Challenger IM Multi-Sector Private Lending Fund

Monthly Report July 2025

Performance[1]

	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%)* p.a.
Fund return (net)[2]	1.13	3.17	3.72	1.13	7.76	8.57	-	7.35
Benchmark Index[3]	0.30	0.97	2.02	0.30	4.31	3.94	-	2.83
Excess Return	0.83	2.20	1.71	0.83	3.44	4.64	-	4.52

*Inception Date: 04/05/2021
[1]Returns are calculated after fees have been deducted and assuming distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance
[2]References to the Fund or Challenger IM Multi-Sector Private Lending Fund are to the Class P units only which commenced May 2021 and no other class of units.
[3]Benchmark Index is Bloomberg AusBond Bank Bill Index.

Fund Objective

The Challenger IM Multi-Sector Private Lending strategy is a floating rate, multi-sector credit strategy which invests across Australian and New Zealand private securitised, corporate and real estate lending. The strategy provides high income and diversification from liquid equity and fixed income markets aiming to achieve a return of 5% per annum above cash.

Monthly Commentary

Performance Update:

The Fund returned 1.13% in July, exceeding the Benchmark by 0.83%. Since inception in May 2021, the Fund has returned 7.35% per annum, 4.52% per annum over the Benchmark.

As at the end of July the Fund has 111 issuer exposures with a yield to maturity of 7.7% per annum.

Fund Positioning:

The Fund has been holding a large balance of cash and equivalent holdings which will be deployed into private credit in August. Typically, if successful, private transaction settlement times can range between 14 to 90 days. Over $100m of private transaction are expected to be funded in the next month. This will add around 0.8% to the current portfolio yield.

Post pipeline settlements the Fund is expected to be generating a return of around 4.9% over bank bills, roughly equivalent to a yield to maturity of 8.5% per annum with a circa 2.5 year credit duration.

Transactions in due diligence include an investment in the senior secured loan of a large diagnostic and imaging business and a senior secured loan to an established legal technology solutions provider.

Fund Details

Portfolio Value ($Million)	$1,194.4
Buy/Sell Spread	+0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	111
Running yield (%) p.a	7.7
Modified duration (yrs)	0.11
Portfolio Credit Spread Duration (yrs)	2.3
Non-AUD Denominated	13%

Pipeline

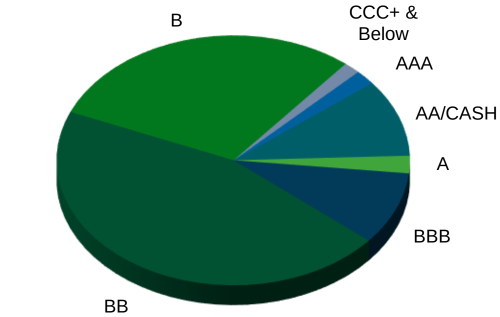
Cash & Cash Substitutes	16%
Committed Not Funded	6%
In Due Diligence	7%
Pipeline	5%

In the earlier stages of our pipeline, we have two real estate loan transactions. The allocation in real estate is gradually increasing as we are seeing a number of new deals offering illiquidity premiums in the targeted range. There are over 10 transactions across all stages of our pipeline with the largest share coming from corporate lending.

To fund this pipeline, the Fund will trade out of its public allocations, which have performed well in recent months. The Fund took on several positions during the April volatility and since then credit spreads have tightened leading to positive capital gains. The deal pipeline exceeds the liquid investments in the Fund and we expect the opportunistic public allocation to be significantly reduced over the coming month.

There have been no changes on our watch list. There are three positions on the watchlist representing 1.2% of the Fund. The largest is a senior secured loan to a private hospital operator that has faced well publicised challenges and fell into receivership in May. The loan is 0.7% of the Fund and is valued in the low to mid 50s, reflective of secondary trading levels.

Fund Credit Quality



Market Conditions:

Even the looming tariff storm could do nothing to quell demand during the thin liquidity of the northern hemisphere summer. Credit spreads continued to grind tighter over the month of July though generally remain wider than the tight levels from February.

The fact that interest rates have stabilised may be helping prevent credit spreads from tightening further. Despite this, high yield bond yields moved below 7% for the first time in 2025 and may move lower if market conditions remain stable.

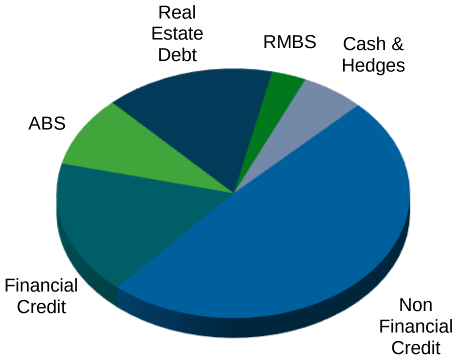
Domestically bank subordinated debt has rallied to trade at a spread of around 145 basis points at the 5 year part of the curve, equivalent to a yield of less than 5%. In early August ANZ priced an Australian dollar denominated 20 year no-call Tier 2 at a margin of 180 basis points, a yield of 6.17%, implying a 15-20 basis point pickup for an additional 15 years of curve. This subsequently rallied to an asset swapped margin of 165 basis, representing a 2% capital gain in a week.

