

# Challenger IM LiFTS 1 Notes

## Monthly Report May 2026

ASX: CIMHA

The Challenger IM LiFTS 1 Notes (LiFTS) are unsecured, deferrable<sup>1</sup>, 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. LiFTS are issued by Challenger IM Capital Limited (the Company or Issuer).

The Interest Payment paid in April 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/](http://www.challengerim.com.au/funds/challenger-im-lifts-1-notes/).

### Interest Payments (\$/note)<sup>2</sup>

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2026	0.50	0.54	0.50	0.58	0.56	-	-	-	-	-	-	-
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2025	-	-	-	-	-	-	-	-	-	-	1.34	0.55

### Interest Payment Returns<sup>3</sup>

Interest Period	20 Apr 2026 - 19 May 2026
Interest Period (days)	30
Benchmark Rate: BBSW (1 month) mid <sup>4</sup> (2dp)	4.12% p.a.
Margin	2.75% p.a.
Total Interest Rate <sup>5</sup> (2dp)	6.87% p.a.

### Note Details

Name	Challenger IM LiFTS 1 Notes	Target Repayment Date	4 September 2031
Issuer/Company	Challenger IM Capital Ltd	First Loss Buffer Percentage (month end) <sup>6</sup> (2dp)	7.92%
ASX Code	CIMHA	Note Face Value	\$100
ASX Last Price (month end)	\$98.50	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

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

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

<sup>3</sup> Based on payments made during the named reporting month.

<sup>4</sup> The Benchmark Rate is recalculated on the first day of each Interest Period.

<sup>5</sup> Past performance is not a reliable indicator of future performance.

<sup>6</sup> As defined and calculated per the LiFTS 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](http://www.challengerim.com.au).

**For further information, please contact Fidante:**

P: 1300 721 637 | e: [info@fidante.com.au](mailto:info@fidante.com.au) | w: [www.fidante.com](http://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.

This information is not intended to constitute financial product advice. This information must not be distributed, delivered or otherwise disclosed to any investor. It has been prepared without taking into account any person's objectives, financial situation or needs. Investors should consider whether the information is suitable to their circumstances.

The Prospectus for the offer of the Notes and the Target Market Determination, available at [www.fidante.com/challenger-im-lifts](http://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.

For all important information regarding BondAdviser Security Recommendations please visit [www.bondadviser.com.au](http://www.bondadviser.com.au).

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.

24 June 2026

# Challenger IM Capital Limited

## Note Issuer Monthly Report – May 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 immaterial<sup>1</sup> weighting of cash and other highly liquid assets.

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

### Monthly Commentary

#### Performance Update:

In May, WT1 had a return of 0.62%<sup>2</sup>, exceeding the Bloomberg AusBond Bank Bill Index Benchmark return by 0.29%. Over the last 6 months, WT1 has returned 4.04% outpacing the 1.91% return on the Bloomberg AusBond Bank Bill index.

WT1 generated strong income return from recurring interest on underlying investments over the month. Impacts from credit spread movements were negligible after a more significant move tighter in April. There were no individual positions which materially impacted performance over the period.

#### Portfolio Positioning:

Offshore credit markets led the move tighter in credit spreads over the month and outperformed domestic credit markets, where moves were more marginal. Despite recent movements, credit spreads across all markets remain wider than levels seen at the end of January. Our outlook remains cautious, given ongoing headline risk and a softer global macroeconomic backdrop that could impact market future pricing.

Public investment grade primary markets have been well supported with strong demand. Secondary market performance has been comparatively weaker, with a more noticeable bias toward selling. Brokers and intermediaries have been building inventory, particularly in the latter part of the month, although meaningful spread movements wider have not yet appeared.

In asset backed primary markets, well-known issuers continue to access funding successfully with strong support. In contrast, lesser-known issuers have experienced softer demand, often pricing at wider levels than initial targets and with subscription levels closer to deal sizes.

