

Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report March 2026

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	-0.08	1.06	2.54	4.93	6.59	7.60	6.06	6.26
Bloomberg Bank Bill Index	0.32	0.91	1.82	2.75	3.80	4.15	2.89	2.63
Active return	-0.40	0.15	0.72	2.17	2.79	3.46	3.17	3.62

Data Source: Fidante Partners Limited, 31 March 2026.

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.

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	\$1,035.0 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	130
Running yield (%) p.a.	6.1
Modified duration (yrs)	0.10
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.1
Non-AUD Denominated	17%
Private Credit Allocation	20%

Monthly Commentary

Performance Update:

The Fund returned 1.1 % in the March quarter. The total contribution represented an excess return of 0.2 % over the Benchmark and 0.2% over the Bloomberg AusBond Credit FRN index. Fund returns for the quarter have been impacted by the change in risk sentiment leading to a widening of spreads in public and private markets.

At quarter end the running yield of the Fund was 6.1% p.a, which has tracked higher due to changing market interest rates and asset revaluations.

Fund Positioning:

Credit markets started out of the gates strongly across all asset classes in the first month of 2026. The momentum reversed in the remaining months of the quarter due to changing risk sentiment and an increase in volatility. Private market pricing also showed a softening tone, influenced by negative headlines during the period.

The Fund refinanced one holding and elected to resize the position as its weighting declined over time due to the growth of the overall portfolio. The exposure is to a borrower in the food products sector, specifically wheat and flour.

The Fund has continued to rotate toward private credit, targeting a 25–30% allocation. Given recent market volatility and negative sentiment, we have been reassessing further deployment in the short-term.

Although illiquidity premiums remain attractive in private markets, improved public market relative value opportunities may emerge in the near term. As a result, the Fund is adopting a selective approach when considering new private market transactions. Private market opportunities where the illiquidity premium is superior and risk exposures present a diversifying benefit are preferred.

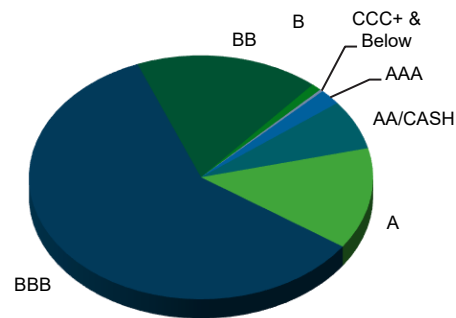
Public market activity was subdued, with credit spreads in our view yet to fully reflect the recent shift in risk sentiment. Secondary markets have widened only modestly, leading the Fund to prioritise primary market participation where issuance is expected to clear at more attractive levels. While investment grade bond issuance has slowed, asset backed markets have priced meaningfully wider, providing selective opportunities for deployment. The Fund maintains flexibility to extend duration, participate opportunistically in stressed market conditions, and access offshore markets when relative value improves.

We have 130 issuers in the Fund and are continuously seeking to diversify risk. Credit spread duration is being cautiously managed. The Fund's yield is below target and we remain defensive in nature and cautious at current market spread levels. Given the fund's positioning it remains well placed to redeploy into risk in weaker market conditions.

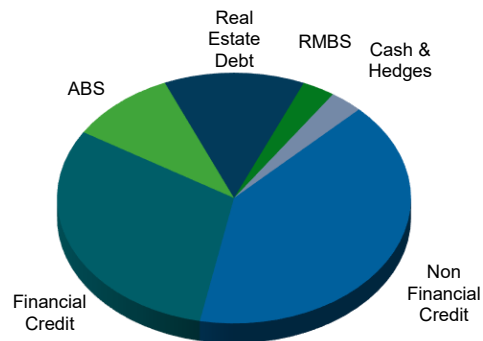
Performance Statistics

Standard Deviation (ann.)	2.0%
% of Down months	7.8%

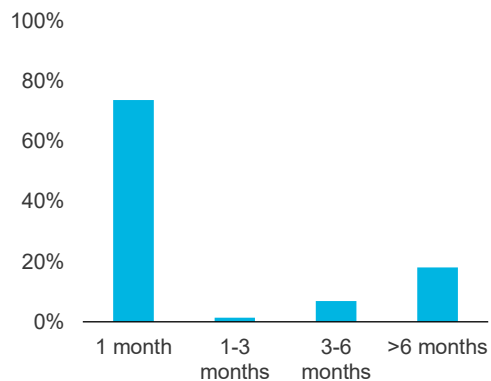
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



The liquidity profile of the fund is strong. Over 74% of assets can be liquidated within 30 days in normal market conditions. Primary and secondary market flows continued to function normally despite elevated market volatility.

Following a periodic review by the Challenger Credit Risk Team, a non-financial position with a 1% portfolio weighting was downgraded from BB to B+. The borrower is a leading, diversified entertainment company with core operations across theme parks, cinema exhibition, film distribution, and film production. While the borrower benefited from a post COVID resurgence in consumer demand, this uplift has begun to normalise, which has been reflected in recent operating performance.

