

ASX Announcement

22 July 2025

MA Credit Income Trust – June 2025 quarterly investor letter

MA Investment Management Pty Ltd ACN 621 552 896 (the **Manager**) as manager of the MA Credit Income Trust ARSN 681 002 531 (Trust) (ASX:MA1) is pleased to provide investors with a copy of its quarterly investor letter to clients of its Global Credit Solutions funds, for the quarter ending June 2025. The Manager also intends to provide the same letter to investors of other funds managed by the Global Credit Solutions team.

The monthly investor report for June 2025 for MA1 was separately released on 15 July 2025.

More information

If you have any queries, please contact MA Credit Income Trust on 1300 135 167 (within Australia) or +61 2 8023 5415 (outside Australia) or at MAclientservices@boardroomlimited.com.au

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the MA Credit Income Trust. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

22 July 2025

Investors in MA Financial's
Global Credit Solutions funds

'The only certainty is uncertainty'

Quarterly Global Credit Solutions investor letter (Q2 2025)

Dear Fellow Investors,

On behalf of the Global Credit Solutions (GCS) team at MA Financial, I'd like to thank you for your continued investment in our private credit funds.

This letter continues an initiative we started last quarter to provide you – our clients – with regular and general updates on our GCS fund suite, as well as thematic considerations about what matters in private credit. These letters and associated podcast episodes are now available [on our website](#).¹

The June quarter was another period of pleasing performance across our GCS funds. Of particular note, our MA Priority Income Fund – with its defining 10% Capital Buffer and Income Priority features – achieved a further milestone in June by delivering its target return of RBA Cash Rate + 4.00% p.a. (currently 7.85% p.a.) for the 78th consecutive month.²

Meanwhile, our Credit Income fund suite, which provides exposure to a \$5.1 billion underlying portfolio across all of MA Financial's flagship private credit and is therefore a good barometer of the overall performance of our strategies, delivered an ~8.7% annualised return³ for Q2 2025.

The word of the moment

These results were delivered amid the backdrop of quite an eventful quarter. In only three months, we have seen:

- President Trump's so called "Liberation Day" tariff declarations
- An ensuing global market sell-off in which volatility (measured by the renowned VIX index) spiked to levels not seen since April 2020, the depths of the COVID-19 pandemic
- Tariffs escalated, paused, adjusted and retaliated against with dizzying inconsistency, stoking concerns of the first global trade war in 90 years
- Middle East tensions intensifying with wide ranging geopolitical and social implications
- Commodity price volatility in response to these ructions
- AI continuing to leap forward at breakneck pace

¹ The GCS Quarterly Investor Letter webpage is located at <https://mafinancial.com/insights/quarterly-global-credit-solutions-investor-letter>

² Past performance is not a reliable indicator of future performance.

³ The Credit Income fund suite is available in both listed (ticker ASX:MA1, being the MA Credit Income Trust) and unlisted formats (the MA Credit Income Fund and the MA Credit Income Fund (Wholesale) – Class A and Class B). The stated return reflects the quarterly annualised return for MA1, but is reflective of the performance of the different access points within the strategy.

- Central banks grappling with monetary policy normalisation amid persistent inflation, rampant government deficits and cost of living crises
- A fairly rapid equity market rally-back towards record highs.

With this overload of major economic and political news, it's no surprise that the word '**uncertainty**' was among the most prominent and significant phrases used by CEOs in earnings calls during Q2 2025.⁴ Uncertainty was used about 80% more than in Q1 2025 and, according to *IOT Analytics*, was second only to the word 'tariff' in its importance on those company earnings calls.

Uncertainty also seems to be the word of the moment among investors and financial market players. Every week I receive numerous market commentary and economic outlook reports from globally renowned institutions. Invariably, these reports are at pains to highlight the 'heightened uncertainty' that now subsists. Their predictive guidance, they posit, can help you navigate your portfolio in these increasingly unpredictable times.

In this quarterly letter, I want to challenge the very foundation of the 'rising uncertainty' premise.

