

Kapstream Capital Managed Trusts Annual Financial Report for the Year Ended 30 June 2024

This annual financial report covers the following Kapstream Capital Pty Ltd managed Trusts as individual entities:

Kapstream Absolute Return Income Plus Fund

ARSN 627 095 676

Kapstream Absolute Return Income Fund

ARSN 124 152 790

The Responsible Entity of the above mentioned Trusts is Fidante Partners Limited (ABN 94 002 835 592) (AFSL 234 668).

The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

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Directors' report

The Directors of Fidante Partners Limited, the Responsible Entity of the below listed Trusts (the Trusts), present their report together with the annual general purpose financial reports for the Trusts for the year ended 30 June 2024.

- Kapstream Absolute Return Income Plus Fund
- Kapstream Absolute Return Income Fund

The Trusts are Australian Registered Managed Investment Schemes. Fidante Partners Limited, the Responsible Entity of the Trusts, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

Directors

The following persons held office as Directors of Fidante Partners Limited during the year and up to the date of this report, unless otherwise stated:

A Bofinger Director
 A Judin Director (Appointed 13 July 2023)
 J O'Keeffe Director
 V Rodriguez Director
 T Roxburgh Director (Appointed 13 July 2023)

Principal activities and significant changes in the state of affairs

The Asset Manager of the Trusts is Kapstream Capital Pty Ltd (the Asset Manager).

The principal activity of the Trusts during the year was to invest in accordance with the provisions of the Trusts' governing documents. The individual investment strategies of the above mentioned Trusts are:

Trust name	Investment strategy
Kapstream Absolute Return Income Plus Fund	The Trust invests in a global, diversified portfolio of predominantly investment grade fixed income securities, according to the Asset Manager's global macroeconomic and market views.
Kapstream Absolute Return Income Fund	The Trust invests in a global diversified portfolio, predominantly comprising of investment grade fixed income securities.

Directors' report (continued)

There were no significant changes in the nature of the Trusts' activities or to the state of affairs of the Trusts during the year.

Operating and financial review

The results of the operations of the Trusts for the year include the distributions paid and payable on a cents per unit (CPU) basis. The CPU represents the distribution paid by the Trusts to unitholders for each individual unit held in the Trusts.

The table below shows historical discrete annual return performance of the Trusts for the past two years. Performance is calculated after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that year. The total return is the aggregate of capital growth and distribution of income.

The Indirect Cost Ratio (ICRs) represent the annualised percentage of indirect costs incurred by the Trusts over the Trusts' average net assets attributable to unitholders for the year.

The results of the Trusts were as follows:

	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
For the year ended 30 June				
Net profit/(loss) before finance costs for the year attributable to unitholders	28,089	12,498	130,633	65,086
Distributions paid and payable	20,748	12,360	88,542	74,972

	Kapstream Absolute Return Income Plus Fund Class A		Kapstream Absolute Return Income Plus Fund Class I		Kapstream Absolute Return Income Fund Class A		Kapstream Absolute Return Income Fund Class I	
	2024	2023	2024	2023	2024	2023	2024	2023
For the year ended 30 June								
Capital growth (%)	3.16	0.55	2.17	0.10	1.88	(0.32)	1.79	(0.37)
Distribution of income (%)	4.29	3.05	5.37	3.71	4.41	2.97	4.62	3.17
Total return (%)	7.45	3.60	7.54	3.81	6.29	2.65	6.41	2.80
ICR (%)	0.60	0.60	0.46	0.46	0.55	0.55	0.41	0.41
Distributions paid and payable (CPU)	4.12	2.94	5.22	3.60	4.90	3.35	4.46	3.07

Directors' report (continued)

For the year ended 30 June	Kapstream Absolute Return Income Fund Class P		Kapstream Absolute Return Income Fund Class X		Kapstream Absolute Return Income Fund ETF Class	
	2024	2023	2024	2023	2024	2023
Capital growth (%)	—	39.69	1.76	(0.44)	1.91	(0.30)
Distribution of income (%)	—	2.54	4.64	3.19	4.92	3.53
Total return (%)	—	42.23	6.40	2.75	6.83	3.23
ICR (%)	0.45	0.45	0.45	0.45	—	—
Distributions paid and payable (CPU)	6.39	2.13	4.23	2.95	4.59	3.31

The indirect costs can include management fees and other costs as indicated in the Trusts' governing documents. Indirect costs may also include performance fees if permitted by the Trusts' governing documents. These costs are typically deducted from the Trusts' assets rather than paid directly by the unitholders of the Trusts.

Significant events after the balance date

At the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trusts' operations, the results of those operations or the Trusts' state of affairs in future financial years, which has not already been reflected in this report.

Likely developments and expected results

At the time the Directors approved this report, they were not aware of any developments likely to have a significant effect upon the operations or the result of the Trusts in subsequent financial years, which have not been adequately dealt with in this report or in the financial report.

The Trusts will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trusts and in accordance with the provisions of the Trusts' Constitutions.

Further information on likely developments in the operations of the Trusts and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trusts.

Indemnification and insurance of directors and officers

No insurance premiums are paid for out of the assets of the Trusts in regards to insurance cover provided to the officers of Fidante Partners Limited. So long as the officers of Fidante Partners Limited act in accordance with the Trusts' Constitutions and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trusts against losses incurred while acting on behalf of the Trusts. The auditors of the Trusts are in no way indemnified out of the assets of the Trusts.

Directors' report (continued)

Fees paid to and interests held in the Trusts by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of the Trusts' assets during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trusts' assets to the Directors of the Responsible Entity during the year.

Interests in the Trusts held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

Interests in the Trusts

The movement in units on issue in the Trusts during the year is disclosed in note 2 to the financial statements.

Value of Trusts' assets

The value of the Trusts' assets and liabilities are disclosed in the statements of financial position and derived using the basis set out in note 1.2 to the financial statements.

Environmental regulation and performance

The operations of the Trusts are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Single set of financial reports

The Trusts are entities of the kind referred to in ASIC Corporations (Related Scheme Reports) Instrument 2015/839 issued by the Australian Securities and Investments Commission (ASIC) and in accordance with that Instrument, Trusts with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single financial report.

Rounding of amounts to the nearest thousand dollars

Unless otherwise stated, monetary amounts contained in this report and the financial report have been rounded to the nearest \$1,000 under the option available to the Trusts under ASIC Corporations Instrument 2016/191.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Directors' report (continued)

Authorisation

Signed in accordance with a resolution of the Directors of the Responsible Entity.

A handwritten signature in black ink, appearing to be 'A Judin', written over a circular stamp or seal.

A Judin
Director

Sydney
23 September 2024



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working world**

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Auditor's independence declaration to the directors of Fidante Partners Limited

For the following Kapstream Capital Managed Trusts (the "Trusts"):

- Kapstream Absolute Return Income Fund
- Kapstream Absolute Return Income Plus Fund

As lead auditor for the audit of the financial report of the above Trusts for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Jim Chuang', with a stylized flourish at the end.

