

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/environment-social-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 undertake 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 28 February 2026 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	1.18%	2.10%	4.33%	5.17%	5.30%	2.61%	2.29%
Cash Distribution	0.70%	1.86%	5.06%	5.02%	4.79%	3.32%	2.76%
+/- Growth	0.48%	0.24%	-0.73%	0.15%	0.51%	-0.71%	-0.47%

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 28 February 2026

Index	1m Return	3M Return	12M Return
Bloomberg Australia Bank Bill Index	0.28%	0.90%	3.83%
Bloomberg Australia Gov't 3-5 Year Index	0.60%	0.09%	2.42%
Bloomberg Australia Composite 0-3 Year Index	0.33%	0.51%	3.31%
Bloomberg Australia Composite 3-5 Year Index	0.59%	0.25%	2.92%
Bloomberg Australia Composite All Maturities Index	0.88%	0.46%	3.15%

Bloomberg Index data is sourced from Evans & Partners.

Fund rating

The Fund has been rated by SQM Research and FundMonitors.com.

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



5 Year



Fund size

As of 28 February 2026, the Net Asset Value of the Fund was \$40,932,328.80.

Portfolio characteristics 28 February 2026

Running Yield*	4.62%
Yield to Maturity*	4.66%
Average Margin	0.66%
Average Years to Maturity	2.24
Number of Securities Held	38
Floating	61.96%
Fixed	33.95%
Cash	4.09%
Modified Duration	2.22
Credit Duration	2.31

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

Fees

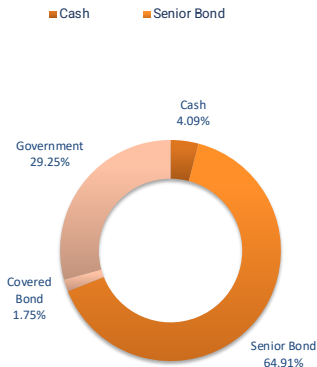
MER*	0.40%
Buy/Sell Spread	+0.10% / -0.10%
Performance Fees	Nil

* GST inclusive, net of any reduced input tax credits

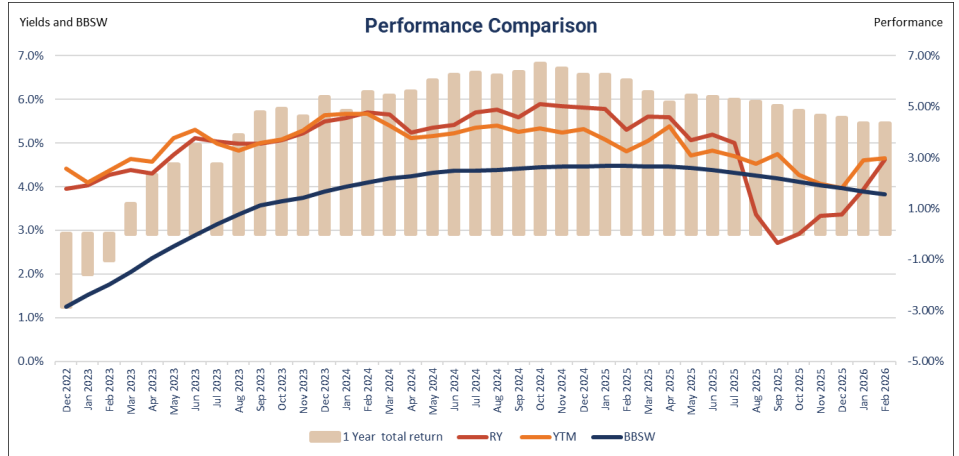
Disclaimer. This document is not a recommendation to acquire a particular financial product. The information in this document is of a general nature only. DDH Graham Limited (DDH) has not considered the investment objectives, financial situation or needs of any person or entity, when preparing this document. Persons should refer to the Product Disclosure Statement of this product (available from www.ddhgraham.com.au) and seek professional advice before relying on the information. Information used in this publication has been prepared in good faith by DDH Graham Limited. However, neither DDH Graham Limited nor Arculus Funds Management Pty Ltd warrant the accuracy of the information, and to the extent permitted by law, disclaim responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it, whether that loss or damage is caused by any fault or negligence of either DDH Graham Limited or Arculus Funds Management Pty Ltd or otherwise. Past performance is not indicative of future performance. Any forward-looking statements are opinions only and are not guarantees of future returns. Actual outcomes may differ.

