Kapstream Absolute Return Income Plus Fund

Kapstream
— JANUS HENDERSON —

KANGANEWS AWARDS 2018 WINNER – AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR
KANGANEWS AWARDS 2019 WINNER – AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR
KANGANEWS AWARDS 2021 WINNER – AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR
KANGANEWS AWARDS 2022 WINNER – AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR
KANGANEWS AWARDS 2023 WINNER – AUSTRALIAN CREDIT FUND MANAGER OF THE YEAR

Monthly Report – A class units

Fund objective

The fund aims to provide a superior 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.

Fund details

Inception date	6 November 2019
Fund size	AUD 1,038m
Distribution frequency	Quarterly
Management fee	0.60% p.a.
Buy/sell spread	0%/0.2%
Interest rate duration	0.64yrs
Spread duration physical	2.19yrs
Yield to Maturity	6.26%
Average credit rating	BBB+
Number of issuers	75

Fund guidelines

Target return	cash plus 3-4%
Target volatility	<3% annualised
Duration limit	-2 to +2 yrs
Credit quality	>75% investment grade

Platforms

- AMP North
- BT Panorama
- HUB24
- Macquarie Wrap
- Mason Stevens

Dylan Bourke
Portfolio Manager

Daniel Siluk
Portfolio Manager

May 2026

Performance (%)	1 month	3 months	calendar year to date	1 year	3 years annualised	5 years annualised	since inception annualised
Fund Return[1] *(after fees and sell spread)*	0.36	0.76	1.71	6.14	7.03	5.08	4.07
RBA Cash Rate	0.34	1.01	1.60	3.77	4.10	3.00	2.35
Active return[2] *(after fees and sell spread)*	0.02	-0.25	0.12	2.36	2.93	2.08	1.72
Ausbond Bank Bill Index	0.34	1.00	1.60	3.78	4.18	3.03	2.38

Past performance is no guarantee of future results. Net of fee returns inclusive of 0.60% annualised total expenses. No allowance is made for tax. Numbers may not add due to rounding. 1) Active return of the Fund compared to Benchmark (RBA Cash Rate).
Source: Fidante Partners Limited, 31 May 2026.
To the extent that the Manager invests in other third party managed funds or ETFs, the management fees and expenses associated with these will be reflected in the performance received from those investments but are not captured in the management fees quoted.

Quarterly Distribution Returns History (%)

Year	Mar	Jun	Sep	Dec	FYTD[4]
2026	1.10%				
2025	2.95%	1.71%	1.24%	1.20%	7.50%
2024	1.33%	1.32%	1.33%	1.33%	5.29%
2023	0.92%	0.91%	1.21%	1.33%	3.70%
2022	0.50%	0.58%	0.90%	0.91%	2.09%
2021	0.49%	0.40%	0.50%	0.51%	2.02%
2020	0.66%	0.40%	0.51%	0.60%	1.78%
2019	0.00%	0.00%	0.00%	0.71%	0.00%

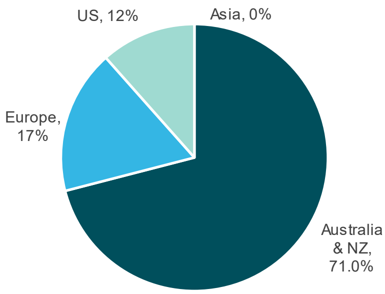
Source: Fidante Partners. Past distributions are no indication of future distributions. 3) Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 4) Annual distribution return (Financial -Year-to-Date) is calculated as 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 markets commentary

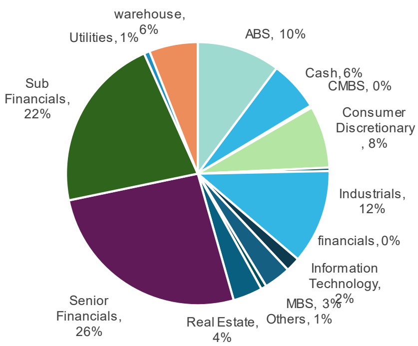
The fund returned 0.36% net of fees in May, taking 12-month net performance to 6.14%. This exceeded the RBA Cash Rate benchmark return of 0.34% for the month and significantly surpassed the 12-month performance benchmark return of 3.77%. Carry remained the primary driver of returns, consistent with the fund's design as a carry focused strategy. In addition, credit spread positioning was additive as US spreads compressed to multi-decade lows. Australian spreads were more stable but new issue compression continued to benefit the fund. This was partially offset by a duration headwind, as US 2-year Treasury yields rose 14 basis points over the month, although yields elsewhere in the developed world fell significantly. The fund's yield to maturity softened a touch to 6.26%, providing a solid base for expected returns.

