Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report December 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	0.51	1.47	3.82	3.82	6.83	8.02	6.10	6.35
Bloomberg Bank Bill Index	0.31	0.90	1.83	1.83	3.97	4.10	2.71	2.58
Active return	0.20	0.56	1.99	1.99	2.86	3.92	3.39	3.77

Data Source: Fidante Partners Limited, 31 December 2025.
[1] Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[2] The Inception date for Class A is October 1 2020.

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	$985.3 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	132
Running yield (%) p.a.	5.9
Modified duration (yrs)	0.10
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.3
Non-AUD Denominated	20%
Private Credit Allocation	19%

Quarterly Commentary

Performance Update:

The Fund returned 1.47% in the December quarter. The total contribution represented an excess return of 0.56% over the Benchmark and 0.41% over the Bloomberg AusBond Credit FRN index. Fund returns for the quarter have been driven by income generation in addition to a further tightening of credit spreads. Income comprised close to 90% of returns, which is where it has historically tracked.

At month end the running yield of the Fund was 5.9% p.a, in line with its yield to maturity.

Fund Positioning:

Credit markets were constructive during the final quarter of 2025. Credit spreads in public markets moved moderately tighter during the period. The same tightening pressures were not as evident in private markets, perhaps due to stronger supply pressures. As such the illiquidity premiums on offer in private markets remained attractive.

At current spread levels refinancing activity in the private market remains elevated. Tighter pricing post refinancing has been supported by the sustained tightening of credit spreads and increased lending demand in the market though the supply response has been strong, keeping spread moves tighter somewhat contained.

The Fund is currently committed to 5 private transactions to market leaders in various industries, of which 2 are refinancings. These include healthcare, food products (wheat and flour), hospitality (large pub operator) and a 5-star operating hotel. If they all proceed to settlement the private allocation will move closer to where we have been targeting at 25%. We expect the Fund to remain in the 25-30% range given the illiquidity premiums still on offer. We are not actively seeking to increase the sensitivity of the Fund to a potential move wider in credit spreads. Credit duration of the Fund has been tracking in the low 3s for most of the year.

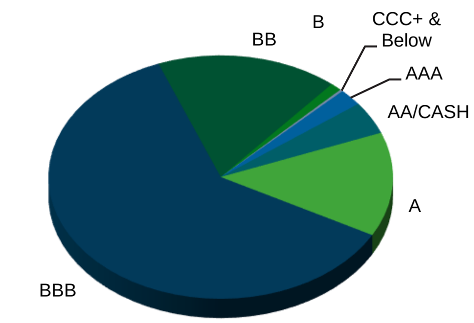
The liquidity profile of the fund is strong. Over 75% of assets can be liquidated with 30 days in normal market conditions.

Activity in public markets has focused on rotating investment grade positions to maximise relative value and maintain a neutral spread duration contribution. Primary market activity early in the quarter presented some opportunities where new issue spread concessions were offered. In addition, end of year selling by others market participants presented selective opportunities. The allocation to securitised markets at around 15% has been maintained and this will remain range bound at least in the short term in this constructive market environment.

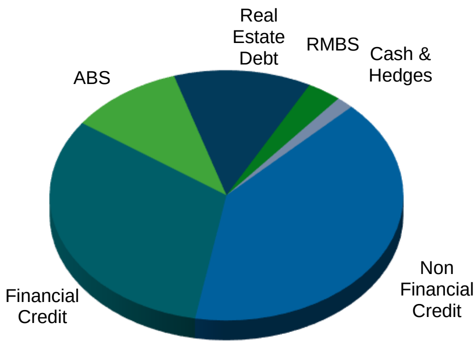
Performance Statistics

Standard Deviation (ann.)	2.0%
% of Down months	7.0%

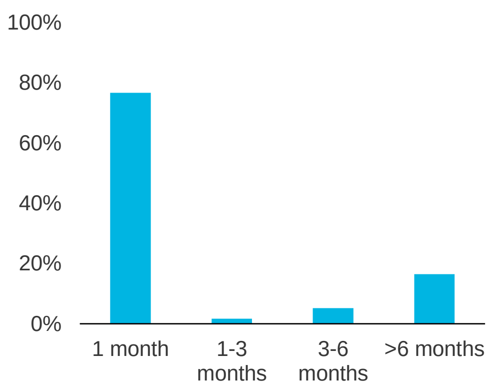
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



We expect the majority of return to be generated by the income received on assets over time. Over the past year the fund's return has been a beneficiary of continuing broad market spread performance. It is not attributable to any specific sector. There are 132 issuers as the Fund continues to diversify risk. Credit spread duration is being cautiously managed. Given the Fund's positioning it remains well placed to redeploy into risk if market conditions weaken.