Jim Chuang
Partner

23 September 2024

Statements of comprehensive income

For the year ended 30 June

	Notes	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Income					
Interest income from financial assets measured at fair value through profit or loss		31,870	22,541	174,688	161,020
Interest income from financial assets measured at amortised cost		534	295	1,474	1,042
Other operating income		(135)	32	(1,434)	463
Net gains/(losses) on financial instruments at fair value through profit or loss		3,505	(4,158)	19,410	(24,446)
Net foreign exchange gains/(losses)		181	(534)	1,788	(7,567)
Total net income		35,955	18,176	195,926	130,512
Expenses					
Management fees	12	1,761	1,520	10,195	12,374
Interest expense from financial assets measured at fair value through profit of loss		5,907	4,061	54,314	51,338
Interest expense from financial assets measured at amortised cost		55	11	222	196
Transaction costs		68	42	264	307
Other expenses		75	44	298	1,211
Total expenses		7,866	5,678	65,293	65,426
Net profit/(loss) before finance costs for the year attributable to unitholders		28,089	12,498	130,633	65,086
Finance costs attributable to unitholders					
Distributions to unitholders	3	(20,748)	(12,360)	(88,542)	(74,972)
Movements in net assets attributable to unitholders	2	(7,341)	(138)	(42,091)	9,886
Net profit/(loss) after finance costs for the year attributable to unitholders		—	—	—	—
Other comprehensive income/(loss) for the year		—	—	—	—
Total comprehensive income/(loss) for the year attributable to unitholders		—	—	—	—

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June

	Notes	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Assets					
Cash and cash equivalents	13	7,546	3,648	32,485	29,005
Collateral and margin accounts		4,363	6,193	26,327	24,357
Receivables	4	9,024	6,177	19,439	26,701
Financial assets at fair value through profit or loss	5	426,294	346,996	1,921,863	2,261,675
Total assets		447,227	363,014	2,000,114	2,341,738
Liabilities					
Collateral and margin accounts		3,772	7,163	38,502	46,543
Distributions payable	3	5,767	3,191	21,539	17,073
Payables	8	388	1,037	3,103	13,330
Financial liabilities at fair value through profit or loss	6	428	1,108	3,708	12,265
Total liabilities (excluding net assets attributable to unitholders)		10,355	12,499	66,852	89,211
Net assets attributable to unitholders - Liability	2	436,872	350,515	1,933,262	2,252,527

The statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in unitholder funds

For the year ended 30 June

The following Trusts are multi-class and classify net assets attributable to unitholders as a liability. Refer to note 2.

	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability
As at 1 July - Opening Balance	350,515	322,838	2,252,527	2,841,609
Applications for units	148,262	82,423	383,731	412,884
Units issued upon reinvestment of distributions	165	1,351	26,743	29,589
Redemptions of units	(69,411)	(56,235)	(771,830)	(1,021,669)
Movements in net assets attributable to unitholders - Liability	7,341	138	42,091	(9,886)
As at 30 June - Closing Balance	436,872	350,515	1,933,262	2,252,527

The statements of changes in unitholder funds should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June

	Notes	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Cash flows from operating activities					
Proceeds from sale of financial instruments at fair value through profit or loss		533,864	425,535	1,984,492	2,604,277
Purchase of financial instruments at fair value through profit or loss		(611,920)	(459,773)	(1,643,535)	(2,083,757)
Interest received		31,812	21,526	183,377	149,959
Other income received		212	139	902	553
Interest paid		(6,504)	(3,659)	(62,249)	(47,957)
Management fees paid		(1,905)	(1,659)	(11,360)	(13,872)
Other expenses paid		(320)	(45)	(1,848)	(311)
Net cash inflows/(outflows) from operating activities	13	(54,761)	(17,936)	449,779	608,892
Cash flows from financing activities					
Proceeds from applications by unitholders		146,013	78,916	383,748	413,390
Payments for redemptions by unitholders		(69,441)	(56,096)	(773,508)	(1,022,632)
Distributions paid		(18,007)	(9,711)	(57,333)	(60,628)
Net cash inflows/(outflows) from financing activities		58,565	13,109	(447,093)	(669,870)
Net increase/(decrease) in cash and cash equivalents		3,804	(4,827)	2,686	(60,978)
Cash and cash equivalents at the beginning of the year		3,648	8,391	29,005	90,440
Effects of exchange rate changes on cash and cash equivalents		94	84	794	(457)
Cash and cash equivalents at the end of the year	13	7,546	3,648	32,485	29,005

The statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation and overarching material accounting policies

These financial statements cover the below listed Trusts (the Trusts) as individual entities. The Trusts are Australian registered managed investment schemes and were constituted on the below dates. The Trusts will terminate on the below dates unless terminated earlier in accordance with the provisions of the Trusts' Constitutions:

Trust name	Constitution date	Termination date
Kapstream Absolute Return Income Plus Fund	22 June 2018	21 June 2098
Kapstream Absolute Return Income Fund	31 May 2007	31 May 2087

The financial report of the Trusts for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 23 September 2024.

The nature of the operating and principal activities of the Trusts are described in the Directors' report.

1.1. Basis of preparation

Basis of preparation

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Furthermore, the financial statements have been prepared on a going concern basis as the Trusts are expected to generate sufficient funds to enable them to pay their debts as and when they fall due.

The Trusts are for-profit entities for the purposes of preparing financial statements.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments, and in instances where a Trust treats unitholder funds as a liability, net assets attributable to unitholders. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

Unless stated otherwise, the financial report is presented in Australian dollars and has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

1. Basis of preparation and overarching material accounting policies (continued)

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New accounting standards and interpretations

All new accounting standards that are applicable to the Trusts for the 30 June 2024 reporting period have been adopted and do not have a material impact on the financial statements.

There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the financial statements or have been early adopted for the 30 June 2024 reporting period.

Foreign currency

Both the presentation currency and the functional currency of the Trusts are Australian dollars.

Transactions in foreign currency are translated into the Trusts' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the statements of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rate ruling at the date when the fair value was determined.

Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

Rounding of amounts

Unless otherwise stated, monetary amounts contained in this report and the Directors' report have been rounded to the nearest \$1,000 under the option available to the Trusts under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Including different registered scheme financial reports in a single document

The registered schemes have applied ASIC's Corporations Instrument 2015/839, which allows registered schemes with a common, or related, Responsible Entity to include their financial statements in adjacent columns in a single financial report.

1. Basis of preparation and overarching material accounting policies (continued)

1.2. Summary of material accounting policies

Investment income and interest expense

Investment income may include net gains or losses from financial instruments. Where applicable, these net gains include all realised and unrealised fair value changes. Any foreign exchange differences, interest, dividends and distributions are recorded as separate line items in the statements of comprehensive income. Where applicable, interest income and interest expense are recognised using the effective interest method, and dividend and distribution income are recognised when the Trusts' right to receive payment is established.

The Trusts have not applied hedge accounting.

Expenses

Expenses are recognised on an accrual basis at the fair value of the consideration paid or payable for services rendered.

Expenses may include management fees, operation costs and transaction costs. Expenses may also include performance fees if permitted by the Trusts' governing documents. Expenses are recognised in the statements of comprehensive income.

