Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report May 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	1.18	1.18	2.92	6.39	6.90	7.38	-	6.20
Challenger IM Credit Income Fund - Class I[3]	1.18	1.18	2.92	6.39	6.90	7.38	6.33	-
Bloomberg Bank Bill Index	0.34	1.05	2.16	4.06	4.42	3.79	2.28	2.44
Active return	0.83	0.14	0.76	2.33	2.47	3.59	4.06	3.76

Data Source: Fidante Partners Limited, 31 May 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	$911.6 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	6.1
Modified duration (yrs)	0.07
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.2
Non-AUD Denominated	24%
Private Credit Allocation	19%

Monthly Commentary

Performance Update:

The Fund performance was up 1.18% in May, exceeding the Bloomberg AusBond Bank Bill Index Benchmark return of 0.34%, and the Bloomberg AusBond Credit FRN index return of 0.64%.

Credit spreads tightened towards pre-Liberation Day levels. The strongest portfolio return driver for the month was the spread moves. They were followed very closely by the income effect contribution. The widening of spreads experienced in April has since retraced. The strength of the moves was not abating into May month end.

Positioning the Fund in assets with a higher credit duration than the portfolio average during April has been a positive to the monthly performance as they benefitted from the market moves to a greater extent than assets with a shorter credit duration.

All assets are valued using a fair value approach and so the remarking tighter benefitted both public and private asset holdings. Spreads historically have not been the main driver of returns for the Fund and are not expected to be over the cycle. 90% of the Fund's returns since inception have been driven by the income effect. The income effect includes all interest and any type of upfront fees that are received on all investments that the Fund participates in.

Over the last 12 months the Fund has returned 6.90% outpacing the 5.35% return on the Bloomberg AusBond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Fund Positioning:

There were plenty of opportunities to consider throughout May given the starting point of spreads prior to them retracing tighter. There was a noticeable uptick of new issuance in both bond and asset backed markets which did maintain upwards pressure on credit spreads and provided beneficial concessions at issuance date in primary markets.

Whilst the allocation to asset backed markets has bottomed in the low teens, the Fund did participate in new primary issuances to maintain exposure levels. Many asset-backed holdings repay capital to the Fund over short time horizons given the nature of their underlying collateral. The transactions focused on were primarily in asset backed markets where credit spreads offered were lagging the broader credit market repricing tighter. The Fund invested at levels above where comparable opportunities were trading prior to March.

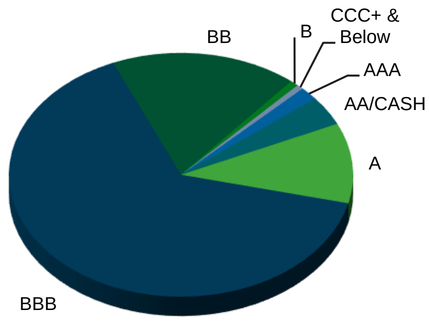
The Fund settled two externally rated private transactions with private allocation moving steadily towards the targeted range. If the rally in public market continues, we expect to allocate to the higher end of the range to harness the illiquidity premiums on offer. The Fund has sufficient capacity to do this.

The liquidity profile of the Fund is very strong with over 70% invested in assets that could be liquidated within 30 days in normal conditions. The Fund's weighted average credit rating

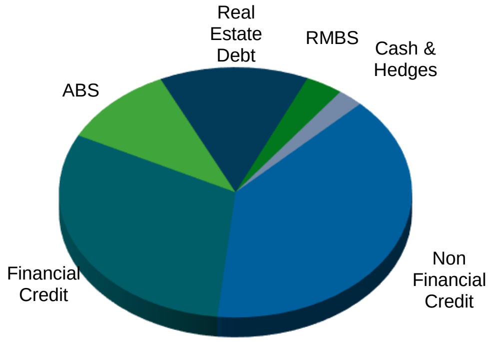
Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	7.5%

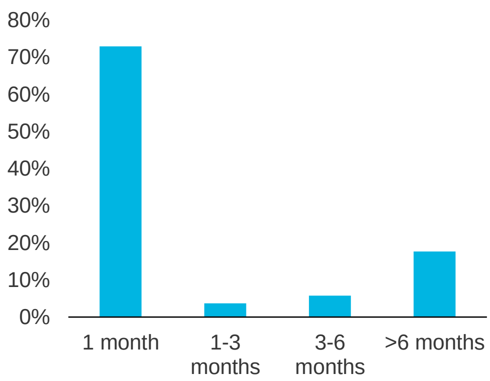
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



post committed pipeline of BBB/BBB- (WARF 550 area) is at a comfortable level. The spread duration at 3.1 years also allows a degree of flexibility to consider extending when we see value in credit curves. There were pockets of value in some public corporate bonds offered across the various sectors, which we took advantage off. The change has not been material to the Fund as existing positions in sectors were recycled.