Let's start with an anecdote.

Who predicted that?

Two weeks ago, during a scheduled appearance on financial news channel *AusBiz*, I was asked about the expected July interest rate cut by the RBA and what it means for private credit.

It was the morning of Tuesday 8 July and the RBA's interest rate decision was due out at 2:30pm the same day.

That morning, it was considered *certain* that a 25 basis point cut was going to occur. Interest rate markets were implying a 96% probability of the benchmark RBA Cash Rate being reduced to 3.60% (from 3.85%), according to *Bloomberg*. The *Australian Financial Review's* quarterly survey of economists found that 32 of 36 economists – or 88% of those surveyed – were convinced a rate reduction would occur.

As the *AFR* wrote at the time: "*The bond market has all but priced in a certain rate reduction. [...] For many economists, inflation data published late last month sealed the deal for a July rate cut. It showed pressure on pricing had continued to ease in May to its lowest rate in almost four years...*"⁵

At 2:30pm, the RBA shocked markets and pundits alike by holding the Cash Rate at 3.85%, saying it would require further confidence that inflation is under control before committing to a cut.

Of course, it didn't take long for the small minority of economists who predicted 'hold' to declare their prescience, or the wrong-footed cohort to pen eloquent rationalisations for why the central bank didn't move (the decision is still consistent with their overall thesis, of course).

The bond market, meanwhile, has quickly shifted its focus out – with traders now pricing in a >90% likelihood of an August rate cut and two to three cuts by year end (if at first you don't succeed).

We at MA Financial, however, do not have any special insight about the next RBA decision, or any other macro event. My response on *AusBiz* about the implications of what the (with hindsight, wrongly) predicted RBA rate cut should mean for our private credit strategies was therefore simple: *not very much*.⁶

This anecdote highlights an often-overlooked feature of financial markets.

Most market participants, and especially fund managers, think they can predict the future. They don't frame it that way, but you see it in their behaviours and actions. They are fixated with the market outlook and espouse how they have skilfully calibrated their portfolios for the specific macroeconomic conditions that consensus expects to prevail.

⁴ Source: IOT Analytics, *What CEOs talked about in Q2 2025* report.

⁵ <https://www.afr.com/markets/equity-markets/markets-widely-expect-an-rba-rate-cut-except-these-5-economists-20250707-p5md19>

⁶ Particularly as we generally seek to deliver investors a margin above base rates, and invest in floating rate credit, modest changes in the level of base rates should not impact the ability for our private credit funds to generate their target returns if we do our job well.

I believe this dynamic is widespread because most people really struggle with uncertainty. They want the comfort of thinking that they know what is going to happen as a justification for the decisions they are making. They are active when the future *feels* predictable and frozen when the future feels unpredictable.

Without a clear picture of what the world looks like next week or next year, how could they invest with conviction?

The only certainty is uncertainty

At MA Financial, we spend no time on this kind of crystal-ball gazing in managing our Global Credit Solutions funds.

Instead, our time is focused on a very different problem.

The future is always uncertain. The level of uncertainty does not go up or down. It is always the same.

While some periods might feel more comfortable than others, the feeling of certainty is an illusion. Nobody knows what is going to happen tomorrow. The world can change quicker than you can imagine. People can behave in strange, irrational ways. Companies or governments can make decisions that, with the clarity of hindsight, range from ill-advised to imprudent to nonsensical. Majority decisions don't always reflect unanimous beliefs or aligned views (the RBA's July interest rate decision, for example, was a 6-to-3 split decision). What you hope or want to happen – whether based on a logical, emotional, moral or any other basis – has no causal relationship with what *will* happen.

This is not a small nuance or semantics. It is a profound philosophical difference to the way most market participants approach the business of investing.

By recognising that the future is constantly the same level of uncertain, we must invest and manage our portfolios in a way that enables us to deliver our fund objectives in a wide array of possible market conditions. Some of those conditions we can imagine, some we cannot. Not only can these conditions occur as an event, but they also have a time dimension. They could occur sooner or later, for a fleeting moment or an extended horizon.

