Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report June 2024

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	0.48	1.88	4.21	8.85	8.85	5.80	-	6.01
Challenger IM Credit Income Fund - Class I[3]	0.48	1.88	4.21	8.85	8.85	5.80	4.89	-
Bloomberg Bank Bill Index	0.35	1.08	2.18	4.37	4.37	2.44	1.64	1.96
Active return	0.13	0.80	2.03	4.48	4.48	3.36	3.26	4.05

Data Source: Fidante Partners Limited, 30 June 2024.
[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	$695.3 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	122
Running yield (%) p.a	6.2
Modified duration (yrs)	0.14
Average Rating	BBB-
Portfolio Credit Spread Duration (yrs)	2.9
Non-AUD Denominated	22%
Private Credit Allocation	19%

Monthly Commentary

Performance Update:
For the second quarter of 2024 the Fund returned 1.88%, an excess return of 0.80% over the Benchmark and 0.6% over the Bloomberg AusBond Credit FRN index with returns driven by income and spread tightening in a rough 80/20 split. Since inception, the Fund has returned 6.01% per annum, an excess return of 4.05% 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 over 2.7%, demonstrating the value of investing across the liquidity spectrum.

At June month end, the running yield of the Fund was slightly over 6% p.a. with a yield to maturity of just over 7% p.a.

Fund Positioning:
Markets did nothing over the quarter that would change our views on positioning. Public market spreads remain relatively tight with public domestic securitisation markets outperforming corporate and financial credit. We are continuing to rotate the Fund back into private markets. Currently the allocation to private credit is 19% though we expect this to increase well into the mid-20s as our pipeline is deployed.

The rotation further into private credit should increase the overall return of the Fund by around 20 basis points lifting the yield to maturity to around 7.2% per annum. Even with this move our expectation is that absent a move tighter in spreads the prospective returns on the Fund will slightly trail the target returns over the next 12 months. There are further levers that could be pushed to drive incremental returns, but our view is that given where we are in the credit cycle our positioning is appropriate. This approach is intended to allow the Fund to capture less of the potential downside of a risk off environment and more of the upside of a subsequent rally. Ultimately er believe that this will ensure the Fund continues to achieve the target returns over the medium term.

To date the conservative positioning has served the Fund well with the portfolio performing in line with expectations. There are no exposures rated below B- with 1.7% of the Fund rated below BB-. The weighted average rating of the Fund remains between BBB and BBB-. As a reminder we apply a Moody's WARF methodology to provide an average rating which is reflective of the default risk of the portfolio. We do not apply a simple average which significantly understates the default risk of a portfolio.

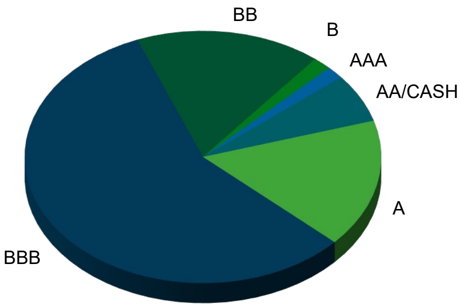
Over the quarter we have increased our exposure to non-financial credit by 3% which was funded out of financial credit. Exposure to asset backed credit was largely unchanged at 17% as was real estate backed debt at 13%. As previously flagged, we expect to moderately increase our allocation to CRE debt and will be pivoting away from public unsecured REIT issuance towards single asset direct loans.

The credit duration of the Fund was flat over the quarter at 2.9 years and is expected to steadily decline as we rotate further into shorter dated private credit. If there is a sell-off, we will return to public markets and extend our credit duration to capture the upside of wider spreads.

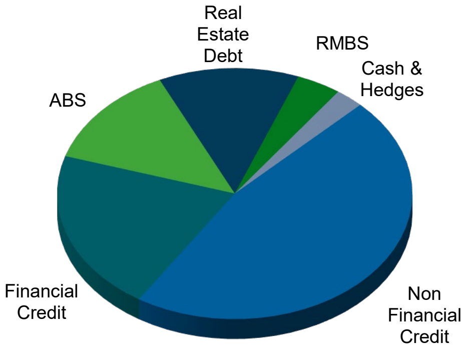
Performance Statistics

Standard Deviation (ann.)	2.2%
% of Down months	7.3%

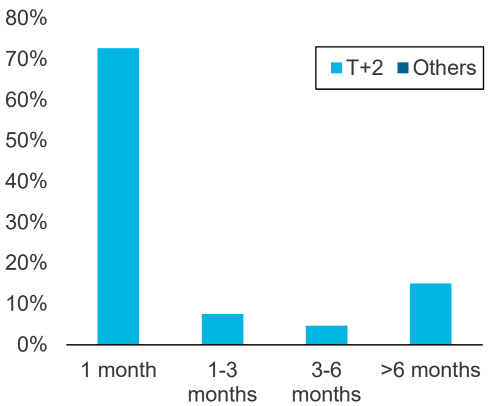
Fund Credit Quality



Fund Asset Allocation

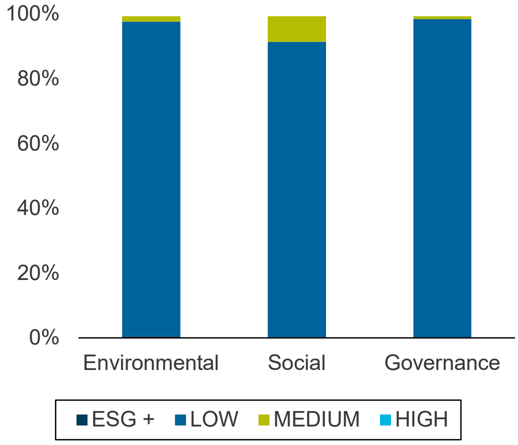


Fund Liquidity Exposure

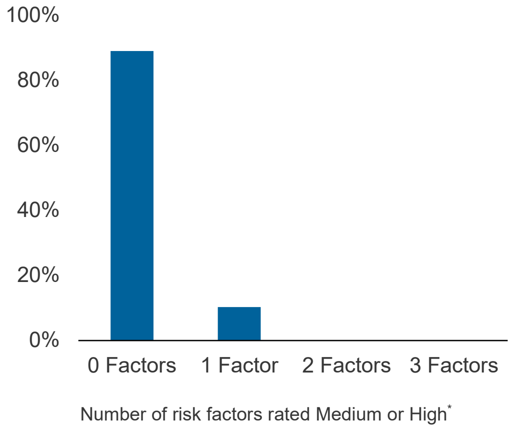


Market conditions:
See the quarterly round the grounds report for a detailed discussion on our views across sectors.

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 Medium.

For further information, please contact:

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