ARCULUS FIXED INCOME FUND
MONTHLY REPORT – JUNE 2026

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 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.

Fees

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

* GST inclusive, net of any reduced input tax credits

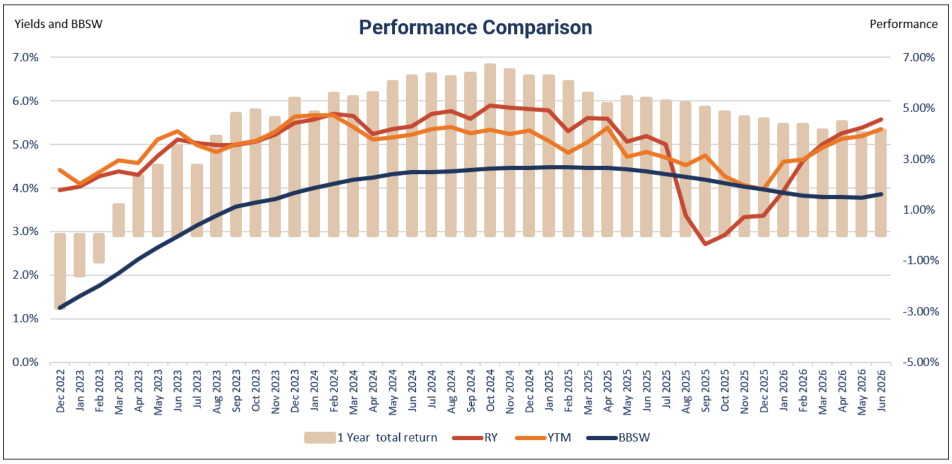
Performance to 30 June 2026 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	**1.22%**	**1.94%**	**4.11%**	**4.74%**	**5.24%**	**2.75%**	**2.33%**
Cash Distribution	0.85%	1.81%	3.71%	4.76%	4.75%	3.60%	2.86%
+/- Growth	0.37%	0.13%	0.40%	-0.02%	0.49%	-0.85%	-0.53%

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 44 basis points (bps) after all fees in June, following its distribution of **0.85%** for the June quarter. June returns for unitholders were driven primarily by the income received from bond coupons. Performance over the next few months will continue to be driven primarily by the running yield, currently estimated at 5.58%, and will remain linked to the 90-day BBSW rate.

Fund rating

The Fund has been rated Investment Grade by Lonsec.

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

Fund size

As of 30 June 2026, the Net Asset Value of the Fund was $42,725,375.04.

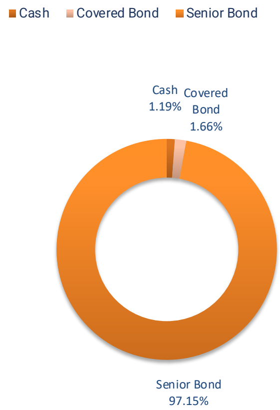
Portfolio characteristics 30 June 2026

Running Yield*	5.58%
Yield to Maturity*	5.35%
Average Margin	0.90%
Average Years to Maturity	1.94
Number of Securities Held	44
Floating	96.43%
Fixed	2.38%
Cash	1.19%
Modified Duration	0.10
Credit Duration	1.78

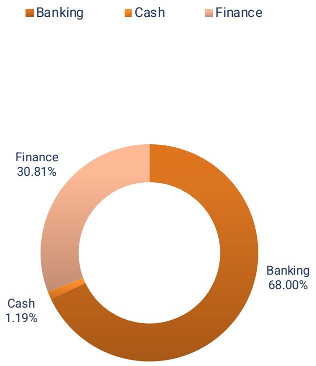
* Based on portfolio metrics (pre fees) at review date. Future fund returns may be different.

Asset breakdown

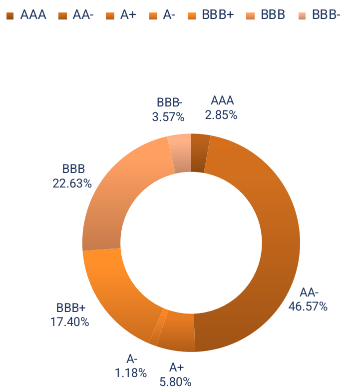
Sub Type Analysis



Sector Allocation



Credit Rating



Fund positioning

Over June the Fixed Income Fund deployed the elevated cash balance it had carried through May into higher-margin floating-rate bank and financial credit. The Fund's cash weight fell from 5.80% to 1.19% lifting floating rate note exposure from 91.87% to 96.43%. The Fund exited the AAA Export Finance Australia floating rate note (BBSW+20bps, its lowest-margin line) and four short-dated or low-margin Australian branch global bank senior floating rate notes (UBS, Mizuho and two United Overseas Bank lines) and trimmed the low-margin Westpac BBSW+58bps FRN (c.$1.5m). Proceeds were redeployed into higher-margin regional and mutual banks. The number of securities held fell from 46 to 44.

