ARCULUS FIXED INCOME FUND
MONTHLY REPORT – NOVEMBER 2025

DDH GRAHAM LIMITED | Arculus Funds Management

Strategy & Objective

The investment strategy of the Arculus Fixed Income Fund is to identify appropriate investments from the pool of Australian sovereign and Australian senior bank bonds that are expected to generate a sufficiently high yield, commensurate with the assumed risk, with minimum volatility of returns. The Fund is not benchmark aware so is without a duration target. It is focused on achieving an absolute return of the 90-day BBSW rate plus 150bps. The Fund may be appropriate for investors seeking a low to medium risk investment over a 1 to 3-year period.

The Fund aims to provide income and capital stability and a high degree of liquidity in all market conditions. The total return will mainly comprise income from security income payments. The target rate of return is the 90-day Bank Bill Swap Rate plus 1.5% before fees.

ESG

Environmental, Social and Governance issues form part of the risk analysis framework. For further information on Arculus' ESG policies and practices, visit https://arculus.com.au/environmentsocial-and-governance/.

Fund details

DDH Graham Limited (DDH) is the responsible entity of the Fund. As responsible entity, DDH is responsible for the management and administration of the Fund, including the issue of the Fund's Product Disclosure Statement and all other public announcements concerning the Fund.

DDH has appointed GCI Australia Pty Ltd (one of Australia's leading Investment management businesses) ABN 68 140 364 576 (GCI) as the Fund's outsourced investment manager. Arculus Funds Management Pty Ltd (Arculus), a wholly owned subsidiary and Corporate Authorised Representative of GCI undertakes the investment management activities for the Fund.

APIR Code DDH8305AU
ARSN 622 419 578

Fund availability

This Fund can be accessed by investing directly, or indirectly, using the BT Panorama, Allan Gray, HUB24, and Netwealth platforms.

Performance to 30 November 2025 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	**0.91%**	**2.11%**	**4.65%**	**5.57%**	**5.25%**	**2.18%**	**2.21%**
Cash Distribution	1.15%	2.97%	5.68%	5.26%	4.75%	3.24%	2.76%
+/- Growth	-0.24%	-0.86%	-1.03%	0.31%	0.50%	-1.06%	-0.55%

The Fund is benchmark unaware, but the target rate of return is the 90-day Bank Bill Swap Rate plus 1.5% before fees.

* Fund returns are net of all fees. Returns are calculated using exit prices and are calculated after all fees and costs have been deducted, assumes any distributions are reinvested and no allowance made for tax. The 'distribution' component represents the amount paid by way of distribution, including net realised capital gains. Numbers may not sum due to rounding. Past performance is not an indicator of future performance.

The inception date of the Fund was 16 November 2017.

Australian index returns 30 November 2025

Index	1m Return	3M Return	12M Return
Bloomberg Australia Bank Bill Index	0.30%	0.89%	4.04%
Bloomberg Australia Gov't 3-5 Year Index	-0.70%	-0.73%	3.92%
Bloomberg Australia Composite 0-3 Year Index	-0.05%	0.29%	4.20%
Bloomberg Australia Composite 3-5 Year Index	-0.71%	-0.66%	4.44%
Bloomberg Australia Composite All Maturities Index	-0.88%	-0.42%	4.35%

Bloomberg Index data is sourced from Evans & Partners.

Fund rating

Initially rated 'Favourable' by SQM Research in December 2018, the Fund was upgraded to 'Superior' in December 2020 and retained annually. The latest review was March 2025.

As of 30 June 2025, the Fund is also rated by FundMonitors.com.

Fund ratings are not a recommendation and are subject to change.

Superior
SQM RESEARCH

5 Year

Fund size

As of 30 November 2025, the Net Asset Value of the Fund was $43,882,410.36.

Portfolio characteristics 30 November 2025

Running Yield*	3.36%
Yield to Maturity*	4.08%
Average Margin	0.42%
Average Years to Maturity	2.05
Number of Securities Held	37
Floating	93.72%
Fixed	4.37%
Cash	1.92%
Modified Duration	0.18
Credit Duration	1.91

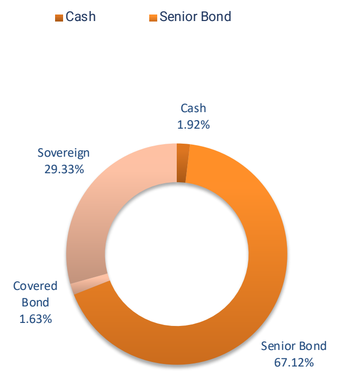
* Based on fund metrics at review date. Future returns may be different.

