ARCULUS FIXED INCOME FUND
MONTHLY REPORT – APRIL 2026

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 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.

Fees

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

* GST inclusive, net of any reduced input tax credits

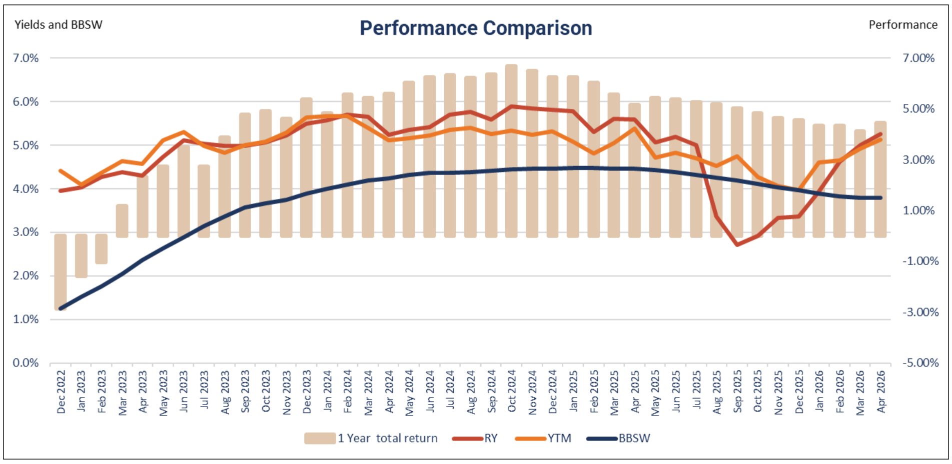
Performance to 30 April 2026 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	**0.80%**	**1.71%**	**4.45%**	**4.80%**	**5.07%**	**2.58%**	**2.28%**
Cash Distribution	0.95%	1.65%	4.68%	4.91%	4.81%	3.46%	2.82%
+/- Growth	-0.15%	0.06%	-0.23%	-0.12%	0.26%	-0.88%	-0.54%

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.



Source Arculus, DDH Graham Limited data.

The Fund returned a strong 41 basis points (bps) after all fees in April, following its distribution of 0.94% for the March quarter. April returns for unitholders reflected both the income received from bond coupons and a contraction of bank senior margins back to levels last seen in January. Performance over the next few months will be driven primarily by the running yield, currently estimated at 5.26%, and will be linked to further increases in the 90-day BBSW rate should the RBA raise rates again.

Fund rating

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

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

Superior

5 Year

Fund size

As of 30 April 2026, the Net Asset Value of the Fund was $38,744,829.19.

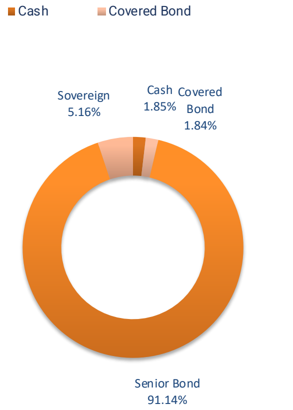
Portfolio characteristics 30 April 2026

Running Yield*	5.26%
Yield to Maturity*	5.13%
Average Margin	0.76%
Average Years to Maturity	1.83
Number of Securities Held	40
Floating	93.14%
Fixed	5.00%
Cash	1.85%
Modified Duration	0.95
Credit Duration	1.75

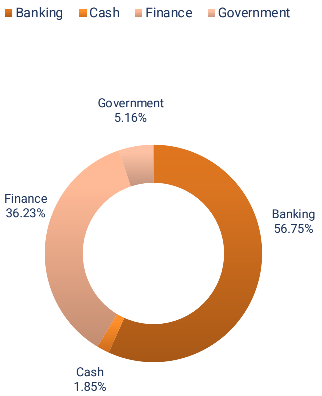
* Based on fund metrics at review date. Future returns may be different.

Asset breakdown

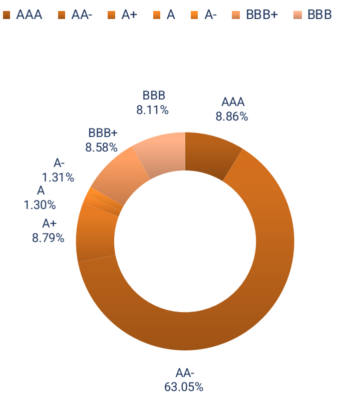
Sub Type Analysis



Sector Allocation



Credit Rating



Fund positioning

Over April the Fund put a substantial inherited cash balance to work, deploying funds into investment grade floating rate notes and a new $2.0 million Export Finance Australia floating rate note (FRN).

