Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report October 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	0.60	1.94	4.70	2.94	7.24	8.29	6.32	6.38
Challenger IM Credit Income Fund - Class I ³	0.60	1.94	4.70	2.94	7.24	8.29	6.32	-
Bloomberg Bank Bill Index	0.30	0.91	1.89	1.22	4.11	4.07	2.58	2.54
Active return	0.30	1.03	2.81	1.72	3.13	4.22	3.74	3.84

Data Source: Fidante Partners Limited, 31 October 2025.

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.
	<u> </u>
Strategy FUM	\$959.3 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	131
Running yield (%) p.a.	5.9
Modified duration (yrs)	0.09
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.3
Non-AUD Denominated	21%
Private Credit Allocation	20%



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.

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.

Quarterly Commentary

Performance Update:

The Fund returned 0.60% in October, exceeding the Bloomberg AusBond Bank Bill Index Benchmark return of 0.30%, and the Bloomberg AusBond Credit FRN Index return of 0.33%.

Credit spreads across each of the underlying portfolio strategies were broadly unchanged over the month despite some weak sentiment and moves marginally wider earlier in the month. The income effect at 0.49% contributed a higher than usual share of the Fund return. This is a notable change from recent months where tightening spreads have been a more meaningful contributor to returns.

The running yield of the Fund at month end was 5.9%, which was similar to the yield to maturity at 5.8%.

Over the last 12 months the Fund has returned 7.24% outpacing the 5.07% return on the Bloomberg AusBond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Fund Positioning:

We remain cautious given valuation levels and have not added to credit duration over the month despite elevated levels of activity across public and private markets. Credit duration was marginally lower at 3.3 years.

The Fund is well placed to extend credit duration if market conditions weaken or if we see a pickup in primary activity leading to increased spread concessions.

In October, the domestic market had a pickup in primary issuance. We rotated out Tier 2 equivalent bank exposures from secondary to primary market taking advantage of new issue premiums. We also participated in several non-financial primary transactions to maintain exposures that will be refinanced in the short term. Given the increased amount of supply the market appeared to suffer from indigestion midmonth but this cleared into month end as rates increased being back outright buyers.

Our activity in public asset backed markets is expected to remain muted although we will add to maintain current weightings or when a new opportunity may offer diversification and a spread concession.

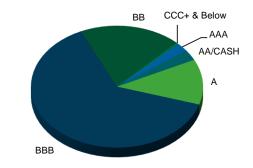
One 5-year senior secured private debt transaction, a refinancing of an existing deal, settled in the month. We took the opportunity to upsize given Fund growth and the strength of the underlying credit. The total loan size was over \$400m in size and was also supported by a number of banks and other asset managers. The borrower provides engineered solutions to a range of industries with high barriers to entry and has an internal rating of BB-. The illiquidity premium offered was around 170 basis points. We expect to see additional refinancing activity in the short term due to the tightening pressure seen in private market spreads recently.

The pickup in real estate lending opportunities we have previously discussed has not abated. We anticipate at least one more transaction subject to due diligence in this asset

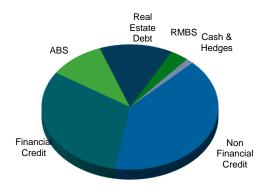
Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	7.1%

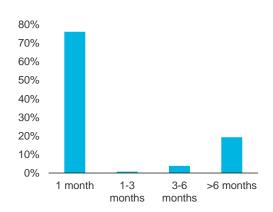
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure





class finalising prior to year end with more expected early in 2026.

Post pipeline we expect the private allocation to be within the 20-25% range. The illiquidity premiums offered in private markets are still attractive in large part due to the strength in public market spreads this year. When commitments to future private debt investments settle, we will rotate out of public credit.

The liquidity profile of the portfolio is strong. Over 76% of assets could be liquidated within 30 days in normal market conditions. The fund default weighted average credit rating is at BBB/BBB-. There is sufficient capacity to add additional risk when the relative value opportunity presents.

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.