Taxes

Under the current legislation, the Trusts are not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unitholders under the AMIT regime.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be attributed so that the Trusts are not subject to capital gains tax.

Realised capital losses are not attributed to unitholders but are retained in the Trusts to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is attributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

Goods and services (GST)

The Trusts qualify for Reduced Input Tax Credits (RITC) at various applicable rates.

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

1. Basis of preparation and overarching material accounting policies (continued)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statements of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Cash and cash equivalents

Cash and cash equivalents are financial assets with fixed or determinable payments and comprise of cash at bank, cash held with custodian and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised at fair value. For the purposes of the statements of cash flows, cash and cash equivalents are stated net of any outstanding bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities at fair value are classified as cash flows from operating activities, as movements in the fair value of these securities form a part of the Trusts' income generating activity.

Collateral and margin accounts

Collateral and margin accounts represent short term investments which are not held for the purpose of meeting short term cash commitments. They may also include restricted deposits for derivative financial instruments and/or for securities sold short. Margin accounts represent cash deposits held by or due to brokers as collateral against open derivative contracts.

Collateral and margin accounts are measured at amortised cost using the effective interest method less any expected credit losses.

Financial instruments

Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition/derecognition

The Trusts recognise financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trusts have transferred substantially all risks and rewards of ownership.

1. Basis of preparation and overarching material accounting policies (continued)

Measurement

At initial recognition, the Trusts measure financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the statements of comprehensive income. For further details on how the fair values of financial instruments are determined please refer to note 11.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are categorised as financial assets - fair value through profit or loss. The classification depends on the definition and the purpose for which the investments were acquired. The classification of investments is determined at initial recognition and evaluated at each reporting date.

Purchases and sales of financial assets are recognised on the date on which the Trusts commit to purchase or sell the asset. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Trusts have transferred their rights to receive cash flows from the asset, or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Trusts have:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Trusts include in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial liabilities at fair value through profit or loss

The Trusts may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or they may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

1. Basis of preparation and overarching material accounting policies (continued)

Securities subject to repurchase agreements continue to be recognised in the statements of financial position as the risks and rewards of ownership remain within the investment portfolio. Collateral received is classified as 'Repurchase agreement bonds' and are accounted for as financial assets at fair value through profit and loss. Collateral provided is classified as 'Repurchase agreements' and are accounted for as financial liabilities at fair value through profit or loss. The difference between the sale price and the repurchase price is charged to interest expense in the statements of comprehensive income using the effective interest rate method over the expected life of the agreements.

Net assets attributable to unitholders

Units issued by the Trusts are redeemable for cash at the unitholders' option at any time based on the redemption price. The fair value of redeemable units are measured using the redemption unit price at the reporting date if unitholders were to exercise their right to redeem units in the Trusts.

Units are classified as equity when they satisfy the following criteria under AASB 132 Financial Instruments: Presentation (AASB 132):

- the puttable financial instrument entitles the holder to a pro rata share of net assets in the event of the Trusts' liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trusts, and it is not a contract settled in the Trusts' own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

At 30 June 2024, unitholder funds have not been classified as equity as they did not satisfy all of the criteria under AASB 132.

Use of estimates

The Trusts may hold financial instruments for which quoted market prices are readily available. The Trusts may also hold certain financial instruments, for example over-the-counter derivatives or unquoted securities, that are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

2. Net assets attributable to unitholders

As stipulated in the Trusts' Constitutions, each unit represents a right to an individual share in the respective Trusts and does not extend to a right to the underlying assets of the Trusts.

The number of separate classes of units in the below listed Trusts are as follows:

2. Net assets attributable to unitholders (continued)

Trust	Separate classes of units
Kapstream Absolute Return Income Plus Fund	Two
Kapstream Absolute Return Income Fund	Five

Each unit in the Trust has the same rights, preferences and restrictions attaching to it as all other units of each respective Trust.

Applications received for units in the Trusts are recorded net of any entry fees payable prior to the issue of units in the Trusts. Redemptions from the Trusts are recorded gross of any exit fees payable after the cancellation of units redeemed.

Income not distributed is included in net assets attributable to unitholders. Where unitholder funds are classified as a liability, movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs.

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trusts, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trusts. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trusts.

2. Net assets attributable to unitholders (continued)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

Net assets attributable to unitholders	Kapstream Absolute Return Income Plus Fund Class A		Kapstream Absolute Return Income Plus Fund Class I		Kapstream Absolute Return Income Fund Class A		Kapstream Absolute Return Income Fund Class I	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2023 - Opening Balance	29	29	352,582	350,486	1,298,586	1,473,028	779,497	760,592
Applications for units	287	289	145,690	147,973	276,396	319,543	64,443	63,973
Units issued upon reinvestment of distributions	—	—	164	165	6,342	7,278	19,721	19,465
Redemptions of units	(90)	(91)	(68,509)	(69,320)	(449,495)	(518,231)	(252,307)	(250,673)
Movements in net assets attributable to unitholders - Liability	—	3	—	7,338	—	27,436	—	14,303
As at 30 June 2024 - Closing Balance	226	230	429,927	436,642	1,131,829	1,309,054	611,354	607,660

Net assets attributable to unitholders	Kapstream Absolute Return Income Fund Class P		Kapstream Absolute Return Income Fund Class X		Kapstream Absolute Return Income Fund ETF Class	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2023 - Opening Balance	—	—	9,362	8,680	10,754	10,227
Applications for units	—	—	228	215	—	—
Units issued upon reinvestment of distributions	—	—	—	—	—	—
Redemptions of units	—	—	(3,110)	(2,926)	—	—
Movements in net assets attributable to unitholders - Liability	—	—	—	148	—	204
As at 30 June 2024 - Closing Balance	—	—	6,480	6,117	10,754	10,431

2. Net assets attributable to unitholders (continued)

Net assets attributable to unitholders	Kapstream Absolute Return Income Plus Fund Class A		Kapstream Absolute Return Income Plus Fund Class I		Kapstream Absolute Return Income Fund Class A		Kapstream Absolute Return Income Fund Class I	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2022 - Opening Balance	11	10	325,072	322,828	1,528,432	1,740,427	1,096,353	1,074,477
Applications for units	18	19	82,554	82,404	303,522	345,487	67,510	66,030
Units issued upon reinvestment of distributions	—	—	1,362	1,351	5,948	6,753	23,366	22,836
Redemptions of units	—	—	(56,406)	(56,235)	(539,316)	(613,783)	(407,732)	(398,809)
Movements in net assets attributable to unitholders - Liability	—	—	—	138	—	(5,856)	—	(3,942)
As at 30 June 2023 - Closing Balance	29	29	352,582	350,486	1,298,586	1,473,028	779,497	760,592

