

Challenger IM Multi-Sector Private Lending Fund

Quarterly Report December 2025

Performance¹

	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) [*] p.a.
Fund return (net) ²	0.61	1.69	4.37	4.37	7.95	8.50	-	7.39
Benchmark Index ³	0.31	0.90	1.83	1.83	3.97	4.10	-	2.90
Excess Return	0.30	0.79	2.54	2.54	3.98	4.40	-	4.49

¹Inception Date: 04/05/2021

²Performance 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.

³References 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.

^{*}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 1.69% in the final quarter of 2025, an excess return of 0.79% over the Benchmark. Since inception in May 2021, the Fund has returned 7.39% per annum, 4.49% per annum over the Benchmark.

The Fund has a running yield of 7.3%, and a yield to maturity of 7.4%. Interest income contributed 96% to the Fund performance for the quarter.

Fund Positioning:

Credit markets were constructive during the final quarter of 2025. Credit spreads in public markets moved moderately tighter during the period. The same tightening pressures were not as evident in private markets, perhaps due to stronger supply pressures. As such the illiquidity premiums on offer in private markets remained attractive.

The Fund continues to put its cash and cash substitutes to work as private credit opportunities progress through due diligence towards execution. Over \$200 million in private transactions was funded in the quarter just completed.

Fund Details

Portfolio Value (\$Million)	\$1,310.6
Buy/Sell Spread	0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	110
Running yield (%) p.a	7.3
Modified duration (yrs)	0.10
Portfolio Credit Spread Duration (yrs)	2.3
Non-AUD Denominated	10%

Pipeline (% of Committed Capital)

Cash & Cash Substitutes	23%
Committed Not Funded	8%
In Due Diligence	3%
Pipeline	13%

The pipeline for potential transactions typically builds towards year-end as borrowers seek to finalise their balance sheet positions and complete acquisitions or refinancings. This year was no different with 6 transactions totalling over \$160 million in due diligence or pipeline split evenly between real estate and corporate lending.

Multiple transactions have already been committed to and are due to settle early in 2026. \$145 million has been allocated across 5 transactions across various industries including healthcare, food products (wheat and flour), pest management control, hospitality (large pub operator) and a 5-star operating hotel.

Repricing requests from corporate borrowers have been elevated and are expected to continue. A borrower's ability to price loans lower upon refinancing has been supported by the sustained tightening of credit spreads and increased lending demand in the market. Post settlements the Fund is expected to generate a return of 4.6% over bank bills, equivalent to about an 8.6% yield to maturity with spread duration at 2.3 years.

The Fund has capacity to consider taking on 3 to 4 more private lending transactions. We envisage that cash will be committed in the earlier months of 2026 as primary market activity kicks off again.

Five positions are on the watchlist that represent 5% of the Fund. Two real estate transactions have been added in recent months, which constitute 4% of that total.

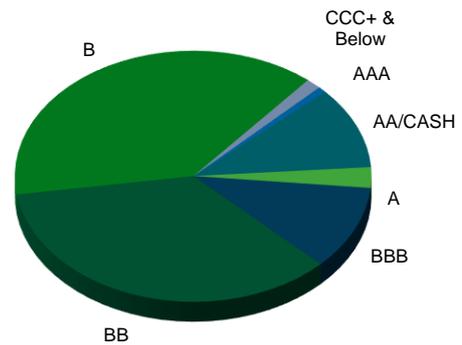
One real estate position with a weighting of 2% was added to the list in December as a special mention (NB: special mention refers to a performing asset which is underperforming and warrants closer attention). The new name is a senior secured loan against an office building in Melbourne. It was downgraded to B- in December due to underperformance relative to the ratings base case. The loan to value ratio is higher than anticipated due to the expiration of a key lease which was expected to be rolled. There is a strong prospect the underlying asset will be sold with proceeds more than sufficient to repay the debt. The performance impact for the ratings change over the period was -0.03%.

The other real estate position with a weighting of 2% is a senior secured loan against established residual housing stock located in the Melbourne CBD at a loan to value ratio of circa 60%. 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.