### Portfolio Details

Gross Asset Value (\$million) <sup>3</sup> (1dp)	\$400.7
Secured Financial Indebtedness <sup>4</sup>	4.7%

### Key Statistics

Number of Issuers	129
Running yield p.a. %	7.8
Modified duration (yrs)	0.1
Asset Credit Spread Duration (yrs)	2.5
Average Issuer Weighting	0.8%
Weighted average asset margin (bps)	372

<sup>1</sup> 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.

<sup>2</sup> Past performance is not a reliable indicator of future performance. Performance figures are reported on a pre-tax basis.

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

<sup>4</sup> As defined in the Prospectus for the Notes dated 11 August 2025.

There was strong M&A activity earlier in 2026. However, market volatility driven in part by geopolitical tensions in the Middle East and interest rate increases has led to a slowdown in new private corporate transaction activity. Despite this, refinancing and selective recapitalisation opportunities remain available, particularly for stronger performing borrowers. Opportunistic deal flow has been uneven over the past 18–24 months, reflecting tighter credit spreads and the recent volatile environment. That said, stabilising credit spreads and improving market sentiment in May are expected to support a pickup in borrower activity.

From a sector perspective, WT1 is avoiding new exposures to technology, software, and certain business services segments where AI-related disruption risks are elevated. Instead, the focus remains on credits with strong, defensible competitive advantages.

Within real estate, weakness has been observed in construction and development sectors, where WT1 takes nil exposure. In contrast, developed real estate assets continue to perform well and remain attractive. WT1 is targeting commercial real estate opportunities, particularly in office, hotels, and residual stock. New transaction flow in real estate remains active, with interest rate dynamics giving rise to attractive bridging opportunities under early consideration.

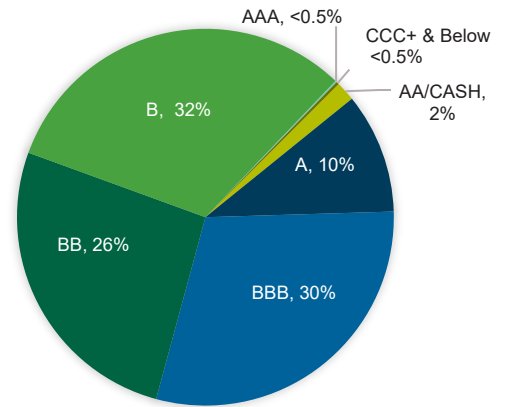
Earlier in the month, investing activities were focused on public markets, with a preference for selective offshore, longer-duration opportunities where concessions were attractive. Future commitments in domestic private credit remains mixed across asset backed and corporate lending. WT1 is currently committed to six transactions expected to settle in June, including a senior secured loan to a borrower providing diversified manufacturing and distribution services to industrial sectors, a senior secured loan to a provider of education resources, and commitments to four collateralised warehouse facilities.

Illiquidity premiums in private markets remain attractive. As spreads stabilise further, WT1 expects to capture these premiums. Given the potential for further credit spread volatility and widening our focus was within public markets but we will continue to rotate over time as the opportunities emerge. There continues to be one position on Special Mention (which is an exposure that is performing and for which we will increase our monitoring). The exposure represents a 0.4% weighting. The position is secured against established residential housing. It is internally rated BB-. This loan is adequately covered by the asset value with an LVR at about 60%.

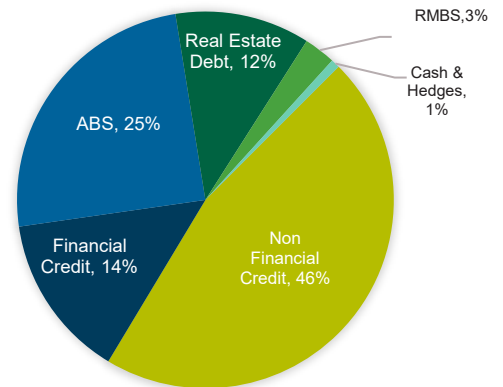
WT1 has exposure to a substandard position representing 0.03% of the portfolio. There are also two exposures in default representing 0.1% of the portfolio. The Challenger Credit Risk Management Team and the Valuation Committee adopt recovery-based valuations for these positions and account for observed secondary market trading activity when it is available.

