

Challenger IM LiFITS 1 Notes

Monthly Report February 2026

ASX: CIMHA

The Challenger IM LiFITS 1 Notes (LiFITS) are unsecured, deferrable¹, redeemable, floating rate notes in the form of listed debt securities backed by a portfolio of public and private credit assets managed by Challenger Investment Management. LiFITS are issued by Challenger IM Capital Limited (the Company or Issuer).

The Interest Payment paid in February represents the full target payment to investors. As at the date of releasing this report, subsequent payments may have been announced and/or paid. Refer to the Issuer's latest announcements via ASX or at www.challengerim.com.au/funds/challenger-im-lifts-1-notes/.

Interest Payments (\$/note)²

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2026	0.50	0.54	-	-	-	-	-	-	-	-	-	-
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2025	-	-	-	-	-	-	-	-	-	-	1.34	0.55

Interest Payment Returns³

Interest Period	20 Jan 2026 - 19 Feb 2026
Interest Period (days)	31
Benchmark Rate: BBSW (1 month) mid ⁴ (2dp)	3.57% p.a.
Margin	2.75% p.a.
Total Interest Rate ⁵ (2dp)	6.32% p.a.

Note Details

Name	Challenger IM LiFITS 1 Notes	Target Repayment Date	4 September 2031
Issuer/Company	Challenger IM Capital Ltd	First Loss Buffer Percentage (month end) ⁶ (2dp)	8.12%
ASX Code	CIMHA	Note Face Value	\$100
ASX Last Price (month end)	\$98.14	Notes on Issue	3,500,000
Payment Frequency	Monthly	Investment Manager	Challenger Investment Partners Limited
Maturity Date	6 September 2032	Note Trustee	Equity Trustees Limited

¹ Interest deferrable (in limited circumstances) and cumulative, and redeemable by the Issuer.

² Interest payable per note is calculated in accordance with the LiFITS Prospectus. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

³ Based on payments made during the named reporting month.

⁴ The Benchmark Rate is recalculated on the first day of each Interest Period.

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

⁶ As defined and calculated per the LiFITS Prospectus.

Key Features of LiFITS 1 Notes



Backed by a diversified portfolio of public and private credit assets



Fixed term



Managed by a trusted institutional team with 20 years' experience



A limited first loss buffer for Noteholders in the event of a shortfall in income



Monthly interest of 1-month BBSW + 2.75% p.a.



Listed on ASX with daily liquidity

Platform Availability

AMP North	HUB24	Netwealth
BT Panorama	MLC Expand	Powerwrap (IDPS)
Dash	Macquarie Wrap IDPS & Super	Praemium (IDPS)
CFS Edge (IDPS)	Mason Stevens	

Ratings

BondAdviser

Issuer Name	Challenger IM Capital Limited
Security Name	Challenger IM LiFITS 1 Notes
Security Recommendation	Subscribe
Security Risk	Upper Medium



About Challenger Investment Management

Challenger Investment Partners Limited, or Challenger Investment Management (Challenger IM), a wholly owned subsidiary of Challenger Limited, is an alternative investment manager with a strong pedigree in global developed credit markets. The Fixed Income division currently manages assets across a global opportunity set in public and private credit markets. Since 2005, Challenger IM has invested for Challenger's balance sheet alongside clients across a range of strategies. For further information on Challenger IM and its strategies, please visit www.challengerim.com.au.

For further information, please contact Fidante:

P: 1300 721 637 | e: info@fidante.com.au | w: www.fidante.com

Important Notices

Unless otherwise specified, any information contained in this material is current as at the date of publication and has been prepared by Challenger IM Capital Limited ACN (687 738 263) (**Issuer**), a wholly owned subsidiary of Challenger Limited. Challenger Investment Partners Limited (also referred to as **Challenger Investment Management** or **CIM**) (ABN 29 092 382 842, AFSL 234 678) provides investment management and other services to the Issuer.

The Issuer does not hold an Australian Financial Services Licence (AFSL) under the Corporations Act 2001 (Cth) (**Corporations Act**). Accordingly, to make offers to arrange for the issue of the Notes, the Issuer has appointed Fidante Partners Services Limited ABN 44 119 605 373 AFSL 320505 as its authorised intermediary to make offers to arrange for the issue of the Notes, pursuant to section 911A(2)(b) of the Corporations Act.

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Past performance is not a reliable indicator of future performance. Investments in the Notes are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group or any other person.

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The Prospectus for the offer of the Notes and the Target Market Determination, available at www.fidante.com/challenger-im-lifts, should be obtained and read in their entirety by an investor before making a decision to acquire the Notes. No cooling off rights will apply to an investment in Notes issued pursuant to the offer. No representation or warranty, express or implied, is made as to the fairness, accuracy, adequacy, reasonableness, completeness or reliability of any statements, estimates or opinions or other information contained in this material. Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (Challenger IM LiFITS 1 Notes (CIMHA) assigned August 2025 referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.

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Any research house rating only represents the opinion of the research house, which is relative and subjective, on the investment merits of the product. The Issuer advises that such ratings are intended to be general advice and to be used by wholesale clients only and should never be relied on by retail clients when making a decision about investing in the Notes.

