

# Challenger IM Multi-Sector Private Lending Fund

## Monthly Report November 2025

### Performance<sup>1</sup>

	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) <sup>*</sup> p.a.
Fund return (net) <sup>2</sup>	0.39	1.92	4.40	3.74	7.40	8.57	-	7.40
Benchmark Index <sup>3</sup>	0.30	0.89	1.84	1.52	4.04	4.09	-	2.89
Excess Return	0.09	1.03	2.56	2.22	3.36	4.48	-	4.51

<sup>1</sup>Inception Date: 04/05/2021

<sup>2</sup>Performance is net of fees. Returns are calculated after fees have been deducted and assuming distributions have been reinvested. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

<sup>3</sup>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.

<sup>\*</sup>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 0.39% in November, exceeding the Benchmark by 0.09%. Since inception in May 2021, the Fund has returned 7.40% per annum, 4.51% per annum over the Benchmark.

As at the end of November the Fund had 112 issuer exposures with a yield to maturity of 7.5%.

#### Fund Positioning:

Private market credit spreads stabilised in during November. Several borrowers completed debt management exercises, which involved a combination of repricing their loans as spreads have moved tighter this year, rebalancing debt outstanding and extending maturities. It is common for corporates to refinance when their loan has 12 months or less to maturity to avoid it appearing as a current liability on their balance sheet. The market has been open for borrowers to complete these types of transactions in recent months.

This included one borrower in the Fund (Australia's largest multi-brand chicken quick service restaurant franchisor) extending its syndicated loan maturity from 1.5 years to 5 years and rebalancing its debt position. Another borrower (a market leader in food manufacturing and well-known supermarket brands) extended their syndicated loan maturity date at revised market pricing levels. The Fund scaled up its holdings in both these positions, as it has grown since the original positions were taken.

### Fund Details

Portfolio Value (\$Million)	\$1,296.3
Buy/Sell Spread	+0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

### Key Statistics

Number of Issuers	112
Running yield (%) p.a	7.4
Modified duration (yrs)	0.10
Portfolio Credit Spread Duration (yrs)	2.4
Non-AUD Denominated	11%

### Pipeline

Cash & Cash Substitutes	20%
Committed Not Funded	5%
In Due Diligence	6%
Pipeline	15%

8 individual transactions settled during the month. A majority of which were in direct lending deals across multiple sectors including childcare, food manufacturing and insurance. We are seeing fewer opportunities that meet the Fund's target returns in asset backed finance markets. The asset class has seen a significant move tighter in spreads over the past 12 months. We expect the current allocation to the asset class to remain range bound for the foreseeable future unless there is a spread concession on offer. Despite the strong competition we still see sporadic opportunities evidenced by a small position in a liquid securitised transaction collateralised by a pool of small business loans was funded in the month.

The volume of private debt opportunities we are seeing has not abated. The pipeline is full across commercial real estate and corporate direct lending transactions. At the current rate, the fund will be close to fully deployed by the end of the year after some of the potential pipeline and transactions in due diligence progress. However not all transactions will proceed and some may be delayed due to factors such as documentation or regulatory approvals as previously mentioned.

Post settlement of current commitments the Fund is expected to be generating a return of around 4.5% over bank bills, roughly equivalent to a yield to maturity of 8.2% per annum with a circa 2.5 year credit duration.

In October a loan was placed on the watchlist. The loan is senior ranking, secured against established residual housing stock at an LVR of circa 60% in the Melbourne CBD. The borrower has been impacted by a dispute between the equity sponsors which has triggered a breach under the loan documents even though the loan is performing and the risk of principal loss or interest deferral is low. The position represents a 2.5% weighting in the Fund and its rating has been downgraded to BB-. A downgrade leads to a wider credit spread used when valuing the asset reflective of the greater credit risk. However, performance impacts were minimal given the fund weighting and only marginal increase in credit risk. We expect the rating will be maintained at BB- as no loss is anticipated.

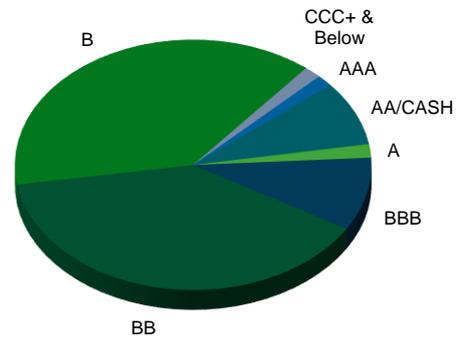
There are four other positions previously mentioned on the watchlist representing about 1.5% of the Fund. The largest is a senior secured loan to a private hospital operator categorised as collections on the watchlist that has faced well publicised challenges and fell into receivership in May and is rated D. Due to recent news on potential recovery the position has been revalued upwards from the low 50s to the high 50s. We anticipate that this will be realised in the next 12 months. The position represents a 0.7% weighting and as a result any change will have minimal impacts to overall future monthly performance.