The number of securities held rose from 36 to 40. The result was an uplift in income with only a modest extension of interest rate risk. Running yield and yield to maturity rose to 5.26% and 5.13%, respectively, while average credit margin widened from 0.67% to 0.76%. These are positive developments from an income perspective.

The following outcomes were achieved:

Running yield

The running yield rose from 5.01% to 5.26%, an improvement of 25 bps. The increase came from putting the elevated 31 March cash balance to work by investing in floating rate notes carrying coupon margins above the cash rate, in particular the new Westpac 5.32% 15/01/2029, ANZ 5.13% 04/11/2027, and Liberty Financial 7.97% 16/03/2028 lines. The continued upward drift in 90-day BBSW over the period also lifted coupon resets on the broader FRN book.

Yield to maturity

Yield to maturity (YTM) rose from 4.92% to 5.13%, an improvement of 21bps. The average credit margin widened from 0.67% to 0.76%, a lift of 9bps, driven principally by the addition of the Liberty Financial 2028 line at the longer-margin end of the new positions. The remainder of the YTM uplift reflects the deployment of cash into securities at coupons above the cash rate.

Fixed vs. floating

This is the most structurally significant change of the period. Floating rate exposure rose sharply from 75.94% to 93.14%, while fixed rate exposure was little changed at 5.00% (from 4.82%). Cash fell from 19.24% to 1.85%, reflecting the deployment of the $7.7 million 31 March cash balance into the bond market. The Fund continues to run a structurally floating book, with fixed rate exposure held at a small tactical level.

Duration

Modified duration rose from 0.79 years to 0.95 years on the deployment of cash into floating rate securities, which carry a small reset-period duration that cash does not. Credit duration rose from 1.44 years to 1.75 years, again reflecting the move out of cash into invested securities. Both measures remain low in absolute terms, consistent with the Fund's mandate to keep interest rate risk contained.

Average years to maturity

Average maturity was effectively unchanged at 1.83 years (from 1.85 years), reflecting the fact that the new positions have maturities clustered between 2027 and 2029 — broadly in line with the existing book.

Credit quality

The portfolio remains entirely investment grade senior bonds. The most notable shift was a significant fall in AAA exposure from 21.02% to 8.86% as cash was deployed (cash is reported as AAA in the ratings breakdown), with the proceeds primarily flowing into AA- rated bank paper, which rose from 53.22% to 63.05%. Sovereign-equivalent exposure rose from zero to 5.16% on the new Export Finance Australia FRN (an Australian government export credit agency line). A+ exposure was little changed at 8.79% (from 8.45%), and BBB-band exposure rose modestly from 14.79% to 16.69% on the addition of the Liberty Financial line. Overall credit quality remains strong, with the bulk of the portfolio sitting in AA- bank paper and the recent additions broadly consistent with the existing rating mix.

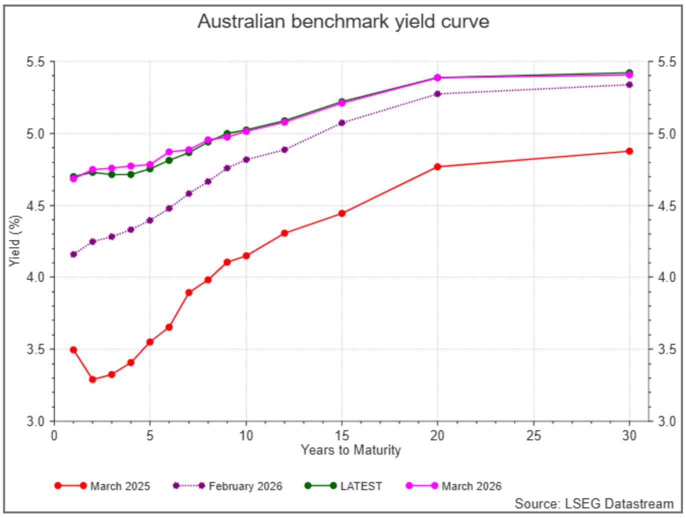
Market review & outlook

The Australian benchmark yield curve barely moved in April; however, the upward move in Australian government bond yields over the past year has been among the most significant in two decades. The two-year bond yield rose approximately 54bps in March alone and ended April at a similar level of 4.73%, having risen more than 100 bps over the prior twelve months.

