Challenger IM Multi-Sector Private Lending Fund

Monthly Report April 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]	0.07	0.54	2.07	4.91	6.40	7.26	-	6.99
Benchmark Index[3]	0.35	1.04	2.18	3.70	4.46	3.68	-	2.76
Excess Return	-0.28	-0.50	-0.10	1.21	1.94	3.58	-	4.23

*Inception Date: 04/05/2021
[1]Past performance is not a reliable indicator of future performance. Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[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 0.07% in April, trailing the Benchmark by 0.28%. Since inception in February 2020, the Fund has returned 6.99% per annum, 4.23% per annum over the Benchmark.

As at the end of April the Fund had 101 issuer exposures with a running yield of 8.4%.

Fund Positioning:

The Fund has a cash balance of 10% with up to an additional 8% of the Fund invested in liquid credit which can be rotated into private credit at 1-2% per annum in incremental spread returns.

Post pipeline the Fund is expected to be generating a return of around 5% over bank bills, roughly equivalent to a yield to maturity of 8.5% per annum over a circa 2.5 year credit duration.

The committed pipeline of investments includes one corporate lending transaction to a software/business services borrower and two asset backed warehouse facilities. Transactions in due diligence are skewed towards corporate lending markets comprising 5 transactions across consumer discretionary, commodities, financial services and materials.

In the earlier stages of our pipeline, we have several real estate lending transactions across hotels, residual stock and office.

During the volatility of early April, the Fund actively invested excess cash in secondary public markets. Despite having several high yield and term loan B names on our watchlist, the activity was focussed in investment grade rated subordinated financials and corporate hybrids.

Fund Details

Portfolio Value ($Million)	$1,113.9
Buy/Sell Spread	+0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	101
Running yield (%) p.a	8.4
Modified duration (yrs)	0.12
Portfolio Credit Spread Duration (yrs)	1.9
Non-AUD Denominated	11%

Pipeline

Cash & Cash Substitutes	18%
Committed Not Funded	12%
In Due Diligence	10%
Pipeline	4%

These positions are all highly liquid and as market conditions have normalised, they will be sold and rotated into private markets as our pipeline crystalises. The Fund continues to have capacity to look at all incoming transactions and is currently targeting mid to high teens allocation to commercial real estate and asset backed financings with the remainder of the portfolio invested in corporate loans. Portfolio quality remains mixed. The 97.5% of the portfolio not rated B- or lower continues to perform broadly in line with expectations with 2.5% representing those names under more stress.

There are 4 positions on the watchlist representing 1.7% of the fund. The largest is a senior secured loan to a private hospital operator that has faced well publicised challenges and looks likely to fall into receivership. The loan is 0.8% of the Fund and is valued in the mid to high 50s, reflective of secondary trading levels.

Market Conditions:

The month started with the sharpest sell off in risk assets since COVID as markets digested Trump's Liberation Day tariff announcements. Equities were down over 10% over the first week and a half of April. More worrying was the volatility in interest rate markets. US 10 year interest rates increased by 50 basis points to 4.5% over only a few days.

High yield CDX spreads which had bottomed in mid-February and widened by around 60 basis points in March, widened another 100 basis points in early April. Selling pressure was widespread across all parts of the credit markets with ETF facing particularly strong outflows.

As quickly as the volatility emerged, it then subsided. By the end of April CDX high yield had tightened by close to 70 basis points from the wides before tightening another 50 basis points in early May returning to the mid-300s spread levels from the end of April.

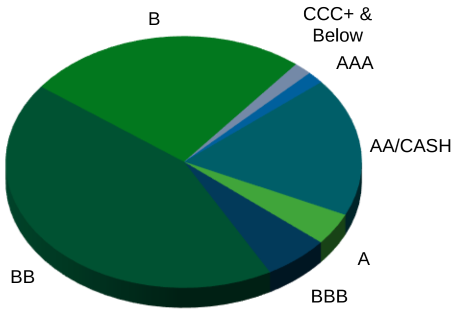
The rally was fuelled by Trump walking back from his most extreme tariff positions, reportedly due to Treasury Secretary Bessent convincing him that the moves in the Treasury market were a sign that the markets were becoming unstable.

