

Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report April 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	-0.11	0.49	2.43	5.15	6.44	6.98	-	6.04
Challenger IM Credit Income Fund - Class I ³	-0.11	0.49	2.43	5.15	6.44	6.98	6.29	-
Bloomberg Bank Bill Index	0.35	1.04	2.18	3.70	4.46	3.68	2.21	2.41
Active return	-0.47	-0.56	0.25	1.45	1.99	3.30	4.08	3.63

Data Source: Fidante Partners Limited, 30 April 2025.

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.

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.

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	\$900.1 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	124
Running yield (%) p.a	6.7
Modified duration (yrs)	0.07
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.1
Non-AUD Denominated	24%
Private Credit Allocation	20%

Monthly Commentary

Performance Update:

The Fund was down 0.11% in April, trailing the return of 0.35% of the Bloomberg AusBond Bank Bill Index Benchmark, and the 0.22% return of the Bloomberg AusBond Credit FRN index.

The entire driver of the underperformance for the month was spread widening which reduced monthly returns by 0.72%. The spread widening was broadly distributed across the portfolio reflecting our fair value approach to valuation. With spreads rebounding quickly we expect much of this widening has been retraced through the early part of May.

Since inception, the Fund has returned 6.04% per annum outpacing the 2.83% return on the Bloomberg AusBond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Fund Positioning:

The repricing across credit markets in April has created a better entry point for the Fund. With pipeline included the Fund is back to its target credit spread of 2.5-3% per annum with incremental capital returns coming through trading of the portfolio. The credit duration was extended slightly as we took advantage of the volatility to add some yield to the portfolio. Our expected private allocation has moved into the low 20% area and our high yield/unrated allocation is approaching our target level of 30%.

With markets retracing the move wider within the month there has been no material change to positioning with the Fund still seeing better relative value in private credit. Expected repayments within the private allocation over the second half of 2025 also give us confidence to add to our private exposure without compromising our ability to add in public credit if volatility returns.

The liquidity profile of the Fund is strong with over 70% invested in assets that could be liquidated within 30 days in normal conditions. Similarly, the default weighted average credit rating of BBB- (WARF 550 area) is at a comfortable level with headroom to add risk where appropriate.

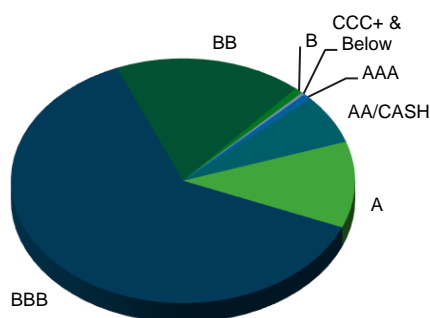
Allocations to asset backed finance have bottomed in the low teens, a level which we expect to maintain. During the spread widening in early April relative value on European asset backed markets emerged but this was short lived. Our allocation to non-development commercial real estate lending continues to tick up and is performing well though is very short dated so requires reinvestment.

Overall portfolio performance is strong with only 1 name on our watchlist, a private hospital operator which has been well documented in the press. The borrower has been downgraded to D and is being fair valued in the mid to high 50s, reflective of recent secondary trading in the name. This position represents circa 0.3% of the Fund.

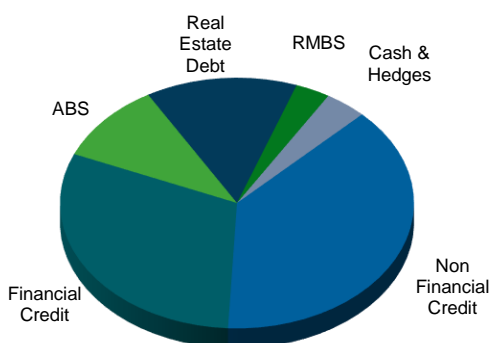
Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	7.6%