Asset breakdown

Sub Type Analysis



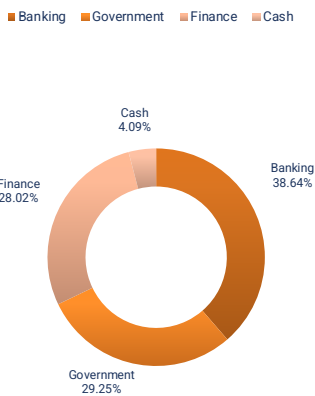
Performance



Source Arculus, DDH Graham Limited data.

The Fund returned 49 basis points (bps) after all fees in February. As forecast last month the portfolio yield has increased with the 90-day BBSW rate rising from 3.84% to 4.00% following the RBA's official overnight increase at the February interest rate setting board meeting. The portfolio has a running yield of 4.62% and yield to maturity of 4.66%.

Sector Allocation

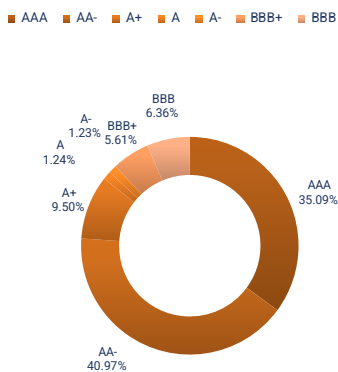


Fund positioning

In early February, in the period around the RBA's 25bps rate increase, we added duration to the portfolio through purchases of 5-year and 10-year Commonwealth Treasury bonds. Given the low coupons on these bonds, returns will be driven not by running yield but by yield to maturity (if held) and capital appreciation (if sold at a profit). This position was taken for two reasons:

1. The US 10-year yield chart looks increasingly likely to break lower rather than higher. Even so, we have set a trading stop on the Australian Commonwealth bonds at a US 10-year yield of 4.11%. Australian 10-year yields should track US yields lower if that support level breaks.
2. Due to the unwinding of the yen carry trade following the Australian dollar surging to a fresh high against the yen, the Australian 10-year and 5-year Commonwealth bonds are trading at a 75bps premium to the equivalent US yields. This is an unusually large premium. The last time a similar premium was reached was in 2022 following the federal election, after which the spread returned to trading within a roughly 15bps band either side of the US curve. We expect that once the Australian dollar peaks against the yen, Japanese selling of Australian bonds will abate, and the premium will retract toward 30bps.

Credit Rating



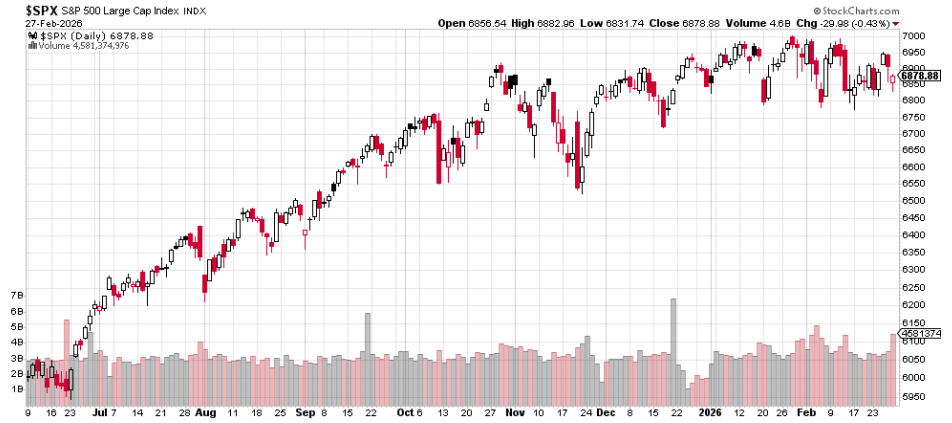
Update

The military actions taken against Iran on the 28th of February brought about a decision to sell all the Commonwealth Treasuries on the following Monday morning (2nd of March 2026) near the recent price peaks and move funds back into a mixture of floating rate senior bank bonds and cash. This resulted in the portfolio duration falling to near 0.30. The reasoning behind this tactical change is twofold:

1. At the time the US 10-year yield was testing support near 3.95% without breaking the trend line.
2. The military actions were likely to damage oil supply from the middle east leading to a rise in the price of oil that would have inflationary implications.

Market review & outlook

Recent weakness in US equity markets – and by extension global equity markets – has been masked by a pattern of capital rotating between sectors. This has resulted in specific market segments (technology, AI, financials, credit, and bonds) experiencing spikes in volatility and sharp sell-offs, however, because these moves have been segment-specific, the DJIA, S&P 500, and Nasdaq indices remain near record highs.



