# Challenger IM Multi-Sector Private Lending Fund

## Quarterly Report March 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] | 0.11 | 1.32 | 3.07 | 4.84 | 7.19 | 7.30 | - | 7.12 |
| Benchmark Index[3] | 0.35 | 1.07 | 2.20 | 3.34 | 4.46 | 3.56 | - | 2.73 |
| Excess Return | -0.24 | 0.25 | 0.87 | 1.50 | 2.74 | 3.75 | - | 4.40 |

*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.*

### Quarterly Commentary

**Performance Update:**

The Fund returned 1.32% in the first quarter of 2025, an excess return of 0.25% over the Benchmark. Since inception in May 2021, the Fund has returned 7.12% per annum, 4.40% per annum over the Benchmark.

Over that same period the Credit Suisse Leveraged Loan Index hedged to AUD has returned 5.32% per annum, roughly 2% per annum below the return of the Fund demonstrating the value of illiquidity over a medium-term investment horizon.

The Fund ended the first quarter with a running yield of 8.3% and a yield to maturity of circa 9% per annum once our pipeline is fully deployed.

Performance for the quarter was largely driven by interest income (>2% contribution) with a negative contribution coming from credit spread movements (-0.7% contribution) due to general spread widening and negative revaluations on two underperforming credit exposures.

**Fund Positioning:**

The first quarter of 2025 saw high yield spreads widen with tariff related market volatility weighing heavily on public markets in early April. The current environment is highly uncertain. While Australian private credit borrowers are likely to be less exposed to first order idiosyncratic effects of tariffs, second order macro-economic implications have relevance for all investors.

### Fund Details

| | |
|---|---|
| Portfolio Value ($Million) | $1,100.6 |
| Buy/Sell Spread | +0.5%/-0.0% |
| Distribution Frequency | Quarterly |
| Redemption Terms | Quarterly with best endeavours |

### Key Statistics

| | |
|---|---|
| Number of Issuers | 97 |
| Running yield (%) p.a | 8.3 |
| Modified duration (yrs) | 0.13 |
| Portfolio Credit Spread Duration (yrs) | 1.8 |
| Non-AUD Denominated | 11% |

### Pipeline

| | |
|---|---|
| Cash & Cash Substitutes | 30% |
| Committed Not Funded | 20% |
| In Due Diligence | 3% |
| Pipeline | 9% |

In periods of volatility, activity in private markets inevitably slows as market participants, both borrowers and lenders, recalibrate expectations around returns. During this time the Fund has been opportunistically bidding into secondary loan markets. Unlike previous periods, the Fund has been unsuccessful adding to positions in secondary as existing lenders have been unwilling to sell positions at a discount to par.

There have been selective opportunities in public bond markets which the Fund has had more success in executing on. In early April the Fund successfully added to positions in Perenti high yield bonds, Scentre Group hybrids and Genworth/Helia subordinated debt.

If the volatility subsides the Fund will liquidate these purchases at a gain and redeploy into private markets where a pipeline of new opportunities had been building. The Fund has currently around 10% of capital that has not been committed to transactions which can be deployed into secondary markets if the volatility persists or into primary private markets if the volatility subsides.

Real estate lending opportunities feature prominently representing around 40% of the pipeline across office, residual stock and hotels. Real estate is not directly impacted by tariffs but has felt the secondary impact of a higher for longer interest rate environment. The Fund currently has only a 10% exposure to commercial real estate lending opportunities and has room to increase towards the mid to high teens if the pipeline continues to grow. Fundamental performance within the commercial real estate allocation continues to be robust noting that the Fund's focus is senior secured investment lending and not residential construction finance where there have been more high profile issues.

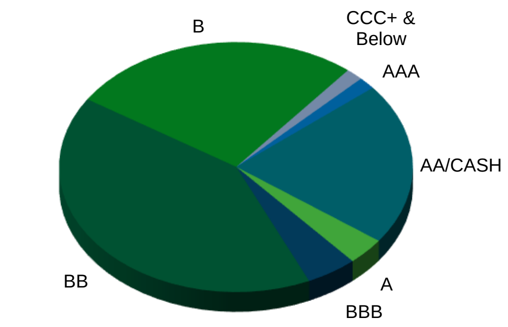
The Fund has also seen a good pipeline of corporate direct lending opportunities. Depending on the underlying industry, there is some risk of more direct impacts from tariffs and the Fund is adopting a more cautious stance towards these opportunities with key sectors of focus being commodity linked names and exporters. Fundamental performance within this allocation has been more mixed. Currently 2 out of 50 corporate borrowers in the portfolio are in default with one other in a post restructure environment but performance exceptionally well. The first defaulted borrower is a private hospital operator carried at 58 cents representing 0.8% of the Fund. The second defaulted borrower is a direct to consumer retailer representing 0.25% of the Fund and carried at an average valuation of roughly 50 cents.

