Challenger IM Credit Income Fund – Class A

ARSN 620 882 055 APIR HOW8013AU

Monthly Report February 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	0.33	1.66	3.34	5.01	6.81	7.72	6.12	6.38
Bloomberg Bank Bill Index	0.28	0.90	1.80	2.43	3.83	4.14	2.83	2.61
Active return	0.04	0.76	1.54	2.58	2.98	3.58	3.29	3.76

Data Source: Fidante Partners Limited, 28 February 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	$1,030.1 mil
Buy/Sell Spread	+0.18/-0.18%
Distribution Frequency	Quarterly
Redemption Terms	Monthly with 10% Fund level gate

Key Statistics

Number of Issuers	132
Running yield (%) p.a.	5.8
Modified duration (yrs)	0.08
Average Rating	BBB/BBB-
Portfolio Credit Spread Duration (yrs)	3.2
Non-AUD Denominated	17%
Private Credit Allocation	19%

Monthly Commentary

Performance Update:

The Fund was up 0.33% in February, a return of 0.04% over the Bloomberg AusBond Bank Bill Index Benchmark, and 0.02% over the Bloomberg AusBond Credit FRN index.

Over the last 12 months the Fund has returned 6.81% outpacing the 4.80% 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 0.45%. This was offset by a softening of spreads across credit markets later in the period, which detracted 0.09% from the portfolio's total return.

Fund Positioning:

The Fund began the month holding higher cash balances. We have remained defensively positioned after a persistent trend of credit spreads grinding tighter. The Fund has been positioned to be able to take advantage of spread volatility. The Fund has also been rotating into private markets to harness the attractive illiquidity premium between markets. One such transaction with a large Australian operator of pubs, dining and event spaces of $15m or 1.4% of the portfolio settled and had an illiquidity premium north of 250bps.

There was plenty of domestic primary market issuance in the longer end offering attractive outright yields. The book builds of these transactions were well supported. Performance post issue was mostly weaker. Credit spreads on those transactions though were still at tight levels. We participated with caution. Fund spread duration is being managed within a narrow range. We intend to remain patient and participate when we see significant new issue concessions. The Fund is also in a position to take advantage of any offshore market weakness.

The Fund has capacity to add to private exposure, incrementally adding to the Fund's yield, which currently sits at just under 6% p.a. If public credit spreads continue to soften, the rotation into private credit will slow. We committed to one externally rated investment grade warehouse transaction to maintain current asset class positioning. The weighted average credit rating of the Fund is at investment grade, and the liquidity profile is strong. Over 75% of assets can be liquidated within 30 days in normal market conditions.

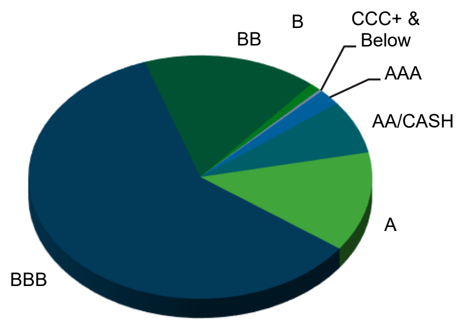
There is one real estate position with a total weighting of 0.8% that is currently on special mention (an asset classified as performing and needing increased monitoring) post month end. The position is first ranking and secured against established residential housing. It is internally rated BB-. This loan is adequately covered by the asset value.

Post month end one position was recently removed from special mention following execution of a sale contract. This position had been previously downgraded to B- by Challenger's credit risk management team due to an increase in the loan to value ratio.

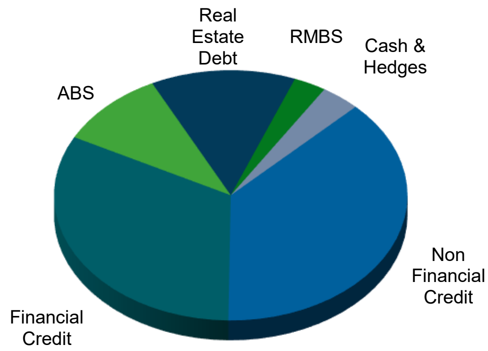
Performance Statistics

Standard Deviation (ann.)	2.0%
% of Down months	6.9%

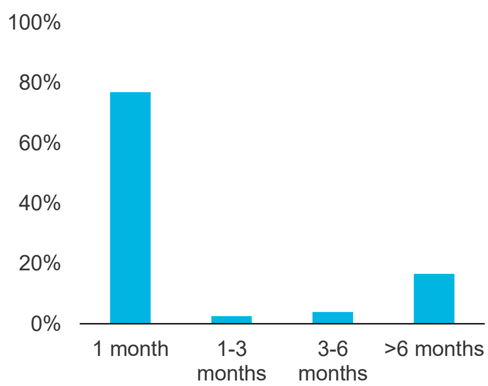
Fund Credit Quality



Fund Asset Allocation



Fund Liquidity Exposure



The loan is 1st lien senior secured against an income-producing office building in Melbourne and is expected to be repaid in early May. The credit rating is currently being reviewed.