ASX Listing Rule 15.5

The Company and Issuer of LiFITS is a wholly owned subsidiary of Challenger Limited (ASX:CGF).

The Company address is 2/5 Martin Place, Sydney NSW 2000 Australia.

This document has been authorised for release by the Company's Continuous Disclosure Committee.

30 March 2026

Challenger IM Capital Limited

Note Issuer Monthly Report – February 2026

Challenger IM Capital Limited (Company) is an unlisted public company which is the issuer of the Challenger IM LiFITS 1 Notes (Notes). The portfolio of assets generating the Note returns are managed by Challenger Investment Management (Challenger IM) and are primarily held in the Challenger IM Capital Wholesale Trust 1 (WT1) (ABN 46 876 337 040), a wholesale managed investment scheme. As such, this report has been generated with reference to the assets of WT1 (unless otherwise noted). The Company is also expected to directly hold an immaterial¹ weighting of cash and other highly liquid assets.

Figures and charts contained in this report are per month end.

Monthly Commentary

Performance Update:

During February, WT1 had a post-tax return of 0.36% p.a. Softening credit spreads and asset valuations over the month have impacted the total returns within the portfolio. The income received by way of interest payments from the underlying assets continues to be strong.

The widening credit spread movements were broad-based and not attributable to any single asset across each of the underlying portfolio strategies. There were no individual positions which materially impacted performance over the period.

Portfolio Positioning:

As due diligence of commitments made late last year progresses towards settlement, the Fund is approaching its targeted asset allocation. Recent settlements include a senior secured loan to a corporate borrower in the hospitality sector who operates over 200 pub-type venues and is restructuring their funding needs post a change in ownership. Private settlements were funded by excess cash held in WT1. There is an additional 3% of cash and 7% public investment-grade holdings that are available to rotate into other private credit commitments as they progress towards settlement.

The settlement of one committed transaction to refinance a loan to a borrower in the food products sector (flour and wheat) has moved out to the month of March.

Other current commitments include a senior secured loan to a medical services and supply provider, a senior secured loan against an A-grade office building in Melbourne with a loan to value ratio of around 70%, and to a new externally rated asset-backed warehouse facility.

Portfolio Details

Gross Asset Value (\$million) ³ (1dp)	380.9
Secured Financial Indebtedness ⁴	0.0%

Key Statistics

Number of Issuers	122
Running yield p.a. (1dp)	7.5%
Modified duration (yrs)	0.1
Portfolio Credit Spread Duration (yrs)	2.1
Average Issuer Weighting	0.8%
Weighted average traded margin (bps)	391

¹ The Company expects that on average there will be no greater than \$3m cash held within the Company, other than for a finite period leading up to each monthly interest payment on the Notes.

² Past performance is not a reliable indicator of future performance

³ Relates to all assets held by the Company as Issuer, rather than the assets held by WT1.

⁴ As defined in the Prospectus for the Notes dated 11 August 2025.

Illiquidity premiums (the difference between private and public credit market spreads for borrowers of a similar risk and duration profile) are still relatively attractive despite spreads in public credit market widening. This is due to similar moves in private credit markets which has meant that overall spread differentials have not moved materially. Given the moves in public credit spreads and market interest rates, there are pockets of relative value within liquid investment grade credit. WT1 has selectively participated in primary issuances where the yields offered were attractive. Given the changing risk sentiment since the LiFTS Notes issuance, trading performance has been softer than expected.

The portfolio positioning is in line with guidance in the Prospectus with strong diversification across issuers, sub-strategies and industries. There are no major sectoral biases with capacity to add senior secured corporate, real estate loans and private asset backed transactions as opportunities emerge. Direct exposure to software companies, a sector coming under significant scrutiny in US private credit markets, is 4.7% across two different borrowers. Total exposure when looking through the holding in the multi-sector private lending fund is 6.5% across five different borrowers with all positions performing.

The asset quality of the Fund improved over the month. One position representing a 0.5% exposure was recently removed from Special Mention (which are exposures that are performing but exhibit the potential for weakness) 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. The loan is first lien senior secured against an income-producing office building in Melbourne and is expected to be repaid in early May. The credit rating of this position is currently being reviewed.

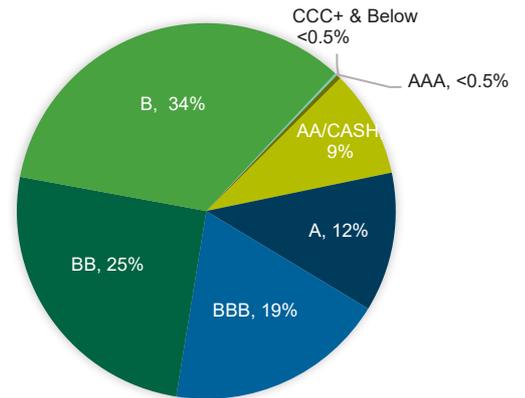
Post month end, there is now only one position on Special Mention. The exposure represents a 0.5% weighting. The position on Special Mention is secured against established residential housing. It is internally rated BB-. This loan is adequately covered by the asset value.