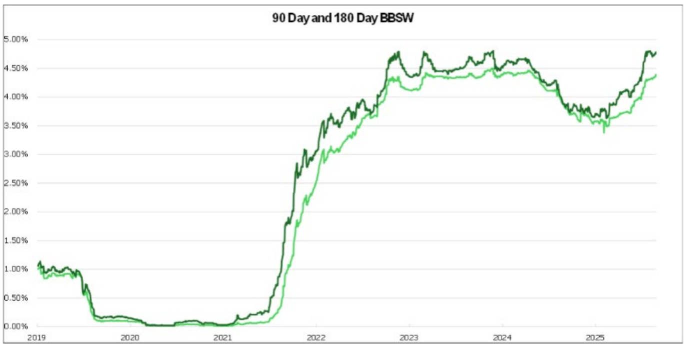
The thirty-year yield reached 5.42%, having risen approximately 19bps in March alone, and materially more over the preceding year. The move has been broadly parallel across tenors — consistent with a market repricing its terminal rate expectations rather than simply steepening or flattening in response to a single cyclical shock — but with notably concentrated selling pressure in the five-to-ten-year segment of the curve, for reasons specific to Australia's relationship with Japanese institutional investors.

The repricing did not originate in a single event. Rather, it reflects the sequential crystallisation of structural and cyclical forces that were individually present throughout 2025, but whose combined weight only became impossible to discount as inflation re-accelerated in the second half of that year and carried into 2026. These forces were:

- Monetary base expansion that fuelled a surge in private credit growth.
- Yen carry trade unwinding against the Australian dollar, which impacted the 5–10-year part of the curve.



The 1–5-year segment of the curve is trading relatively flat, anchored by the RBA's cash rate setting where policy has the greatest influence. The market has fully priced two further rate rises and a cash rate remaining near 4.70% for an extended period. The 90-day BBSW rate finished the month at 4.37%, strongly implying that the RBA will raise rates at either the May or June meeting; the steady 180-day BBSW rate at 4.75% implies that only one further rate increase is expected in the second half.

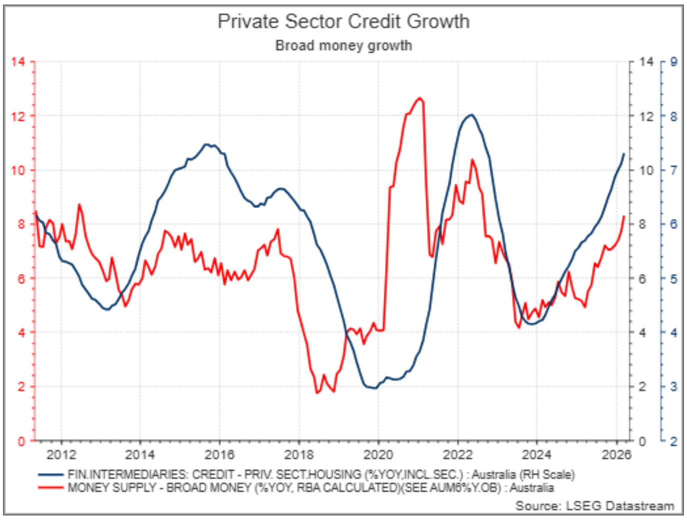


Source: Arculus

Monetary base and broad money growth

The foundation of any durable upward shift in nominal bond yields is monetary expansion that exceeds the economy's capacity to absorb it without generating inflation. In Australia's case, broad money growth (M3) has been running at an elevated pace that, when placed in the context of a recovering economy, provides a permissive backdrop for sustained inflation. M3 growth in Australia reached 7.15% year-on-year in the fourth quarter of 2025. This rate is well above the economy's estimated long-run nominal growth potential of approximately 4–5%. The acceleration in broad money growth is partly a lagged consequence of the RBA's rate-cutting cycle through 2025. When the central bank lowered the cash rate three times — in February, May & August — the resulting easing in credit conditions expanded the money supply through the standard bank money-creation process: lower rates reduce the cost of borrowing, stimulating new lending, which creates new deposits, which expand the broad money stock.

