Challenger IM Credit Income Fund

A high income, defensive and diversifying investment opportunity

A unique offering

The Challenger IM Credit Income Fund (the Fund) is a floating rate, multi-sector credit strategy which invests across high quality, predominantly investment grade opportunities. The Fund is a unique offering in the Australian marketplace investing in both public and private debt markets whilst being appropriately structured to ensure the underlying liquidity of the portfolio meets the withdrawal provisions of the Fund. In doing so, the Fund provides a high income, defensive and diversifying investment opportunity without taking what we believe to be excessive credit or interest rate risk.

Who is the Fund suitable for?

The Fund is best suited to investors who:

- require an investment with consistent levels of income
- understand and are willing to accept a higher level of liquidity risk in order to generate higher returns than daily liquid fixed income products
- have an investment horizon greater than 3 years

Fund facts

Investment return objective	The Fund aims to achieve superior absolute returns over the medium to long term whilst offering capital stability and a steady income stream.
Performance target	Bloomberg AusBond Bank Bill Index + 3% after fees
Liquidity	Monthly with 10% fund level gate
Distribution frequency	Quarterly
Recommended investment horizon	3 years +
Fees (Class A)	0.60% p.a.
Minimum initial investment (Class A)	$10,000

Why invest:

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 Challenger IM 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
Challenger IM clients benefit from a robust governance framework including an independent credit risk management team within the Challenger Group.

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Key mitigants to risk

- Low interest rate risk with maximum one year duration
- All assets hedged to Australian Dollars means no currency risk
- Covenant to maintain average investment grade credit rating limits the risk of the manager taking on excessive levels of credit risk
- Staggered redemption profile reduces the potential for large withdrawals to negatively impact remaining unitholders

For a full description of the risks related to investing in the Fund please refer to the Product Disclosure Statement (PDS).

Challenger Investment Management

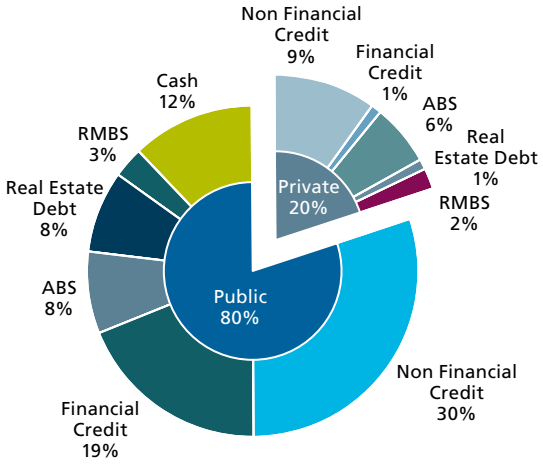
Challenger Investment Management is an alternative investment manager covering a global opportunity set in Fixed Income. The Challenger IM team is focused on accessing investment opportunities across a broad spectrum of fixed income credit markets.

The team believes that high income, diversifying and defensive portfolios can be constructed by taking a multi-strategy approach to credit investing across both public and private markets. By having a broad mandate, incorporating both public and private sector credit as well as multiple underlying strategies, the team seeks to identify and exploit pricing inefficiencies across credit, liquidity and complexity risks.

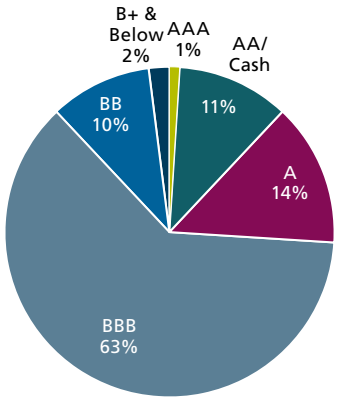
The team looks to dampen volatility by seeking to avoid interest rate and currency risks and aims to keep spread duration relatively short, particularly for less liquid strategies.

Sector and ratings exposure*

Sector



Credit rating



* As at 30 June 2022. Figures may be rounded to the nearest whole percentage.

Contact

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