Fees

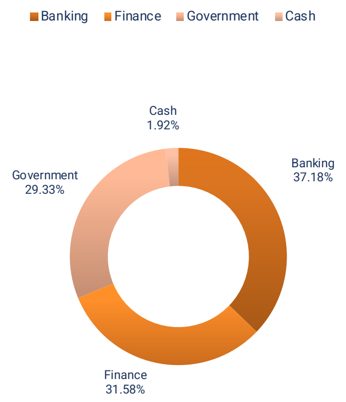
MER	0.368% + GST
Buy/Sell Spread	+0.10% / -0.10%
Performance Fees	Nil

Asset breakdown

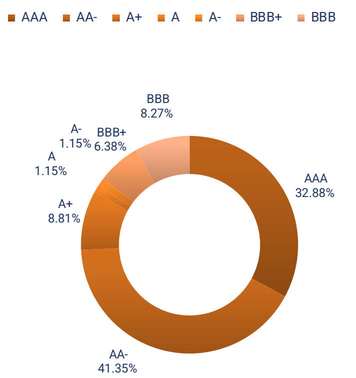
Sub Type Analysis



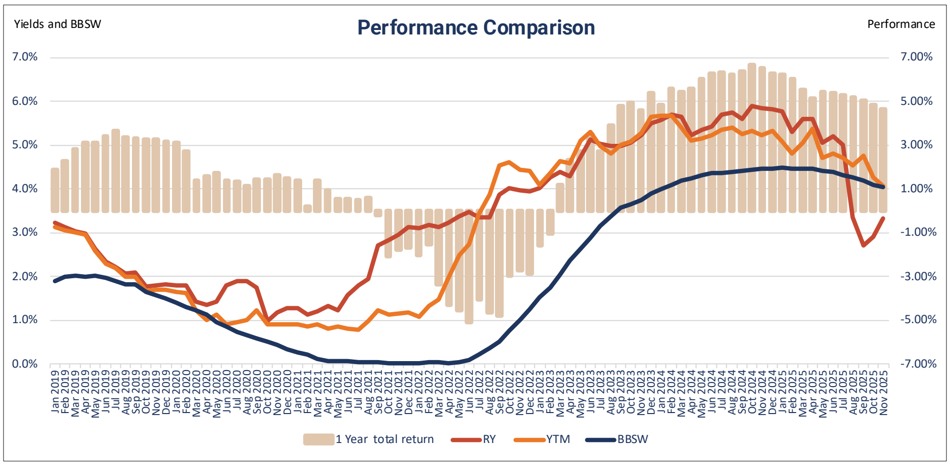
Sector Allocation



Credit Rating



Performance



Source Arculus, DDH Graham Limited data.

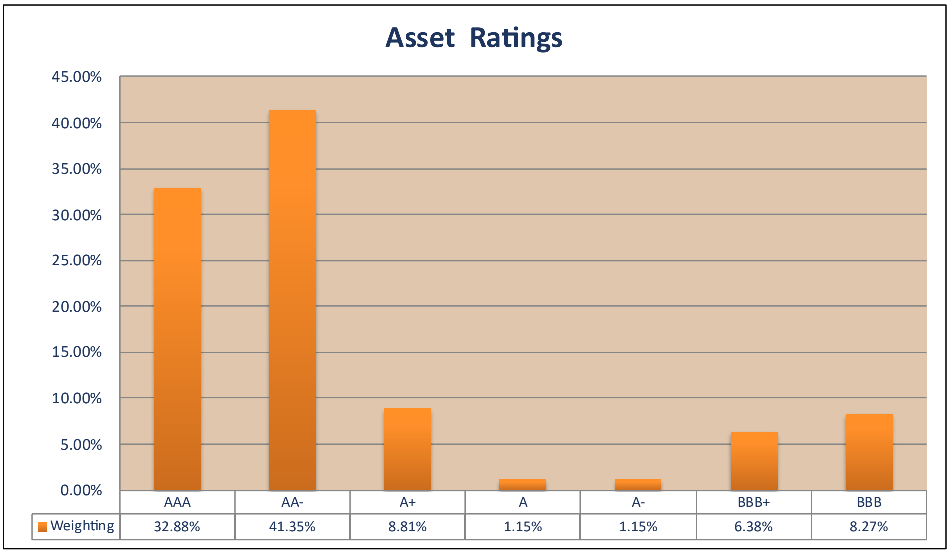
The Fund returned 22 basis points (bps) after all fees in the month of November. Due to the 29% weighting in 90-day Commonwealth Treasuries the Fund currently has a 3.36% running yield and 4.08% YTM. These yields are expected to increase when the Fund's positioning strategy allows for a shift back into floating rate or fixed senior bank bonds.

