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Investors in MA Financial's
Global Credit Solutions funds

'The return on my money'

Quarterly Global Credit Solutions investor letter (Q4 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

More than just capital preservation

One of my favourite quotes about credit investing is often (though probably inaccurately) attributed to Mark Twain:

*"I'm more concerned about the return of my money, than the return on my money."*²

Whoever said it, this idea embodies the credit investment philosophy we have in GCS at MA Financial. We believe credit is about avoiding losers, not picking winners.

The goal of the credit manager is to dodge loans that are likely to go bad, while obtaining debt terms (such as security, asset-backing and other credit enhancements) that provide optionality to recover capital if something doesn't quite go your way. Most importantly, the credit manager's job is to build a carefully constructed portfolio of diverse loans that behave differently so, in aggregate, your book can perform resiliently through varied market conditions. This is a business about consistent income while safeguarding capital. The tortoise, not the hare.

I've written extensively about these ideas in other letters such as [Predicting Rain Doesn't Count](#) or [The Greatest Teacher, Failure Is](#).

Recently, however, we've observed behaviour in parts of the credit market that reflects a dangerous misapplication of the idea that you should be primarily focused on the return of your money, not just the return on your money.

While this is good credit – even general investing – discipline, it doesn't mean you can conclude:

"So long as I don't lose capital, I'm doing the right thing."

The second rule of credit investing

Capital preservation is paramount in credit. That is the golden rule of lending.

However, just because you are likely to get your money back, does not mean it is the best place for that money to be.

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

² While often attributed to Mark Twain, that is most likely not correct. The first identified attribution did not occur until after Twain's death and there is no verifiable record that he actually said this. However, the sentiment of the statement remains.

Mispriced risk is always a mistake, even if your downside is protected.

Today, we do not see widespread examples of reckless lending that are likely to cause immediate or systemic losses. Underwriting standards have not collapsed. Balance sheets of banks and non-banks are generally more robust than they were in prior cycles. Over the past two decades, private credit has evolved from *distressed and opportunistic lending* into predominantly *performing credit*, often in areas where banks are no longer the efficient source of capital.

These market conditions require discipline of a different kind.

What we are increasingly observing is not a disregard for downside, but weaker pricing discipline. In some parts of the market, too much capital is chasing too few genuinely attractive lending opportunities. Yield compression is being justified by the comfort that loans are senior, secured or asset-backed, and unlikely to result in principal loss.

The implicit conclusion is that if the return of capital appears secure, then the return on capital matters less.

That's wrong. You can avoid losers and still make bad investments.

This is where the second rule of credit investing comes into play.

Rule #2

Warren Buffett famously says: "Rule #1: Don't lose money. Rule #2: Don't forget rule number one."

I'd propose a variation on these two cautionary rules, tailored for the world of credit:

- First rule: Don't lose money;
- Second rule: Don't accept inadequate compensation for risk simply because the first rule is likely to be satisfied.

Accepting poor pricing because '*nothing will go badly wrong*' is not conservative. It mistakes comfort for discipline. It results in capital being allocated to assets that are structurally sound, but economically inferior to other alternatives.

This distinction matters at all points in the cycle, but it is most often forgotten after periods of strong performance.

Instances of default or spectacular loan blow-ups grab headlines. While there are a few outliers, mainly niche operators, it's our observation that most major lenders and substantial managers in private credit have done a pretty good job avoiding these situations in the current market.

What we're more concerned about at present is the prevalence of loans that quietly deliver inadequate compensation for the risks embedded within them, while tying up capital that could have been better deployed elsewhere.

This is how disciplined portfolios gradually lose their edge.

The error is rarely dramatic. It is incremental. It is rationalised away by comfort. But it erodes the returns that investors should expect for putting their money to work and for paying their manager.

Yes, the philosophy of *avoiding losers, not picking winners* has continued to serve us well. However, we are also carefully attuned to ensuring that we earn our clients an attractive relative return, compared to other homes for their capital. They should earn a compelling *premium* for being in a fixed income alternative product.

Why structure matters as much as philosophy

At MA Financial, we have deliberately designed our GCS platform to reduce the probability of making these mistakes.

First, we're not a monoline credit manager.

Being able to invest across asset-backed lending, direct asset lending and corporate credit matters is a real advantage. Relative value shifts. Opportunities rotate. Pricing discipline varies by segment. A manager that can only do one thing is often forced to do it – whether the risk-reward is compelling or not.

Second, we maintain a clear separation between investment and portfolio management.

This is not organisational bureaucracy. It is risk management.

Investment teams are naturally focused on sourcing opportunities, structuring deals and managing credit positions. Portfolio teams are focused on credit strategy, portfolio construction, risk management, treasury and liquidity dynamics. These groups collaborate, but naturally debate. That tension is healthy to ensure we are delivering the right returns on our clients' money.