Fundamental portfolio performance is strong with only one name on our watchlist, a private hospital operator which continues to be well documented in the press. The borrower has been downgraded over time entered into receivership in May. For this month it has been remarked marginally lower to the low to mid-50s. This latest change was reflective of recent trading in the name. This position represents circa 0.3% of the Fund.

Market conditions:

Markets calmed in May, rebounding quickly from the volatility of early April. In early April high yield credit spreads widened from 300 basis points to 450 basis points over swaps and by May month end had settled in the low 300 basis points area.

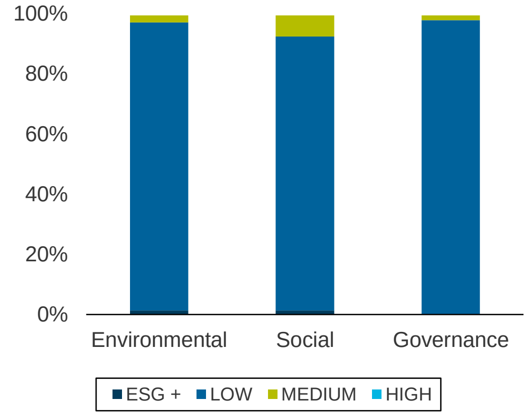
However, as markets settled, the long end of the interest rate curve increased. US 30-year bonds exceeded 5% in May for the first time since 2023 which itself was the first time since the Global Financial Crisis. The increase was most pronounced in US markets implying that higher yields in the long end could be related to waning demand for US treasuries. The US dollar index has also declined 10% since the start of the year and sits at the lowest level since early 2022.

The Treasury International Capital (TIC) data through early April only showed small amounts of foreign selling of Treasuries though it was private investors that were selling, a cohort which tend to be more reactive. Focus on Trump's Big Beautiful Bill and its implications for foreign investors only surfaced in May and would not be reflected in the data for many months.

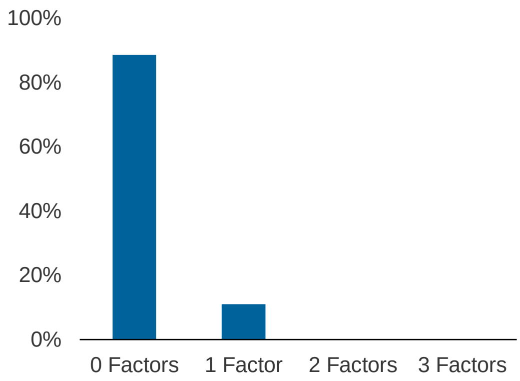
Domestically supply weighed on credit spreads with $12 billion in issuance in May and $18 billion in June. Securitised issuance also rebounded with $15 billion issued across May and June. In early June Commonwealth Bank's market capitalisation exceeded A$300 billion for the first time, up 40% over the last 12 months and trading on a gross dividend yield of 3.7%, an earnings multiple of 30 times and a price to book ratio of over 4 times. Globally the average price earnings ratio of the banks is 12 times and with the majors ex-CBA at around 15 times. Credit markets do not have a CBA premium with five-year senior unsecured pricing flat across the four majors at around 80 basis points, a 10-basis point tightening over the month.

In private markets responses to ASIC's review into Australia's capital markets were released with 90 submissions, around half of which were public. To date, the commentary has been much ado about nothing with no material impact on market conditions, or indeed, market practices.

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 Medium

The listed investment trust sector rebounded strongly in May with all but three LIT's trading at or above their net tangible asset values. There was one new raising which came to market and several existing LITs announcing additional placements taking total assets under management to around A$7.5 billion. In offshore private markets, Fitch reported a slight increase in the U.S. Private Credit Default Rate to 4.6% for the 12 months ending May 2025 up from 4.4% in April 2025. Fitch also downgraded its outlook to 'deteriorating' from 'neutral' in 2025. In Europe, according to Lincoln International, private market valuations grew by only 0.5% in the first quarter of 2025 with earnings growth adding 3.1% but multiples contracting by 2.6%.

Zenith
HIGHLY RECOMMENDED

Recommended
Lonsec Research

For further information, please contact:

Fidante Partners Investor Services | **p:** 1300 721 637 | **e:** info@fidante.com.au | **w:** www.fidante.com

---