Kapstream Absolute Return Income Plus Fund

Kapstream
—JANUS HENDERSON—

Monthly Report – I class units

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

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	16 August 2018
Fund size	AUD 530m
Distribution frequency	Quarterly
Management fee	0.45% p.a.
Buy/sell spread	0%/0.2%
Interest rate duration	0.79yrs
Spread duration physical	2.29yrs
Yield to Maturity	5.69%
Average credit rating	BBB+
Number of issuers	63

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 (Class A)
- Asgard Infinity
- BT Panorama
- Insignia - Asset Administrator (Badge BT)
- Netwealth

Dylan Bourke
Portfolio Manager

Daniel Siluk
Portfolio Manager

June 2025

Performance (%)	1 month	3 months	calendar year to date	1 year	3 years annualised	5 years annualised	since inception annualised
Fund Return *(before fees and sell spread)*	**0.57**	**1.66**	**3.44**	**8.51**	**6.93**	**5.23**	**4.59**
Fund Return *(after fees, before sell spread)*[1]	0.53	1.54	3.20	8.01	6.44	4.74	4.09
Fund Return *(after fees and sell spread)*[2]	0.53	1.54	3.20	8.01	6.44	4.96	4.09
RBA Cash Rate	0.32	0.98	2.02	4.26	3.80	2.33	1.98
Active return[3] ***(before fees and sell spread)***	**0.25**	**0.68**	**1.42**	**4.26**	**3.13**	**2.90**	**2.61**
Active return[3] *(after fees and sell spread)*[2]	0.21	0.57	1.18	3.76	2.64	2.63	2.11
Ausbond Bank Bill Index	0.32	1.02	2.10	4.39	3.88	2.34	2.07

Past performance is no guarantee of future results. Net of fee returns inclusive of 0.4632% annualised total expenses. No allowance is made for tax. Numbers may not add due to rounding. 1) For a continuing investor the actual return experienced based on the NAV performance of the Fund, after accounting for management fees. 2) The return experienced by a redeeming investor, based on the exit price performance of the Fund which accounts for the start and end of period sell spread level, and management fees. 3) Active return of the Fund compared to Benchmark (RBA Cash Rate). Source: Fidante Partners Limited, 30 May 2025.

Performance commentary

The Fund returned 0.57% before fees in June and a strong 8.51% on a rolling one-year basis, outperforming the cash benchmark as market conditions remained supportive, with investors increasingly confident in a pivot toward easier monetary policy later this year. While credit spread compressed slightly, coupon income was the main contributor to performance. Rates duration detracted marginally. With yield to maturity at 5.69%, the fund remains well positioned to deliver returns over the next 12 months.

Portfolio strategy

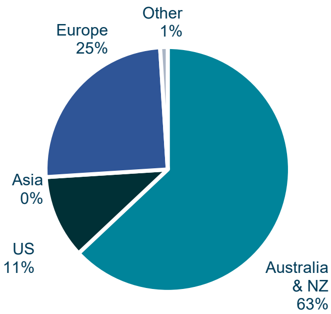
Physical spread duration was fairly stable at 2.29yrs as we trimmed higher beta risk ahead of some potential volatility triggering events such as the end of the 90-day tariff truce, while participating in attractive primary transactions. We plan to maintain our spread duration at around 2 - 2.5 years in the upcoming months. While we continue to expect volatility in the coming months given various risks, we expect any short-term wobbles to correct quickly because of the likely lower tax rates, and boom in corporate investment in the US which will provide a solid underpinning for US earnings and global sentiment, especially given the Trump Administration will likely need a strong economic tailwind leading into the 2026 mid-term elections. The exposure has been skewed towards AUD credit but opportunities are now more balanced between USD and AUD credit. Considering the sustained interest from yield-seeking investors and Asian investors, we anticipate that AUD spreads will likely move back towards the lower end of their historical ranges, unless disrupted by an unforeseen macro event.

The average credit rating of holdings was BBB+. High yield exposure was slightly lower at 16% as some investment matured. Those are typically BB-rated short maturity assets. The portfolio is split across financials (~59%), corporates (~18%), and ABS/MBS and warehouses (~16%), with the residual in cash and SSGAs. We have a ~63%/37% split between Australia/New Zealand and international issuers.

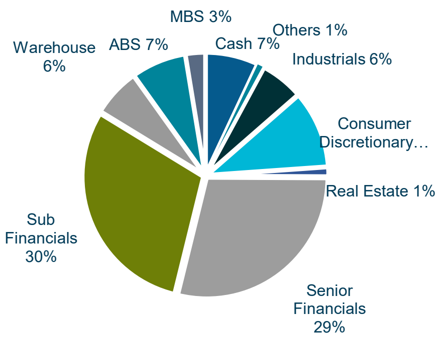
Portfolio liquidity remained strong, with ‘Level 1’ liquidity at ~13.2% (cash, commercial paper, SSGA) and ‘Level 2’ liquidity at 7.8% (<1yr investment grade), giving us the flexibility to buy attractive credits or take advantage of a better entry point should there be a sell-off.