**Market Conditions:**

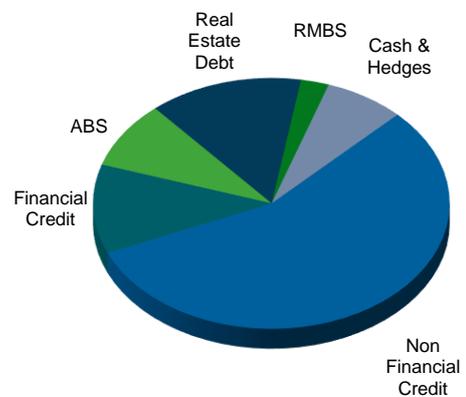
Rates markets took centre stage in November as stronger macro-economic data in Australia reset market expectations of further interest rate cuts. Futures markets now have the next move being upwards. A month ago, the market still expected another cut and in August 2 further cuts were priced with the 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 different 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.

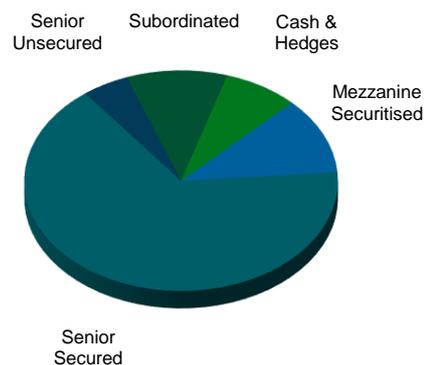
**Fund Credit Quality**



**Fund Asset Allocation**



**Fund Ranking**



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. Equities were softer 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.

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 trend that is expected to grow in 2026. According to Barclays those sectors with the strongest issuance in 2025 (tech) 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.

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. 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.

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

*Warm regards,*

**Pete Robinson**

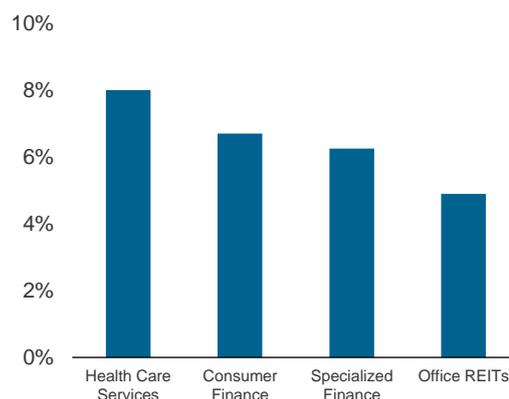
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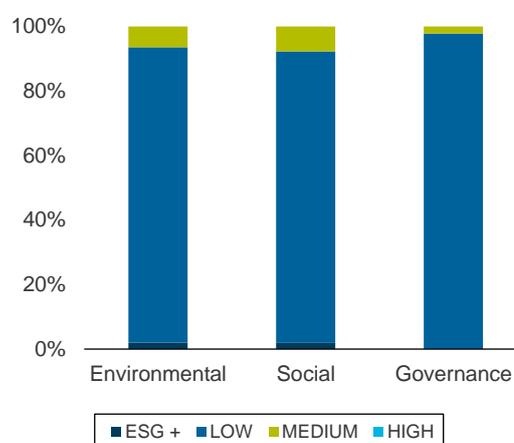
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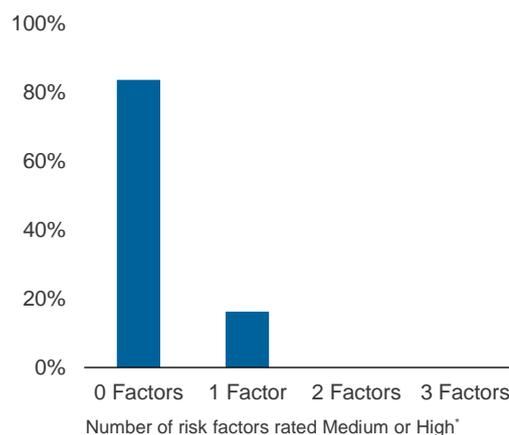
**Top Industry Exposures**



**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.

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