Global bond markets experienced considerable volatility in May, driven by the ongoing closure of the Strait of Hormuz. Yields surged to multi decade highs mid-month as oil prices pushed above US$110 per barrel, reigniting inflation and central bank rate hike expectations. The selloff reversed in the second half of May as progress in peace talks and weaker economic data eased concerns about further tightening. The US was the notable underperformer in government bond markets, with 2 year yields rising 14 basis points, as resilient economic activity and elevated inflation (core PCE at 3.3% year on year) on the back of the AI investment boom kept the Federal Reserve on hold. In contrast, yields fell meaningfully across other developed markets. Australian 3 year yields declined 29 basis points despite the RBA delivering its third consecutive rate hike, as weaker employment data and a conservative budget with proposed tax changes negatively impacting the housing sector tempering expectations for further tightening. UK 2 year yields fell 24 basis points and German 2 year yields declined 11 basis points. Credit markets performed well, continuing to unwind the Iran-related widening in March, with US Bloomberg Corporate Agg OAS spreads tightening approximately 6 basis points back to multi-decade lows of 72bps, while the S&P 500 rallied 5.1%. Australian credit spreads were flat by comparison, with the Bloomberg Ausbond 0+ Credit index spread to swap unchanged at 75bps, some way from the historic lows of 57bps.

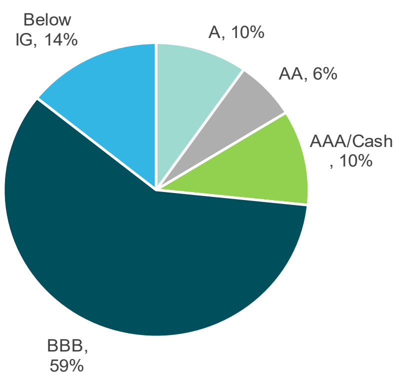
Geographic Allocation



Sector Allocation



Credit Rating*



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

Outlook and positioning

The outlook remains unclear, with the trajectory of the Iran conflict and its implications for energy prices and inflation the key variables for markets. Central bank policy has diverged, with the RBA tightening on local inflation concerns, the RBNZ a whisker away from following suit and the US Federal Reserve and other central banks on hold as they weigh inflation against the growth impact of elevated energy costs. As such there is a broad range of plausible scenarios ahead of us, from inflation-induced tightening cycles, a resolution to the conflict may see oil prices and yields fall and the possibility, of an energy price induced recession if consumers tighten their belts. For now though, the positive growth benefits from the AI thematic are keeping the probability of this latter scenario in check.

Portfolio positioning remains cautious on the back of the risks around the outlook. In the short term, we believe that equity and credit markets are not fully pricing in the full range of risks of a prolonged supply shock from the war in Iran reducing the supply of oil, gas, fertilisers and helium supply globally. However this is tempered by a medium term view that any more material sell-offs are likely a buying opportunity given the continued US support from lower taxes, de-regulation, corporate investment as well as the government remaining incentivised to maintain optimism through to the November mid-terms.

The fund saw spread duration remaining at the lower end of the historical range at around 2.2 years and also hold a ~10% CDX credit hedge. The portfolio spread increased by 5bps to 176 basis points as at the end of May, reflecting the addition of higher spread names rather than adverse market movements. The credit exposure is skewed towards Australian credit because of additional yield and it tends to behave as lower beta in a sell-off. We continue to focus on investment grade credit with sound fundamentals.

Portfolio 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 broadly unchanged at 0.64 years, remaining on the shorter side of historical averages given the upside risks to inflation, rate hikes and bond yields, with the majority of exposure concentrated in US rates. The fund maintains small long positions in New Zealand and the UK. Other regional positioning was largely maintained through the month.

At the portfolio level, higher yields provide a strong starting point for absolute return expectations. This contrasts with the market back drop in 2022 when yields were close to zero and provided significantly less buffer, alongside the scope for a ~400-500 rise in official interest rates and bond yields is also more limited, given many central banks did not reach or move below neutral. We continue to favour a short duration approach to limit sensitivity to market volatility in either direction, thereby generating consistent above cash returns through credit carry during these uncertain times.

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