Kapstream
— JANUS HENDERSON —

Kapstream Absolute Return Income Fund — A Class Units
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 (%)	1M	3M	6M	CYTD	1Y	3Y	5Y	SI
Fund Return (Net)[1]	0.39	1.33	1.92	2.52	5.27	6.10	4.01	4.20
RBA Cash Rate[2]	0.36	1.08	2.05	2.35	3.88	4.12	3.15	2.90
Active Return[3]	0.02	0.25	-0.12	0.17	1.39	1.99	0.86	1.30

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 July 2026

Quarterly Distribution Returns History (%)[4]

	MAR	JUN	SEP	DEC	CYTD
2026	0.97%	2.09%			
2025	1.50%	2.31%	0.98%	0.99%	5.99%
2024	1.06%	1.08%	1.09%	1.09%	4.51%
2023	0.73%	0.73%	1.01%	1.08%	3.69%
2022	0.43%	1.03%	0.74%	0.73%	2.88%
2021	0.28%	2.56%	0.33%	0.36%	3.51%
2020	0.48%	0.48%	0.43%	0.44%	1.86%
2019	0.78%	0.48%	0.48%	0.49%	2.27%
2018	0.66%	0.85%	0.66%	0.76%	2.96%
2017	0.80%	1.06%	0.76%	0.66%	3.35%
2016	0.62%	0.49%	0.51%	0.76%	2.43%
2015	0.39%	0.99%	0.62%	0.61%	2.64%
2014	0.70%	1.62%	0.87%	0.73%	4.04%

FUND DETAILS

APIR Code	HOW0052AU
Inception date	31 May 2007
Fund size	AUD 2,633m
Distribution frequency	Quarterly
Management fee	0.55% p.a.
Buy/sell spread	0%/0.07%
Interest rate duration	0.79yrs
Credit spread duration	2.39yrs
Yield to Maturity	5.90%
Running Yield	5.99%
Average credit rating	A-
Number of issuers	75

FUND GUIDELINES

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

PLATFORMS

AMP eWrap
AMP North
AMP Wealthview
Australian Money Market
Australian Unity
Lifeplan Investment Bond
BT Panorama
Centric Wealth (Findex)
CFS Edge
Clearstream/Ausmaq
DASH/Wealth02
FirstChoice
Hub24
IconiQ (Ventura)
Macquarie Accumulator
Macquarie Wrap
Mason Stevens
MLC Expand
Netwealth
OnePath OneAnswer
Platform Plus (Infocus)
Powerwrap
Praemium

PORTFOLIO MANAGERS

Daniel Siluk

Dylan Bourke

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2013	1.76%	0.87%	0.40%	0.77%	3.89%
2012	1.02%	0.66%	1.28%	1.41%	4.62%
2011	2.66%	1.33%	0.00%	0.73%	4.87%
2010	1.80%	2.44%	0.10%	1.69%	6.24%
2009	0.00%	0.04%	0.12%	1.35%	1.95%
2008	-0.01%	0.00%	0.00%	0.02%	0.09%
2007	0.00%	0.00%	0.00%	-0.06%	-0.48%

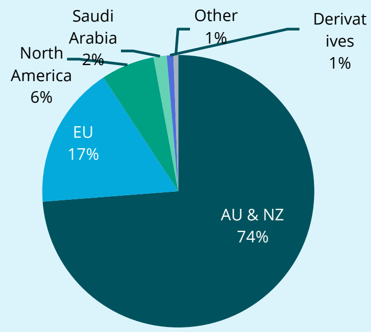
Source: Fidante Partners. Past distributions are no indication of future distributions. 4. Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 5. Annual distribution return (Financial -Year-to-Date) is calculated as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

Performance and Market Commentary

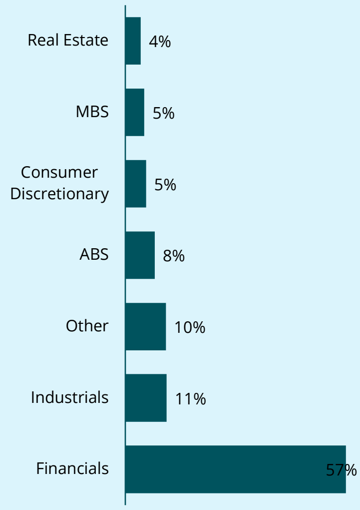
The Fund returned 0.39% in July after Class A Unit fees, taking 12-month net performance to 5.27%. This exceeded the RBA Cash Rate benchmark return of 0.36% for the month and remained well ahead of the 12-month benchmark return of 3.88%. Carry (the coupon income you receive for holding credit fixed income 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.

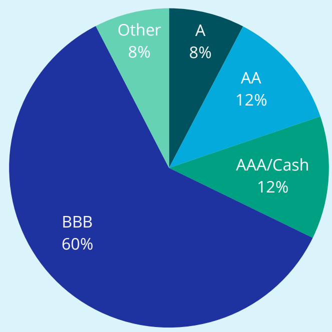
GEOGRAPHIC ALLOCATION



SECTOR ALLOCATION



CREDIT RATING*



*Credit ratings include manager rated see analyser for further detail. Additionally, below IG does not include HY CDX exposure.

For further information on the Fund's portfolio composition and characteristics, please click here.

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.

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 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 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 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 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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This material has been prepared by Kapstream Capital Pty Limited ABN 19 122 076 117 AFSL 308870 (Kapstream), the investment manager of the Kapstream Absolute Return Income Fund ARSN 124 152 790 (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Kapstream and Fidante Partners have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Kapstream and Fidante Partners may receive remuneration or other benefits in respect of financial services provided by the parties. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

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