In the Fund, 0.1% represents two substandard or distressed positions and 0.2% represents two positions in default.

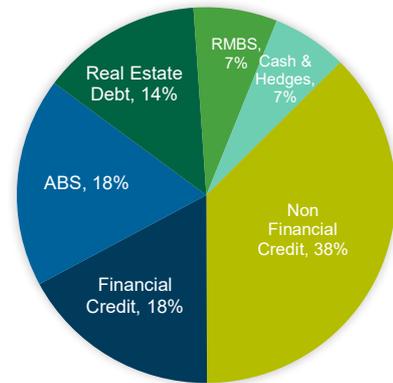
The weighted average asset-swapped margin of the portfolio is currently around 3.9% p.a. which has increased around 0.08% from the prior month. The yield to expected maturity is now 7.5% p.a. The weighted average swapped margin and yield to maturity is expected to increase as the pipeline of private investments are deployed. At month end 27% of Fund assets held are externally rated with the remainder rated on an equivalent basis by Challenger Credit Risk Management team.

There is currently no secured financial indebtedness. Challenger Investment Management is working on establishing a leverage facility as contemplated in the LiFTS Notes Prospectus.

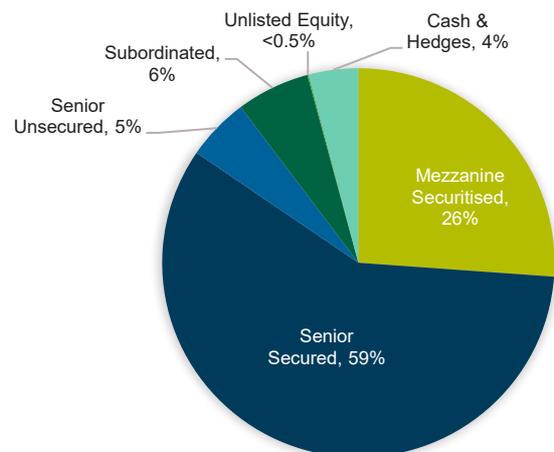
Portfolio Credit Quality *



Portfolio Asset Allocation *



Portfolio Ranking *



* Figures have been rounded to the nearest whole % (other than values rounding to below 1%) and therefore may not total 100%.

Market Conditions:

A combination of a resurgence of fears around hidden non-performance in private credit, higher oil prices as a result of the US and 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.

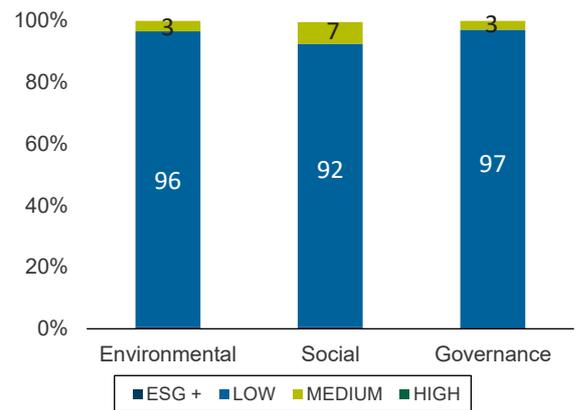
A protracted oil shortage due to the closure of the Strait of Hormuz has widespread implications for global trade but in the near term has further embedded expectations of a rate hike when the RBA meets in mid-March with an implied cash rate peaking at 4.5% in late 2026. The basis between the Australian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

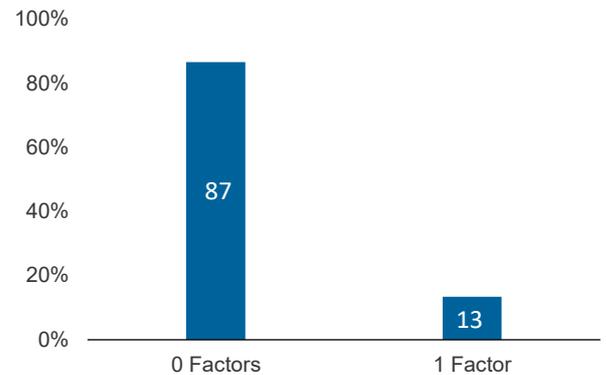
Domestic RMBS have reverted to form with the first deal with non-disclosed margins pricing in early March. When margins on a deal are not disclosed it implies either the buyer, or the seller of the notes doesn't want the market to know the interest margin on the deal. This was a common feature of the 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 the secondary markets. With multiple deals in the pipeline there is a strong bias for further widening from current levels.

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.

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 Medium.

* Figures have been rounded to the nearest whole % (other than values rounding to below 1%) and therefore may not total 100%.

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.

Portfolio Team Change

We would like to advise that after 21 years with Challenger and Challenger Investment Management, Pete Robinson has decided to pursue other opportunities, effective on the 16 March 2026. We thank Pete for his significant contribution in establishing the LiFTS notes platform and wish him every success.

Challenger IM's strategy and day-to-day portfolio management continues uninterrupted. The platform is supported by a deep, experienced leadership and portfolio management team of over 40 people and the broader resources of Challenger.

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