Net assets attributable to unitholders	Kapstream Absolute Return Income Fund Class P		Kapstream Absolute Return Income Fund Class X		Kapstream Absolute Return Income Fund ETF Class	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Classification of net assets attributable to unitholders as at 30 June	Liability	Liability	Liability	Liability	Liability	Liability
As at 1 July 2022 - Opening Balance	230	227	16,328	15,214	11,801	11,264
Applications for units	—	—	394	367	1,047	1,000
Units issued upon reinvestment of distributions	—	—	—	—	—	—
Redemptions of units	(230)	(226)	(7,360)	(6,851)	(2,094)	(2,000)
Movements in net assets attributable to unitholders - Liability	—	(1)	—	(50)	—	(37)
As at 30 June 2023 - Closing Balance	—	—	9,362	8,680	10,754	10,227

2. Net assets attributable to unitholders (continued)

	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Total net assets attributable to unitholders	436,872	350,515	1,933,262	2,252,527

Capital risk management

The Trusts consider their unitholder funds as capital. The amount of unitholder funds can change significantly as the Trusts are subject to applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Trusts' underlying assets by the Responsible Entity. Under the terms of the Trusts' Constitutions, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

3. Distributions to unitholders

In accordance with the Trusts' Constitutions, the Trusts distribute income adjusted for amounts determined by the Responsible Entity to unitholders by cash or reinvestment. Where unitholder funds are classified as a liability, these distributions are recognised in the statements of comprehensive income as finance costs.

The distributions for the year are presented below in dollars (\$'000) and cents per unit (CPU) for each class.

	Kapstream Absolute Return Income Plus Fund Class A		Kapstream Absolute Return Income Plus Fund Class I		Kapstream Absolute Return Income Fund Class A		Kapstream Absolute Return Income Fund Class I	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
	Distributions							
Distributions paid - September 2023	1	0.81	4,393	1.22	13,808	1.16	7,646	0.99
Distributions paid - December 2023	2	1.22	5,088	1.33	14,424	1.25	8,266	1.15
Distributions paid - March 2024	1	0.74	5,496	1.33	14,457	1.23	7,800	1.16
Distributions payable - June 2024	3	1.35	5,764	1.34	14,255	1.26	7,088	1.16
Total distributions - 30 June 2024	7	4.12	20,741	5.22	56,944	4.90	30,800	4.46

3. Distributions to unitholders (continued)

	Kapstream Absolute Return Income Plus Fund Class A		Kapstream Absolute Return Income Plus Fund Class I		Kapstream Absolute Return Income Fund Class A		Kapstream Absolute Return Income Fund Class I	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions paid - September 2022	—	0.85	2,983	0.90	12,176	0.84	7,915	0.77
Distributions paid - December 2022	—	0.87	3,087	0.90	11,863	0.84	7,551	0.75
Distributions paid - March 2023	—	0.85	3,099	0.90	11,351	0.83	6,464	0.79
Distributions payable - June 2023	—	0.37	3,191	0.90	10,973	0.84	5,942	0.76
Total distributions - 30 June 2023	—	2.94	12,360	3.60	46,363	3.35	27,872	3.07

	Kapstream Absolute Return Income Fund Class P		Kapstream Absolute Return Income Fund Class X		Kapstream Absolute Return Income Fund ETF Class	
	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distributions						
Distributions paid - September 2023	—	2.23	81	0.98	115	1.07
Distributions paid - December 2023	—	2.19	79	1.10	126	1.17
Distributions paid - March 2024	—	1.97	74	1.07	127	1.18
Distributions payable - June 2024	—	—	70	1.08	126	1.17
Total distributions - 30 June 2024	—	6.39	304	4.23	494	4.59

Distributions paid - September 2022	2	0.87	106	0.76	102	0.79
Distributions paid - December 2022	—	—	85	0.70	107	0.84
Distributions paid - March 2023	—	1.26	79	0.78	98	0.83
Distributions payable - June 2023	—	—	67	0.71	91	0.85
Total distributions - 30 June 2023	2	2.13	337	2.95	398	3.31

3. Distributions to unitholders (continued)

	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Total distributions paid and payable - 30 June	20,748	12,360	88,542	74,972

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statements of financial position.

4. Receivables

Receivables may include GST RITC, application monies, interest, dividends, trust distributions and other income accrued and unsettled trade purchases. They are recognised when the right to receive payment is established and are generally recovered within 30 days. The Trusts measure expected credit losses on a 12-month basis. Given the nature of the Trusts' receivables and the limited exposure of the Trusts to credit risk, no material expected credit losses have been recognised.

Amounts recoverable from related entities have no fixed repayment term and are non-interest-bearing.

All receivables are considered current.

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Application for units receivable	5,777	3,528	423	440
GST receivable	34	28	174	204
Interest receivable	3,213	2,621	18,842	26,057
Total receivables	9,024	6,177	19,439	26,701

5. Financial assets at fair value through profit or loss

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Derivatives				
Credit default swaps	—	—	—	120
Forward currency contracts	41	42	220	300
Index credit default swaps	8	37	98	196
Interest rate swaps	1,857	2,269	19,888	36,939
Overnight indexed swaps	303	451	2,131	3,414
Over-the-counter options	53	5	275	33
Total derivatives	2,262	2,804	22,612	41,002
Debt securities				
Asset-backed securities	71,597	39,929	154,216	174,813
Commercial papers	4,978	7,980	23,896	44,518
Convertible notes	—	12,320	—	21,774
Corporate bonds	60,117	35,174	368,532	589,506
Discount securities	40,140	45,079	110,630	180,315
Floating rate notes	224,964	173,795	1,094,593	1,061,810
Income securities	1,450	1,434	—	—
Mortgage-backed securities	20,206	27,909	110,697	112,424
Supranational bonds	580	572	36,687	35,513
Total debt securities	424,032	344,192	1,899,251	2,220,673
Total financial assets at fair value through profit or loss	426,294	346,996	1,921,863	2,261,675

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 10 and 11 respectively.

6. Financial liabilities at fair value through profit or loss

The Trusts may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or they may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Derivatives				
Credit default swaps	—	68	—	581
Forward currency contracts	28	415	150	3,433
Index credit default swaps	—	283	—	2,369
Interest rate swaps	270	342	2,895	5,845
Overnight indexed swaps	108	—	546	37
Over-the-counter options	22	—	117	—
Total derivatives	428	1,108	3,708	12,265
Total financial liabilities at fair value through profit or loss	428	1,108	3,708	12,265

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in notes 10 and 11 respectively.

7. Derivative financial instruments

In the normal course of business, the Trusts enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trusts' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trusts against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and

7. Derivative financial instruments (continued)

- adjusting asset exposures within the parameters set in the investment strategies, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trusts.

The Trusts hold the following derivative instruments:

Credit default swaps

A credit default swap is a credit derivative used to hedge credit risk or take a position on a basket or credit entity. It is an agreement between two parties whereby one party pays the other a fixed coupon for the specified term of the agreement. The other party makes no payment unless a specified credit event occurs.

Unlike a credit default swap, which is an over-the-counter derivative, an index credit default swap is a standardised credit security.

Forward currency contracts

A forward currency contract is primarily used by the Trusts to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Trusts agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing market price at the end of each reporting period. The Trusts recognise a gain or loss equal to the change in fair value at the end of each reporting period.

