CIPAM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report April 2022

Performance[1]

	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) p.a.[2]
CIPAM Credit Income Fund – Class A	0.11	-0.11	0.72	1.67	2.29	-	-	4.27
CIPAM Credit Income Fund - Class I[3]	0.11	-0.11	0.72	1.67	2.29	3.18	-	-
Bloomberg Bank Bill Index	-0.02	-0.01	0.01	0.01	0.02	0.40	-	0.03
Active return	0.12	-0.10	0.72	1.65	2.28	2.78	-	4.24

Data Source: Fidante Partners Limited, 30 April 2022.

[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	$422.5 mil
Buy/Sell Spread	+0.25/-0.50%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	107
Running yield (%) p.a.	3.5
Modified duration (yrs)	0.04
Average Rating	BBB-
Credit Spread Duration (yrs)	3.0
Non-AUD Denominated	26%
Private Credit Allocation	22%

Monthly Commentary

Performance Update: The Fund returned 0.11% for the month of April, -0.11% for the quarter and 2.3% for the trailing 12 months. Whilst below our target, the Fund continues to strongly outperform the Bloomberg AusBond Credit FRN index which was down 0.35% over the quarter and down 0.16% on a trailing 12-monthbasis.

The slight outperformance of the Fund relative to a lower beta index is encouraging especially as the prospective running yield on the fund is over 3.5% per annum, above the target for the strategy and over 2% per annum above the Credit FRN index.

The Fund's performance was driven by spread widening across the market and widening of swap rates relative to bond futures. The latter tends to trade ina 50 basis point range and around half of the move of April has already been retraced as of early May.

The spread widening was broad based across the portfolio with Australian dollar credit and securitised credit catching up with moves in offshore markets we observed earlier in the year.

Fund Positioning: The Fund ended April with a strong liquidity position which we believe is important in maintaining flexibility; the key word for 2022.

With spreads on a widening path again we are again looking to take advantage of the weakness we are observing. The fund is well positioned with an elevated cash position, a short credit spread duration of 3 years, a private allocation 22% and a high yield allocation of 12%. All are close to the most conservative levels of positioning over the past 12 months.

Having expressed fairly bearish views on securitised credit for the past year given valuations which had run extremely hard, the shift in valuations is causing us to adjust our views on the sector. The fund's weighting to securitised credit is 21% but less than 10% on a spread duration weighted basis. If securitised credit continues to underperform corporate and financial credit, we expect to increase our allocation focus on asset backed securitised or secondary opportunities in seasoned RMBS trading at a premium to par.

Our positioning in private markets is towards the lower end of our target range. With spreads widening, we are demanding higher returns on this allocation and thus happy to miss deals where pricing cannot be agreed. With that being said, our projections do see this allocation increasing slightly with corporate and asset backed investments in the latter stages of due diligence.

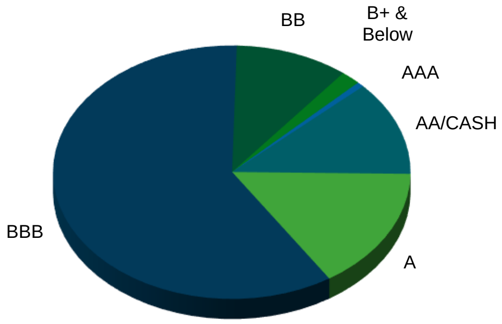
Market Conditions: With the first quarter ending around 30% inside of the wides of mid-March, the widening bias returned in April. The more liquid US investment grade market ended April around 10 basis points wider on the month albeit still around 20 basis points inside the mid-March wides.

Reflecting relative illiquidity more than anything else, the Australian credit spreads ended April at the wides for the year. Excluding the period around March 2020, credit markets are now approaching levels not seen since early 2017.