Despite the move, risks still abound not least of all in interest rate markets. Investors still have to grapple with the expanding US deficits fuelled by a Republicans party that seem intent that with going ahead with tax cuts. This is occurring against a backdrop of Moody's downgrading the US sovereign rating to Aa1 in May, projecting that the deficit will increase to 9% by 2035 and debt will increase to 134% of GDP in 2035, up from 98% in 2024.

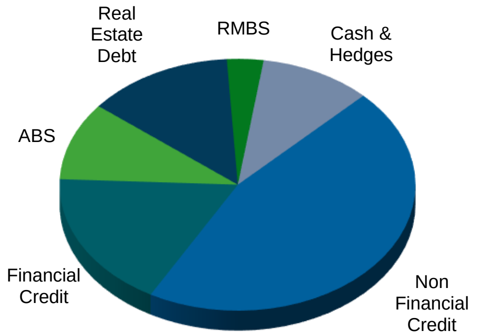
Private credit markets were not immune from the volatility of April. Bloomberg reported that LP stakes were being sold at significant discounts starting at around 10% but extending to up to 50%. During April, US business development companies underperformed equities, declining by 7% over the month and 15% through the first week and a half.

Domestically private credit markets were calmer. With only a few exceptions, price to net asset value ratios declined by around 5% in early April before recovering quickly. Negative headlines on private credit seemed to peak in March and have subsided with no major defaults. Fund flows have slowed which will constrain the ability of managers to triage struggling borrowers. ASIC's investigation into private markets also continues with news emerging of a second and reportedly more pointed questionnaire that was sent to managers.

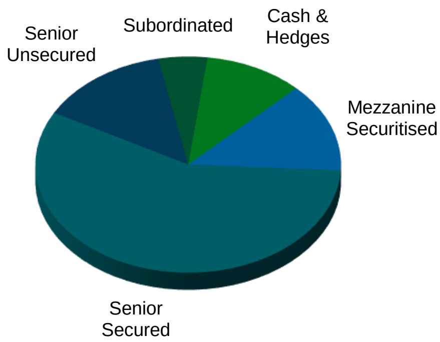
Fund Credit Quality



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:

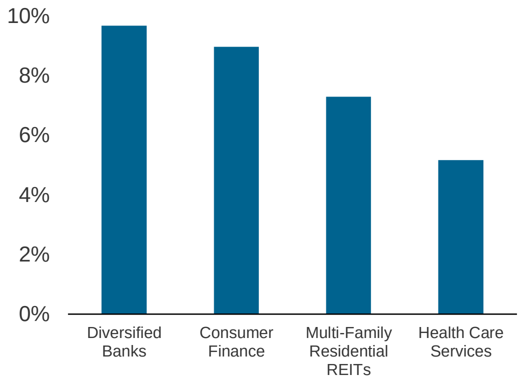
Linda Mead

Senior Institutional Business Development Manager

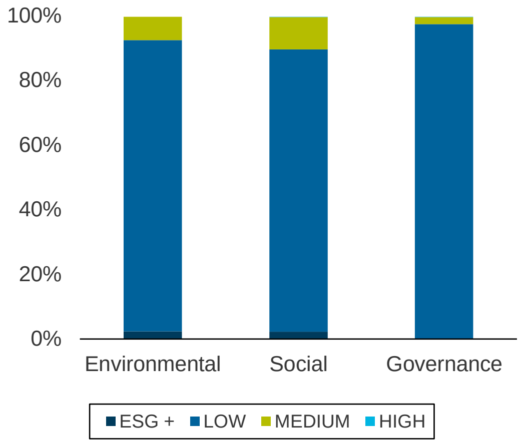
+61 2 9994 7867 | lmead@challenger.com.au

www.challengerim.com.au

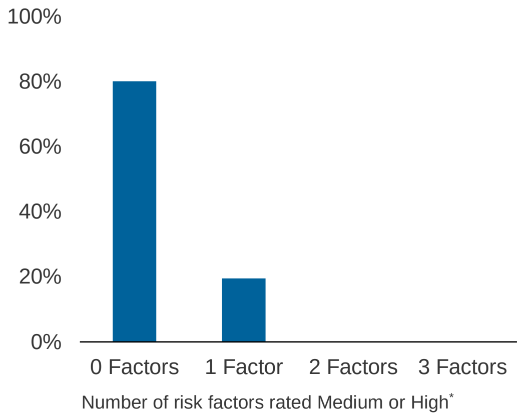
Top Industry Exposures



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.