CIPAM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report March 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	-0.03	0.66	1.56	2.58	-	-	4.43
CIPAM Credit Income Fund - Class I[3]	-0.11	-0.03	0.66	1.56	2.58	3.33	-	-
Bloomberg Bank Bill Index	0.00	0.01	0.02	0.03	0.04	0.46	-	0.04
Active return	-0.11	-0.04	0.64	1.53	2.55	2.88	-	4.39

Data Source: Fidante Partners Limited, 31 March 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	$380.6 mil
Buy/Sell Spread	+0.25/-0.50%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	102
Running yield (%) p.a.	3.4
Modified duration (yrs)	0.08
Average Rating	BBB-
Credit Spread Duration (yrs)	2.6
Non-AUD Denominated	23%
Private Credit Allocation	24%

Monthly Commentary

Performance Update: The Fund returned -0.11% (net) for the month of March, -0.03% (net) for the quarter and 2.6% (net) for the trailing 12 months. Whilst flat, the performance was well ahead of the Bloomberg AusBond Credit FRN index which was down 0.28% over the quarter and even down on a trailing 12 month basis.

The Fund's performance was entirely driven by credit spread widening more than offsetting income generation. Notably, yield curve shifts did not drag on returns. We call this out because composite benchmarks funds delivered a quarterly return of -5.9% and a trailing one year return of -5.6%. While income funds should not have an interest rate duration position approaching composite benchmarks, many do run duration positions of up to around 1.5 years. To place this into context, the ICE BofA 1-3 Year Australian Broad Market Index was down 1.9% over the quarter.

Fund Positioning: Over the quarter the Fund's positioning adjusted slightly. We ended December targeting close to our maximum private weighting albeit wanting to maintain a slightly high cash position to have some flexibility in the event of volatility.

As a result of public market volatility, we reduced our target private market allocation over the quarter. Our current allocation to private is 24% which is in line with our current target. Pleasingly we have been able to reduce our allocation to private without meaningfully increasing the spread duration of the Fund although if spreads continue to widen, we will target higher credit duration in order to capture more of the upside if we think credit is cheap.

Another factor which may result in an increase in credit duration is the continuation of our pivot from securitised to corporate exposure within our public allocation. Our securitised allocation is 23%, flat over the quarter but down from 30% a year ago.

The credit duration of the securitised allocation is around 1 year, much shorter than the overall credit duration of the Fund. As such we should see the allocation to securitised credit shrink further, all other things equal. Towards the end of the quarter, we did see pockets of value emerge in offshore securitised markets and the Fund made small allocations there.

We have held an underweight position to financials for some time and this has stood the Fund in good stead as financials have underperformed corporates. With financials back to pre-COVID levels and subordinated financials approaching fair value, the allocation to financials may increase in the coming months.

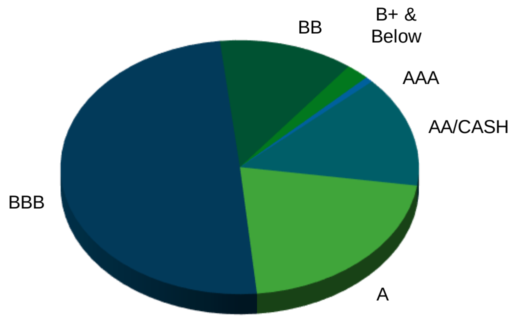
The overall credit profile of the fund is sound with a default weighted average rating of between BBB and BBB-. The proportion of investments that are high yield has declined to only 12%, down from 17% a year ago. 2% of the fund is rated below BB-; both of which were impacted by COVID but have rebounded well and are performing in line with expectations.

Market Conditions: See the quarterly round the grounds report for a detailed discussion on our views across sectors.

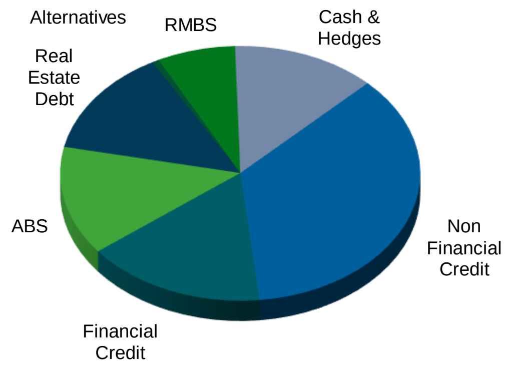
Performance Statistics

Standard Deviation (ann.)	2.5%
% of Down months	5.6%

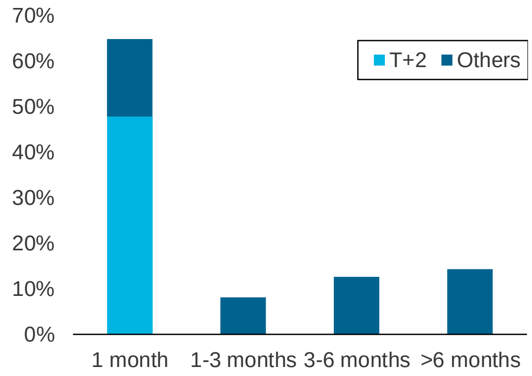
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



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