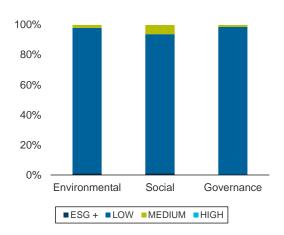
The other name on the watchlist mentioned in prior periods is a private hospital operator. This is the only asset the fund is holding below a BB- rating. The position has been held in the low 50s for most of the year reflecting observed secondary market activity. Due to recent positive news regarding an asset sale at well above expected value, the position has been revalued upwards by approximately 10% and the price is now in the high 50s. The position represents a 0.3% weighting and hence the change had only a small impact on overall performance.

Market conditions:

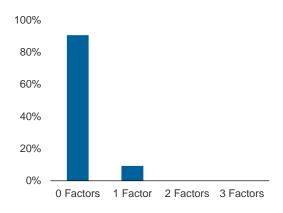
With several high-profile defaults taking place in late September, credit markets started October on a slightly more cautious note before positive sentiment returned. High yield spreads ended October at an asset swapped margin of 286 basis points, but post month end have widened further and are now approaching 300 basis points.

The flat performance in credit stood in contrast to equities. US equities were up over 2% in October, fuelled by a strong earnings season though have given some of that back in the first weeks of November. Q3 results continued to surprise to the upside. Earnings growth was 11.5% off the back of exceptionally strong sales growth of over 8%, more than double the average of the previous 4 quarters and of Q324. The strong performance was led by the Financials sector which experienced earnings growth of more than 23% despite some highly publicised loan losses.

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

Domestically banks provided third quarter updates which were not as well received. CBA in particular saw its share price decline sharply due to fears of cost inflation. It is now down more than 15% from the peak though still trades on an estimated earnings yield of less than 4% and a price to book ratio of more 3 times, well below/above peers, respectively.

There is an emerging view in Australia that rates may be finding a bottom with both employment and inflation data coming in stronger than expected. At the end of September, the implied overnight rate was forecast to bottom at 3.3% in mid-2026. As at mid-November this is now 3.5%.

The move in rates may be helping credit spreads find a bid with offshore yield buyers continuing to underpin demand. Over \$11 billion was issued in October a number that has already been exceeded in November as the major banks came to market post results. The most notable transaction in October was the Lend Lease corporate hybrids which priced their NC3 perps at a margin of 170 basis points. The orderbook was heavily weighted towards domestic buyers with middle market attracted by the franked coupons on offer. The bonds are currently trading at a margin of around 130 basis points which is quite exceptional when you consider the bonds are rated Ba1 by Moody's.

We suspect the end of the domestic bank additional tier 1 market in Australia is causing some supply/demand imbalances and fuelling issuance of hybrid-like products like the Lend Lease perps. This imbalance is also evident in the domestic securitisation market which has rallied strongly through the first three quarters of 2025. There was close to \$15 billion in issuance in October, one of the strongest months on record, and already there has been over \$10 billion in issuance in the first two weeks of November. Spreads have stayed firm over the month, but the supply does seem to be weighing on the market with several brokers commenting that offshore demand is falling away due to the lack of value compared to European markets.

Within private markets, asset quality for non-commercial real estate loans continues to remain robust in the aggregate. The most notable stressed corporate name in domestically is Healthscope which had some positive news with the NSW state government agreeing in principle to transfer ownership back to the government for a \$190 million payment. Healthscope debt had reportedly been in the 50s though there have been no updates since the Northern Beaches sale. The generally benign credit conditions and strong levels of demand for private credit have helped primary markets remain highly active. Several large M&A processes are ongoing (Insignia, El Jannah, Automic), several completed (Johns Lyng, AUB) with multiple refinancings taking place over the month (Arnott's, Icon) and seeing pricing tighten by around 75 basis points over the year.

Away from direct lending markets, activity in CRE lending and asset backed finance markets has been elevated albeit with less visibility into asset quality. ASIC's focus on private markets has continued and seems centred around commercial real estate development lending and governance issues such as management of conflicts of interest, treatment of fees and valuation practices. Some of this focus may be weighing on private credit focussed listed investment trust market. At the time of writing only 2 of the 10 LITs we track were trading at a discount to their net asset value. While something to watch, it's worth noting that the most are only trading a small discount of 5% or less. In the US Business Development Company market, the average discount is 15% with some as large as 60%.



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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