26bps and Japanese 10-year yields down 28bps, even as the Bank of Canada raised rates for the first time since 2023. Australia lagged the rally in the US substantially. September quarter trimmed mean inflation rose to 3.7% over the year, defying RBA forecasts of a decline in the second half of the year, seeing rate hike expectations for November firm and limited the fall in yields seen elsewhere. Australian 3-year yields fell a more modest 12bps to 4.81%.

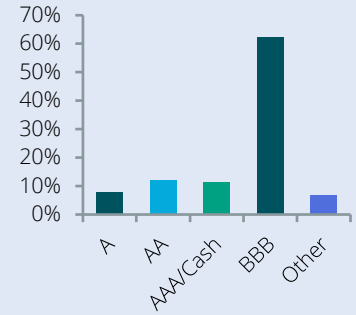
GEOGRAPHIC ALLOCATION



SECTOR ALLOCATION

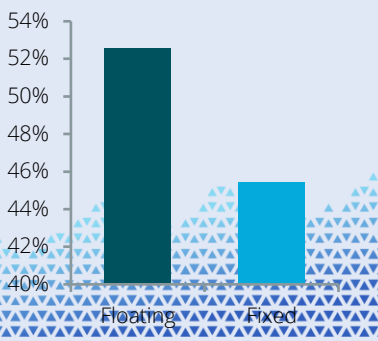


CREDIT RATING*



*of which 5.0% of Investment Grade and 0.5% of High Yield were internally rated.

INTEREST TYPE



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Outlook and Positioning

October's rally was a welcome relief, but it does not change the inflation backdrop. Inflation remains above target in most economies and oil kept climbing as the Strait of Hormuz remained largely closed. Central banks are still hiking rates and terminal rates are unclear. Defensive positioning remains prudent in such an environment, given the negative impacts of duration seen over 2026 to date. A deeper correction in the AI investment theme, which so far has only unwound recent gains, remains the main risk to a short duration stance.

Credit positioning remains cautious, and we continue to favour short-dated bonds over reaching for yield. Spread duration was little changed at a modest 2.4 years, with BBB rated exposure easing slightly over the month. The portfolio spread widened 7bps to 135bps, in line with the softer tone in credit markets. 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 remained within the target range, with the combined Level 1 and Level 2 liquid allocation between 15% and 30%.

Rates duration was reduced by 0.2 years to around 0.2 years, well below the structural level of around one year. US duration was trimmed by around 0.1 years to 0.15 years as the rally took yields lower. In Australia, we moved from a small long to a short position of around 0.1 years, given sticky inflation and the rising risk of further RBA hikes. A small long position in New Zealand was unchanged and some duration was switched to Europe where the economy is not as strong as that seen in the US.

At the portfolio level, higher official rates and bond 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 our short duration 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, generating more consistent above cash returns through credit carry during these uncertain times.

More Information

For more information, please contact Fidante on:

T 1300 721 637 (Within Australia)
T +612 8023 5428 (Outside of Australia)

Kapstream
JANUS HENDERSON

E info@fidante.com.au
W kapstream.com

For investor enquiries, please contact Link Market Services on:

T 1800 441 104
E fidante@linkmarketservices.com.au



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