Fund positioning

The portfolio has been positioned to minimise the risk of a widening in credit margins. To date the performance of the Fund has been driven primarily by the coupon running yield on a portfolio of floating Australian senior bank debt, however, the combination of tight senior credit margins and increased geopolitical and economic uncertainty now requires an even more cautious approach, at least in the short term. In 2026 there is also the added risk of margins widening in response to the refinancing of senior debt issued by Globally Systemically Important Banks (GSIB). During the pandemic lockdowns, when rates were very low, many banks and corporations raised fixed rate finance on 5-year terms. In 2026 most of this wall of debt will need to be rolled or repaid.

The large weighting in AAA Commonwealth Treasuries that are maturing within six months will mean that the Fund has a lower income distribution and a higher capital growth outcome without increasing duration risk. If, as expected, inflation continues to rise in the months ahead, an opportunity may arise whereby we can extend the portfolio's duration by weighting towards longer dates AAA Commonwealth Treasuries for larger potential capital gains.

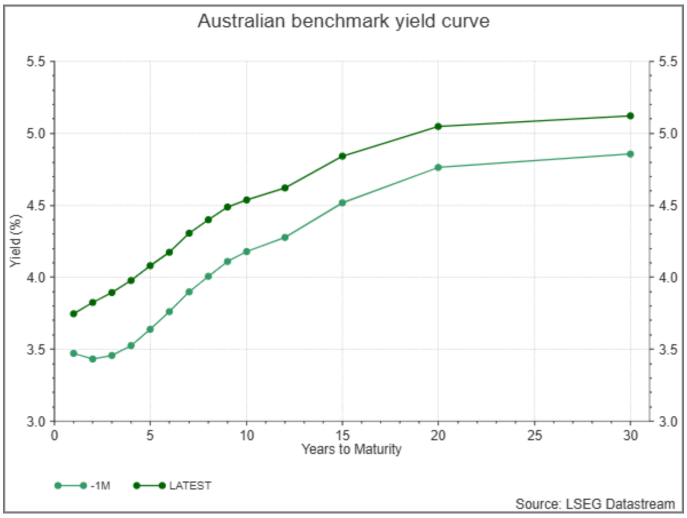
Our management philosophy is to not combine duration risk with credit risk when we strategically increase duration. We therefore do it using AAA Commonwealth Treasuries only. This is because in an economic contraction scenario, where the benchmark curve inverts, every 1% fall in the YTM on a 10-year fixed yield bond is worth @9% capital gain. Offsetting this gain with a fixed rate corporate bond or to lesser extent with most semi-government bonds is a widening in the credit spread of the issuer due to the increased economic risk.



Source Arculus

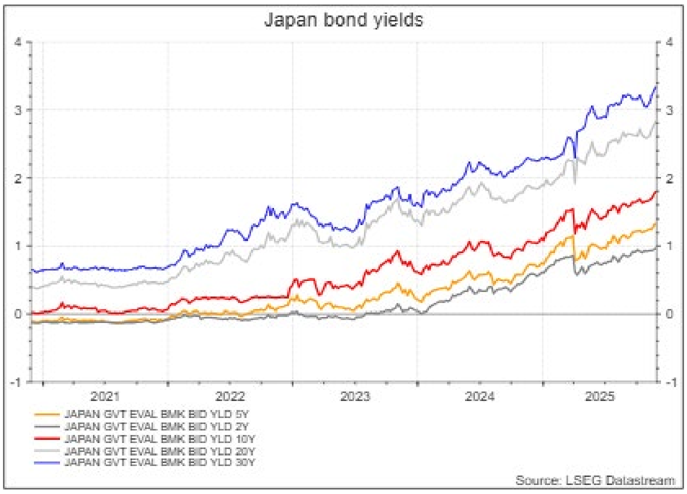
Market review & outlook

Although the key offshore bond markets (UK, France & US) were eerily calm in November, the Australian benchmark curve shifted higher in marked contrast.

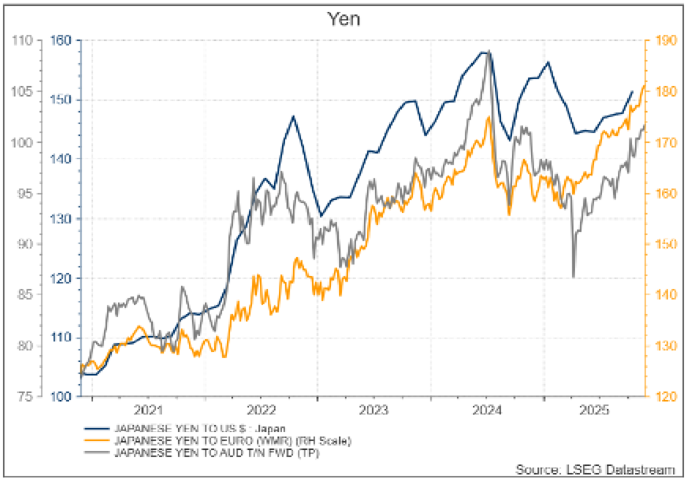


At the long end of the benchmark yield curve, the Australian 10-year yield is now trading at a 44bps premium to the US 10-year. Over the past three years the Australian 10-year had been trading in a 15bps range either side of the US 10-year yield, until very recently. Part of the reason for this change may be the rise in Japanese 10-year yields. In November, the Japanese 10-year yield rose from 1.66% to finish at a new high of 1.80%.

