Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report November 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	0.35	1.65	3.84	3.29	6.87	8.14	6.12	6.35
Bloomberg Bank Bill Index	0.30	0.89	1.84	1.52	4.04	4.09	2.65	2.56
Active return	0.05	0.76	2.00	1.78	2.83	4.05	3.48	3.79

Data Source: Fidante Partners Limited, 30 November 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	$971.4 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	131
Running yield (%) p.a.	5.8
Modified duration (yrs)	0.06
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.2
Non-AUD Denominated	20%
Private Credit Allocation	19%

Quarterly Commentary

Performance Update:

The Fund returned 0.35% in November, exceeding the Bloomberg AusBond Bank Bill Index (Benchmark) return of 0.30%, and the Bloomberg AusBond Credit FRN index return of 0.34%.

After credit spread narrowing contributed circa 0.9% to Fund performance in Q3 2025, credit spreads broadly consolidated across all of the underlying portfolio strategies in October and November. The income effect added circa 0.5% per month to performance in the first two months of Q4 2025, while performance from credit spreads added an average of 0.08% per month.

The running yield of the Fund at month end was 5.8%, in line with the yield to maturity at 5.8%.

Over the last 12 months the Fund has returned 6.90% outpacing the 5.04% return on the Bloomberg AusBond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Fund Positioning:

Portfolio credit spread duration was held steady over the month. We remain cautious on credit spread levels as we head into year end and are hesitant to increase our sensitivity to potential credit spread movements. The Fund has been rotating out of existing positions when participating in new public or private transactions to manage the portfolio level credit duration.

Spreads were stable in November and our desired fund positioning has not changed. Asset backed allocations continue to be managed within current ranges with no expected increase given current valuations.

We are still seeing attractive illiquidity premiums being offered in private credit. Post pipeline we expect the private allocation of the Fund to be 25%. There are three senior secured opportunities across real estate, healthcare and infrastructure that are currently in due diligence and/or pending settlement. The Fund will rotate out of public credit to settle these commitments when they eventuate.

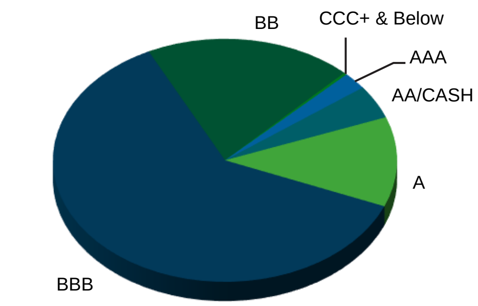
The Fund is well placed to take advantage of weaker market conditions if they occur. The liquidity profile of the portfolio is strong. Over 76% of assets could be liquidated within 30 days.

Once pipeline is factored in, the Fund is considered to be fully invested. Activities in November concentrated on optimising public non-financial and financial credit positioning. Sector exposures in real estate and infrastructure were added as the Fund cash levels increased due to elevated repayments on private credit exposures. Our approach in public markets where spreads are tighter than our target ranges, has been to buy into opportunities when we see a spread concession offered. At the same time, we always aim to improve diversity across well-known names and sectors in public markets.

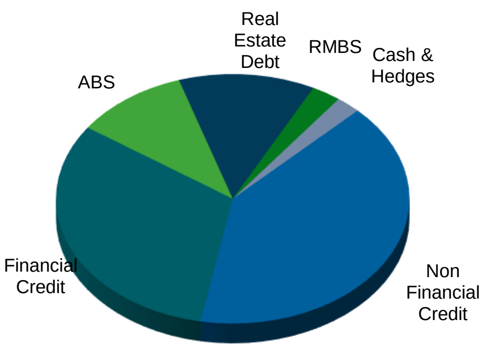
Performance Statistics

Standard Deviation (ann.)	2.0%
% of Down months	7.1%

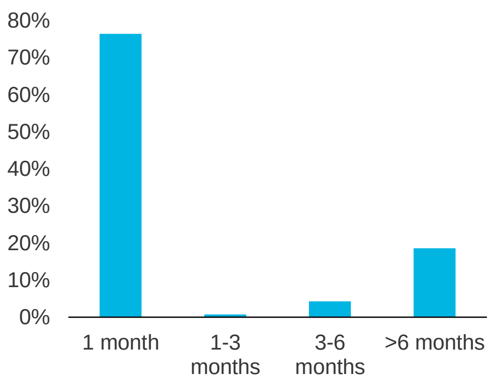
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



One existing private position (Australia's largest multi-brand chicken quick service restaurant franchisor) was repriced and refinanced in the month. This has been a common occurrence in recent months due to ongoing spread compression in public markets. The borrower wished to extend the syndicated loans maturity from 1.5 years to 5 years and rebalance its debt position. This was only offered initially to the existing lender group. The Fund marginally scaled up its holding, as it has grown since the original position was taken.

The Fund default weighted average credit rating (calculated using Moody's WARF - Weighted Average Rating Factor methodology) is at BBB/BBB-. There is sufficient capacity to add additional risk. We have done so this month when buying a liquid externally rated high yield asset that is performing and expected to repay in the very short-term.

There is one new loan on credit watch, and this has been recategorized from performing to special mention. The loan is senior ranking, secured against established residual housing stock at an LVR (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 position represents a 1% weighting in the Fund and its rating has been downgraded to BB-. We expect the rating will be maintained as no loss is anticipated.