The relationship between money growth and inflation is not instantaneous. The transmission operates with a lag of 9 to 12 months, meaning that the monetary expansion generated by the 2025 easing cycle has not yet fully flowed through to prices. This is precisely what makes the current conjuncture uncomfortable for the RBA. The earlier monetary policy easing is expected to have most of its effect on GDP growth in 2026 rather than 2025, given typical lags in transmission, although there is inherent uncertainty around this assessment. The Board is now raising rates into the tail of an easing cycle whose full inflationary effects have not yet materialised — a structural challenge that implies the terminal cash rate required to stabilise inflation may be higher than markets are currently pricing.



One of the primary drivers of the yield curve repricing is the strongest signal of genuine underlying demand pressure in the economy, private credit growth (non-government lending activity done primarily by the banking sector). Private sector credit has been growing at its fastest annual pace in five years, suggesting that the rate cuts of 2025 succeeded in re-igniting borrowing appetite — and in doing so, have reintroduced the inflationary dynamics that those cuts were, in part, intended to remain cautious about. Australia's private sector credit expanded 7.7% year-on-year in January 2026, holding steady for a second straight month at the fastest pace in five years. In December 2025, credit growth accelerated to 0.8% month-on-month — the highest monthly increase since June 2022 — as credit growth quickened for both housing (0.7%) and business (1.0%).

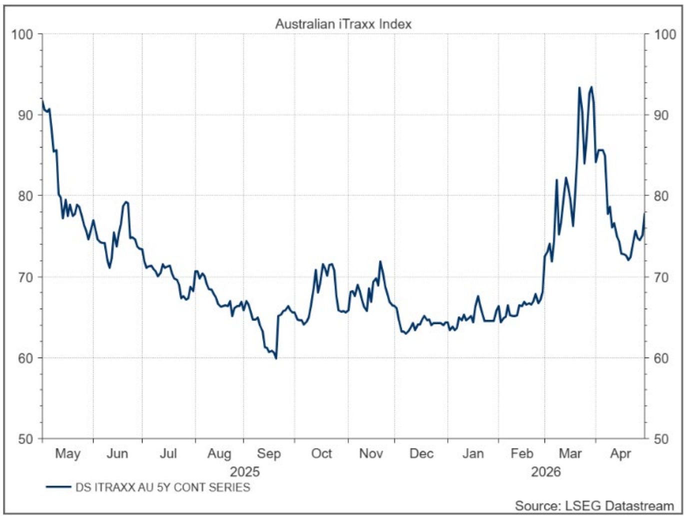
The sectoral decomposition of this credit growth is significant. Housing credit, which had been subdued through the earlier tightening cycle of 2022–23, responded strongly to the RBA's 2025 easing. Housing prices increased by 1% in the month of December 2025 alone, to be 8.5% higher over the year. The strength in housing prices over the past year is consistent with strong growth in housing credit; both have been stronger than in most previous monetary policy easing phases. Business credit has been equally robust. The IMF's Article IV consultation noted that business investment was above expectations and non-dwelling investment growth saw a strong pickup in Q3 2025, supported by spending related to technology and the energy transition. The RBA's own assessment confirmed that credit is readily available to both households and businesses and the effects of interest rate reductions in 2025 are yet to flow through fully to aggregate demand, prices and wages.

This last observation is the most important for bond market pricing. If the full impact of 2025's three rate cuts have not yet been felt — a standard monetary policy transmission timeline of twelve to twenty-four months implies peak credit effects in late 2026 — then the 7.7% annual credit growth rate observed in January 2026 represents a floor rather than a ceiling for the credit impulse's inflationary contribution over the next twelve months. The RBA's rate increases in February and March 2026 are attempting to withdraw accommodation in real time against a credit cycle that has already been set in motion. The asymmetry is uncomfortable.

Investment grade credit

Australian investment-grade corporate credit markets navigated April in a broadly functional but cautious posture. Credit spreads contracted sharply from the end of March levels before expanding late in the month under the weight of new issuance. The widening was not disorderly: corporate balance sheets entered the period of stress generally well-capitalised, structural demand from superannuation funds provided a reliable technical bid at wider spreads, and the absolute yield levels on offer (investment-grade paper now yielding 5.5-6.0%+ in many cases) attracted renewed interest from income-seeking investors.

Primary market activity was subdued relative to the elevated pace of early 2026. Issuers that had opportunistically locked in funding in January and February — when conditions were more benign — were largely absent in April. Those that did come to market required more generous concessions relative to secondary levels, reflecting the elevated uncertainty premium demanded by investors. Financial institution bonds remained the most active segment, underpinned by structural regulatory capital requirements.



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.