Securitised credit has also found a bid with domestic markets benefitting from the seasonal slowdown in supply from the northern hemisphere. ANZ priced a $1.5 billion capital relief securitisation in August, the first major bank deal of 2025. Mezzanine tranches have rallied considerably with a split rated BB ABS pricing at a margin of 275 basis points, well inside the tights from February of this year, 150 basis points tighter over the past 12 months and over 350 basis points tighter over the past two years. The last time BB tranches of domestic securitisations priced tighter was 2006 when several transactions priced BB's inside of 250 basis points.

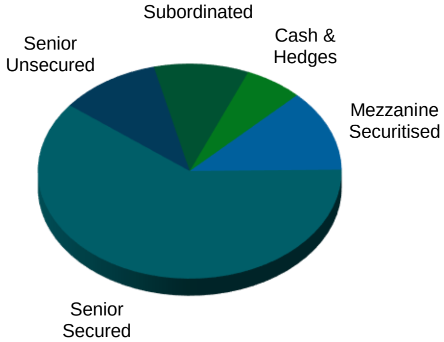
Signs of a buoyant market for risk were not just confined to credit markets. Bitcoin reached a new high of over US$120,000, doubling over the last 12 months. Even as CBA declined around 10% from its peak, both the ASX200 and S&P500 reached new highs, up 13% and 16% over the year, respectively. Dollar weakness has persisted throughout 2025 with the DXY index down around 10% year to date.

Private markets are similarly well bid despite some weakness in fundamentals. Lincoln International released a report in August stating that the percentage of private credit investments with PIK increased to 11.4% in the June quarter with around half of these considered "bad" by Lincoln. The official default rate for the second quarter rose to 3.4% up from 2.9% in Q1 however they estimate that the shadow default rate was more like 6%.

Fund Asset Allocation



Fund Ranking



As always comments, questions and general feedback are welcome.

Warm regards,

Pete Robinson

Head of Investment Strategy – Fixed Income

+61 2 9994 7080 | probinson@challenger.com.au

For further information, please contact:

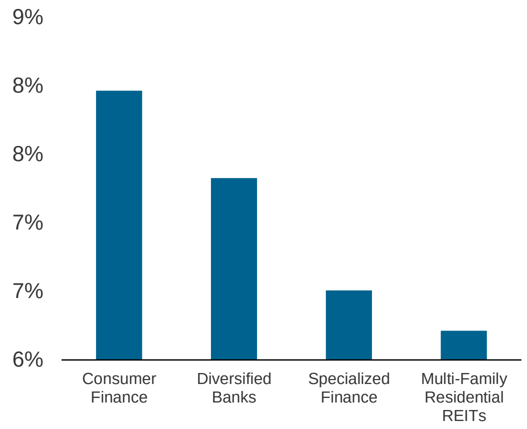
Linda Mead

Senior Institutional Business Development Manager

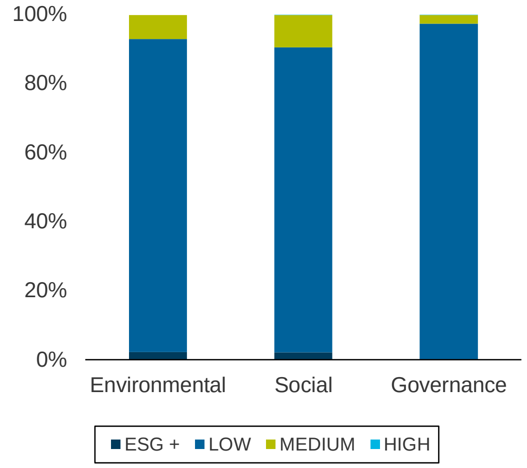
+61 2 9994 7867 | lmead@challenger.com.au

www.challengerim.com.au

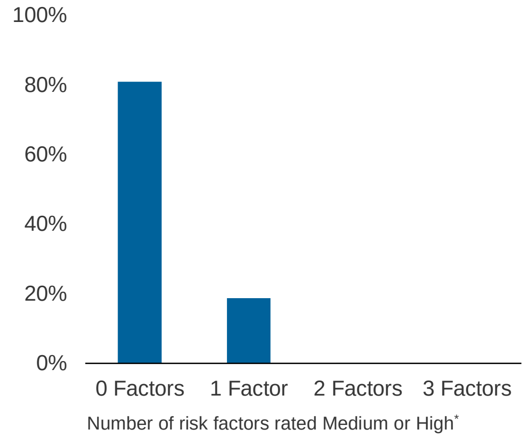
Top Industry Exposures



ESG Profile



ESG Risk Layering



* Percentage of deals which have multiple risk factors rated Medium or High. For example, 2 might be Environmental and Governance risk rated Medium.