

# Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

## Monthly Report June 2025

Performance <sup>1</sup>	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) p.a. <sup>2</sup>
Challenger IM Credit Income Fund - Class A	0.52	1.59	2.90	6.95	6.95	7.76	-	6.20
Challenger IM Credit Income Fund - Class I <sup>3</sup>	0.52	1.59	2.90	6.95	6.95	7.76	6.26	-
Bloomberg Bank Bill Index	0.32	1.02	2.10	4.39	4.39	3.88	2.34	2.47
Active return	0.21	0.57	0.80	2.56	2.56	3.88	3.91	3.73

Data Source: Fidante Partners Limited, 30 June 2025.

<sup>1</sup>Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup>The Inception date for Class A is October 1 2020.

<sup>3</sup>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	\$921.3 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

### Key Statistics

Number of Issuers	126
Running yield (%) p.a	6.0
Modified duration (yrs)	0.09
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.3
Non-AUD Denominated	23%
Private Credit Allocation	18%

## Quarterly Commentary

### Performance Update:

For the last quarter of the 2025 financial year, the Fund returned 1.59%, an excess return of 0.57% over the Benchmark and 0.34% over the Bloomberg AusBond Credit FRN index. Fund returns for the quarter have been driven by income comprising 92% of return contribution while tighter credit spreads have had a small positive contribution. Since inception, the Fund has returned 6.20% per annum, an excess return of 3.73% per annum over the Benchmark, exceeding the target return of the Fund.

Over this same period the Fund has outperformed the Bloomberg AusBond Credit FRN index by 2.3% per annum, demonstrating the value of investing across the liquidity spectrum.

At June month end, the running yield of the Fund was 6% p.a. with a yield to maturity of 6.1% per annum.

### Fund Positioning:

Spreads closed tighter at the margin over the month and when looking back over financial year. In June, market spreads did not move in a materially. Our views have not changed at quarter end on fund positioning. We expect the majority of the prospective returns to be generated by the income received on assets rather than spread performance that the fund has benefited from in prior periods.

The Fund has been axed to rotate into private markets given where public markets are trading. The allocation to private credit in June was 18%. Post committed pipeline settling we expect this exposure to be in the mid-20s. The downwards pressure on public market spread levels appears not to be abating. The private credit pipeline includes a commercial real estate transaction operating within the hotel sector and a well-known records and information provider. The rotation further into private credit is expected to increase the overall return of the Fund by circa 20 bps, which will increase the yield to maturity to 6.3% per annum. Post this change our expectation is The Fund will trail the target returns over the next financial year unless spreads take another step tighter. The Fund remains well positioned to capture risk sell offs when market volatility increases.

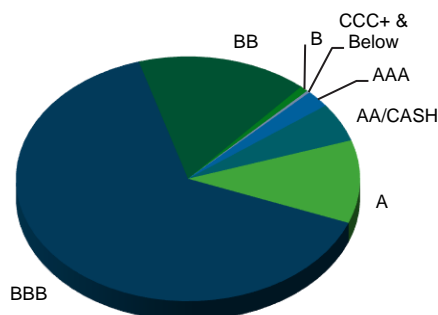
The funds weighted average credit rating post the committed pipeline will remain at investment grade (BBB/BBB-) with headroom. When we track and measure The Fund's rating, we apply the Moody's WARF methodology to reflect the default risk of the portfolio. We do not apply a simple average that significantly understates the default risk of a portfolio.

In public markets there was a wave of new A\$ primary issuance in bond markets during the month. This provided the Fund a good opportunity to consider relative value switches in corporate and financial bonds and moderately increase credit duration where there was an evident measured spread pickup.

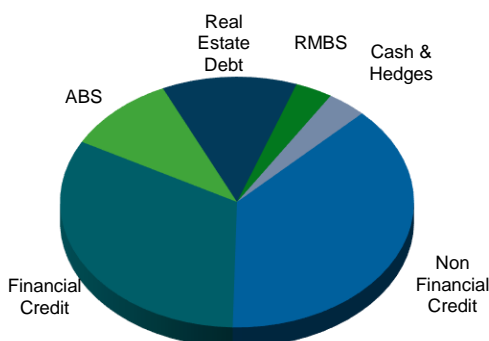
### Performance Statistics

Standard Deviation (ann.)	2.1%
% of Down months	7.4%

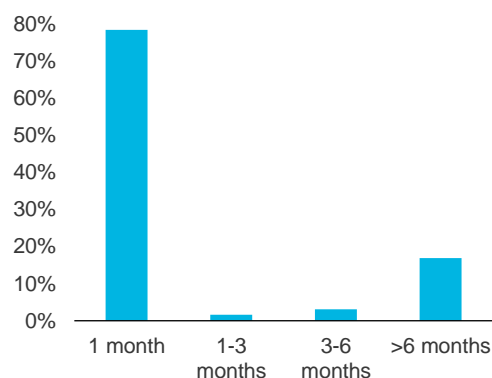
### Fund Credit Quality



### Fund Asset Allocation



### Fund Liquidity Exposure



The low spread duration of 3.3yrs continues to allow us a degree of flexibility to consider extending when we see pockets of value in credit curves. Unless there is a broader sell-off, we will only cautiously extend spread duration. Our public markets allocation will only increase post a widening of credit spreads.

The financial credit exposure increased by 2% and this was funded by excess cash and selling shorter dated non-financial credit. The fund did not participate in any asset backed market issuance. The allocation remained steady in the low teens. As tranches amortise or transactions call, we will look to reinvest to maintain exposure in the asset class.

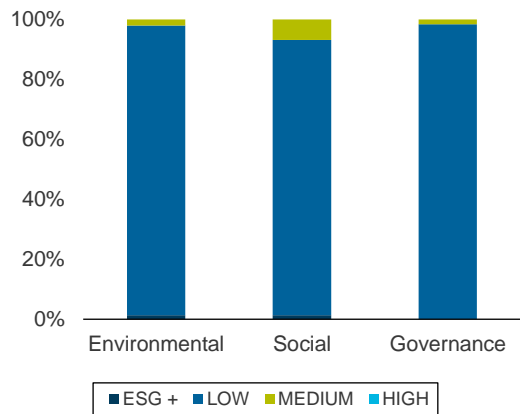
The Fund is considered fully invested within preferred allocations for this stage in the credit cycle. That said the liquidity profile of the fund is still very strong. Over 78% of assets can be liquidated with 30 days in normal market conditions.

Fund assets are performing in line with expectations. We only have one name (private hospital operator) on the watchlist, which we will continue to update on. The position is marked in the low to mid 50s and represents 0.3% of the Fund.

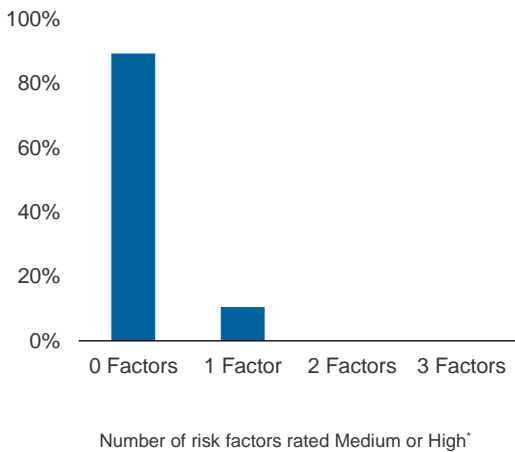
**Market conditions:**

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

**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 M



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