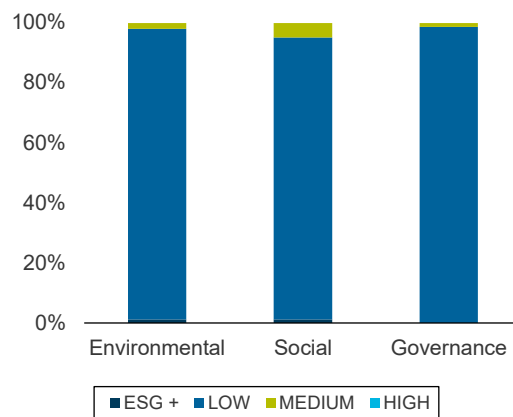
One real estate position with a weighting of 0.9% is still on special mention (an asset classified as performing and needing increased monitoring). The position is first ranking and secured against established residential housing. The special mention reflects a sponsor related dispute unrelated to the underlying position and a valuation reduction. It is internally rated BB-. This loan is adequately covered by the asset value with an LVR of 69%.

There is one position on our watchlist. A private hospital operator, which has been subject to a series of downgrades over time. The position is rated D and represents a 0.3% weighting in the Fund. During the period, pricing was revised upward from the high-50s to the low-60s due to improved timing of recoveries. The workout process remains ongoing, and the valuation of the position continues to evolve as additional information becomes available.

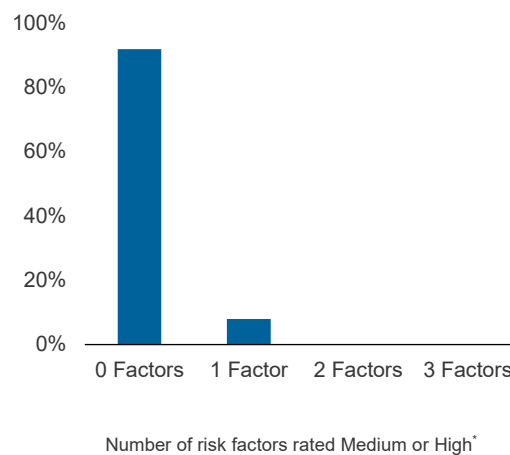
Market conditions:

Market risk sentiment continued to deteriorate over March. There is a combination of continued geopolitical risks, fears around AI disruption and tighter financial conditions to consider. There has been a broad-based selloff in equity markets (MSCI world down -6.5%) and credit spreads widened over the month. However, credit spreads continue to remain somewhat low versus historical "risk off" event levels. The levels of credit pricing are partly driven by optimism around near-term de-escalation of the Iran War conflict. There was also continuing technical support coinciding with firmer secondary execution towards the end of the month, although the depth of the market bid was relatively more shallow. Of note, there were some secondary auctions in the Domestic Asset Backed markets where there was limited bid interest, highlighting investors are becoming more cautious on weaker profiles and less known issuer platforms, resulting in dispersion in market bids.

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

Weighing most heavily on risk sentiment was the war in Iran, which extended beyond a month, with the Strait of Hormuz (through which ~20% of the world's oil supply flows) remaining largely shut. As a result, Brent oil prices spiked from US\$72/barrel at the end of February to US\$118/barrel at the end of March (+63%), reinforcing inflation concerns and increasing rate hike expectations for many developed economies. Notably, Australia appears to be more aggressive and currently pricing in circa three rate hikes by year end, after hiking +25bps in March. This resulted in a flattening of yield curves, which were briefly inverted in some markets.

While oil prices ended the month materially higher, we note that current levels are still below what was reached during the start of the Russia/Ukraine conflict, which peaked at US\$128/barrel when oil flow wasn't as significantly disrupted. As a reminder, Russia was able to re-route the majority of their shipments to Asia. This is partly attributed to the rising popularity of the TACO ("Trump Always Chickens Out") trade, and optimism around a near term de-escalation of the Iran War, despite no guarantees that the Strait would be reopened even if the U.S. were to exit the conflict.

With spreads still relatively tight on a historical basis, there is room for further widening especially if markets remain volatile and financial conditions continue to tighten.

This could result in heightened near term volatility as countries begin to draw down on current energy reserves. In fact, it was TACO Tuesday on the 7th of April when Trump posted that "a whole civilisation will die tonight", only for the S&P500 and high yield credit markets to close broadly unchanged. Market participants were vindicated as the next day. The United States and Iran agreed to a two-week ceasefire, during which the Strait would be reopened with free passage in coordination with Iran's armed forces. Oil prices subsequently plummeted from US\$109/barrel to US\$93/barrel, equity markets rallied, and credit spreads tightened, with S&P500 index up +2.5% and US high-yield credit default swap index tightening by 19bps on the day.

Meanwhile, concerns around private credit continue to float around in the background with continued redemption requests from business development companies, where Blue Owl enforced redemption gates of 5%, while receiving redemption requests of greater than 20% from their Blue Owl Capital Inc.'s flagship fund and more than 40% from their tech focused fund.

While fears continue to be present around AI disrupting the viability of various SaaS business models, performance of software loans improved over the month, with JP Morgan reporting month to date performance of technology loans of +1.6% to 27 March, vs +0.7% for the loan index, although still underperforming significantly year to date with -4.3% vs -0.3% for the index. However, the relative outperformance during the month suggests that some "throwing the baby out with the bath water" may have taken place, providing investors an opportunity to purchase less AI-exposed software loans at a discount.

While markets have experienced some temporary relief following the ceasefire, risks remain elevated. Volatility could re-emerge should hostilities resume, inflation pressures persist, or central banks maintain a more restrictive policy stance. In this environment, spreads may face renewed widening pressure, underscoring the importance of disciplined risk and liquidity management.

	<i>Mar</i>	<i>Jun</i>	<i>Sep</i>	<i>Dec</i>	<i>FYTD</i>
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.



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