

# Kapstream Capital

## Manager profile



### Company overview

Kapstream Capital is a global fixed income boutique. Founded in 2006, Kapstream managed approximately A\$3.5 billion in assets as at 31 December 2010. The firm is majority owned by its staff with Challenger Financial Services holding a minority stake. Challenger provides administration and distribution support.

Kapstream offers an alternative approach to fixed income, with the goal of generating absolute returns. Through active diversification across sectors and geographies, it aims to consistently deliver capital protection and a reliable income stream.

### Investment philosophy and style

Kapstream seeks to generate positive returns in both rising and falling markets. It manages total portfolio risk, rather than index-relative risk, so the portfolio should generate a positive return even when indices are falling.

The capacity to dynamically move in and out of specific sectors and countries within the fixed income universe permits Kapstream to capitalise on opportunities in the prevailing market environment that are often overlooked or under-represented in market indices.

### Investment process

Kapstream's allocation begins with an analysis of key global economic trends. Its views are developed during quarterly economic roundtable sessions with leading members of the fixed income community. It then considers country specific factors and market expectations before moving on to identify specific opportunities. It seeks to take advantage of structural inefficiencies in the market, including mispricings and spreads between countries and sectors, and exploits them using a wide range of innovative strategies.

The portfolio contains both a beta and alpha component. The beta component comprises a well diversified mix of investments from global fixed interest markets, which is constantly evaluated and adjusted according to the changing environment. The alpha component comprises a set of high conviction trades, often expressed through futures, options, swaps and credit default swaps.

The portfolio is constructed with the objective of outperforming both cash and bond benchmarks over time. It can invest in a wide range of instruments including bonds, notes, mortgages, corporate debt, emerging market debt, convertible securities, derivatives and foreign exchange contracts.

## Reason we selected Kapstream

Kapstream offers a great opportunity to access the investment expertise of an experienced investor with a strong track record, Kumar Palghat. The absolute return nature of Advance's agreement with Kapstream means we can be confident we'll receive a stable return even when bond markets are falling because there's a balance between fixed interest duration and credit risks. Mr Palghat is supported by a strong investment and business staff. Kapstream also has solid infrastructure support enabling the investment team to concentrate on managing their portfolios.



### What to do next

- See your adviser
- Visit [www.bt.com.au](http://www.bt.com.au)
- Call 132 135

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