Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report May 2026

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	0.49	1.15	2.84	6.23	6.78	7.62	6.20	6.30
Bloomberg Bank Bill Index	0.34	1.00	1.91	3.45	3.78	4.18	3.03	2.68
Active return	0.15	0.15	0.93	2.77	3.00	3.44	3.16	3.62

Data Source: Fidante Partners Limited, 31 May 2026.
[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.

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	$1,012.5 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	131
Running yield (%) p.a.	6.1
Modified duration (yrs)	0.04
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.2
Non-AUD Denominated	17%
Private Credit Allocation	20%

Monthly Commentary

Performance Update:

The Fund returned 0.49% in the month of May. The total contribution represented an excess return of 0.15% over the Benchmark and 0.02% over the Bloomberg AusBond Credit FRN index. Fund returns for the month benefitted from improvement in market risk sentiment and a tightening of credit spreads.

Over the last 12 months, the Fund has returned 6.78% outpacing the 4.8% return on the Bloomberg Ausbond Credit FRN index, exceeding our goal of outperforming daily liquid credit by 1-2% per annum.

Income generation was the main driver of return for the month at 0.54%. Credit spread tightening in markets added an additional 0.07% to the total return for the period.

Fund Positioning:

Offshore credit markets led the move tighter over the month and outperformed domestic credit markets where moves were more marginal. Despite recent movements, spreads across all markets remain wider than levels seen at the end of January. Our outlook remains cautious, given ongoing headline risk and a softer global macroeconomic backdrop that could impact market pricing. Spread duration is currently 3.2 years, remaining at the lower end of the Fund's typical range.

Public investment grade primary markets have been well supported with strong demand. Secondary market performance has been comparatively weaker, with a more noticeable bias toward selling. Brokers and intermediaries have been building inventory, particularly in the latter part of the month, although meaningful spread concessions have not yet appeared.

In asset backed primary markets, well-known issuers continue to access funding successfully with strong support. In contrast, lesser-known issuers have experienced softer demand, often pricing at wider levels than initial targets and with subscription levels closer to deal sizes.

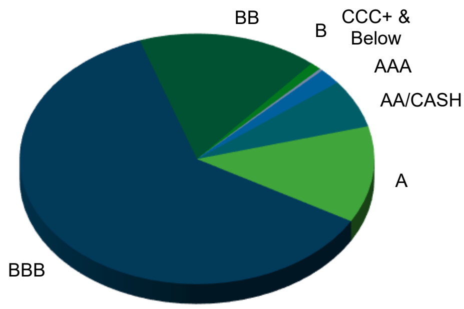
Earlier in the month, investing activities were focused on public markets, with a preference for selective offshore, longer-duration opportunities where concessions were attractive. The portfolio remains fully invested, with funding generated by rotating out of financials that have rolled down the credit curve and are now offering reduced carry.

The private market allocation stands at 21%, with a target to increase to the lower end of the recent 25–30% range. The pipeline currently includes attractive real estate and asset backed opportunities where the Fund has sufficient capacity to increase exposure. The real estate exposure is currently 12% and securitised exposure is 13%. While illiquidity premiums in private markets remain attractive, the Fund is adopting a more selective approach to new opportunities, prioritising transactions where the illiquidity premium is compelling and exposures provide genuine diversification benefits.