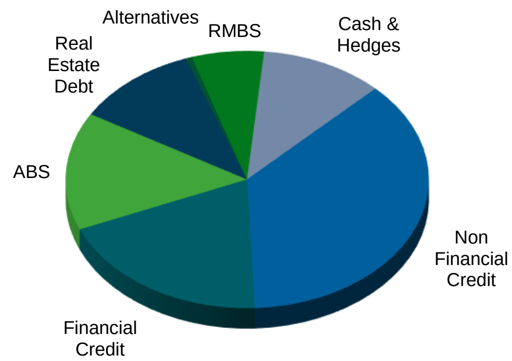
Performance Statistics

Standard Deviation (ann.)	2.5%
% of Down months	7.3%

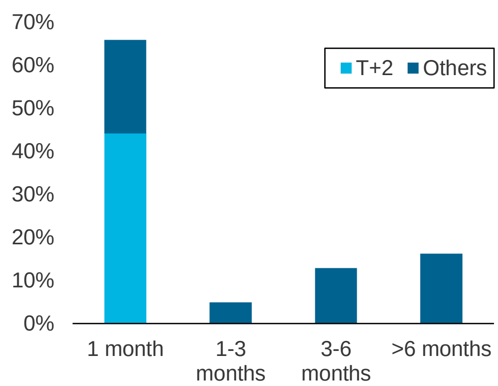
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



In Australia yields to maturity are approaching levels not seen since 2014. The yield to maturity on the Australian corporate index is now around 4.2% which has increased from 1.25% in January 2021.

On the equity side we have seen sharp declines in the technology sector with the NASDAQ down 20% to start the year. Despite declines in equity markets, significant increases in real interest rates (in Australia, the generic 10-yearreal interest rate is now over 1% having been negative as recently as mid-March 2022) has meant that equity risk premiums have not expanded and relative to fixed income, have contracted.

In other words, the attractiveness of fixed income and credit should have increased in a relative sense when compared with growth assets. The move has been so rapid that we suspect there has not been a significant rebalancing undertaken, though typically there are significant lags in this data, so it is difficult to say. It will be an area of focus for us in coming months.

Having started the month approaching 76 cents defying the risk off environment, the Australian dollar returned to form in April, declining to 70 cents against the US dollar in early May. This would likely have provided some relief to investors with unhedged foreign currency exposure who in the first quarter had to endure the twin pain of the asset price declining in local currency and then declining even more as the Australian dollar rallied.

Moving back to credit markets, we have started to see movements in securitised credit pricing, even in mezzanine tranches which had until recently proved resilient to wider market weakness. According to JP Morgan US broadly syndicated BBB tranches of CLOs moved into the 400s in spread terms in early May, around 80 basis points wider on the year. Cheaper offshore pricing has led to the first wave of selling of Australian securitised mezzanine tranches since 2020 with European investors liquidating these tranches to move back to their home markets. This selling has pushed BBB spreads into the 300s in spread terms, roughly around where they traded back in mid-2019.

With the volatility we have seen in April it is unsurprising that primary issuance in domestic markets has been slow. Only $2 billion in domestic securitised transactions priced in the month to go along with minimal corporate issuance. Offshore CSL priced a benchmark US$4 billion transaction. As a relatively scarce issuer, the deal attracted reasonably strong demand and has outperformed the market being bid only 5 basis points wide of reoffer.

With minimal primary issuance and low turnover in secondary markets, price discovery is challenging. Bid-offers have widened by around 10 basis points for longer dated corporate paper.

On the private side, market activity has been elevated which has been somewhat surprising. KKR's bid for Ramsay will potentially involve a substantial debt package and add to already active pipelines. The volatility in public equity markets also makes IPO exits challenging, leading to deals staying in private markets for longer. For some transactions, pricing has not yet shifted to the new reality and with high yield markets into the 400s even for BB rated credit risk, pricing on private deals needs to be well into the 500s.

5 Highly Recommended Lonsec Research

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For further information, please contact:

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