Rates positioning was broadly unchanged through June, with total duration at 0.79yrs split between the U.S. (0.31yrs), Europe (0.26yrs), Australia (0.02yrs), Canada (0.11yrs) and New Zealand (0.08yrs). The portfolio remains positioned near its structural average duration, reflecting our view that current levels offer a reasonable balance between carry and convexity. We continue to see value in maintaining a modest core of duration exposure as insurance against downside risk. With rate cuts now largely priced in, further rallies may be more limited, but the asymmetry remains attractive should growth or risk sentiment deteriorate suddenly.

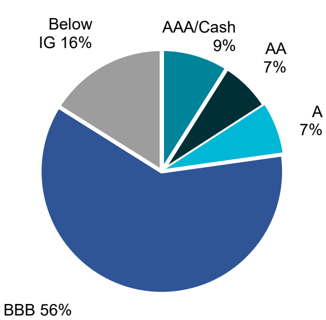
Geographic Allocation



Sector Allocation



Credit Rating



Outlook

Markets extended their recovery in June as the fallout from the “Liberation Day” tariffs continued to fade. With many of the proposed measures now watered down by legal challenges, exemptions, and bilateral backchannels, market attention shifted toward monetary policy and underlying economic resilience. Global risk assets responded positively, with the S&P 500 reaching new all-time highs by month-end, regaining ground lost during the April tariff volatility. Credit markets remained firm. The Bloomberg U.S. Corporate Average OAS compressed by 6bps to finish the month at 82bps, down from 88bps in May but still above the 74bps seen in late 2024. In contrast, the Bloomberg AusBond Credit Index spread to swap widened by 3bps to 91bps in June, as heavy supply in the first half of the month put pressure on spreads.

Bond markets moved lower across the curve. In the U.S, yields fell at both the front and long end, resulting in a modest curve flattening. The 2-year Treasury yield declined 18bps to 3.73%, as markets continued to price in rate cuts from the Federal Reserve beginning as early as September. The 30-year yield fell 20bps to 4.78%, driven by a combination of safe-haven demand, slower growth expectations, and continued strong demand at Treasury auctions. Outside the U.S., movements varied. Canada’s 2-year yield finished unchanged at 2.59%, as investors awaited further guidance from the Bank of Canada. Germany’s 2-year Bund yield rose 9bps to 1.86%, driven more by resilient growth data and cautious ECB messaging than by inflation, which continued to ease toward target levels. In Australia, the RBA held the cash rate at 3.85%, and the 3-year government bond yield fell 7bps to 3.26%, reflecting weaker domestic data and soft forward guidance. The U.S. dollar weakened further in June, marking one of its softest first-half performances in decades. A fading U.S. rate premium and reduced “exceptionalism” narrative contributed to improved sentiment across commodities and emerging markets.

As we enter the second half of 2025, the investment environment remains shaped by a shifting macroeconomic regime, one in which traditional signals such as inflation, growth, and policy guidance are proving less predictable. In fixed income, near-term rate cuts are increasingly priced in across major developed markets. However, with policy rates still elevated and long-end yields under pressure from fiscal dynamics, the front end of the yield curve continues to offer attractive risk-adjusted returns. The outlook for risk assets is nuanced, now they have rallied back significantly. Over the next few months there are risks to sentiment from tariff negotiations, with our key focus on the European negotiations. The risk of spiraling into retaliatory action is still not off the table and offers the opportunity for shorter term wobbles that we expect to be resolved. Over the medium term, the Trump Administration will likely need a strong economic tailwind leading into the 2026 mid term elections, with positive economic actions likely starting in the second half of 2025. As such lower taxes, and a likely boom in corporate investment in the US may provide a solid underpinning for US earnings and global sentiment.

Looking ahead, portfolios that are positioned to take advantage of carry at the front end of the curve, while maintaining flexibility to respond to changes in rate expectations or risk sentiment, are likely to be best placed. In a regime defined by shifting drivers, agility and selectivity remain central to managing risk and capturing opportunity. As such, we continue to run a 'sleep-at-night' portfolio, quickly selling investments with any concerns to minimise potential price impacts, and we expect the attractive yield to generate a meaningful return for investors. Additionally, the elevated levels of available portfolio liquidity and volatility budget provide us with ample ability to take advantage of expected volatility and pounce on any opportunities.