

Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report March 2025

Performance ¹	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) p.a. ²
Challenger IM Credit Income Fund - Class A	0.12	1.28	3.44	5.27	7.26	7.07	-	6.18
Challenger IM Credit Income Fund - Class I ³	0.12	1.28	3.44	5.27	7.26	7.07	6.40	-
Bloomberg Bank Bill Index	0.35	1.07	2.20	3.34	4.46	3.56	2.15	2.37
Active return	-0.23	0.21	1.24	1.93	2.80	3.51	4.25	3.81

Data Source: Fidante Partners Limited, 31 March 2025.

¹Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

²The Inception date for Class A is October 1 2020.

³As at the date of this report two classes of units are offered: Class I which has been offered since the inception of the Fund on 3 October 2017 and Class A which has been offered since 1 October 2020. For information purposes, and to give a longer term view of the Fund's performance, the returns for the Class I are also provided in the Performance table and shows Class I's performance. The returns quoted for Class I have been adjusted to reflect the fees applicable to the Class A units.

Past Performance is not a reliable indicator of future performance.

Fund Features

Experienced team - Boasting one of the longest track records in institutional private lending strategies, the team is uniquely positioned to exploit opportunities across both public and private lending markets. The team's breadth of experience allows the Fixed Income team to exploit market inefficiencies across all sectors in the global credit market.

Risk management - The Fund aims to reduce market risk by considering low cross-sectoral correlations and maintaining a relatively short spread duration. The team identifies complexity risks to provide income and what they consider to be attractively priced but hard to access liquidity, allowing the Fund to minimise more volatile currency and interest rate risks.

Diversification - The Fund invests across both public and private credit markets providing the opportunity to allocate to the most attractive sectors over time. The Fund targets a weighted average investment grade rating and the diversified set of asset classes in which the Fund can invest includes secured loans, securitised credit, corporate bonds and real estate debt.

Strong governance - The Fixed Income team's clients benefit from a robust governance framework including an independent credit risk management team within the Challenger Group.

Fund Objective:

The Fund aims to achieve superior absolute returns over the medium to long term whilst offering capital stability and a steady income stream.

Fund Details

Management Fee	0.60% p.a.
Strategy FUM	\$881.9 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	127
Running yield (%) p.a.	6.9
Modified duration (yrs)	0.08
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.0
Non-AUD Denominated	27%
Private Credit Allocation	19%

Quarterly Commentary

Performance Update:

For the first quarter of 2025 the Fund returned 1.28%, an excess return of 0.21% over the Benchmark and 0.02% over the Bloomberg AusBond Credit FRN Index with returns driven by income (1.62% contribution) while credit spreads had a small negative contribution (-0.15% contribution). Since inception the Fund has returned 6.18% per annum, an excess return of 3.81% per annum over the Benchmark, exceeding the target return of the Fund.

Over the same period the Fund has outperformed the Bloomberg AusBond Credit FRN Index by 2.3% per annum, demonstrating the value of investing across the liquidity spectrum.

At March month end the running yield of the Fund was 6.9% p.a. with a yield to maturity of 6.6% per annum.

Fund Positioning:

In light of volatility in wider credit markets, fund positioning is more nuanced than in previous periods. In early March, the Fund was actively allocating to private markets, expecting to increase the weighting from around 20% into the high 20% region and expecting the percentage of the Fund rated below BBB- to increase from around 18% to the low 20s.

The pipeline of private investments expecting to settle in the second quarter had the fund increasing its allocation to private investments by 5% leaving 2-3% additional headroom for further private investments.

The outbreak of volatility initially caused a sharp repricing in public markets with pricing in US high yield markets in particular rationalising from post GFC tight levels. This has had the effect of reducing the illiquidity premium and thus the relative attractiveness of private lending markets. The Fund was active in public markets during this time adding subordinated financials and corporate hybrids which were the earliest and most significant movers.

Should the volatility persist, the target allocation to private markets will be reduced with the allocation to longer credit duration public markets increased. At least initially this is likely to come from corporate and financial bonds. Domestic asset backed markets have yet to reprice as significantly though there have been attractive secondary market opportunities emerge offshore.