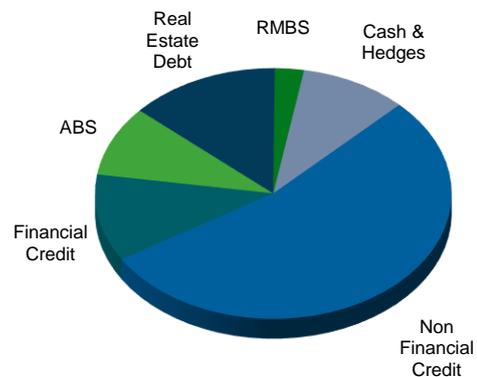
There has been mixed progress on the senior secured loan to a private hospital operator that represents a 0.6% weighting. Some of the hospitals sold have been at higher prices than expected while other offers have been lower than expected. The process is ongoing and hence the valuation of the position is likely to change as information is received. For the period a downward pricing revision to the low 50s occurred from the high 50s.

The remaining 0.4% of loans on the watch list are in the direct to retail and waste management service sectors. Both are performing in line with previous reports with no new information for the period.

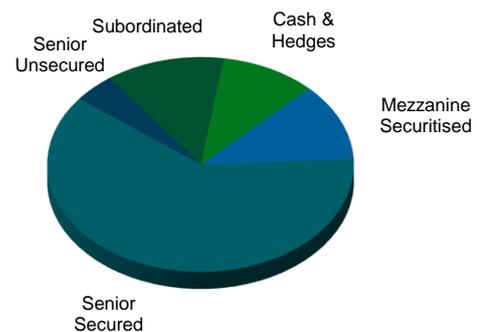
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



Market Conditions:

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

As always comments, questions and general feedback are welcome.

Warm regards,

Pete Robinson

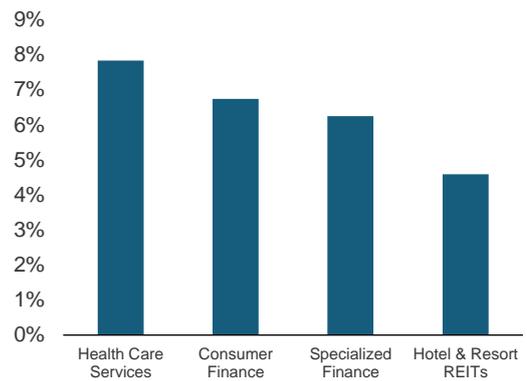
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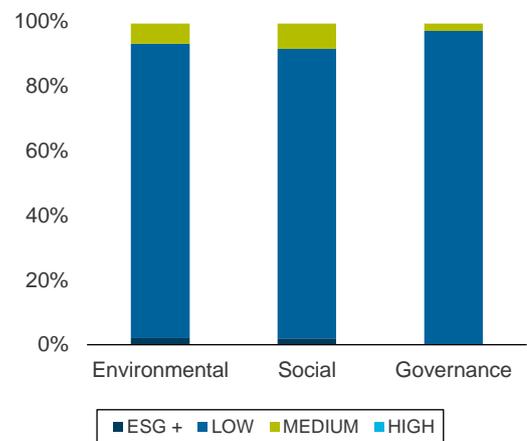
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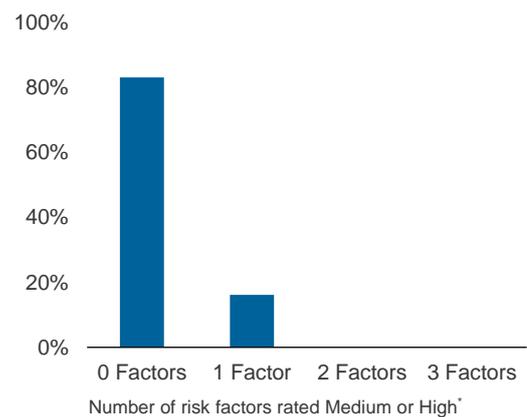
Top Industry Exposures



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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