The Fund's weighted average credit rating is at investment grade (BBB/BBB-) according to Moody's WARF methodology, having absorbed two recent downgrades that are discussed below. The ratings changes have not impacted the Fund's ability to continue the rotation into current commitments that are progressing to settlement.

There are currently three names on the watch list for the Fund, two of which are below the minimum BB- rate at purchase requirement.

One real estate position with a weighting of 1.1% was added to the watchlist in December as a special mention (NB: special mention refers to a performing asset which is underperforming and warrants closer attention). The new name is a senior secured loan against an office building in Melbourne. It was downgraded to B- in December due to underperformance relative to the ratings base case. The loan to value ratio is higher than anticipated due to the expiration of a key lease which was expected to be rolled. There is a strong prospect the underlying asset will be sold with proceeds more than sufficient to repay the debt. The performance impact for the ratings change over the period was -0.02%.

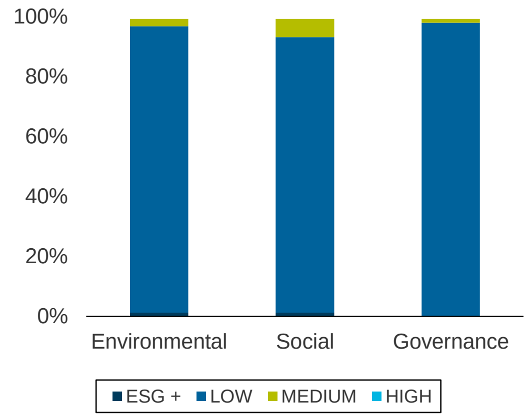
The second is a real estate position with a weighting of 0.9% and a credit rating of BB-. The loan is senior secured against established residual housing stock at a loan to value ratio of circa 60% in the Melbourne CBD. The borrower has been impacted by a dispute between the equity sponsors which has triggered a breach under the loan documents even though the loan is performing, and the risk of principal loss or interest deferral is low.

The third position on our watchlist is a private hospital operator that has been actively downgraded over time. The position is rated D and represents 0.3% of the Fund. The sale process for the underlying hospitals is ongoing and hence the valuation of the position is likely to change as sales are completed or if trading in the debt occurs. For the period a downward pricing revision to the low 50s occurred from the high 50s. The performance impact was -0.02%.

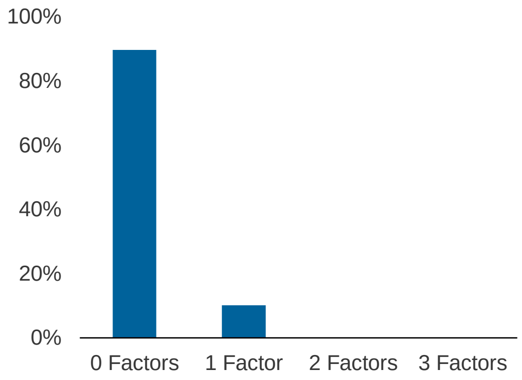
Market conditions:

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

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 M

	Mar	Jun	Sep	Dec	FYTD
2025	*1.73%*	*1.73%*	*1.38%*	*1.43%*	*6.22%*
2024	*1.47%*	*2.22%*	*1.39%*	*1.33%*	*6.27%*
2023	*1.90%*	*2.10%*	*1.04%*	*1.21%*	*5.30%*
2022	*0.68%*	*1.59%*	*0.61%*	*0.42%*	*2.96%*
2021	*0.98%*	*1.00%*	*0.26%*	*0.41%*	*2.88%*
2020	*0.00%*	*0.00%*	*0.00%*	*0.81%*	*0.00%*

Source: Fidante Partners. Past distributions are no indication of future distributions. 1. Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 2. Annual distribution return (Financial -Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Return (after fees) is calculated using pre-distribution quarter end withdrawal unit price, and assumes distributions are reinvested. Growth Return equals the percentage change in unit price.

Zenith HIGHLY RECOMMENDED

5 Highly Recommended Lonsec

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