While sector rotation is not an absolute sell signal in isolation, it is a pattern we have seen before. As far back as 1987, sector volatility spiked during the August–October period ahead of the October crash — a dynamic that, with the benefit of hindsight, also preceded the 1929 crash. More recently, sector rotation occurred in 2007 following the Bear Stearns crisis, briefly pushing US indices back to their prior peak in late November before the decline resumed in January 2008 with the Societe Generale collapse, triggered by the discovery of large futures exposures across commodity, currency, and bond markets.

In the context of managing an absolute return fixed income mandate — where investors are not satisfied to learn that their savings fell only 4% against a benchmark that fell 5%, and are understandably furious to discover the investment manager nonetheless earned a performance bonus — this sector rotation, combined with extreme equity market valuations, represents a clear and present warning sign. This is not to say that an equity market crash is imminent, but the conditions precedent has been met. Should an external shock occur, even a minor one, no one will be surprised in hindsight. If this occurred, then credit margins would widen considerably from the current historically tight levels in order to reflect the increased risk of defaults.

At this early stage we are also cognisant of the rising defaults risks stemming from type and scale of lending conducted by the ‘private credit’ sector. In February there were reports of issues at several prominent private credit funds in the US and UK which may result in at least some limited contagion risk to the banking sector. The best signal may come from the US 10-year yield chart. A break below support near 3.90% would likely coincide with a rotation out of equities and into bonds, in anticipation of a significant economic contraction. Since October, we have noted that a symmetrical triangle was forming on this chart. There are now sufficient points of contact on both the uptrend support and downtrend resistance lines to validate the pattern.



On the weekly chart, we can see a clear break of the uptrend support line. While not as definitive a technical signal as a breach on the monthly chart, it nonetheless suggests that US 10-year yields may be entering a new downtrend — a development that would be particularly convenient for Bessent at Treasury, Waller at the Federal Reserve, and the Administration ahead of the midterms.



A technically based triangle pattern is significant for the following reasons:

- As the triangle forms, price (or yield) coils toward an apex. During this process, volatility declines below average levels, only to recover sharply once a breakout occurs.
- Typically, a breakout occurs within the final third of the triangle and carries a measured target equal to the height of the triangle's left-hand side. In the context of the US 10-year monthly yield chart, this implies a move of approximately 1.67% in either direction – an upside breakout from 4.45% would target 6.12%, while a downside break from ~3.98% would target 2.31%.
- Triangle patterns break in the direction of the dominant trend approximately 75% of the time, and against it 25% of the time.

This is particularly relevant now because the triangle is fully formed, with at least three contact points on the uptrend line and two on the downtrend resistance line, placing the yield firmly in the pattern's final third.

Until the final week of February, we had expected an upside breakout, for the following reasons:

- We have never been fully confident that the US inflation genie is back in its bottle.
- A triangle pattern has a 75% probability of breaking in the direction of the dominant trend, which is up.
- The oil price appears to have bottomed. We do not believe there is a genuine glut of oil; rather, we think inventory estimates are overstated, as they incorporate both US and Chinese strategic reserves that are effectively locked up. Additionally, some analysts have been including rising seaborne oil volumes in their inventory calculations, when this increase can largely be explained by South American producers rerouting oil sales to China to offset declining flows to the US and Europe – a shift that simply requires significantly longer shipping times.

There is also the risk of disruption to oil flows through the Strait of Hormuz, following US military action on 28 February and the potential for an Iranian response.

If the US 10-year yield does break lower, it may be signalling:

- A shift by investors out of equities in anticipation of a market decline; and
- An expected economic contraction within six to nine months.

These comments reflect the Manager's current views as at the date of this report. These views are subject to change and are not guarantees of future performance.

Disclaimer. This document is not a recommendation to acquire a particular financial product. The information in this document is of a general nature only. DDH Graham Limited (DDH) has not considered the investment objectives, financial situation or needs of any person or entity, when preparing this document. Persons should refer to the Product Disclosure Statement of this product (available from www.ddhgraham.com.au) and seek professional advice before relying on the information. Information used in this publication has been prepared in good faith by DDH Graham Limited. However, neither DDH Graham Limited nor Arculus Funds Management Pty Ltd warrant the accuracy of the information, and to the extent permitted by law, disclaim responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it, whether that loss or damage is caused by any fault or negligence of either DDH Graham Limited or Arculus Funds Management Pty Ltd or otherwise. Past performance is not indicative of future performance. Any forward-looking statements are opinions only and are not guarantees of future returns. Actual outcomes may differ.