

# Challenger IM Capital Ltd

## Note Issuer Monthly Report - November 2025

Challenger IM Capital Limited (Company) is an unlisted public company which is the issuer of the Challenger IM LiFTS 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 November WT1 had a return of 0.54%, exceeding the Bloomberg AusBond Bank Bill Index Benchmark return of 0.30%. Since launching WT1 has returned 1.92%, an excess of 0.82% over the Benchmark.

Credit spreads were slightly wider over the month which had a small negative contribution to returns. This was not tied to any single asset across each of the underlying portfolio strategies. Almost the entire return for the month came from interest income. There were no individual positions which materially impacted performance over the period.

#### Portfolio Positioning:

As we move towards the quieter period for private markets, WT1 is focussed on shifting its asset allocation from the seed portfolio which comprised a combination of units in Challenger IM Multi-Sector Private Lending Fund (MSPL), a portfolio of directly held private lending assets and cash reserved for future pipeline, towards its targeted asset allocation.

Around 6% of WT1 is currently held in liquid positions which will be rotated into private transactions as transactions progress through due diligence. WT1 is fully invested in private transactions if transactions progress as expected but this positioning will shift as positions repay or if any of the private pipeline does not eventuate. Over the month, two new corporate transactions settled but this was offset by repayments in several asset backed finance warehouses following public securitisation transactions. Over time these warehouses are expected to re-draw back towards their committed limits.

Looking forward, the pipeline comprises 3 private transactions. One is a senior secured commercial real estate loan over a hotel in a capital city with the remaining two being non-financial corporate borrowers across hospitality and healthcare sectors. Successful execution of these 3 transactions would see the fund reach full investment.

At full investment, the portfolio is in line with guidance in the Prospectus pre-launch with strong diversification across issuers, sub-strategies and industries. There are no major sector biases, and we have room to add senior secured corporate or real estate loans as opportunities emerge. While public asset backed finance spreads have tightened making it less attractive from a relative value perspective, private asset backed transactions remain attractive and are therefore the focus of our attention.

### Portfolio Details

Gross Asset Value (\$Million) <sup>2</sup>	382
Secured Financial Indebtedness <sup>3</sup>	0%

### Key Statistics

Number of Issuers	124
Running yield (%) p.a	7.4
Modified duration (yrs)	0.1
Portfolio Credit Spread Duration (yrs)	2.0
Average Issuer Weighting	0.7%
Weighted average traded margin (bps)	441

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

<sup>3</sup> As defined in the Prospectus for the Notes dated 11 August 2025.

Asset quality of WT1 was unchanged over the month with no new direct assets on the watchlist and only a small percentage (<0.5%) of watchlist names held indirectly via the unit holding in MSPL. The largest watchlist position represents an exposure of 0.2% of the portfolio and relates to a private hospital operator which is currently in default and going through a sale process. This position continues to be held at a fair valuation in the mid to high 50s relative to a par value of 100, reflective of recent trading in the debt of the private hospital operator.

The weighted average AUD-denominated asset swapped margin of the portfolio is in the high 3% area currently with the yield to expected maturity at around 7.5% p.a. There is currently no secured financial indebtedness at the Company level, although a facility is intended to be established early in the new year which will facilitate future issuance of Notes.

**Market Conditions:**

Rates markets took centre stage in November as stronger macro-economic data in Australia reset market expectations of further interest rate cuts. Futures markets now have the next move in the cash rate being upwards. A month ago, the market still expected another cut and in August 2 further cuts were priced with the cash rate expected to approach 3% in the second half of 2026. Today the expectation is that the cash rate will approach 4% by mid-2026.

The moves in Australia stand in contrast to the US which is still projecting further cuts to interest rates with a terminal rate that has not changed meaningfully in the past few months. The AU/US 10-year bond spread (i.e. the difference between the yield on the Australian 10-year government bond and the yield on the US 10-year government bond) increased by 30 basis points in November alone and is currently the highest level since mid-2022.

Despite the volatility in domestic rates, markets credit markets were more subdued. In both high yield and investment grade credit spreads were unchanged over the month. Credit spreads for equities were tighter in Australia, down 2.5% for the month while US equities were flat, perhaps still comforted by expectations of further rate cuts by the Federal Reserve. Technology stocks did sell off, with the Magnificent 7 down 2% in November, the first decline since Liberation Day (2 April).

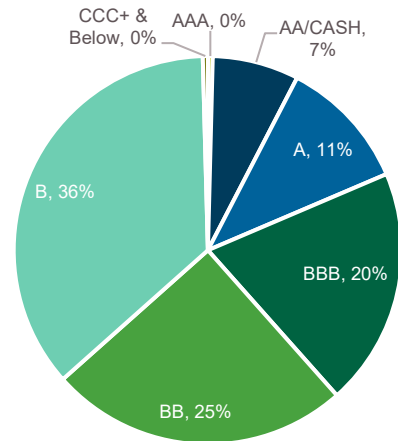
The increase in interest rates did nothing to slow primary markets which were active in November. Heavy issuance by the banks post 3rd quarter reporting saw over A\$16 billion issued for the month. Domestic securitisation markets were also busy with over \$12 billion issued taking total issuance for the year over \$80 billion for the second time in history.

The elevated primary activity did lead to some signs of fatigue domestically as AAA spreads were a touch wider in absolute terms and relative to short dated major bank paper.

