# ASX Announcement

30 October 2025

## MA Credit Income Trust – September 2025 Quarterly Manager 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 September 2025. The Manager also intends to provide the same letter to investors of other funds managed by the MA Global Credit Solutions team.

The monthly investor report for September 2025 for the MA Credit Income Trust was separately released earlier this month on 15 October 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

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Investors in MA Financial's
Global Credit Solutions funds

# 'The greatest teacher'
# Quarterly Global Credit Solutions investor letter (Q3 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 our initiative 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. All our letters and the associated podcast episodes are now available on our website.[1]

## A brief update on the quarter

The September quarter was another period of pleasing performance across our GCS funds. The MA Credit Income fund suite, which provides exposure to a now $5.7 billion underlying portfolio across MA Financial's flagship private credit and is therefore a good barometer of the overall performance of our strategies, delivered an ~8.5% annualised return[2,3] for Q3 2025.

Meanwhile, our MA Priority Income Fund – with its defining Capital Buffer and Income Priority features – achieved a further milestone in September by delivering its target return of the RBA Cash Rate + 4.00% p.a. (currently 7.60% p.a.) for the 81st consecutive month.[3]

The GCS fund suite has continued to resonate with clients through Q3. As a result, we have now seen net inflows (new investments less redemptions) into our credit funds for the calendar year to date exceed $1.1 billion. In the same horizon, our teams have deployed ~$1.65 billion in new financing and reinvestments, including ~$650 million in Q3.

Across our GCS portfolios, performance and credit health remain robust, reflecting good underwriting standards. Over 96% of positions in our Credit Income strategy and 100% in our Priority Income strategy are classified as 'Performing'. Our non-accrual rates are ~2% and nil (for Credit Income & Priority Income strategies, respectively), and such loans are well collateralised overall. We are proactive in working through positions that become challenged to protect capital.

We recognise investing with us is an incredible vote of trust. Managing your capital responsibly is our guiding light.

## Cockroaches, car crashes and shortcuts

The credit business is best when it's boring. Credit belongs in the defensive part of your portfolio. It should be there to deliver you income, while preserving your capital.

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

[2] 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.

[3] Past performance is not a reliable indicator of future performance.

For a boring business at its core, private credit has certainly received an enormous amount of attention this last quarter.

In Australia, ASIC's report on private credit sparked useful debate across the industry. Rather than restate our approach, I'd simply point clients to our MA Private Credit – Governance & Disclosure Principles document and to the MA1 Credit Income Trust and MA Priority Income Fund quarterly investor reports available on our website. Both show our commitment to robust governance and clear, transparent disclosure.

Globally, real-world events have reminded the market of the importance of investment and portfolio management discipline in the credit space. These situations are high profile borrower failures, potentially involving fraud, in which banks and non-banks alike are exposed: Tricolor and First Brands.

These situations have ensnared many lenders. Losses could be in the billions of dollars. Such losses could be faced by banks (for example, JP Morgan, Barclays and Fifth Third have taken provisions of approximately US$170m, £110m and US$200m against their Tricolor loans) and credit funds, particularly those which acquire more tradeable 'syndicated' loans (which is where much of the First Brands debt was held).

Prominent financiers are warning about more "cockroaches" in the kitchen (per JP Morgan's CEO, Jamie Dimon) and the risk of "late-cycle accidents" due to some lenders taking "shortcuts" (per Apollo co-founder, Marc Rowan).

MA Financial has **no exposure** to these loans. But we do believe there are important lessons to be learned in studying situations of *debt gone wrong*, like Tricolor and First Brands.

## The greatest teacher, failure is

At MA Financial, we always say credit investing is about *'avoiding losers, not picking winners'*.

It might sound counterintuitive. Wouldn't we want to demonstrate our prowess in selecting the best possible loans with a goal to deliver top-quartile results, outperforming all our competitors' returns, for our clients year-after-year?

