Kapstream
—JANUS HENDERSON—

Kapstream Absolute Return Income Fund — A Class Units
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 (%)	1M	3M	6M	CYTD	1Y	3Y	5Y	SI
Fund Return (Net)[1]	0.31	0.80	2.14	3.34	4.24	5.90	4.21	4.19
RBA Cash Rate[2]	0.37	1.09	2.18	3.46	4.07	4.14	3.37	2.92
Active Return[3]	-0.06	-0.29	-0.04	-0.12	0.17	1.75	0.84	1.27

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 October 2026

Quarterly Distribution Returns History (%)[4]

	MAR	JUN	SEP	DEC	CYTD[5]
2026	0.97%	2.09%	1.10%		
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 2,728m
Distribution frequency	Quarterly
Management fee	0.55% p.a.
Buy/sell spread	0%/0.07%
Interest rate duration	0.22yrs
Credit spread duration	2.44yrs
Yield to Maturity	6.34%
Running Yield	6.17%
Average credit rating	A-
Number of issuers	80

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 North
BT Panorama
CFS Edge
DASH/Wealth02
FirstChoice
Hub24
Macquarie Wrap
Mason Stevens
MLC Expand
Netwealth
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 (Calendar-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.

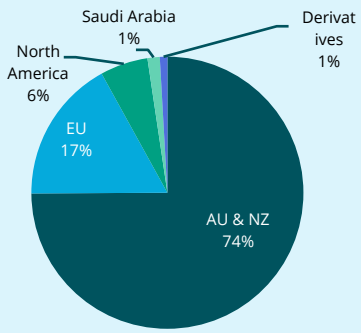
Performance and Market Commentary

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 broadly unchanged yield to maturity of 6.34% a strong starting point for the fund's return potential looking forward.

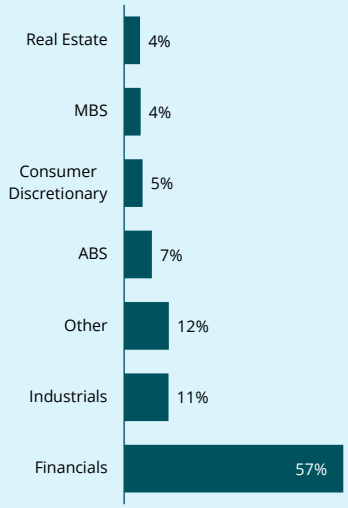
Risk markets softened as the AI investment boom was questioned. The S&P 500 fell a very modest 0.9%, but the technology heavy NASDAQ composite index was down 5.3%. US investment grade spreads widened 10bps to 90bps, their widest level since March, as heavy AI-related issuance supply. In Australia, the 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, which saw 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%.

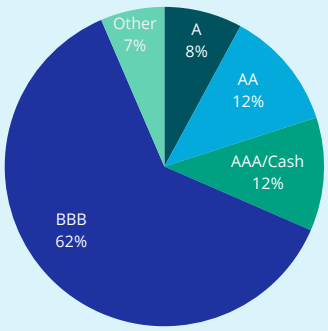
GEOGRAPHIC ALLOCATION



SECTOR ALLOCATION



CREDIT RATING*



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

*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

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.

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More Information

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Important Information

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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