The weighted average asset swapped margin of the portfolio is at around 3.7% p.a. currently with the yield to expected maturity at around 8% p.a. We anticipate, post immediate pipeline settlements, the weighted average asset margin will be 3.8% p.a., equivalent to a yield to maturity of 8.1% p.a.

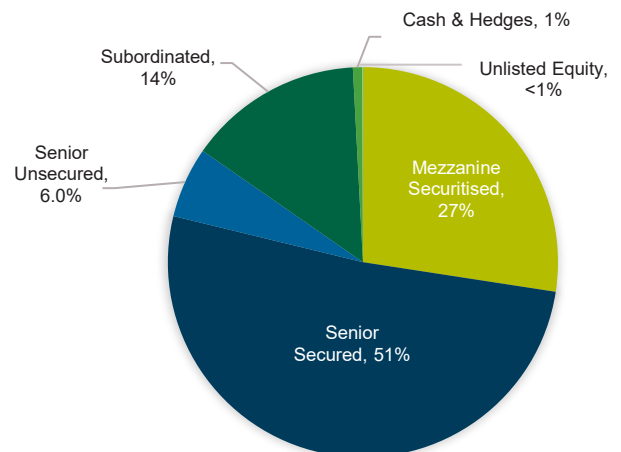
### Portfolio Credit Quality \*



### 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%.

At month end 28% of Fund assets held are externally rated with the remainder rated on a like-for-like basis by the Challenger Credit Risk Management team.

The Company incurred Secured Financial Indebtedness for the first time in May. A secured loan facility was established and is being used to facilitate additional investment. The Secured Financial Indebtedness will continue to be captured in future monthly reports.

### Market Conditions:

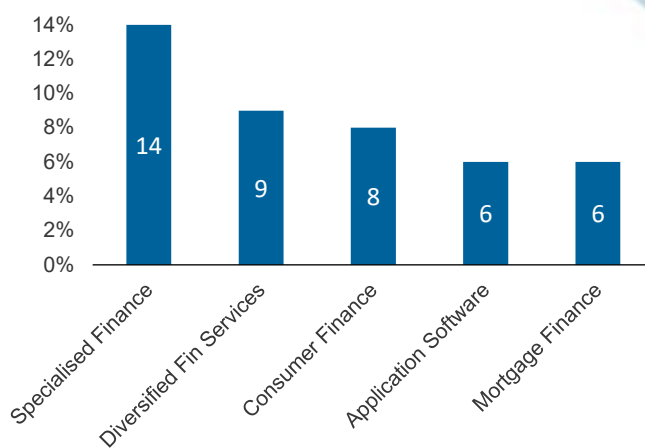
Markets continued to rally in May, despite rising inflation fears. The rally extended April's gains on the back of optimism around a potential near term diplomatic resolution to the Iran conflict and strong corporate earnings. Equities once again reached all-time highs with the MSCI World Index returning 4.4% on the month, after gaining 9.5% in April, for a cumulative last two-month gain of +14.2%. Credit spreads generally were tighter over the month across the risk spectrum, led by offshore markets.

Negotiations have been ongoing since the announcement of the ceasefire in early April, but a deal is still to be reached due to unresolved issues around a number of points including Iran's nuclear program. Even as some relatively minor renewal of the conflict occurred at the start of June, markets appear to be looking through, with optimism around a near term deal and reopening of the Straits of Hormuz. This has been reflected in the price of Brent crude which fell from US\$114/barrel at the end of April to US\$92/barrel at the end of May.

