Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report July 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	0.98	2.70	3.20	0.98	7.25	7.88	-	6.30
Challenger IM Credit Income Fund - Class I[3]	0.98	2.70	3.20	0.98	7.25	7.88	6.35	-
Bloomberg Bank Bill Index	0.30	0.97	2.02	0.30	4.31	3.94	2.40	2.49
Active return	0.68	1.73	1.18	0.68	2.94	3.94	3.94	3.82

Data Source: Fidante Partners Limited, 31 July 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.
[3] As 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	$926.3 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	127
Running yield (%) p.a	6.0
Modified duration (yrs)	0.09
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.4
Non-AUD Denominated	24%
Private Credit Allocation	20%

Quarterly Commentary

Performance Update:

The Fund performance was up 0.98% in July, exceeding the Bloomberg AusBond Bank Bill Index Benchmark return of 0.30%, and the Bloomberg AusBond Credit FRN index return of 0.43%.

Downward pressure on credit spreads has been evident in July. Moves in public offshore markets were larger than what was seen domestically. The portfolio benefitted with the spread effect making up 0.46% of the total return for the month. Credit spread tightening in recent months has been a meaningful contributor to monthly returns. However, historically this has not been the main driver of returns for the Fund and is not expected to be over the cycle. 90% of the Fund's returns over time have been driven by income. Income contributed 0.52% to the monthly return.

Over the last 12 months the Fund has returned 7.25% outpacing the 5.22% return on the Bloomberg AusBond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Fund Positioning:

In recent months the credit duration of the Fund has moved marginally higher which has been a positive contributor to the monthly performance. Given the current levels of credit spreads, we are cautious in adding further to credit duration.

In July, activity in the Fund was relatively low given the Fund is fully invested. Despite this, the Fund was able to take advantage of moves in offshore markets to rotate some public credit holdings. This included switching some public non-financial exposures denominated in USD with higher spread duration into shorter exposures denominated in AUD with lower spread duration at similar pricing levels.

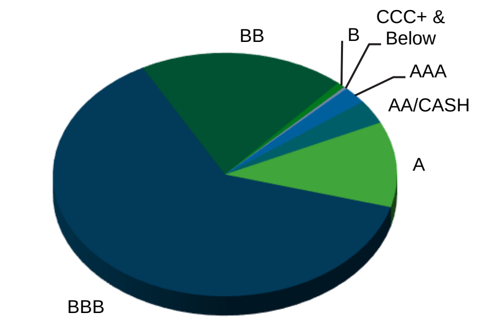
Another two private debt transactions settled in the Fund during the month. One was a 2-year senior secured real estate transaction against two operating hotels in New Zealand. The other was a well-known leading records management company that was refinancing its existing debt in the market with a 5-year senior secured facility in the Term Loan B market. There are now 127 issuers in the Fund, a figure has steadily increased over time.

The private allocation is within the 20-25% range post consolidating the existing asset backed warehouse and corporate finance facility exposures. The Fund receives undrawn fees for providing these commitments and considers these to be fully drawn when simulating its potential future exposures. If the rally in public market continues, we expect to allocate to the higher end of the private credit range to harness the illiquidity premiums we still see on offer.

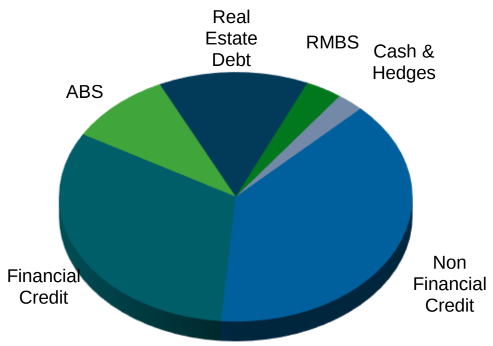
Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	7.4%

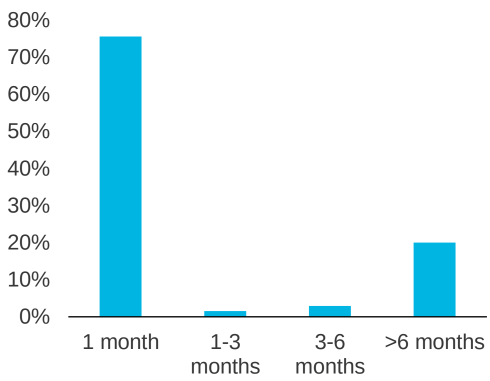
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



The liquidity profile of the Fund is very strong. Over 76% of assets could be liquidated within 30 days in normal market conditions. The fund weighted average credit rating is at BBB/BBB- (WARF 550 area). The credit duration is now at 3.4 years and will move marginally higher due to the settlement of private transactions in the coming months.