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Trusts are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

Swaps

Swaps are derivative instruments in which two counter parties agree to exchange one stream of cash flow against another stream. Swaps may include cross currency swaps, equity swaps, FX rate swaps, inflation linked swaps, interest rate swaps, overnight indexed swaps, total return swaps and zero-coupon swaps.

7. Derivative financial instruments (continued)

Refer to notes 5 and 6 for further information on derivative assets and liabilities.

An overview of the risk exposures and fair value measurements relating to derivative financial instruments are included in notes 10 and 11 respectively.

8. Payables

Payables represent unsecured non-derivative, non-interest-bearing financial liabilities in respect of goods and services provided to the Trusts prior to the end of the financial year. Payables may include redemptions payable, accrued expenses and unsettled purchases of financial instruments which are unpaid by the Trusts at the reporting date. Amounts are generally paid within 30 days.

Amounts payable to related entities have no fixed repayment term and are non-interest-bearing.

All payables are considered current.

As at 30 June	Note	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Amounts owing to the Responsible Entity	12	176	144	875	1,020
Outstanding trade settlements		—	109	—	691
Redemptions of units payable		118	148	1,320	2,998
Interest payable		94	636	908	8,621
Total payables		388	1,037	3,103	13,330

9. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 30 June 2024 there are no financial assets and financial liabilities that have been offset in the statements of financial position (2023: \$Nil).

9. Offsetting financial assets and financial liabilities (continued)

Master netting arrangement – not currently enforceable

The Trusts present the fair value of their derivative financial assets and liabilities on a gross basis in the statements of financial position. Certain derivative financial assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not meet the criteria for offsetting in the statements of financial position as the Trusts do not have any current legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of a future event such as a default.

As at 30 June 2024, if these netting arrangements were applied to derivative financial instruments, derivative financial assets and derivative financial liabilities would be as follows:

As at 30 June	Derivative financial assets - netting arrangements		Derivative financial liabilities - netting arrangements	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Trust name				
Kapstream Absolute Return Income Plus Fund	1,884	2,470	51	774
Kapstream Absolute Return Income Fund	18,904	34,463	—	5,725

Refer to notes 5 and 6 for further details on derivative financial instruments presented on a gross basis.

10. Financial risk management

Overview

The Trusts' activities can expose the Trusts to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trusts' overall risk management program focuses on ensuring compliance with the Trusts' governing documents and seeks to maximise the returns derived for the level of risk to which the Trusts are exposed. The Trusts may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying the financial risks that arise from these financial instruments and for ensuring there are mechanisms in place to manage these risks.

The allocation of assets between the various types of financial instruments are determined by the Trusts' Asset Manager who manages the Trusts' assets to achieve the Trusts' investment objectives.

Divergence from target allocations and the composition of the assets are monitored on a regular basis.

10. Financial risk management (continued)

The Responsible Entity has a Risk Management Strategy in place for managing risk and the key elements of the Risk Management Framework (RMF). The risks covered by the RMF include, but are not limited to, financial risks, for example: market, investment, pricing risks, funding, liquidity and counterparty risk; as well as regulatory, strategic and operational risks. The key elements for managing these risks include:

- Documented policies and procedures;
- Post trade investment compliance monitoring by teams not involved in the dealing and investment management activity;
- Segregation of the dealing and investment management function from the investment administration and settlement function;
- Independently sourced valuations for securities;
- A risk and compliance team and Responsible Entity management team with separate reporting lines;
- Clearly defined reporting lines and accountability for managing risks;
- Clearly defined responsibility for maintaining the RMF and monitoring compliance with it; and
- Oversight of risk management activity and the risk profile of the business by the Board of the Responsible Entity and various risk and compliance and committees that the Responsibility Entity, and its ultimate parent, have established.

As part of its Risk Management Strategy, the Trusts may use derivatives including exchange traded derivatives, to manage exposures resulting from changes in index prices, equity risks and exposures arising from forecast transactions.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk includes (amongst others) three types of risk: interest rate risk (due to fluctuations in interest rates), currency risk (due to fluctuations in foreign exchange rates), and equity price risk (due to fluctuations in market prices).

The Trusts are exposed to market risks influencing investment valuations. The Trusts may utilise derivatives to manage this risk.

Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Trusts' investments are debt instruments carried at fair value, price risk is not considered to be a significant risk to the Trusts.

Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Asset Manager may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategies and restrictions of the Trusts, and agreed acceptable level of foreign exchange risk.

10. Financial risk management (continued)

The Trusts hold both monetary and non monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Trusts also enter into forward currency contracts principally to hedge the foreign exchange risk implicit in the value of the portfolio securities denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of securities. The term of these contracts rarely exceeds 12 months and may not necessarily indicate the total effect on the Trusts' net assets attributable to unitholders of future movements in foreign exchange rates.

The Trusts' underlying investments include foreign currency fixed interest securities. To manage foreign exchange risk, the Trusts may be fully or partially hedged back to Australian dollars as outlined in the Trusts' governing documents.

The table below summarises the Trusts' exposure to foreign exchange risk. The Trusts hold investments in foreign currencies other than those noted in the table, which have been grouped under the 'other' heading. These investments relate to amounts held in INR, CNH, JPY, NOK, CHF, KRW, PLN and SGD are individually immaterial to the financial statements.

10. Financial risk management (continued)

Kapstream Absolute Return Income Plus Fund 30 June 2024

	AUD A\$'000	USD A\$'000	EUR A\$'000	NZD A\$'000	CAD A\$'000	GBP A\$'000	OTHER A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	7,292	58	—	196	—	—	—	7,546
Collateral and margin accounts	2,121	474	1,324	—	444	—	—	4,363
Receivables	8,771	73	—	180	—	—	—	9,024
Financial assets at fair value through profit or loss	418,212	8,052	—	30	—	—	—	426,294
Total assets	436,396	8,657	1,324	406	444	—	—	447,227
Liabilities								
Collateral and margin accounts	1,867	1,048	111	291	428	27	—	3,772
Distributions payable	5,767	—	—	—	—	—	—	5,767
Payables	324	50	—	14	—	—	—	388
Financial liabilities at fair value through profit or loss	287	130	—	8	—	—	3	428
Total liabilities	8,245	1,228	111	313	428	27	3	10,355
Net assets attributable to unitholders	428,151	7,429	1,213	93	16	(27)	(3)	436,872

10. Financial risk management (continued)

Kapstream Absolute Return Income Plus Fund

30 June 2023

	AUD A\$'000	USD A\$'000	EUR A\$'000	NZD A\$'000	CAD A\$'000	GBP A\$'000	OTHER A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	3,349	266	—	20	—	—	13	3,648
Collateral and margin accounts	5,107	897	—	—	—	—	189	6,193
Receivables	5,869	280	—	28	—	—	—	6,177
Financial assets at fair value through profit or loss	336,744	7,039	—	3,189	—	—	24	346,996
Total assets	351,069	8,482	—	3,237	—	—	226	363,014
Liabilities								
Collateral and margin accounts	2,237	4,851	—	52	—	23	—	7,163
Distributions payable	3,191	—	—	—	—	—	—	3,191
Payables	699	319	2	17	—	—	—	1,037
Financial liabilities at fair value through profit or loss	510	307	44	12	—	—	235	1,108
Total liabilities	6,637	5,477	46	81	—	23	235	12,499
Net assets attributable to unitholders	344,432	3,005	(46)	3,156	—	(23)	(9)	350,515