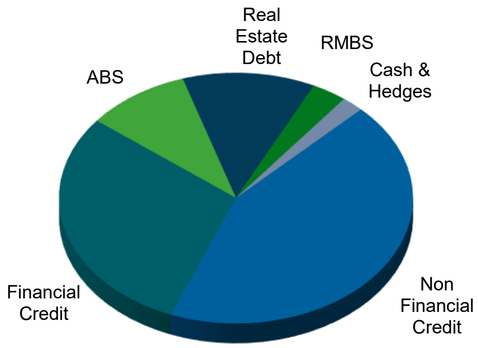
Performance Statistics

Standard Deviation (ann.)	2.0%
% of Down months	7.6%

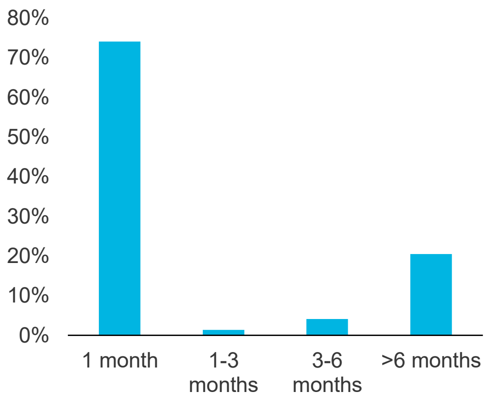
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



The portfolio remains well diversified, with 131 issuers, and we continue to actively manage concentration risk. Credit spread duration is being managed cautiously; but we will extend spread duration for attractive new positions. The Fund's yield remains below target but retains a defensive stance given current spread levels. That said, the portfolio remains well positioned to redeploy into risk during periods of increased market volatility.

The Fund maintains a strong liquidity profile, with over 74% of assets able to be liquidated within 30 days under normal market conditions.

The real estate exposure with a weighting of 0.9% remains on special mention (defined as a performing asset requiring increased monitoring). The position is first ranking and secured against established residential housing. A sponsor related dispute unrelated to the underlying asset has now been resolved. However, valuation weakness and performance have not tracked in line with base case expectations. The exposure is internally rated BB , with asset coverage reflected in an LVR of approximately 60%.

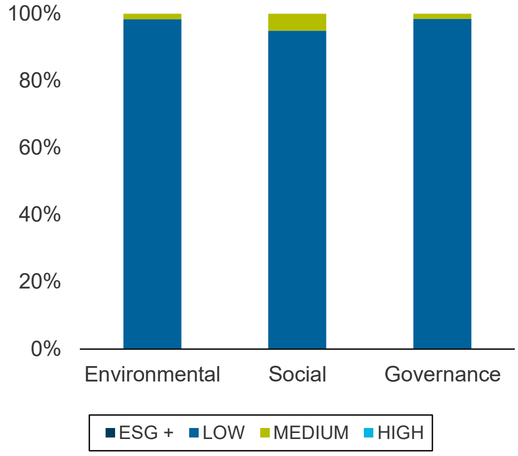
There is one other position on our watchlist. A private hospital operator, which has been subject to a series of downgrades over time. The position is rated D and represents a 0.3% weighting in the Fund. There has been no further change to pricing. It was revised upward from the high-50s to the low-60s in March due to improved timing of recoveries. The workout process remains ongoing, and the valuation of the position will evolve as new information becomes available.

Market conditions:

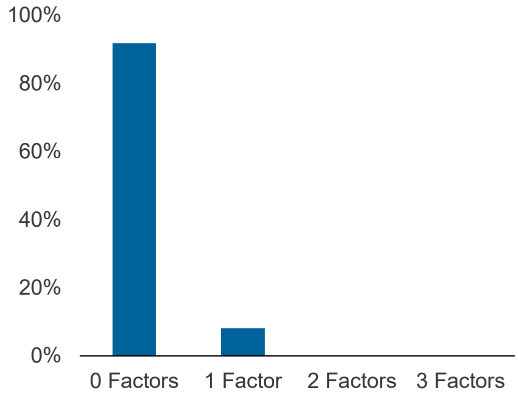
Markets continued to rally in May, despite rising inflation fears. The rally extended April's gains on the back of optimism around a potential near term diplomatic resolution to the Iran conflict and strong corporate earnings. Equities once again reached all-time highs with the MSCI world index returning 4.4% on the month, after gaining 9.5% in April, for a cumulative last two-month gain of +14.2%. Credit spreads generally were tighter over the month across the risk spectrum, led by offshore markets.

Negotiations have been ongoing since the announcement of the ceasefire in early April, but a deal is still to be reached due to unresolved issues around a number of points including Iran's nuclear program. Even as some relatively minor renewal of the conflict occurred at the start of June, markets appear to be looking through, with optimism around a near term deal and reopening of the Straits. This has been reflected in the price of brent crude which fell from US$114/barrel at the end of April to US$92/barrel at the end of May.