This challenge is magnified in credit.

In equities, concentrating on your best ideas rather than meaningful diversification might deliver extraordinary compound returns. Indeed, a few investment disasters, bad portfolio management or inadequate risk control processes might be masked or offset by one standout performer – the 10-bagger bet that props up the whole portfolio.

Credit is not like that. When our funds 'invest in credit', what they are essentially doing is providing a loan to a borrower. We are contractually entitled to be paid our interest and for our principal to be returned on an agreed schedule. We aren't entitled to anything more than that. There are no 10-baggers, no unexpected upside.

This is as it should be. Credit, whether traditional fixed income like bonds or private credit, sits in the defensive part of an investor's portfolio.

Our objective as a credit manager is to deliver consistent monthly income in a well-constructed portfolio that meets our target risk and return parameters, while maximising the chance that the capital we invest is secure. We believe private credit should provide a premium return to traditional fixed income, capturing the value of proprietary and direct origination, as well as lower volatility through being able to be fundamentals-focused (rather than adopt a trading-mentality) – though that is a trade-off for less frequent liquidity.

Most importantly, we have to achieve these goals under constant conditions of uncertainty.

The building blocks of success in credit

Acknowledging this challenge, we have designed our processes in GCS to ensure we spend the same amount of time, energy and focus on portfolio management and risk management exercises as we do on making investments.

Everything starts with good investments. We need to be highly selective and write loans that are not finely balanced. This means a lot has to go wrong before our capital would be at risk. It can be achieved through industry and borrower selection, as well as security, asset-backing or other credit features that give us plenty of margin for error.

However, it is the interplay of good investments with disciplined portfolio and risk management that is the key to successfully navigating a world of inherent uncertainty.

This is more than superficial diversification. If we write a good loan, that doesn't mean we should fill our portfolio with dozens or even hundreds of the same loan. In portfolio management, you *can* have too much of a good thing. We need to shape our portfolio so no one thing can create a catastrophic issue. We mitigate concentration not only to individual positions, but by insisting on broad exposure to different lending segments, borrower types, industry sectors, end markets, geographies and key performance drivers across our portfolio. We want a balanced portfolio with things that are correlated differently to each other and have different causal factors (positive or negative).

Even if we do this well, we then need to stress test it regularly. That is the art and science of risk management. Risk management starts with a culture that allows people to challenge each other and our investment theses in a mutually respectful way. It thrives through process discipline. Sometimes it's not very fun conducting our *red team*, *war games*, *weekly credit review* and *monthly portfolio review* exercises.⁷ It's a lot of additional work for our team members (often through late nights or weekends) and – honestly – can feel superfluous, especially when times are good. But what matters is we do them when the seas are calm, so we are prepared for choppy waters or sudden storms.

It's our commitment to you as investors that we will maintain, evolve and enhance these disciplines as fiduciaries of your capital. Of course, with over \$225 million now co-invested by MA Financial and its staff⁸ across all our private credit strategies with our clients, we are highly aligned to deliver our objectives of consistent monthly income while safeguarding capital.

Asset backed lending: not the 'new wave' but optimised for investing under uncertainty

Earlier this year, I saw a *Bloomberg TV* segment in which a prominent professional called *asset backed lending*⁹ the 'new wave' of private credit.

We've been active in this segment for almost a decade, since recognising that post-GFC prudential regulations, bank streamlining and market structure changes would create significant opportunities for non-bank lenders to provide financing solutions to the real-world economy.

Asset backed lending means providing finance secured by a whole portfolio of loans, receivables or other income-generating assets. This could include home loans, car loans, fleet and novated finance, business loans, equipment or asset finance, and commercial loans, as well as specialised asset classes like receivable and supply chain finance, insurance premium funding or legal disbursement funding.

The ability to span so many different sub-sectors of lending helps to mitigate correlation risk. The dynamics which drive the performance of home loans (specifically, unemployment and interest rates) and those which influence legal disbursement funding are quite uncorrelated, for example.