10. Financial risk management (continued)

Kapstream Absolute Return Income Fund 30 June 2024

	AUD A\$'000	USD A\$'000	EUR A\$'000	NZD A\$'000	GBP A\$'000	CAD A\$'000	OTHER A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	32,427	52	—	—	—	—	6	32,485
Collateral and margin accounts	16,384	1,760	6,065	—	—	2,118	—	26,327
Receivables	17,962	275	44	1,158	—	—	—	19,439
Financial assets at fair value through profit or loss	1,881,522	25,506	14,661	174	—	—	—	1,921,863
Total assets	1,948,295	27,593	20,770	1,332	—	2,118	6	2,000,114
Liabilities								
Collateral and margin accounts	20,811	13,471	246	1,840	92	2,042	—	38,502
Distributions payable	21,539	—	—	—	—	—	—	21,539
Payables	2,653	364	18	68	—	—	—	3,103
Financial liabilities at fair value through profit or loss	2,990	663	—	38	—	—	17	3,708
Total liabilities	47,993	14,498	264	1,946	92	2,042	17	66,852
Net assets attributable to unitholders	1,900,302	13,095	20,506	(614)	(92)	76	(11)	1,933,262

10. Financial risk management (continued)

Kapstream Absolute Return Income Fund 30 June 2023

	AUD A\$'000	USD A\$'000	EUR A\$'000	NZD A\$'000	GBP A\$'000	CAD A\$'000	OTHER A\$'000	Total A\$'000
Assets								
Cash and cash equivalents	27,488	1,311	—	—	—	—	206	29,005
Collateral and margin accounts	16,793	7,235	329	—	—	—	—	24,357
Receivables	24,223	2,313	45	120	—	—	—	26,701
Financial assets at fair value through profit or loss	2,204,011	43,010	14,270	84	—	—	300	2,261,675
Total assets	2,272,515	53,869	14,644	204	—	—	506	2,341,738
Liabilities								
Collateral and margin accounts	33,426	10,017	2,488	357	255	—	—	46,543
Distributions payable	17,073	—	—	—	—	—	—	17,073
Payables	10,596	2,593	21	120	—	—	—	13,330
Financial liabilities at fair value through profit or loss	7,272	2,608	707	84	—	—	1,594	12,265
Total liabilities	68,367	15,218	3,216	561	255	—	1,594	89,211
Net assets attributable to unitholders	2,204,148	38,651	11,428	(357)	(255)	—	(1,088)	2,252,527

10. Financial risk management (continued)

The table in the summarised sensitivity analysis section of this note summarises the sensitivities of the Trusts' financial instruments to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened or strengthened by 10% (2023: 10%) against the material foreign currencies to which the Trusts are exposed.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trusts have established limits on the total interest rate exposure, which are monitored on a daily basis. The Trusts may use derivatives to hedge unexpected increases in interest rates.

The summarised sensitivity analysis section of this note demonstrates the sensitivity of the Trusts' net profit to possible changes in interest rates, with all other variables held constant. The analysis is based on the assumptions that interest rates increased by 100 bps (2023: 100 bps) or decreased by 100 bps (2023: 100 bps).

The sensitivity of the statements of comprehensive income is the effect of the assumed changes in interest rates on:

- the interest income for one year, based on the floating rate financial assets held at 30 June 2024; and
- changes in the fair value of investments for the year based on revaluing fixed rate financial assets at 30 June 2024.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Trusts' net profit and net assets attributable to unitholders to applicable market risks. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market prices. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trusts invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Kapstream Absolute Return Income Plus Fund

	Impact on net profit/Net assets attributable to unitholders									
	Price risk		Interest rate risk				Foreign exchange risk			
	-10%	+10%	-100bps	+100bps	-10%	+10%	-10%	+10%	-10%	+10%
	USD	USD	EUR	EUR	NZD	NZD				
A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2024	—	—	4,694	(4,694)	26	(26)	(51)	51	(10)	10
30 June 2023	(5)	1,043	2,331	(2,249)	374	(374)	5	(5)	—	—

10. Financial risk management (continued)

Kapstream Absolute Return Income Plus Fund

	Impact on net profit/Net assets attributable to unitholders					
	Foreign exchange risk					
	-10%	+10%	-10%	+10%	-10%	+10%
	CAD	CAD	GBP	GBP	OTHER	OTHER
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2024	(2)	2	3	(3)	(66)	66
30 June 2023	—	—	2	(2)	(270)	270

Kapstream Absolute Return Income Fund

	Impact on net profit/Net assets attributable to unitholders									
	Price risk		Interest rate risk		Foreign exchange risk					
	-10%	+10%	-100bps	+100bps	-10%	+10%				
	USD	USD	EUR	EUR	NZD	NZD				
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000				
30 June 2024	—	—	21,592	(21,592)	138	(138)	(521)	521	61	(61)
30 June 2023	(33)	7,487	15,531	(14,929)	2,381	(2,381)	25	(25)	36	(36)

Kapstream Absolute Return Income Fund

	Impact on net profit/Net assets attributable to unitholders					
	Foreign exchange risk					
	-10%	+10%	-10%	+10%	-10%	+10%
	GBP	GBP	CAD	CAD	OTHER	OTHER
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2024	9	(9)	(7)	7	(294)	294
30 June 2023	26	(26)	—	—	(1,528)	1,528

10. Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Trusts aim to ensure that at all times they have appropriate credit risk management policies and practices in place and that the Board and senior management are appropriately informed of the Trusts' credit risks.

The main concentration of credit risk, to which the Trusts are exposed, arises from the Trusts' investment in debt securities. The Trusts are also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trusts' exposure to credit risk is equal to the fair value of these instruments as disclosed in the statements of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Trusts manage counterparty risk in relation to over-the-counter derivatives by using only counterparties with an acceptable credit rating in accordance with the provisions of the Trusts' policies. Exposures to counterparties are monitored by the Asset Manager on a regular basis.

The credit quality of financial assets and derivatives are managed by the Trusts in accordance with the Trusts' governing documents, by taking into account any applicable external credit rating or internal credit assessment, prior to trading. The Trusts' exposure in each grade is monitored on a regular basis. This review process allows the Responsible Entity to assess the potential loss as a result of credit risk and take corrective action where required. Internal ratings are expressed on the basis of S&P rating definitions. Where an external rating (which will predominantly be Standard & Poor's, Moody's, Fitch, or another reputable credit rating agency) is available, the internal rating will ordinarily be no greater than the lowest external rating assigned. Assets that have not received any rating reference from external credit rating agency have been internally rated using market accepted method.

If no external rating is available, then they are internally rated by the credit risk team and labelled not rated (NR).