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 M

The rally in equity markets over the month was driven by strong corporate earnings growth and enthusiasm for AI-related investment, with the S&P 500 increasing by +5.3% over the month, led by technology stocks at +16%. Earnings growth was strong across the board, beating consensus estimates with +27.9% for the overall S&P 500 index, led by technology at +50.7%. While earnings strength has been broad-based, technology continues to be a dominant driver of equity returns, with the AI Big 10 (Magnificent 7, Broadcom, Micron and AMD) now representing ~40% of the S&P 500 by market cap. This enthusiasm for AI-related investments also extended to emerging markets, particularly for countries with exposure to AI semiconductor and chipmakers such as Korea (KOSPI index +101% YTD, +28.5% MTD to May-26) and Taiwan (TAIEX index +54% YTD, +15% MTD to May-26). Similarly in credit, spreads continued to grind tighter on the month and the theme of technical demand continued to play out in public fixed income markets with demand for yield and strong book coverage levels observed.

Most central banks remained cautious and on hold with a hawkish tilt in May. However, some economic data released over the month pointed to improving inflation dynamics. In the US, Powell's term as Fed Chair ended and Kevin Warsh was sworn in as the next Chair of the Fed, with his first FOMC (Federal Open Market Committee) taking place on 16-17th of June. While Trump may be hoping Warsh will be dovish on interest rates, this will be difficult for the new Chairman. On average, US macro data is pointing to a resilient economy (with more jobs added than anticipated, US CPI running at 3.8% yoy and while core CPI is running at 2.8% yoy to the end of April). However, there are signs that the cycle may be turning as consumer sentiment deteriorated with the University of Michigan released their consumer sentiment index reading at 44.8, just below the prior historical trough seen in June 2022, with the fall in sentiment driven by concerns around cost of living and inflation pressures.

Domestically in Australia, the RBA hiked rates for the third consecutive time by 0.25% to 4.35% as they continued to work to bring inflation back to their 2-3% target range. The RBA signalled they are likely to pause the current tightening cycle, but hike further if necessary. The budget was also released this month, where the government announced significant reforms to negative gearing and CGT, aimed at cooling the housing market and encouraging the construction of new residential properties. The changes are likely to lead to a reduction in investor demand, as the changes makes holding investment properties less attractive (although we note that the changes will only apply to investment properties bought after budget night). This could potentially lead to some weakness in the Australian housing market in the short term with Morgan Stanley estimating a 5-10% national house price decline in 2026, largely driven by rate hikes but accentuated by the changes introduced in the budget.

In summary, the themes we witnessed in April continued to play out in May, with markets rallying on the back of easing geopolitical concerns, strong corporate earnings and continued technical strength. However, the backdrop remains vulnerable to renewed conflict, inflation pressures, and a higher for longer rate environment, particularly as consumer sentiment continues to fall.

	Mar	Jun	Sep	Dec	FYTD
2026	*1.69%*				
2025	*1.52%*	*1.73%*	*1.38%*	*1.43%*	*6.22%*
2024	*1.47%*	*2.22%*	*1.39%*	*1.33%*	*6.27%*
2023	*1.90%*	*2.10%*	*1.04%*	*1.21%*	*5.30%*
2022	*0.68%*	*1.59%*	*0.61%*	*0.42%*	*2.96%*
2021	*0.98%*	*1.00%*	*0.26%*	*0.41%*	*2.88%*
2020	*0.00%*	*0.00%*	*0.00%*	*0.81%*	*0.00%*

Source: Fidante Partners. Past distributions are no indication of future distributions. 1. Calculated as the cents per unit (CPU) distribution at quarter end divided by the ex-distribution unit price at the start of the quarter. 2. Annual distribution return (Financial -Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Return (after fees) is calculated using pre-distribution quarter end withdrawal unit price, and assumes distributions are reinvested. Growth Return equals the percentage change in unit price.

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