Kapstream
—JANUS HENDERSON—

Kapstream Absolute Return Income Fund — A Class Units
Monthly Report

September 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 30 September 2026

PERFORMANCE (%)	1M	3M	6M	CYTD	1Y	3Y	5Y	SI
Fund Return (Net)[1]	0.08	0.87	2.41	3.02	4.44	5.97	4.11	4.19
RBA Cash Rate[2]	0.35	1.08	2.13	3.08	4.00	4.13	3.29	2.91
Active Return[3]	-0.27	-0.21	0.28	-0.06	0.44	1.83	0.82	1.28

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, 30 September 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 2,707m
Distribution frequency	Quarterly
Management fee	0.55% p.a.
Buy/sell spread	0%/0.07%
Interest rate duration	0.42yrs
Credit spread duration	2.43yrs
Yield to Maturity	6.33%
Running Yield	6.08%
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

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.

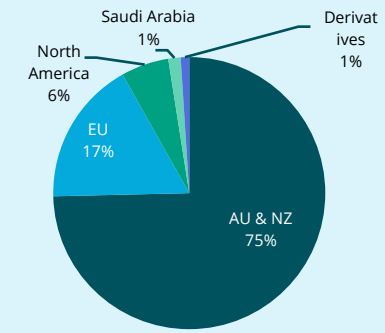
Performance and Market Commentary

The fund returned 0.08% net of fees in September, taking 12-month net performance to 4.44%. This was below the RBA Cash Rate benchmark return of 0.35% for the month, although the fund remains ahead of the 12-month benchmark return of 4.00%. September was illustrative of the fund's resilience. A sharp, broad-based rise in global yields, led by the US, produced one of the more hostile months for bond markets this year, yet the fund still delivered a positive return. Carry (the coupon income you receive for holding credit fixed income securities in particular) was again the largest contributor, consistent with the fund's design as an income-focused strategy, and it was enough to absorb the drag from duration that occurred even as we moved to cut duration through the month. Credit spreads detracted only modestly, with physical credit drifting slightly wider as risk sentiment softened under the weight of higher rates. Although rising yields weighed on performance, the impact was reduced by our lighter duration positioning. The resulting increase in portfolio yield is expected to enhance return potential going forward.

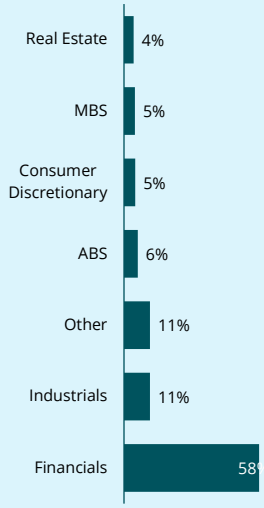
Bond yields rose sharply in September as central banks responded to persistent inflation, with higher oil prices tied to Middle East tensions adding to price pressures. The US Federal Reserve raised rates by 25bps to 3.75-4.00%, its first hike since 2023, and its projections showed most members expect another increase this year. US 2-year yields rose 55bps to 4.89% as investors moved to price in 3-4 hikes in total, while US 10-year yields rose 53bps to 5.28%, having touched their highest level in around 19 years late in the month. In Australia, annual CPI inflation lifted to 4.0% in August, and the RBA raised the cash rate to 4.60%, its fourth hike this year after a brief pause mid-year. Australian 3-year yields rose 27bps to 4.93%, less than the US move but still significant. Yields also climbed notably in Europe, Canada, New Zealand and Japan, with German 2-year yields up 27bps and Canadian 2-year yields up 36bps, as expectations around central bank rate hikes increased globally.

Risk markets held up better than bonds, though the tone softened. The S&P 500 slipped 0.5% as AI-related themes continued to support the US economy and earnings. Physical credit was steadier. US investment grade spreads widened 2bps to 80bps, and the Bloomberg AusBond Credit 0+ spread to swap series widened 1bp to 79bps, both still close to the bottom of the historical ranges. Strong observed earnings growth and continued optimism around the rollout of AI were contributing factors as to why risk markets held up despite the increase in yields.

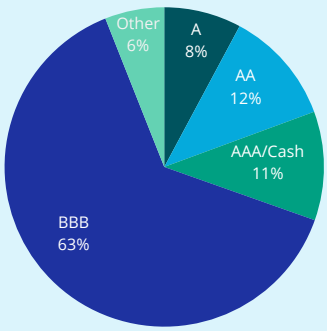
GEOGRAPHIC ALLOCATION



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.

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Outlook and Positioning

The speed of the rise in yields is a reminder of the two sides of fixed income. Higher yields lift the income on offer, but the move to get there hurts returns, particularly for longer duration portfolios. With central banks hiking again, inflation above target and oil prices sensitive to geopolitical news, we see little reason to rush into adding duration. Credit markets have so far absorbed higher funding costs, supported by solid growth and the AI investment build out. However, spreads near historical tights leave limited room for disappointment on growth, inflation or the returns on AI spending.

Credit positioning remains cautious, and we continue to favour short dated bonds over reaching for yield. Spread duration rose 0.1 years to a still modest 2.4 years, with BBB rated exposure increasing over the month. The portfolio spread widened 5bps to 126bps, 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 0.4 years to around 0.4 years, well below the structural level of around one year. Almost all of the reduction came from US rates, where duration fell from 0.6 to 0.3 years, as the sharp rise in yields occurred and the reassessment that we will see a Fed tightening cycle. Smaller long positions in Europe, Australia and New Zealand were broadly unchanged and acted to mitigate the negative duration impact as yields rose less strongly.

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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— JANUS HENDERSON —

More Information

For more information, please contact Fidante on:

T 1300 721 637 (Within Australia)
T +612 8023 5428 (Outside of Australia)
E info@fidante.com.au
W kapstream.com



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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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