The following table details the breakdown by credit rating of the underlying investment assets and derivatives held by the Trusts:

10. Financial risk management (continued)

Bond and derivative credit ratings

Rating	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	\$'000	\$'000	\$'000	\$'000
AAA	6,552	9,032	99,278	122,011
AA+	1,649	1,487	17,549	740
AA	2,380	3,003	68,271	66,125
AA-	38,086	51,280	117,167	229,710
A+	10,980	10,430	64,075	94,794
A	7,059	12,474	62,512	89,865
A-	53,916	34,908	388,829	229,059
BBB+	94,650	51,142	549,380	538,543
BBB	60,196	18,673	312,182	408,672
BBB-	76,847	92,449	107,963	296,106
BB+	18,097	13,126	29,057	17,355
BB	28,892	41,524	85,187	94,935
BB-	9,185	2,459	8,084	21,358
B+	4,478	—	11,724	—
B	11,301	5,009	605	44,676
B-	2,026	—	—	7,726
Total bond and derivative credit ratings	426,294	346,996	1,921,863	2,261,675

Liquidity risk

Liquidity risk is the risk that the Trusts will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either the inability to sell financial assets at their fair values, a counterparty failing on repayment of a contractual obligation, or the inability to generate cash inflows as anticipated.

The Trusts aim to ensure that they have sufficient liquidity to meet their obligations on a short term, medium term and long term basis. In the current and preceding year, all payables have no fixed repayment term. The current balance of amounts payable to related entities will be repaid in full within 1 year of the reporting date.

The Trusts' governing documents allow for redemptions of units. The Trusts are therefore exposed to a liquidity risk of meeting unitholders' redemptions at any time.

10. Financial risk management (continued)

This risk is controlled through the Trusts' investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Trusts maintain sufficient cash and cash equivalents to meet normal operating requirements.

The Trusts' investments are considered to be readily realisable.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (not limited to):

- whether the purpose of the investment is consistent with the investment strategies of the Trusts;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity levels for the Trusts.

Under the terms of the Constitutions, the Trusts have the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

Financial liabilities of the Trusts comprise trade and other payables, distributions payable, collateral and margin accounts and net assets attributable to unitholders. Trade and other payables, distributions payable and collateral and margin accounts have no contractual maturities but are typically settled within 30 days.

The table below analyses the Trusts' derivative financial liabilities based on their contractual maturity. The Trusts may, at their discretion, settle derivative financial liabilities prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the derivative instruments.

10. Financial risk management (continued)

Kapstream Absolute Return Income Plus Fund

30 June 2024

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	—	—	—	—
Forward currency contracts	28	—	—	—	28
Index credit default swaps	—	—	—	—	—
Interest rate swaps	—	—	84	186	270
Overnight indexed swaps	—	—	—	108	108
Over-the-counter options	—	22	—	—	22
Total derivative financial liabilities	28	22	84	294	428

30 June 2023

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	24	—	44	68
Forward currency contracts	367	48	—	—	415
Index credit default swaps	—	—	—	283	283
Interest rate swaps	—	—	—	342	342
Overnight indexed swaps	—	—	—	—	—
Over-the-counter options	—	—	—	—	—
Total derivative financial liabilities	367	72	—	669	1,108

10. Financial risk management (continued)

Kapstream Absolute Return Income Fund 30 June 2024

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	—	—	—	—
Forward currency contracts	150	—	—	—	150
Index credit default swaps	—	—	—	—	—
Interest rate swaps	—	—	1,512	1,383	2,895
Overnight indexed swaps	—	—	—	546	546
Over the counter options	—	117	—	—	117
Total derivative financial liabilities	150	117	1,512	1,929	3,708

30 June 2023

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Beyond 12 months \$'000	Total \$'000
Credit default swaps	—	203	—	378	581
Forward currency contracts	3,433	—	—	—	3,433
Index credit default swaps	—	—	—	2,369	2,369
Interest rate swaps	—	—	—	5,845	5,845
Overnight indexed swaps	—	—	37	—	37
Total derivative financial liabilities	3,433	203	37	8,592	12,265

11. Fair value measurement

All financial assets and financial liabilities included in the statements of financial position are carried at fair value.

In accordance with AASB 13 Fair Value Measurement the Trusts are required to disclose fair value measurements by level using the fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

11. Fair value measurement (continued)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value in an active market (level 1)

The fair values of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

The quoted market price used for financial assets held by the Trusts is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trusts hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and apply this bid or asking price to the net open position, as appropriate.

Fair value in an inactive or unquoted market (level 2 and level 3)

The fair values of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of other substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where debt securities, such as corporate and government bonds and treasury securities are held, and in the absence of a quoted price in an active market, these are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. The fair values of investments in asset-backed securities, for which there is currently no active market, are calculated using a valuation model which is accepted in the industry. The model uses discounted cash flow analysis, which incorporates both observable and non-observable data. Observable inputs can include assumptions for current rates of interest. Unobservable inputs can include assumptions for expected future default rates and market liquidity discounts. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, these investments are categorised as Level 2.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

The fair values of derivatives that are not exchange traded are estimated at the amount that the Trusts would receive or pay to terminate the contract at reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

The tables below set out the Trusts' financial assets and liabilities measured at fair value through profit or loss according to the fair value hierarchy.

11. Fair value measurement (continued)

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024	2023	2024	2023
Financial assets	\$'000	\$'000	\$'000	\$'000
Level 2 financial assets				
Asset-backed securities	71,597	39,929	154,216	174,813
Commercial papers	4,978	7,980	23,896	44,518
Convertible notes	—	12,320	—	21,774
Corporate bonds	60,117	35,174	368,532	589,506
Credit default swaps	—	—	—	120
Discount securities	40,140	45,079	110,630	180,315
Floating rate notes	224,964	173,795	1,094,593	1,061,810
Forward currency contracts	41	42	220	300
Income securities	1,450	1,434	—	—
Index credit default swaps	8	37	98	196
Interest rate swaps	1,857	2,269	19,888	36,939
Mortgage-backed securities	20,206	27,909	110,697	112,424
Overnight indexed swaps	303	451	2,131	3,414
Over-the-counter options	53	5	275	33
Supranational bonds	580	572	36,687	35,513
Total level 2 financial assets	426,294	346,996	1,921,863	2,261,675

11. Fair value measurement (continued)

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Financial liabilities				
Level 2 financial liabilities				
Credit default swaps	—	68	—	581
Forward currency contracts	28	415	150	3,433
Index credit default swaps	—	283	—	2,369
Interest rate swaps	270	342	2,895	5,845
Overnight indexed swaps	108	—	546	37
Over-the-counter options	22	—	117	—
Total level 2 financial liabilities	428	1,108	3,708	12,265

12. Related party transactions

Responsible Entity

The Responsible Entity of the Trusts is Fidante Partners Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

Directors

Key management personnel includes persons who were Directors of Fidante Partners Limited at any time during the financial year and up to the date of the report as follows:

A Bofinger	Director	
A Judin	Director	(Appointed 13 July 2023)
J O'Keeffe	Director	
V Rodriguez	Director	
T Roxburgh	Director	(Appointed 13 July 2023)

12. Related party transactions (continued)

Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Trusts.