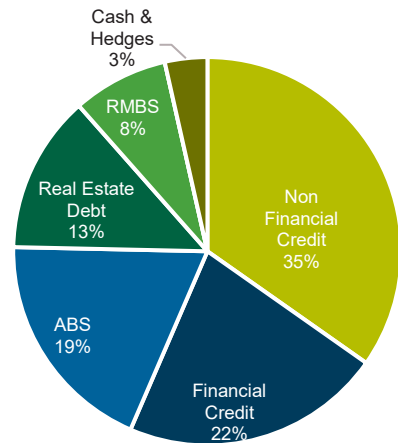
Globally, supply dynamics have been underpinned by the AI capex boom, a theme that is expected to be only more relevant in 2026. According to Barclays, those sectors with the strongest issuance in 2025 (technology) were the ones that lagged the most in spread terms suggesting that technical dynamics must be followed closely.

Private credit markets were again in the headlines in November. In the United States, one of the most prominent private credit managers, Blue Owl, was forced to walk back (perhaps temporarily) from a proposal to merge one of their unlisted funds with a much larger listed fund. The unlisted fund had hit its redemption cap with the listed fund trading at a 20% discount to its net tangible assets. Investors trapped in the unlisted fund effectively balked at the idea of a 20% cost to redeem from the fund. The 20% discount is not materially different to the wider sector; the median US business development company is trading at a 17% discount to its net tangible assets.

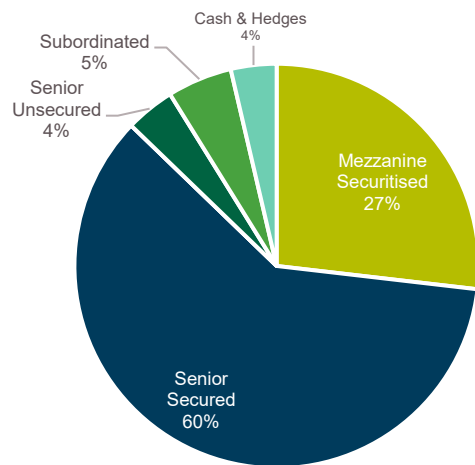
**Portfolio Credit Quality**



**Portfolio Asset Allocation**

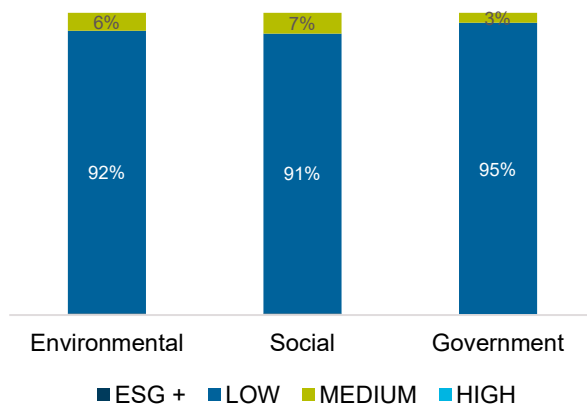


**Portfolio Ranking**

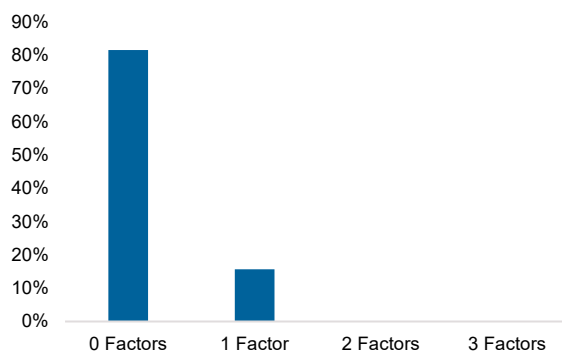


In domestic private credit markets, ASIC announced their enforcement priorities in 2026 which to no one's surprise included private credit practices. They also announced that they were suing SQM Research, an asset consultant, and Interprac, an advice business, over alleged failings in relation to Shield and First Guardian. The constant news flow, particularly around commercial real estate, has continued to weigh on private credit listed investment trusts; 8 of the 11 we track are trading at discounts to their net tangible assets with the largest discount approaching 20%. Despite the focus on commercial real estate, the main private credit borrowers in the press are corporate, e.g. Healthscope, a private hospital operator that defaulted earlier in the year and has seen its debt trade in the 50s. Markets seem to have taken Healthscope in their stride, with primary market activity at elevated levels, fuelled by refinancings and new issues. Spreads keep grinding tighter but at a slower pace due to the strong supply.

### 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.

### 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 Investment Partners Limited (also referred to as **Challenger Investment Management** or **CIM**) (ABN 29 092 382 842, AFSL 234 678). CIM provides investment management and other services to Challenger IM Capital Limited ACN (687 738 263) (**Issuer**), a wholly owned subsidiary of Challenger Limited, as well as to the Challenger IM Capital Wholesale Trust 1.

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.

This material is provided for general information purposes only. It is not a prospectus, product disclosure statement, disclosure document or other offer document under Australian law or under any other law. This material is not, and does not constitute, financial product advice, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this material nor anything contained within it will form the basis of any contract or commitment. This material does not directly or indirectly contain any offer or intended offer of securities and is not intended to induce anybody to make an investment in any securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

**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](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.