

CIPAM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report September 2021

Performance¹

	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	0.31	0.89	1.91	0.89	-	-	-	5.98
CIPAM Credit Income Fund - Class I ³	0.31	0.89	1.91	0.89	6.03	3.96	-	-
Bloomberg Bank Bill Index	0.00	0.01	0.01	0.01	0.04	0.78	-	0.04
Excess return	0.31	0.88	1.89	0.88	5.99	3.18	-	5.95

Data Source: Fidante Partners Limited, 31 September 2021.

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	\$323.9mil
Buy/Sell Spread	+0.25/-0.50%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	97
Running yield (%) p.a.	3.6
Modified duration (yrs)	0.13
Average Rating	BBB-
Credit Spread Duration (yrs)	3.1
Non-AUD Denominated	21%
Private Credit Allocation	31%

Market Commentary

Performance Update: The Fund returned 0.31% for the month of September, and 0.89% for the quarter both in line with the targeted returns for the strategy and strongly outperforming the Bloomberg AusBond Credit FRN index which was only up 0.1% for the quarter.

Returns on the strategy continue to be fuelled by income. For the first quarter since Q1 2020 spread moves were a small drag on returns, reflecting a very small amount of spread widening across the portfolio. Our flat duration positioning relative to the benchmark resulted in the Fund outperforming the Composite index by 0.90% over the month.

Fund Positioning: Over the quarter the Fund achieved its target allocation to private markets ending up at around 34% relative to a 35% cap on high yield or unrated investments. Inflows have reduced this figure slightly however we do expect this to return to target over the coming month. While there has been a moderate amount of spread widening across the market this has largely occurred in the tightest spread names (bank senior unsecured was around 10-15 basis points wider over the quarter while Tier 2 was 0-5 basis points wider). These moves are insufficient to change our view on the illiquidity premium available in private markets and hence our strong overweight towards private markets continues.

This being said, we are watching public market conditions closely. With interest rates increasing, China growth concerns and expectations of a deluge of financial issuance over the coming year, we are biased towards public spreads widening from here. As such we are very conscious of our credit duration, particularly in our public allocation. Right now, the credit duration of the fund is under 4 years, around half a year below the public credit benchmark, leaving us well placed to extend credit duration if credit curves steepen.

We are also happy to run slightly higher levels of cash in the strategy during these times, providing an additional lever to drive excess returns should volatility arise.

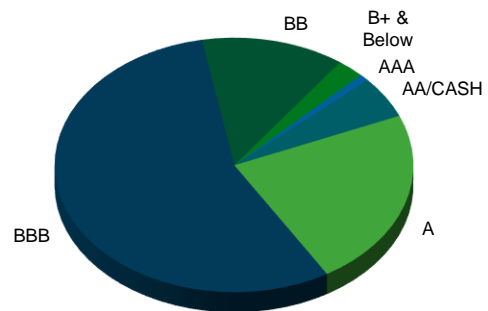
Our interest rate duration positioning has also been predicated on our view that we have no particular insight into where rates are heading in the short term. As such our positioning for some time has been flat to the index. However, we have observed the significant steepening in yield curves in the last few weeks. With curves strongly upward sloping there is the opportunity to earn a moderate amount of carry without risking meaningful capital drawdowns.

Fund activity over the quarter was elevated as we re-positioned further towards private markets. Over the months of July and August we sold down some public corporate and asset backed securities (ABS) positions at strong capital gains to rotate into private markets. With market conditions strong we are expecting elevated refinancing activity and so expect to see more activity on the private side of the portfolio.

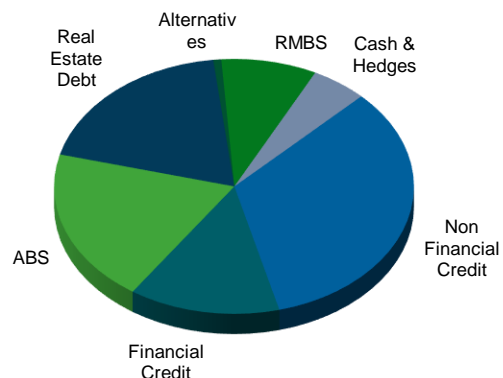
Performance Statistics

Standard Deviation (ann.)	2.6%
% of Down months	2.1%

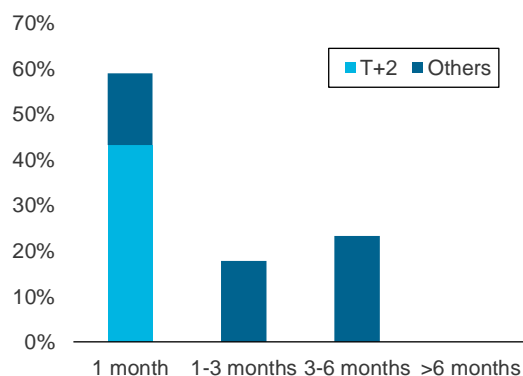
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Profile



Market Conditions:

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



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