The result was a modest uplift in income and credit margin with a slight reduction in interest rate risk. Running yield rose to 5.58% and yield to maturity to 5.35%, while average credit margin widened from 0.74% to 0.90%. NAV was broadly unchanged at $42.73m (from $43.53m), a small net outflow. The Fund remains a short-duration, entirely investment grade, predominantly floating-rate portfolio of Australian bank and financial credit.

Key metrics

Metric	31 May 2026	30 Jun 2026	Change
Running yield	5.39%	5.58%	**+19 bps**
Yield to maturity	5.19%	5.35%	**+16 bps**
Average credit margin	0.74%	0.90%	**+16 bps**
Modified duration	0.15 yrs	0.10 yrs	**−0.05 yrs**
Credit duration	1.71 yrs	1.78 yrs	**+0.07 yrs**
Average years to maturity	1.91 yrs	1.94 yrs	**+0.03 yrs**
Floating rate (FRN)	91.87%	96.43%	**+4.56 pp**
Fixed rate	2.33%	2.38%	**+0.05 pp**
Cash	5.80%	1.19%	**−4.61 pp**
Investment grade [1]	100%	100%	**–**
Number of securities	46	44	**−2**
Net asset value	$43.53m	$42.73m	**−$0.80m**
90-day BBSW	4.45%	4.45%	**–**

Portfolio characteristics as at month-end. [1]

Running yield

Running yield rose from 5.39% to 5.58%, an increase of 19bps. With 90-day BBSW broadly steady over the period (c.4.45%), the lift was driven by the deployment of cash into coupon-paying floating rate notes and the rotation out of the Fund's lowest-margin lines — the AAA Export Finance floating rate notes and bank senior paper — into higher-margin regional and financial issuance.

Yield to maturity

YTM rose from 5.19% to 5.35%, an increase of 16bps, and average credit margin widened from 0.74% to 0.90%, also 16bps. With BBSW unchanged, essentially the entire move was spread-driven, reflecting the rotation down the investment grade spectrum — out of AAA and AA- major-bank and sovereign paper and into BBB-band regional-bank floating rate notes.

Fixed vs. Floating

Floating rate exposure rose from 91.87% to 96.43% as the elevated cash balance was deployed, while fixed rate exposure was broadly unchanged at 2.38% and cash fell from 5.80% to 1.19%. The Fund continues to run an almost entirely floating book, consistent with its objective of delivering a return above BBSW while holding minimal interest rate duration.

Duration

Modified duration fell from 0.15 years to 0.10 years, reflecting the exit of the short-dated offshore-bank lines and the deployment of cash, leaving the Fund with almost no sensitivity to the level of interest rates. Credit duration rose modestly from 1.71 years to 1.78 years on the addition of the 2029–2031 dated floating rate notes, marginally increasing the Fund's sensitivity to movements in credit margins.

Average years to maturity

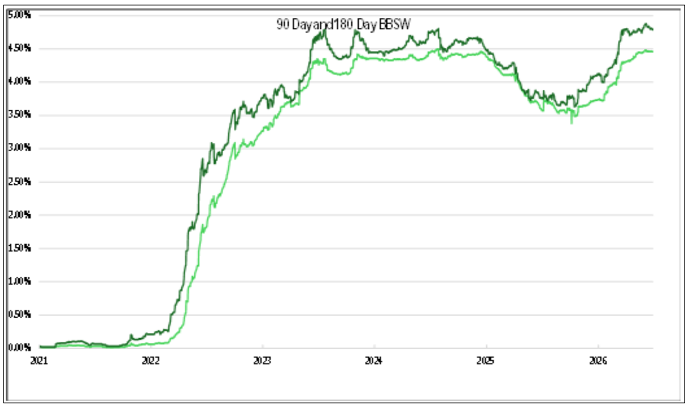
Average maturity was broadly unchanged at 1.94 years (from 1.91 years). The maturity profile remains laddered from the September 2026 quarter through to early 2031, with the heaviest concentrations in 2029 (c.31%) and 2027 (c.26%), providing a steady flow of reinvestment opportunities at prevailing margins.