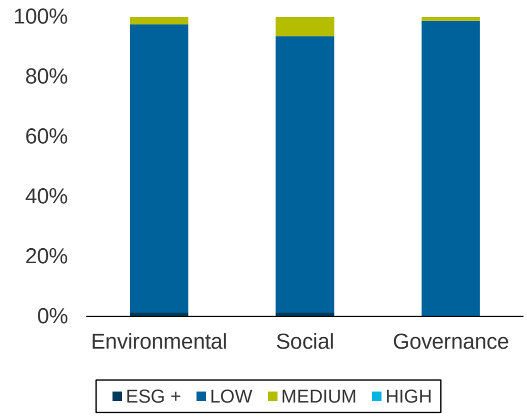
The other name on the watchlist mentioned in prior periods is a private hospital operator, which is categorised as collections and rated D. This is the only asset the Fund is holding below a BB- rating. The price has moved from the low 50s to high 50s more recently. This was due to recent positive news on potential recovery value of the position. Currently, we expect this position to be realised in the next 12 months. The position represents a 0.3% weighting and hence any changes will only have a small impact on overall future performance.

Market conditions:

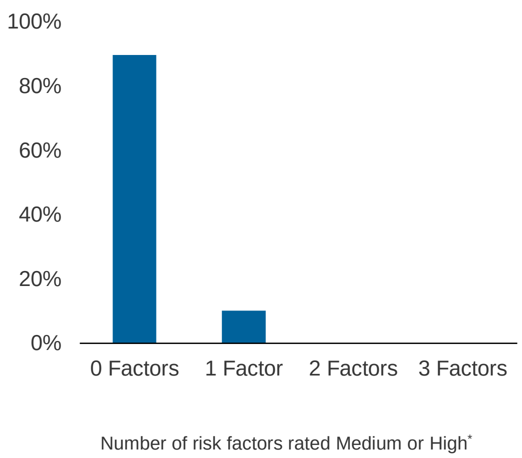
Rates markets took centre stage in November as stronger macro-economic data in Australia reset market expectations of further interest rate cuts. Futures markets now have the next move being upwards. A month ago, the market still expected another cut and on August 2 further cuts were priced with the cash rate expected to approach 3% in the second half of 2026. Today the expectation is that the cash rate will approach 4% by mid-2026.

The moves in Australia stand in contrast to the US which is still projecting further cuts to interest rates with a terminal rate that has not changed meaningfully in the past few months. The AU/US 10-year bond spread (i.e. the difference between the yield on the Australian 10-year government bond and the yield on the US 10-year government bond) increased by 30 basis points in November alone and is currently the highest level since mid-2022.

ESG Profile



ESG Risk Layering



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

Despite the volatility in domestic rates markets credit markets were more subdued. In both high yield and investment grade credit spreads were unchanged over the month. Equities were softer in Australia, down 2.5% for the month while US equities were flat, perhaps still comforted by expectations of further rate cuts by the Federal Reserve. Technology stocks did sell off, with the Magnificent 7 down 2% in November, the first decline since Liberation Day.

The increase in interest rates did nothing to slow primary markets which were active in November. Heavy issuance by the banks post 3rd quarter reporting saw over A$16 billion issued for the month. Domestic securitisation markets were also busy with over $12 billion issued taking total issuance for the year over $80 billion for the second time in history.

The elevated primary activity did lead to some signs of fatigue domestically as AAA spreads were a touch wider in absolute terms and relative to short dated major bank paper.

Globally supply dynamics have been underpinned by the AI (Artificial Intelligence) capex (Capital expenditure) boom, a trend that is expected to grow in 2026. According to Barclays those sectors with the strongest issuance in 2025 (tech) were the ones that lagged the most in spread terms suggesting that technical dynamics must be followed closely.

Private credit markets were again in the headlines in November. In the United States, one of the most prominent private credit managers, Blue Owl, was forced to walk back (perhaps temporarily) from a proposal to merge one of their unlisted funds with a much larger listed fund. The unlisted fund had hit its redemption cap with the listed fund trading at a 20% discount to its net tangible assets. Investors trapped in the unlisted fund effectively baulked at the idea of a 20% cost to redeem from the fund. The 20% discount is not materially different to the wider sector; the median US business development company is trading at a 17% discount to its net tangible assets.

In domestic private credit markets, ASIC (Australian Securities and Investments Commission) announced their enforcement priorities in 2026 which to no one's surprise included private credit practices. They also announced that they were suing SQM Research, an asset consultant, and Interprac, an advice business, over alleged failings in relation to Shield and First Guardian. The constant news flow, particularly around commercial real estate, has continued to weigh on private credit listed investment trusts; 8 of the 11 we track are trading at discounts to their net tangible assets with the largest discount approaching 20%. Despite the focus on commercial real estate, the main private credit borrowers in the press are corporate. Healthscope, a private hospital operator that defaulted earlier in the year and has seen its debt trade in the 50s. Markets seem to have taken Healthscope in their stride, with primary market activity at elevated levels, fuelled by refinancings and new issues. Spreads keep grinding tighter but at a slower pace due to the strong supply.

Quarterly Distribution Returns History (%)

	Mar	Jun	Sep	Dec	FYTD
2025	1.73%	1.73%	1.38%		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				0.81%	

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.

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