These portfolios are also inherently diversified. Rather than relying on one single borrower to repay us, we earn our contractual return based on the cashflow generated by the performance of the whole portfolio. In each facility, this can span hundreds, even thousands, of individual borrowers – diversified by qualitative characteristics, demographics, geographies, credit profiles and many other factors.

In each facility, we define a series of strict eligibility criteria, underwriting guidelines and ongoing covenants (called portfolio parameters) for the types of loans or assets we will finance. We also embed structural protections, such as first-loss equity from the origination partners we work with, and benefit from other 'credit enhancements' (such as 'over-collateralisation' and 'excess spread'), which give us a margin of safety.

This margin of safety is important because, across thousands of underlying loans, not every borrower will perform their contractual loan obligations perfectly. In the real world, people's circumstances change and arrears or defaults can happen. In asset backed lending, that doesn't mean you – as the funding provider – lose any money.

⁷ For more information about these processes, refer to our Private Credit Video Series here: <https://mafinancial.com/insights/private-credit-at-ma>

⁸ As at 30 June 2025.

⁹ Sometimes called 'asset based finance'. It's the same thing.

As part of our due diligence, we will evaluate the worst-ever default and loss performance for the type of loans we are financing. We call this our “expected portfolio loss”. Our approach is then to set a margin of safety (in the form of equity and credit enhancements that are subordinated to our invested capital) at a sizeable multiple of that “expected portfolio loss”. This means that things need to get a lot worse than both today, and where they have been in the past, for us to face an impairment on our capital.

Today, in our *asset backed lending* strategy we have financed 78 different loan portfolios spanning over 700,000 underlying borrower receivables. This portfolio has low delinquency, with only 0.9% of borrowers in 90+ day arrears. More importantly, we have on average 16x credit-enhancement-to-loss-rate coverage on our invested capital.

This means we have a margin of safety that would facilitate a 16x deterioration of performance compared to what we’ve observed historically for us to face an issue. That’s not impossible. But it means that, on average, we have a long runway to deal with potential problems and implement defensive action strategies to preserve our capital in the event of an economic deterioration, a left-field issue or even just an investment mistake.

We like asset backed lending because it embodies the principles of investing under uncertainty. We don’t need to predict the precise outcome of an inherently unknowable future to earn acceptable returns on credit investments in this sector. Instead, we can build portfolios with structural resilience, so when choppy waters arrive – or when the storm breaks suddenly – we are not scrambling for shelter. Indeed, we have continued to find compelling investment opportunities in asset backed lending during Q2 2025, deploying ~\$400 million in the three-month period.

In our upcoming *Private Credit Investor Day* later in 2025, we will present a number of real case studies in *asset backed lending* to bring this segment to life for our clients, along with our other activities in corporate and direct asset lending.

Final reflections for the quarter

The GCS fund suite has continued to resonate with clients through Q2. As a result, we have now seen net inflows (new investments less redemptions) into our credit funds for the calendar year to date exceed \$750 million. We recognise this is an incredible vote of trust from you. Managing your capital responsibly is our guiding light.

In the same horizon, our teams have deployed ~\$1 billion in new financing, including ~\$600 million in Q2, while maintaining healthy credit performance across our investment portfolios.

Delinquency levels remain low across the board. Using the \$5.1 billion underlying portfolio of our Credit Income fund suite to illustrate, about 99% of assets are in the “performing” category, with only 1% in elevated risk or workout and enforcement. That compares to the annualised return of 8.7% p.a. for the quarter referred to earlier.

We are committed to transparency for investors in our funds. I would encourage investors to read our monthly fund updates – particularly at quarter ends, where we share more detailed portfolio composition statistics, performance statistics and manager commentary – as well as participating in our regular webinars and events.

I look forward to seeing you there and engaging with you.

Thank you again for your continued investment and trust in us.

Best regards



Frank Danieli
Managing Director
Head of Global Credit Solutions
MA Financial Group

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