Actually, no. That is an equity mindset.

The job of a credit manager is simply to:

(a) Generate income consistently for your clients, at an appropriate level given the risk settings of your funds; and

(b) Preserve principal capital through security, asset-backing or other defensive features embedded in loans.

You don't do this by studying the best loans ever made and trying to replicate them. You need to think in the inverse.

You achieve these goals by **knowing which loans *not to make***.

The MA private credit team spend substantial time on this problem. We study why many types of credit investments have historically faced impairment risk. We want to deeply understand the bright lines, red and amber flags that are associated with losing money in credit.

We continually refine these frameworks, enhancing our avoidance strategy against circumstances where interest or, worse, principal can't be paid by the borrower according to the contracted terms of our loans.

As investors ourselves, with MA Financial and its staff now having co-invested over $230 million in all our private credit strategies,[4] we care deeply about this objective.

## Beyond 'credit risk'

An investment philosophy anchored in *avoiding losers* goes beyond just assessing the credit risk of loans. History tells us there are three risks in lending:

- Credit risk, which needs to be ***managed*** through careful loan selection and good portfolio construction;

[4] As at 30 September 2025.

- Structure risk, which needs to be ***controlled*** through robust debt terms and maintenance of lender 'sacred rights' (meaning protections as a creditor senior to the borrower's equity and its assets); and
- Fraud risk, which is to be ***avoided*** at all costs. There's no point having strong credit fundamentals and a watertight structure if the assets aren't there or never existed!

If you applied this framework to Tricolor, some enormous red flags would have emerged. Tricolor was a Texas-based subprime auto lender in the US. While the situation is ongoing, it doesn't appear the credit risk of lending to down-in-credit consumers was the issue. Rather, it is alleged Tricolor fraudulently misrepresented the collateral it was pledging to the different banks and lenders financing its loans. In plain English, it promised multiple lenders security over the same assets – and those lenders didn't have the right checks in place.

Without going too deep into the technicals, there are various controls – such as one consistent third-party collateral custodian across all facilities, lien searches, collateral verification audits, field exams and cash account controls (among other things) – that could have been used to avoid this fraudulent situation in the first place.

In fact, fraud avoidance is often about identifying red flags that don't make sense and walking away. This has been true for decades. For example, one of the first AAA-rated notes in an asset backed facility to default was Heilig-Meyers (a furniture store selling goods on credit) in 2000, causing painful losses for eight brand-name global banks and institutions. In the end, it was discovered that 13% of addresses and 22% of phone numbers for purported customers were made up. A simple audit process to check the collateral, verifying address or phone numbers, would have identified these basic concerns. Lenders trusted the data, without verifying it properly.

Similarly, First Brands was an automotive parts roll-up with limited institutional governance or controls around an enigmatic founder, relying heavily on off-balance-sheet financing and aggressive earnings adjustments. The earnings adjustments on which leverage was sized at times exceeded 60-70%, masking weak free cash flow. Inadequate diligence was undertaken about how First Brands used off-balance-sheet debt, while – echoing Tricolor – trade finance counterparties did not implement adequate controls or verification to ensure asset collateral was not double-pledged.

In the credit business, we don't need to be the smartest people in the room. We just need to avoid making unnecessary mistakes, or at least making our mistakes small. Faced with a preponderance of red flags, the discipline is to simply walk away.

*Avoid losers.*

## A final reflection on learning from credit gone wrong

We're always looking for the lessons in major credit events to refine our processes. In past letters I have quoted some of the investment greats. This time, for a bit of levity, but particularly pertinent to credit markets today, I'll sign off with a quote from a different type of master:

> *"Pass on what you have learned. Strength, mastery. But weakness, folly, failure also.*
> *Yes, failure most of all.*
> ***The greatest teacher, failure is.****"*
>
> *~ Master Yoda to Luke Skywalker (Star Wars: Episode VIII)*

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

Best regards

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