The existing portfolio continues to perform in line with expectations with only one position materially underperforming expectations. The borrower is a private hospital operator undergoing significant and well publicised challenges. The senior secured loan held by the Fund was downgraded to defaulted during the quarter and the carrying price was reduced to the mid-50s, in line with where secondary trading has been observed. The position is 0.3% of the Fund.

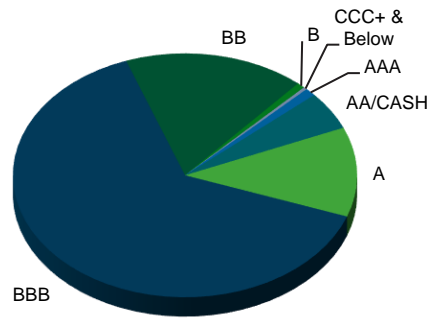
Market conditions:

See the quarterly round the grounds report for a detailed discussion on our views across sectors.

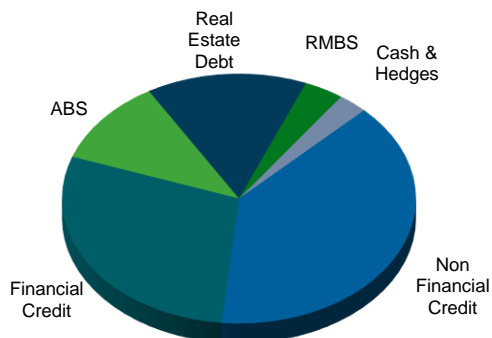
Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	6.6%

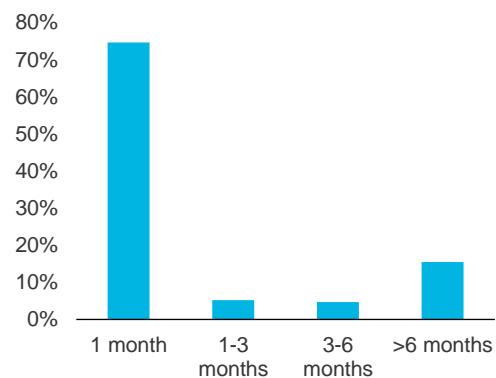
Fund Credit Quality



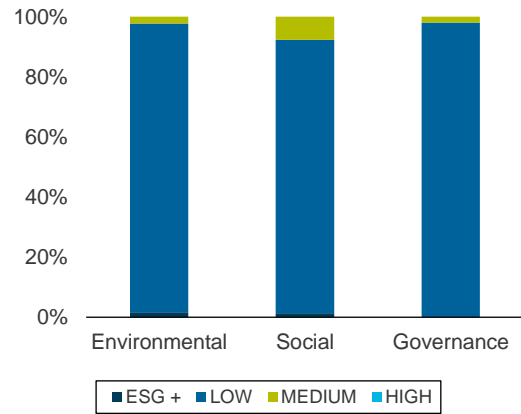
Fund Asset Allocation



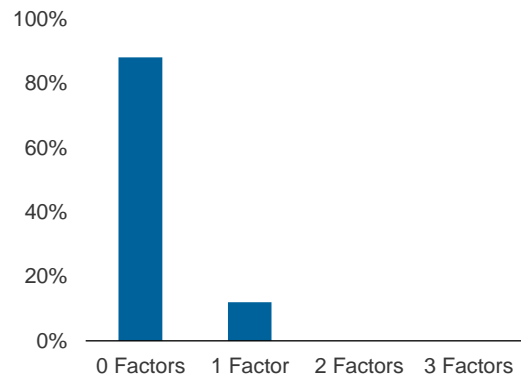
Fund Liquidity Exposure



ESG Profile



ESG Risk Layering



Number of risk factors rated Medium or High*

* Percentage of deals which have multiple risk factors rated Medium or High. For example, 2 might be Environmental and Governance risk rated Medium



For further information, please contact:

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