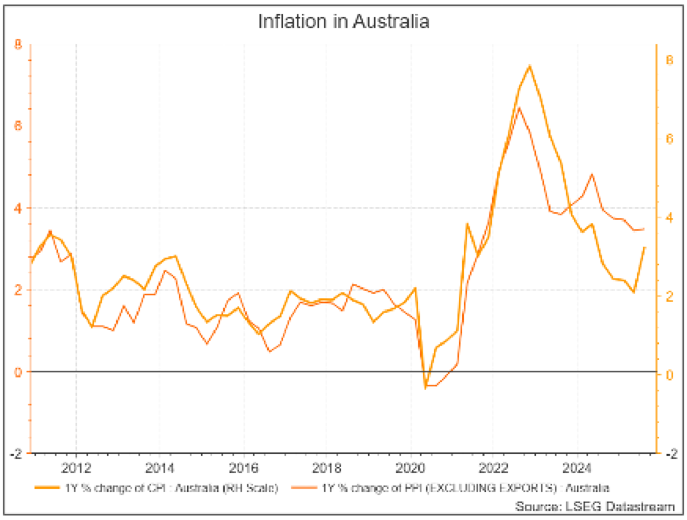
There is a growing expectation that the Bank of Japan will increase rates over the next few meetings given the stronger than expected inflation outcomes. It is clear that if the Bank of Japan does not increase rates, then the Yen will weaken.



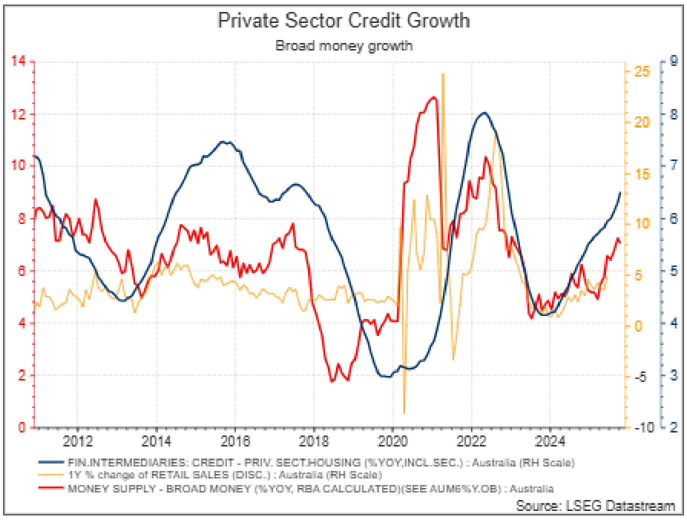
In November, the markets narrowly avoided a rapid and destabilising unwinding of the Euro-Yen carry trade. The Yen has not weakened back to the July 2024 levels against the USD that triggered an unwinding of the USD/Yen carry trade, but it has fallen to new lows against the Euro. There is a real risk of a rapid unwinding of the Euro/Yen carry trade destabilising global debt markets in December.



At least partly, the rise in Australian bond yields can be explained by the rise of inflation in the September quarter and the acceleration in the first new monthly reading in October.



Supported by strong wages growth, rising state and federal fiscal deficits and low unemployment, Australian households have been confident borrowers in the September quarter. The banking system has also been willing to lend given that 90-day arrears are near record lows. This combination with three RBA rate cuts has brought about a surge in private credit growth over the September quarter and higher again in October.



The pre-emptive move by APRA to limit high risk lending by imposing a 20% cap on the banking sector's (authorised deposit-taking institutions) lending to investors and owner-occupiers above a debt-to-income ratio of six times, is unlikely to have much impact for two reasons:

1. According to the prudential regulator the banking system has currently 10% of loans above this six times limit and 4% of owner-occupier loans.
2. Lending to high-risk borrowers is being done in Australia by the non-bank sector which is not regulated or supervised by APRA.

Given the surge in private credit growth to residential investors over the past four months, it is clear that the RBA monetary settings are accommodative and not restrictive. Every economic cycle is different. Given the current levels of government spending and the low unemployment rate with a record labour participation rate at 67%, the neutral rate appears to be above the current RBA official interest rate. It is unlikely that we will see another interest rate cut this cycle and both the February and May meetings may be forced to consider an interest rate increase.