There is one stressed position on the watchlist, which is rated D and represents a 0.3% weighting in the Fund. The position is now marked in the high 50s post asset sales late last year. The pricing of the position is reviewed monthly, where all work out developments including observed secondary market trading are considered.

Market conditions:

A combination of a resurgence of fears around private credit cockroaches, higher oil prices as a result of the US/Israeli attacks on Iran and concerns about the impact of artificial intelligence on software companies broke the back of a market that had been relentlessly bullish for close to 12 months.

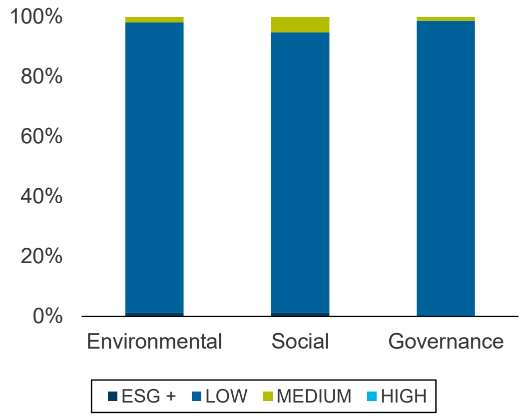
The oil price has been the most material driver of risk sentiment in recent weeks. Having started the year at US$55/barrel, crude oil has increased to over US$95/barrel at the time of writing. This is the highest level since mid-2022 when Russia invaded Ukraine.

A protracted oil shortage due to the closure of the Strait of Hormuz has widespread implications for global trade but in the near term has further embedded expectations of a rate hike when the RBA meets in mid-March with an implied cash rate peaking at 4.5% in late 2026. The basis between the Australian 10yr and the US 10yr peaked at 75 basis points in early March, having been negative in mid-2025.

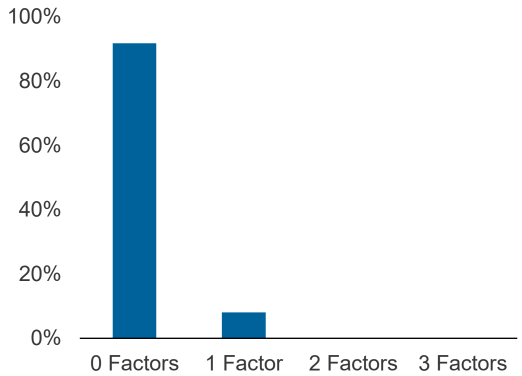
Up until late February the higher rate environment in Australia had brought in demand from outright yield buyers which helped keep spreads contained. However, the persistence of the volatility has led to progressively weaker liquidity conditions over the first couple of weeks of March. Verizon issued a hybrid deal in early March, which seemed to print to demand and has since traded 10-15 basis points wider than the new issue spread level. Investment grade credit is circa 25 basis points wider than the tights of late January with high yield around 60 basis points wider but still remaining well inside the tariff volatility of March/April 2025.

Domestic RMBS have reverted to form with the first deal with non-disclosed margins pricing in early March. When margins on a deal are not disclosed it implies either the buyer, or the seller of the notes doesn't want the market to know the interest margin on the deal. This was a common feature of the market following the Global Financial Crisis but has become increasingly rare since as investors need the margins to be disclosed so they can trade the notes in secondary markets. With multiple deals in the pipeline there is a strong bias for further widening from current levels.

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

Offshore, more specific credit market related issues also weighed on sentiment. Last month the concern was private credit's exposure to the software sector. This month concerns turned to outflows from interval funds. As a reminder, interval funds are evergreen vehicles that allow investors to redeem funds on a quarterly basis with a cap of 5-7% of total net assets. This structure is primarily used by private credit managers given that private credit loans typically repay in 2-3 years. The structure is relatively new and untested, having never faced widespread redemptions until now. Over March, several high-profile funds were forced to cap redemptions at their gates with some experiencing redemption requests of up to 14% of the total fund. While the structures are working as intended and protecting the other +80% of investors who didn't submit redemption requests, the action of gating has sparked fears of further gating which seems to be prompting investors to redeem first and ask questions later. Higher redemptions will mean tighter financial conditions which could start to weigh on fundamental performance which to this point has been benign.

The interval fund feature is less common in Australia but has been applied to some recently issued listed investment trusts, many of which are trading at discounts to net tangible assets and are thus likely to face some redemption pressure. The listed note market has also traded off with margins now in the low to high 300s, around 50 basis points wider on the month.

With spreads still relatively tight on a historical basis, there is room for further widening especially if markets remain volatile and financial conditions continue to tighten.

	Mar	Jun	Sep	Dec	FYTD
2025	1.73%	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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