

Kapstream Wholesale Plus Absolute Return Income Fund

Manager Profile

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Underlying Fund Manager Overview

Kapstream Wholesale Plus Absolute Return Income Fund ('Fund') invests in the Kapstream Absolute Return Income Fund Class A units ('Underlying Fund'). Kapstream Capital Pty Limited ('Kapstream') is the investment manager of the Underlying Fund.

Founded in 2006, Kapstream Capital ("Kapstream") manages over \$17b¹ in fixed income assets from offices in Sydney and Newport Beach, USA. Since July 2015, Kapstream has operated as an autonomous "boutique" subsidiary, initially of Janus Capital Group and, since the May 2017 merger with Henderson Global Investors, now Janus Henderson Investors.

Kapstream outsources all non-investment activities to external service providers, allowing the business to focus on investing and managing fixed income portfolios. All back office, administrative and retail distribution services continue to be provided by long-term business partner, Fidante Partners Limited.

Investment Philosophy and Style

Kapstream founders, Kumar Palghat and Nick Maroutsos, started with a simple belief. In removing the constraints which they believed were inherent in conventional benchmark-relative fixed income portfolio strategies, and by setting absolute return targets and absolute risk limits, portfolios could be constructed using predominantly investment grade assets that may more closely meet the true requirements of a number of investors in aiming to preserve capital and deliver consistent and positive absolute returns.

The Fund aims to deliver capital stability through an actively managed, unleveraged portfolio of fixed income investments, diversified across countries and fixed income sectors. Kapstream manages its global fixed income portfolio by carefully selecting the bonds of what it considers to be quality, well-structured companies that have proven track records in conducting business through varying economic cycles. These types of companies are commonly referred to as "Investment Grade".

Investment Objective

Managed to its flagship investment philosophy and style the Fund aims to deliver an absolute return greater than the cash benchmarks with a view to generating stable and consistent income while seeking to preserve capital and minimise downside loss.

Investment Process

There are four key attributes to Kapstream's investment process:

- Research and analysis – Kapstream's allocation begins with an analysis of what it considers are key global economic trends. It develops a view during the quarterly economic roundtable sessions with leading members of the fixed income community. Next, they consider country specific factors and market expectations, before moving on to identify specific opportunities.
- Capital preservation – at the heart is an aim to protect the value of clients' investments, with a view to making active use of a wide range of techniques to do so when risk of loss threatens.
- Dynamic "core" plus derivative "alpha" exposures – portfolios comprise of a dominant "core" of actively managed global fixed income securities, complemented by a carefully selected group of derivative trade ideas. Kapstream dynamically allocates investments, aiming to minimise unnecessary constraints, across global fixed interest markets. It regularly evaluates and aims to adjust portfolio allocations in response to the changing environment and opportunity set. Kapstream then overlays derivative alpha strategies with the intention of enhancing returns, often using futures, options, swaps and credit default swaps.
- Risk management – regular monitoring and active mitigation of what Kapstream considers to be the primary risks present in client portfolios (e.g. the sensitivity to a change in headline interest rates, the threat of default and market liquidity), is integral to Kapstream's aim to maintain a prudent balance between overall portfolio risk and return.

Important Information

All investments carry risk. Factors that influence the direction and volatility of your investment are varied and include risks such as market risk. Please refer to the 'Risks of managed investment schemes' of the Product Disclosure Statement ('PDS') for the Fund for further details. Small differences in investment performance and fees and costs can have a substantial impact on your long term returns. Please refer to the 'Fees and costs' section of the PDS for the Fund for more information.



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BTFM is the responsible entity for the Kapstream Wholesale Plus Absolute Return Income Fund ARSN 602 129 822 ('Fund'). A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling 1800 287 873 or by visiting www.bt.com.au/wholesaleplus. The Financial Services Guide ('FSG') for BTFM can also be obtained via the Product Disclosure Statement page on bt.com.au. You should obtain and consider the PDS for the Fund and the FSG before deciding whether to acquire, continue to hold or dispose of units in the Fund.

The Fund invests units into the class A units in the Kapstream Absolute Return Income Fund ARSN 124 152 790 APIR HOW0052AU (Underlying Fund), a registered managed investment scheme under the Corporations Act. The responsible entity of the Underlying Fund is Fidante Partners Limited ABN 94 002 835 592 ASFL 234668 and the investment manager is Kapstream Capital Pty Limited ABN 19 122 076 117 AFSL 308870 (Manager). Fidante Partners Limited and Kapstream Capital Pty Limited have consented to the statements pertaining to them in this document, in the form and context in which they appear and has not withdrawn its consent as at the date this document was published. The information in this document may contain material provided by third parties derived from sources believed to be accurate as at the date this document was published. While such material is published with necessary permission, no company in the Westpac Group accepts any responsibility for the accuracy or completeness of, or endorses any such material. Except where contrary to law, we intend by this notice to exclude liability for this material. Past performance is not an indicator of future performance.

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The information in this document and the details of the Manager may change from time to time.

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