The Asset Manager, Kapstream Capital Pty Ltd, is a related party to the Trusts as it is a member of the same group as the Responsible Entity.

Key management personnel unitholdings

At 30 June 2024 no key management personnel held units in the Trusts (2023: Nil).

Key management personnel compensation

No amount was paid by the Trusts directly to the Directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

Responsible Entity's fees and other transactions

Under the terms of the Trusts' Constitutions the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders). For the year ended 30 June 2024 these rates are as follows:

For the year ended 30 June	Trust name	Class	Fee Rate	
			2024	2023
			%	%
	Kapstream Absolute Return Income Plus Fund	Class A	0.60	0.60
		Class I	0.46	0.46
	Kapstream Absolute Return Income Fund	Class A	0.55	0.55
		Class I	0.41	0.41
		Class P	0.45	0.45
		Class X	0.45	0.45
		ETF Class	0.00	0.00

These fees are inclusive of GST, net of RITC available to the Trusts per annum.

In addition to the management fee, the Responsible Entity is also entitled to receive performance fees for various classes in the Trusts. The performance fees are calculated at the below listed benchmark. For the year ended 30 June 2024, in accordance with the Trusts' Constitutions, the Responsible Entity received performance fees as listed below (inclusive of GST, net of RITC, available to the Trusts) per annum.

12. Related party transactions (continued)

For the year ended 30 June	Trust name	Benchmark	Class	Performance Fees	
				2024	2023
				%	%
	Kapstream Absolute Return Income Fund	20% of the difference between the Trust's daily return (after fees and expenses) above the performance benchmark, being the RBA cash rate.	Class A	0.00	0.00

Other classes of units not shown above are not subject to performance fees.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trusts and the Responsible Entity were as follows:

For the year ended 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024	2023	2024	2023
	\$	\$	\$	\$
Management fees for the year	1,760,621	1,519,502	10,195,184	12,373,712
Management fees payable	176,035	144,318	875,369	1,020,257

Related party unitholdings

Parties related to the Trusts (including Fidante Partners Limited, its related parties and other schemes managed by Fidante Partners Limited), held units in the Trusts as follows:

Kapstream Absolute Return Income Plus Fund

For the year ended 30 June 2024

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Kapstream Capital Pty Ltd	10,937	306	—	11,243	0.00	459
Total related party unitholdings	10,937	306	—	11,243	0.00	459

12. Related party transactions (continued)

For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Kapstream Capital Pty Ltd	10,556	381	—	10,937	0.00	316
Total related party unitholdings	10,556	381	—	10,937	0.00	316

Kapstream Absolute Return Income Fund

For the year ended 30 June 2024

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Kapstream Capital Pty Ltd	6,399,328	215,071	—	6,614,399	0.38	289,488
ActiveX Kapstream Absolute Return Income Fund	10,753,719	—	—	10,753,719	0.61	494,007
Total related party unitholdings	17,153,047	215,071	—	17,368,118	0.99	783,495

For the year ended 30 June 2023

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Kapstream Capital Pty Ltd	6,123,291	276,037	—	6,399,328	0.30	198,019
ActiveX Kapstream Absolute Return Income Fund	11,800,921	1,046,572	(2,093,774)	10,753,719	0.51	398,797
Total related party unitholdings	17,924,212	1,322,609	(2,093,774)	17,153,047	0.81	596,816

13. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

For the year ended 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Reconciliation of profit/(loss) to operating cash flow				
Net profit/(loss) before finance costs for the year attributable to unitholders	28,089	12,498	130,633	65,086
Net (gains)/losses on financial instruments at fair value through profit or loss	(3,505)	4,158	(19,410)	24,446
Net foreign exchange (gains)/losses	(181)	534	(1,788)	7,567
Proceeds from sale of financial instruments at fair value through profit or loss	533,864	425,535	1,984,492	2,604,277
Purchase of financial instruments at fair value through profit or loss	(611,920)	(459,773)	(1,643,535)	(2,083,757)
Net change in receivables and other assets	(598)	(1,313)	7,245	(12,043)
Net change in payables and other liabilities	(510)	425	(7,858)	3,316
Net cash inflows/(outflows) from operating activities	(54,761)	(17,936)	449,779	608,892

Components of cash and cash equivalents

As at 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Cash at bank, on hand and at custodian	7,546	3,648	32,485	29,005
Total cash and cash equivalents	7,546	3,648	32,485	29,005

Non-cash investing and financing activities

For the year ended 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Reinvestment of unitholder distributions	165	1,351	26,743	29,589

14. Remuneration of auditor

For the year ended 30 June	Kapstream Absolute Return Income Plus Fund		Kapstream Absolute Return Income Fund	
	2024	2023	2024	2023
Amounts received or due and receivable by Ernst & Young for:	\$	\$	\$	\$
Audit and review of the financial report of the Trusts	7,995	7,800	7,995	7,800
Total remuneration of auditor	7,995	7,800	7,995	7,800

The cost incurred for auditing the financial report of the Trusts is paid directly by the Responsible Entity.

15. Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trusts as at 30 June 2024 or on the results and cash flows of the Trusts for the year ended on that date.

16. Contingent assets and liabilities and commitments

At balance date the Trusts have no contingent assets, liabilities or commitments (30 June 2023: Nil).

Directors' declaration

In the opinion of the Directors of the Responsible Entity for the below listed Trusts:

- Kapstream Absolute Return Income Plus Fund
- Kapstream Absolute Return Income Fund
- a. the financial statements and notes set out on pages 9 to 50 are in accordance with the Corporations Act 2001, including:
 - i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Trusts' financial position as at 30 June 2024 and of their performance for the financial year ended on that date;
- b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.1; and
- c. there are reasonable grounds to believe that the Trusts will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Board of Fidante Partners Limited.



A Judin
Director

Sydney
23 September 2024



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working world**

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Independent auditor's report

To the unitholders of the following Kapstream Capital Managed Trusts (the "Trusts")

- Kapstream Absolute Return Income Fund
- Kapstream Absolute Return Income Plus Fund

Opinion

We have audited the financial report of Kapstream Capital Pty Limited (the Trusts), which comprises the statements of financial position as at 30 June 2024, the statements of comprehensive income, statements of changes in unitholder funds and statements of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Trusts is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Trusts' financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Trusts in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors of Fidante Partners Limited as the Responsible Entity of the Trusts (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the Trusts' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Trusts or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts' internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the directors of the Responsible Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trusts' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trusts to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Jim Chuang', with a stylized flourish at the end.

Jim Chuang

Partner

Sydney

23 September 2024

Directory

Responsible Entity

Fidante Partners Limited
ABN 94 002 835 592
AFSL 234 668

Registered office and principal place of business

Level 2
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Sydney NSW 2000

Custodian

Citigroup Pty Limited
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Auditor

For the Responsible Entity and the Trusts
Ernst & Young
200 George Street
Sydney NSW 2000

Asset Manager

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151 Macquarie Street
Sydney NSW 2000