Credit quality

The Fund remains 100% investment grade. The rating mix shifted down within investment grade: AAA fell from 9.8% to 2.9% on the exit of the Export Finance sovereign floating rate notes and short-dated AAA paper, and AA- fell from 51.3% to 46.6% on the Westpac trim and offshore-bank exits, while the BBB band rose materially — BBB from 15.2% to 22.6% and BBB+ from 12.2% to 17.4%. By sector, banking rose from 63.0% to 68.0% and diversified financials from 28.9% to 30.8%, with the small government (Export Finance) holding exited. Issuer exposure remains led by the four major banks at c.44% combined (Westpac 11.9%, NAB 11.9%, CBA 10.7%, ANZ 9.8%).

Market review & outlook

The RBA held the cash rate steady this month following three consecutive 25bps increases to open the year, a unanimous decision that Governor Bullock paired with an acknowledgement the economy still carries *"a bit of excess demand."* We read the pause as genuine, not the end of the cycle. Our central case is that the Bank remains on hold through the second half of the year before delivering a **further 25bps increase in the December quarter** — a move we expect to be driven by cost-push inflation crystallising even as the broader economy looks lacklustre.

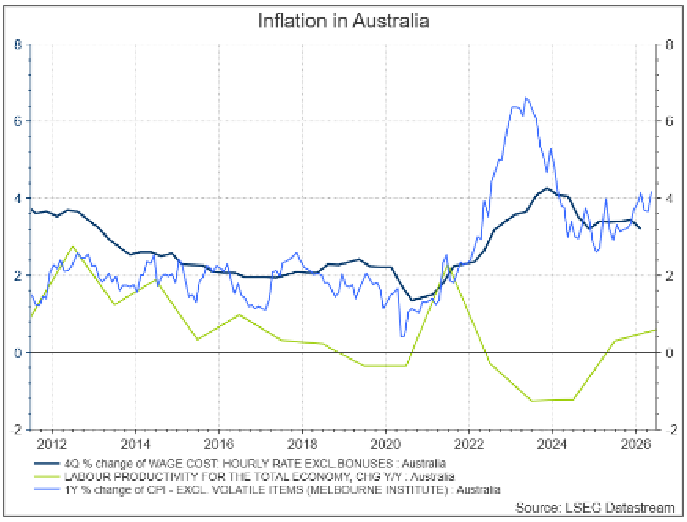


Underlying inflation is building beneath a softer headline

The case for a final hike is building beneath a softening headline. May headline inflation fell to 4.0% YoY, but almost entirely on an 11.9% fall in fuel and a 6.9% drop in travel prices; the core CPI rose to **4.18% YoY, surpassing the recent February peak of 4.13%**. The persistence sits in roughly a third of the basket and is supply and cost-side in character:

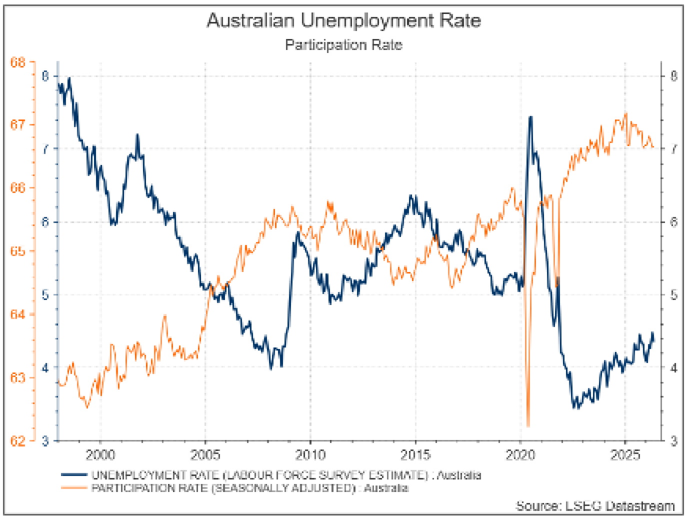
- new dwelling construction is running at 5.6% YoY — its fastest since mid-2023 and adding some 42bps to headline inflation on its own.
- rents are reaccelerating toward 4%; and
- market services inflation remains broad-based.