Fundamental portfolio performance is strong with only 1 name on our watchlist, a private hospital operator which continues to be well documented in the press. The borrower has been downgraded over time and is currently rated D. It has consistently had rating reviews and fair valued as information has been received in the last 12 months. This position represents circa 0.3% of the Fund.

Market conditions:

Even the looming tariff storm could do nothing to quell demand during the thin liquidity of the northern hemisphere summer. Credit spreads continued to grind tighter over the month of July though generally remain wider than the tight levels from February.

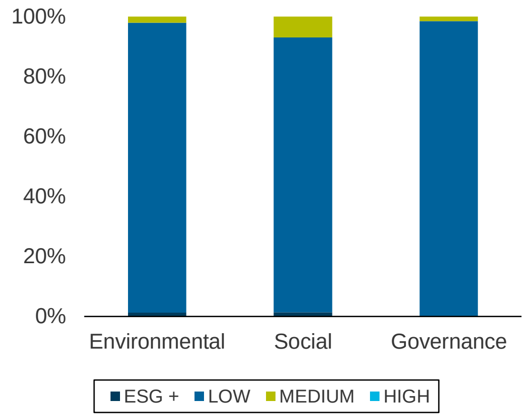
The fact that interest rates have stabilised may be helping prevent credit spreads from tightening further. Despite this, high yield bond yields moved below 7% for the first time in 2025 and may move lower if market conditions remain stable.

Domestically bank subordinated debt has rallied to trade at a spread of around 145 basis points at the 5-year part of the curve, equivalent to a yield of less than 5%. In early August ANZ priced an Australian dollar denominated 20 year no-call Tier 2 at a margin of 180 basis points, a yield of 6.17%, implying a 15-20 basis point pickup for an additional 15 years of curve. This subsequently rallied to an asset swapped margin of 165 basis, representing a 2% capital gain in a week.

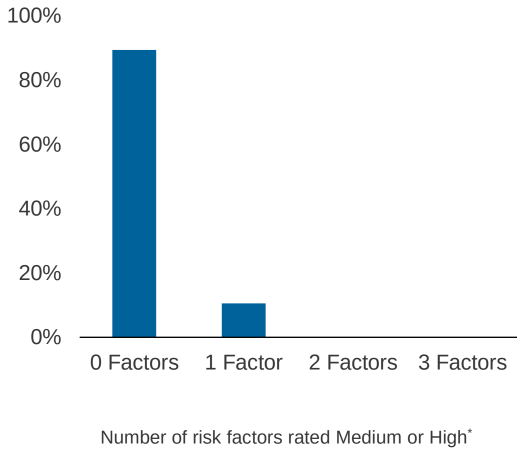
Securitised credit has also found a bid with domestic markets benefitting from the seasonal slowdown in supply from the northern hemisphere. ANZ priced a $1.5 billion capital relief securitisation in August, the first major bank deal of 2025. Mezzanine tranches have rallied considerably with a split rated BB ABS pricing at a margin of 275 basis points, well inside the tights from February of this year, 150 basis points tighter over the past 12 months and over 350 basis points tighter over the past two years. The last time BB tranches of domestic securitisations priced tighter was 2006 when several transactions priced BB's inside of 250 basis points.

Signs of a buoyant market for risk were not just confined to credit markets. Bitcoin reached a new high of over US$120,000, doubling over the last 12 months. Even as CBA declined around 10% from its peak, both the ASX200 and S&P500 reached new highs, up 13% and 16% over the year, respectively. Dollar weakness has persisted throughout 2025 with the DXY index down around 10% year to date.

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

Private markets are similarly well bid despite some weakness in fundamentals. Lincoln International released a report in August stating that the percentage of private credit investments with PIK increased to 11.4% in the June quarter with around half of these considered "bad" by Lincoln. The official default rate for the second quarter rose to 3.4% up from 2.9% in Q1 however they estimate that the shadow default rate was more like 6%.

Quarterly Distribution Returns History (%)

	Mar	*Jun*	*Sep*	*Dec*	*FYTD*
2025	*1.52%*	*1.73%*			*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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