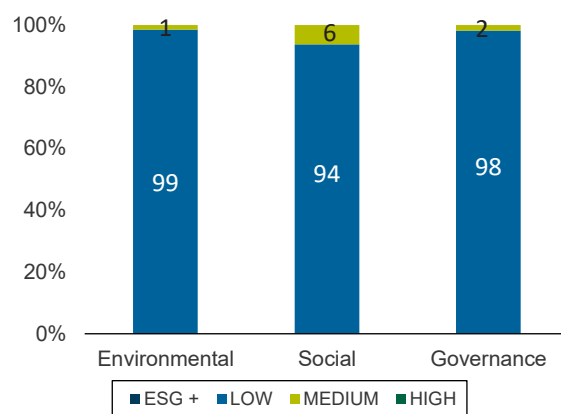
The rally in equity markets over the month was driven by strong corporate earnings growth and enthusiasm for AI-related investment, with the S&P 500 increasing by +5.3% over the month, led by technology stocks at +16%. Earnings growth was strong across the board, beating consensus estimates with +27.9% for the overall S&P 500 index, led by technology at +50.7%. While earnings strength has been broad-based, technology continues to be a dominant driver of equity returns, with the AI Big 10 (Magnificent 7, Broadcom, Micron and AMD) now representing ~40% of the S&P 500 by market cap. This enthusiasm for AI-related investments also extended to emerging markets, particularly for countries with exposure to AI semiconductor and chipmakers such as Korea (KOSPI index +101% YTD, +28.5% MTD to May-26) and Taiwan (TAIEX index +54% YTD, +15% MTD to May-26). Similarly in credit, spreads continued to grind tighter on the month, and the theme of technical demand continued to play out in public fixed income markets with demand for yield and strong book coverage levels observed.

Most central banks remained cautious and on hold with a hawkish tilt in May. However, some economic data released over the month pointed to improving inflation dynamics. In the US, Jerome Powell's term as Federal Reserve Chair ended and Kevin Warsh was sworn in as the next Chair of the Fed, with his first FOMC (Federal Open Market Committee) taking place on 16-17th of June. While Donald Trump may be hoping Kevin Warsh will be dovish on interest rates, this will be difficult for the new Chair. On average, US macro data is pointing to a resilient economy (with more jobs added than anticipated, US CPI running at 3.8% YoY and while core CPI is running at 2.8% YoY to the end of April).

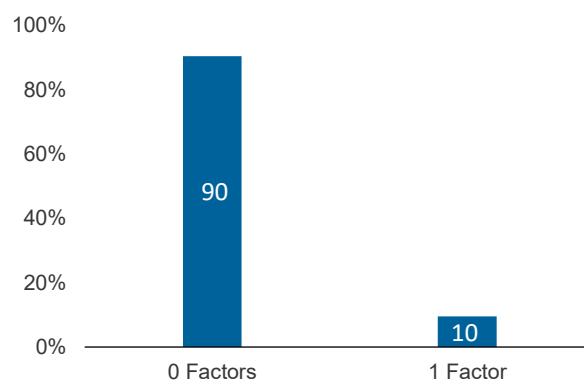
### Top 5 Industry Exposures\*



### 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%.

However, there are signs that the cycle may be turning as consumer sentiment deteriorated with the University of Michigan releasing their consumer sentiment index reading at 44.8, just below the prior historical trough seen in June 2022, with the fall in sentiment driven by concerns around cost of living and inflation pressures.

Domestically in Australia, the RBA hiked rates for the third consecutive time by 0.25% to 4.35% as they continued to work to bring inflation back to their 2-3% target range. The RBA signalled they are likely to pause the current tightening cycle, but hike further if necessary. The budget was also released this month, where the government announced significant reforms to negative gearing and CGT, aimed at cooling the housing market and encouraging the construction of new residential properties. The changes are likely to lead to a reduction in investor demand, as the changes makes holding investment properties less attractive (although we note that the changes will only apply to investment properties bought after budget night). This could potentially lead to some weakness in the Australian housing market in the short term with Morgan Stanley estimating a 5-10% national house price decline in 2026, largely driven by rate hikes but accentuated by the changes introduced in the budget.

In summary, the themes we witnessed in April continued to play out in May, with markets rallying on the back of easing geopolitical concerns, strong corporate earnings and continued technical strength. However, the backdrop remains vulnerable to renewed conflict, inflation pressures, and a higher for longer rate environment, particularly as consumer sentiment continues to fall.

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