Critically, this is all evident *before* the Fair Work Commission's 4.75% award wage increase — which lifts pay for around a fifth of the workforce — takes effect on 1 July (the concurrent ~6% rise in the National Minimum Wage reaches under 1% of employees and is macroeconomically immaterial). We expect that award step-up to feed market services through the second half. The June-quarter CPI on 30 July is the nearer-term checkpoint — the RBA's own forecasts have headline inflation near 4.8% over the year to June, but the award impulse will not register until the September quarter, leaving the late-October Q3 CPI the most likely trigger for the Bank to move on.



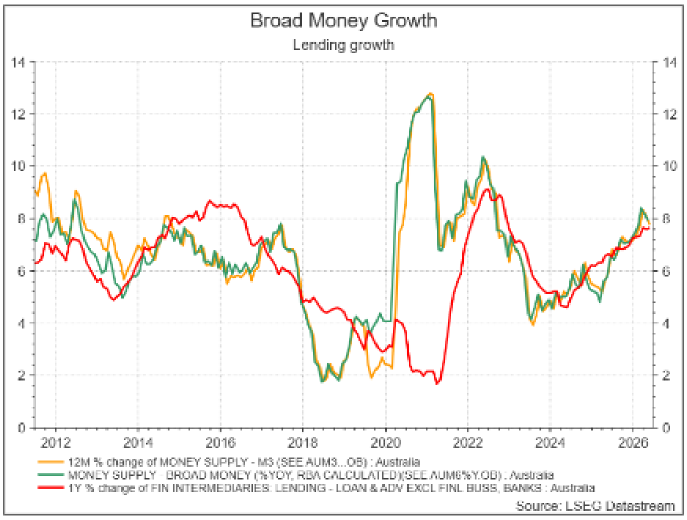
A hike into a cooling economy

That this tightening would land into a cooling economy is, in our view, the defining feature of the outlook rather than a contradiction of it. The housing downturn has begun, hours worked softened in the month, and household spending is growing at its slowest pace in a year. Yet, the labour market remains genuinely tight: unemployment fell back to 4.4% as April's spike reversed, employment rebounded 40k, and broader spare-capacity measures — underutilisation at 10.2%, underemployment near its cycle low — sit at generational tights. In context these tight labour market readings are occurring with labour participation at 67% - a high reading. The market expects cost-driven inflation and a still tight labour market to keep the RBA on hold, weak demand notwithstanding.



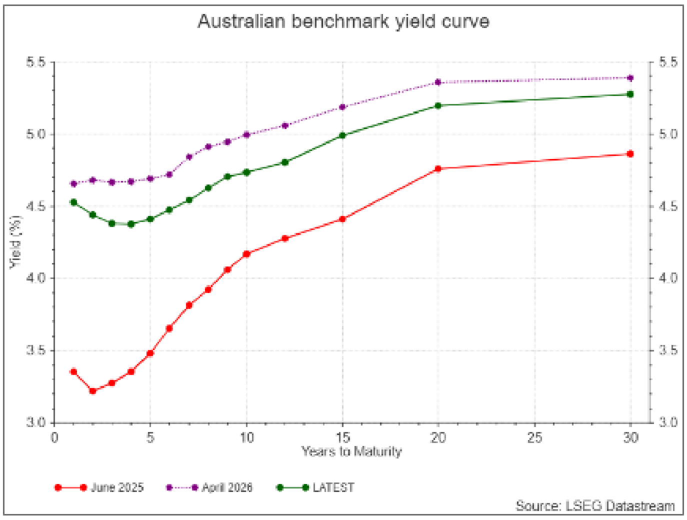
The 2027 risk: a wage–price spiral

Beyond the December move, we see a credible path to a second 25bps increase during 2027, though we treat it as conditional and sequenced. The first condition is that money supply growth remains strong, sustaining the monetary impulse behind demand; only if that holds does the second condition — a broadening in wages growth — become the mechanism that converts cost-push pressure into a self-reinforcing wage-price dynamic. Absent strong money supply growth, we would not expect wages alone to force the Bank's hand. We flag this as a **risk case, rather than our base**, but note it runs directly counter to prevailing assumptions of an easing cycle from late 2027. On our trajectory the next move is up, then held, and the eventual cut sits materially later than consensus.



The markets have maintained a positive outlook

In the short term, the shape of the yield curve is reflecting a rapid impact on inflation from the peace deal in the Middle East enabling an overnight restoration of supply chains.



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.