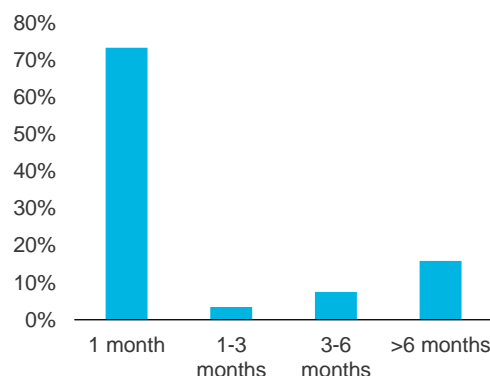
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



Market conditions:

The month started with the sharpest sell off in risk assets since COVID as markets digested Trump's Liberation Day tariff announcements. Equities were down over 10% over the first week and a half of April. More worrying was the volatility in interest rate markets. US 10 year interest rates increased by 50 basis points to 4.5% over only a few days.

High yield CDX spreads which had bottomed in mid-February and widened by around 60 basis points in March, widened another 100 basis points in early April. Selling pressure was widespread across all parts of the credit markets with ETF facing particularly strong outflows.

As quickly as the volatility emerged, it then subsided. By the end of April CDX high yield had tightened by close to 70 basis points from the wides before tightening another 50 basis points in early May returning to the mid-300s spread levels from the end of April.

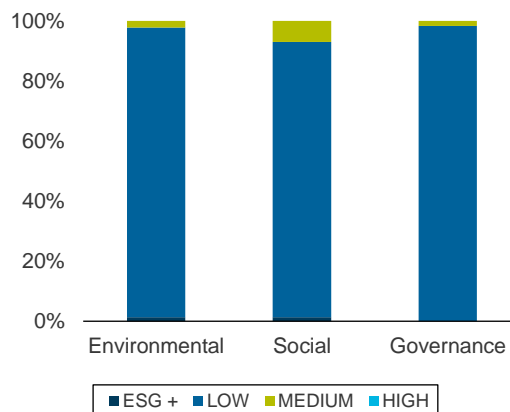
The rally was fuelled by Trump walking back from his most extreme tariff positions, reportedly due to Treasury Secretary Bessent convincing him that the moves in the Treasury market were a sign that the markets were becoming unstable.

Despite the move, risks still abound not least of all in interest rate markets. Investors still have to grapple with the expanding US deficits fuelled by a Republicans party that seem intent that with going ahead with tax cuts. This is occurring against a backdrop of Moody's downgrading the US sovereign rating to Aa1 in May, projecting that the deficit will increase to 9% by 2035 and debt will increase to 134% of GDP in 2035, up from 98% in 2024.

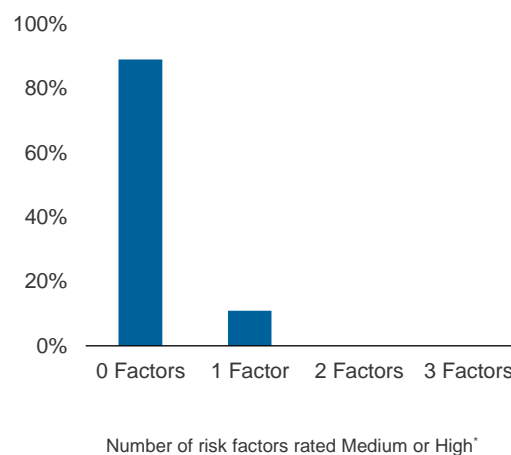
Private credit markets were not immune from the volatility of April. Bloomberg reported that LP stakes were being sold at significant discounts starting at around 10% but extending to up to 50%. During April, US business development companies underperformed equities, declining by 7% over the month and 15% through the first week and a half.

Domestically private credit markets were calmer. With only a few exceptions, price to net asset value ratios declined by around 5% in early April before recovering quickly. Negative headlines on private credit seemed to peak in March and have subsided with no major defaults. Fund flows have slowed which will constrain the ability of managers to triage struggling borrowers. ASIC's investigation into private markets also continues with news emerging of a second and reportedly more pointed questionnaire that was sent to managers.

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 Medium



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