Third, we have a culture of alignment.

In stable markets, the most dangerous phrase in credit is: *"This won't lose money."*

Our internal conversations go beyond merely avoiding losers. They delve into whether we are being adequately compensated for the risk we are taking – even when the probability of loss is low. We would rather do less, re-allocate, and even hold more liquidity by being patient to wait for better opportunities, than deploy capital into loans that are structurally sound but economically unattractive.

One of our core values is being 'co-creators of value'. In private credit, we do this by the firm and staff co-investing with our clients (now about \$230 million in our underlying portfolios). With our own capital at stake, we care deeply about ensuring the returns we generate are compelling.

Finally, proprietary origination remains critical.

When assets are sourced through competitive auctions, pricing discipline is often the first casualty.

Proprietary origination comes about by the manager investing substantial money of its own not only in its credit portfolios, but also in building an ecosystem to source a wide variety of lending opportunities. This allows the manager to maintain selectivity, negotiate robustly and be disciplined in execution. Paired with the right incentives, it empowers team members to walk away from individual deals to find other opportunities when the numbers, terms or structure do not make sense.

'The return on my money'

While capital preservation – *the return of your money* – matters most, it is important not to forget rule number two.

The return on your money needs to be attractive, or at least adequate, for the risks taken within the credit portfolio that generates your income return.

(As a side note, there are of course times when the return you will generate dramatically exceeds the risk profile of your assets. This rarely last forever. Complacency is equally dangerous in those conditions, because you need to make the hard decision to stay nimble and search for where the premium returns will come from next... *but that is a letter for another day!*)

Private credit has matured into a US\$3 trillion industry focused on performing credit and continues to march towards a US\$5 trillion market by the end of the decade.³ It will continue to be an important source of real-world economy financing as banks further rationalise balance sheets and banking prudential frameworks remain tight.

As the asset class has evolved, however, many strategies now look similar from the outside — familiar structures, steady income, and headline returns that cluster tightly together.

But this surface-level similarity masks meaningful differences. Underwriting standards, portfolio construction, liquidity management, governance and downside protection vary far more than labels or yields suggest. At this stage of private credit's evolution, *how* returns are generated matters as much as *what* returns are realised.

That is why transparency and disclosure are essential. Investors should be able to understand what's under the hood within their portfolio to assess whether the compensation they are earning is appropriate and sufficiently attractive.

At MA Financial, we have deliberately expanded the depth and clarity of our disclosures so investors can judge not just the returns they receive, but the foundations on which those returns are built. We always welcome feedback and

³ According to Pitchbook, May 2025.

look forward to engaging with you, our clients, on the latest December 2025 quarterly reports that supplement our monthly fund updates.

A final reflection on the last quarter of 2025

The December quarter continued a strong run of performance across our GCS funds. The MA Credit Income fund suite, which provides exposure to a now \$6.7 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 ~8.1% annualised return^{4,5} for Q4 2025.

Meanwhile, our MA Priority Income Fund – with its defining Capital Buffer and Income Priority features – achieved a further milestone in December by delivering its target return of the RBA Cash Rate + 4.00% p.a. (currently 7.60% p.a.) for the 84th consecutive month.⁵

The GCS fund suite has continued to resonate with clients through Q4. As a result, we saw net inflows (new investments less redemptions) for the calendar year 2025 exceeded \$1.6 billion. In the same horizon, our teams have deployed ~\$2.5 billion in new financing and reinvestments,⁶ including over \$800 million in Q4.

During 2025, we also raised approximately \$800 million of listed capital across two vehicles: our listed investment trust (MA Credit Income Trust, ticker MA1 on the ASX) and our Credit Portfolio Notes (ticker: MA2HA). These structures enable more investors to obtain exposure to our strategies in a daily tradeable format.

Across our GCS portfolios, performance and credit health remain robust, reflecting good underwriting standards. Over 98% of positions in our Credit Income strategy and 100% in our Priority Income strategy are classified as 'Performing'. Across 239 positions, not everything can always go perfectly. We are proactive in working through positions that become challenged to protect capital. Pleasingly, the proportion of positions in an active workout or enforcement phase across our Credit Income suite declined to 1.5% in December and remains nil in our Priority Income suite. Such loans are generally well collateralised overall. We include a range of additional disclosure on workout and arrears positions in our quarterly fund disclosures, which I'd encourage investors to read. Most importantly, in the spirit of this letter, we believe the returns generated by our portfolios remain compelling relative to the risk profile of the assets in aggregate. I think the results for 2025 are a clear demonstration of that.

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

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

⁴ 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.

⁵ Past performance is not a reliable indicator of future performance.

⁶ Reinvestments includes redeployment of repaid facilities and capital.

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