

# Kapstream Capital

Innovations in fixed income



## Innovations in fixed income

Kapstream offers an alternative approach to fixed income. Our goal is to create innovative solutions for client needs. Through active diversification across sectors and geographies, we aim to consistently deliver capital protection and a reliable income stream.

### About Kapstream

Kapstream Capital was founded in 2006 by Kumar Palghat and Nick Maroutsos, both seasoned fixed income managers.

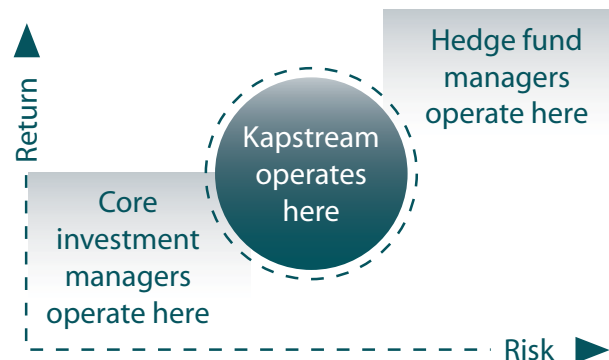
Kumar and Nick started with a simple insight. They had repeatedly seen core managers build portfolios around a benchmark, avoiding large positions to prevent tracking error and often underperforming market potential.

They concluded that they could consistently achieve superior results by stepping beyond the traditional core manager approach. They decided to target an absolute return, using a wide range of instruments, including derivatives, to exploit market inefficiencies across the full spectrum of fixed income investments.

As a result, Kapstream is uniquely positioned in the space between core investment managers and higher risk hedge funds.

### The Kapstream difference

- **Innovative solutions.** We draw on a wide range of instruments and fixed income markets to create innovative solutions for our clients.
- **A global perspective.** We search out the best opportunities in fixed income markets around the world, including rapidly changing emerging markets.
- **Genuine diversification.** By using a broad palette of potential investments, we construct portfolios of uncorrelated assets, generating consistent returns with less risk.
- **Positive returns across business cycles.** Dynamic asset allocation means less exposure to any single economy or asset type. We aim to deliver positive returns across business cycles.
- **A proven investment process.** We follow a rigorous process for every position we take, combining top-down research and analysis with bottom-up trade selection.



## How we invest

As a specialist fixed income manager, Kapstream is lean, nimble and responsive. We're run by portfolio managers for portfolio managers – but that isn't all that makes us stand out from the crowd.

Kapstream's real point of difference is our investment style. We seek out value across sectors and geographies, identifying strategies priced for the best return potential in the current market environment. That means we can take advantage of unique opportunities within countries and sectors that are often overlooked or under-represented in market indices.

We use a wide range of instruments to capitalise on opportunities within the marketplace, including bonds, notes, mortgages, corporate debt, emerging market debt, convertible securities, derivatives, foreign exchange contracts, enhanced cash instruments and more.

As a result, we can generate positive returns in both rising and falling markets. We manage total portfolio risk, rather than the index risk, so our funds can generate a positive return even when indices are falling.

The result is superior return potential, with less risk.

## Guiding principles

At Kapstream, we seek to maximise returns for clients while minimising risk. We also aim to build a high-performance culture, driven by strong customer service.

We've developed five guiding principles that shape everything we do.

The principle	What it means in practice
1. Provide clients with the comfort of capital preservation and a steady stream of income.	We aim to deliver real results, not just outperform a benchmark. That means capital preservation in real terms with a high watermark, plus a consistent income stream across business cycles.
2. Embrace change as an essential component of funds management.	To produce consistent returns in a rapidly evolving investment environment, you need to respond quickly to changing market conditions. That's why versatility and responsiveness are key ingredients of our investment style.
3. Apply the highest standards of excellence to funds management, to meeting clients' needs, and to the work environment.	We've recruited an outstanding team of fixed income specialists. We also work to harvest the best investment ideas from the fixed income community. And because we've created a great environment, everyone on our team is focused and engaged.
4. Measure success by client satisfaction and the service provided.	When you engage Kapstream as your fixed income partner, you can expect the highest standards of customer service. We shape our investment strategy and our service to support your objectives. For us, client satisfaction is all important.
5. Contribute positively to the community beyond the funds management industry.	Funds management is our focus, but it's not our whole world. We're always looking to give something back to the community that sustains us. For example, we host an annual charity night to raise money for Bear Cottage, an initiative of The Children's Hospital at Westmead.

## Kapstream today

We've built an outstanding team of fixed income specialists with wide-ranging experience across industries, sectors and investment markets.

Our partnership with Challenger Financial Services Group, an equity partner in Kapstream, gives us important administrative and distribution support, leaving us free to concentrate on our core business of managing assets.

We've also formed strategic alliances with key fixed income managers around the world, giving us access to greater scale, scope and speed in international markets. And we actively engage the investment community, with leading specialists contributing to the quarterly economic roundtable that is the foundation of our top-down investment process.

## For more information

If you are an institutional client looking for more information on Kapstream, call Nick Maroutsos on 02 9994 7368 or visit [www.kapstream.com](http://www.kapstream.com)

For all other clients, visit the Challenger website [www.challenger.com.au](http://www.challenger.com.au) or call the Challenger Investor Services team on **13 35 66**.

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