Arculus Funds Management

Preferred Income Fund

Higher income from Australian credit — with capital preservation and liquidity.

MONTHLY FACT SHEET · 31 AUGUST 2026

STRATEGY & OBJECTIVE

The Arculus Preferred Income Fund is a domestic fixed-income portfolio invested in Australian government and semi-government bonds, senior and subordinated corporate bonds issued by Australian corporates, ASX-listed hybrid and debt securities, and cash. It targets a return of the 90-day BBSW rate plus 3.5% p.a. before fees, combining income distribution and capital growth.

The Fund uses no leverage, derivatives, offshore currency or structured credit. Up to 30% may be held in non-investment-grade securities. It may suit investors seeking a medium-risk investment over a 3–5 year horizon.

KEY FACTS

APIR code	DDH0001AU	ARSN	108 161 575
Structure	Registered MIS (unitised)	Inception	25 Oct 2004
Responsible entity	Equity Trustees Limited	Investment manager	GCI Australia / Arculus
Target return	90-day BBSW + 3.5%	MER (GST incl.)	0.72%
Buy / sell spread	+0.15% / −0.15%	Performance fee	Nil
Risk profile	Medium	Suggested term	3–5 years

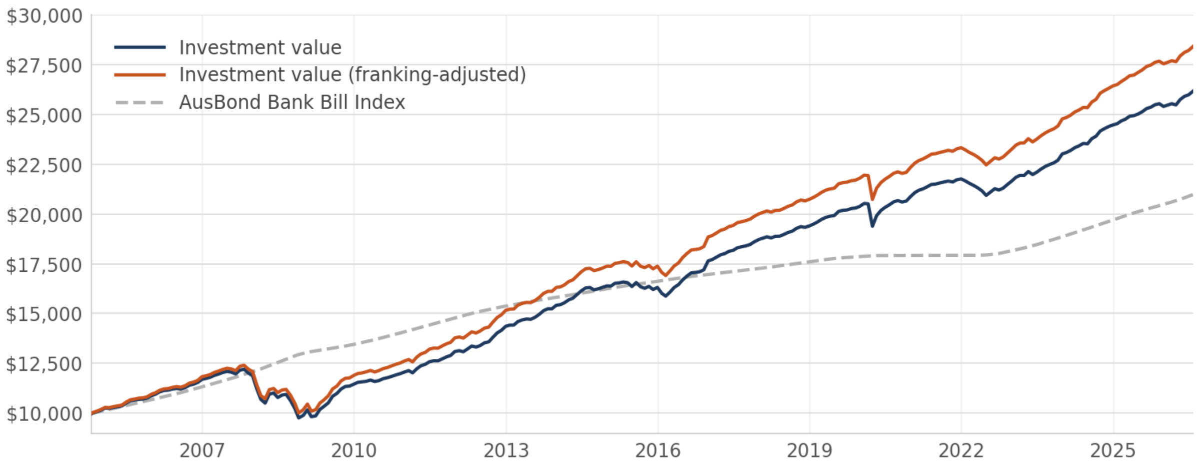
Platforms Wealth02, HUB24, Netwealth, OneVue, Praemium Investment, Ausmaq, BT Panorama, Clearstream and Australian Money Market.

PERFORMANCE TO 31 AUGUST 2026 (% ANNUALISED, NET OF FEES)

% p.a.	3M	6M	1Y	2Y	3Y	5Y	Incep.
Total return	**1.24%**	**2.70%**	**3.70%**	**4.74%**	**5.42%**	**3.95%**	**4.52%**
Cash distribution	1.07%	2.26%	5.00%	5.91%	5.91%	5.05%	5.38%
Growth	0.17%	0.44%	−1.30%	−1.17%	−0.49%	−1.10%	−0.86%
Total return (incl. franking credits)	**1.31%**	**2.84%**	**3.91%**	**5.15%**	**5.77%**	**4.24%**	**4.90%**

Benchmark-unaware; target return is the 90-day BBSW rate plus 3.5% before fees. Returns use exit prices, assume reinvestment of distributions, and exclude tax. Total return, cash distribution and growth are shown excluding franking credits; the final row adds the value of franking credits. Past performance is not an indicator of future performance.

GROWTH OF $10,000 SINCE INCEPTION



Growth of a $10,000 investment from inception (25 Oct 2004) to 31 July 2026 — net of fees, with distributions reinvested. The franking-adjusted series includes the value of franking credits. [TBC — the chart remains at 31 July 2026 pending the August performance workbook.] Past performance is not an indicator of future performance.

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PORTFOLIO CHARACTERISTICS

Running yield	7.18%	Yield to maturity	7.99%
Average margin	3.44%	Avg years to maturity	2.61
Modified duration	0.61	Credit duration	1.64
Floating	78.52%	Fixed	20.61%
Cash	0.87%	Securities held	38

Net asset value **$99.90m** *as at 31 August 2026*

MONTHLY RETURNS SINCE 31 MARCH 2026

%	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Since 31 Mar	Avg month	Annualised
Total return	**1.05%**	**0.63%**	**0.29%**	**0.68%**	**0.27%**	**2.96%**	**0.58%**	**7.24%**

Monthly returns are net of all fees and exclude franking credits. The Fund distributes quarterly, so months without a distribution show the full return as growth. Since 31 March 2026 is the cumulative return over the five months to 31 August 2026; annualised on a compound basis; average month is the geometric mean. Past performance is not an indicator of future performance.

FUND POSITIONING — AUGUST 2026

August was a month of consolidation rather than repositioning. The number of holdings fell from 48 to 38 as ten smaller lines were retired and the proceeds concentrated into fewer, larger positions. Two high-grade floating-rate lines were added at the long end of the maturity profile, both held at or close to par and both at margins well inside the Fund average — one maturing in 2031 at 90 bps over three-month BBSW, the other in 2036 at 127 bps. They lift the credit quality of the portfolio while diluting its income run rate. The offsetting move was a lift in the hybrid weight, with preference notes rising to 31.1% of the Fund as senior bond exposure was reduced. The net effect is a portfolio that is slightly longer, slightly higher in credit quality at the top of the ratings distribution and slightly lower yielding on current income, while yield to maturity has edged higher.

Running yield fell 15 bps to 7.18% — a composition effect from the two new lines rather than a repricing of the existing book — while yield to maturity rose 3 bps to 7.99% and average credit margin eased 1 bp to 3.44%. The gap between yield to maturity and running yield widened from 63 to 81 bps, reflecting a larger weight of holdings priced below par that will accrete toward face value. Fixed-rate exposure rose from 19.05% to 20.61% and floating eased from 79.06% to 78.52%, leaving the floating-rate bias intact as the Fund's central structural position. Modified duration rose from 0.45 to 0.61 years, partially reversing July's reduction, and credit duration was essentially unchanged at 1.64. Average years to maturity lengthened from 2.25 to 2.61 years, though the maturity profile remains front-loaded: 31.5% of the Fund matures or reaches a call or reset date before the end of the June 2027 quarter and a further 10.4% by the end of 2027.

FUND RATING

The Fund has been rated Investment Grade by Lonsec. Fund ratings are not a recommendation and are subject to change.