The asset backed allocation has declined largely as a reflection of relative value and this remains the case for the Fund. Fundamental performance remains benign with the consumer proving to be resilient to higher interest rates.

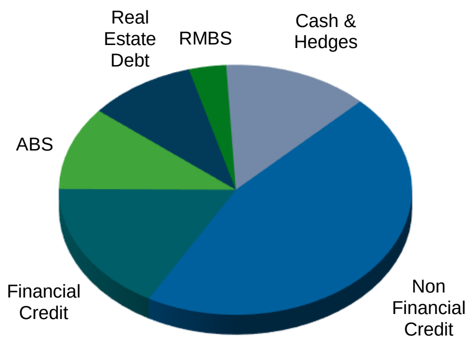
**Market Conditions:**

See the quarterly round the grounds report for a detailed discussion on our views across sectors.

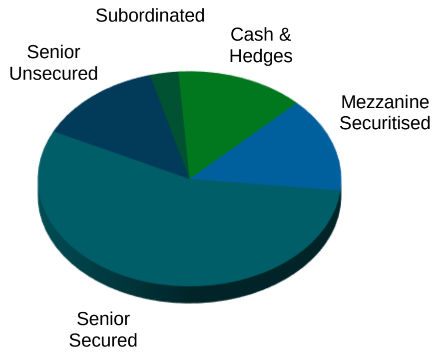
### Fund Credit Quality




### Fund Asset Allocation




### Fund Ranking



*As always comments, questions and general feedback are welcome.*

*Warm regards,*

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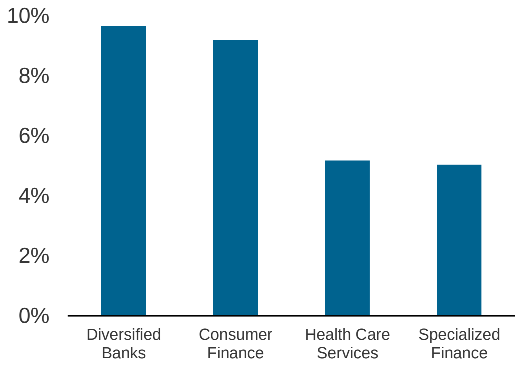
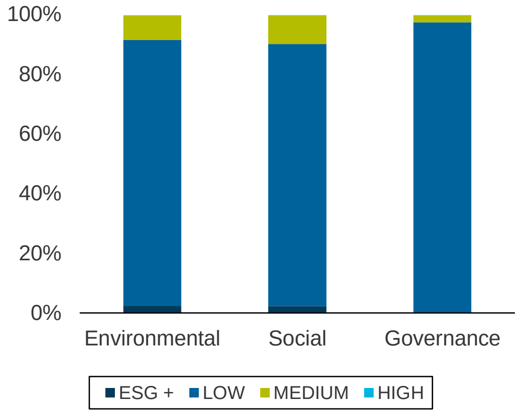
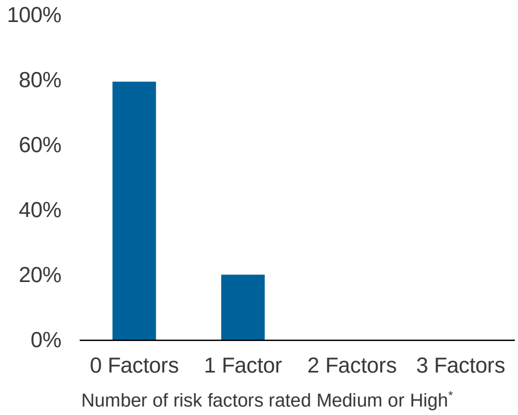
## Top Industry Exposures




## 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.