

Challenger IM Multi-Sector Private Lending Fund

Quarterly Report March 2026

Performance¹

	1 Month (%)	Quarter (%)	6 Months (%)	FYTD (%)	1 Year (%)	3 Years (%) p.a.	5 Years (%) p.a.	Since Inception (%) [*] p.a.
Fund return (net)	0.09	1.39	3.10	5.82	8.02	8.25	-	7.31
Benchmark Index	0.32	0.91	1.82	2.75	3.80	4.15	-	2.95
Excess Return	-0.23	0.48	1.28	3.06	4.22	4.10	-	4.36

^{*}Inception Date: 04/05/2021

¹Performance 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.

²References 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.

³Benchmark 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 (gross) 1.56% in the first quarter of 2026, an excess return of 0.65% over the Benchmark. Since inception in February 2020, the Fund has returned (gross) 7.61% per annum, 5.22% per annum over the Benchmark, exceeding the target return on the Fund of 5% over cash.

The Fund has a running yield of 7.7%, which has tracked higher due to changing market interest rates, deployment and asset revaluations.

Fund Positioning:

Credit markets started out of the gates strongly across all asset classes in the first month of 2026. The momentum reversed in the last two months of the quarter due to changing risk sentiment and an increase in volatility. Private market pricing also showed a softening tone, influenced by negative headlines during the period. The widening of market pricing will be beneficial for the Fund when sourcing and originating new opportunities.

The pipeline is concentrated in real estate senior secured loans. All of these relate to fully developed, income producing assets, as the Fund does not take on any construction risk. The Fund currently has an approximately 16% weighting to the asset class and has significant capacity at revised market pricing levels to increase exposure should these opportunities progress

Fund Details

Portfolio Value (\$Million)	\$1,375.2
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)	0.09
Portfolio Credit Spread Duration (yrs)	2.4
Non-AUD Denominated	9%

Pipeline

Cash & Cash Substitutes	21%
Committed Not Funded	7%
In Due Diligence	1%
Pipeline	20%

M&A activity and potential sponsor exits have largely been put on hold impacting the pipeline of new non-financial loans. This is due to market volatility, recent interest rate rises, and expectations of further increases. Despite the challenging environment, refinancings and selective recapitalisations remain feasible for stronger performing businesses at wider market spreads.

The Fund continues to put its cash and cash substitutes of 21% to work. The Fund has committed to a refinancing of a medical devices and equipment supplier with an increased participation in line with Fund growth. An existing borrower in the childcare sector required additional loan commitments post an acquisition, which was supported. The Fund has also committed to a new borrower that provides diversified manufacturing and distribution services to industrial sectors.

Several of the Fund's asset backed warehouses are rolling at more favourable pricing, which represents a shift in tone compared to at least the past 12 months.

The Fund has capacity to consider more transactions. Cash and cash substitutes need to be held to make these borrower commitments.

Post settlements and interest rate resets the Fund is expected to generate a return of 4.6% over bank bills, equivalent to about an 8.8% yield to maturity with spread duration at 2.4 years. Low spread duration reduces the sensitivity of asset valuations to potential wider spread movement.

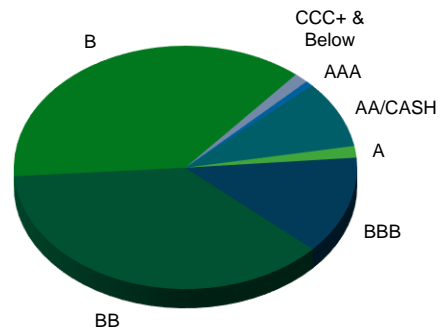
Post month end, there is one real estate position with a weighting of 2% that is currently on special mention (Special Mention is defined as an asset that is performing but requires increased monitoring). The position is first ranking and secured against established residential housing. The special mention reflected a sponsor related dispute that is unrelated to the underlying position as well as weakness in the valuation of the underlying collateral. It is internally rated BB-. This loan is adequately covered by the asset value with an LVR of 69%.

One of the stressed names mentioned in prior reporting in the waste management service sector representing a 0.2% weight was sold in the secondary market. We no longer saw sufficient value to justify holding this position.

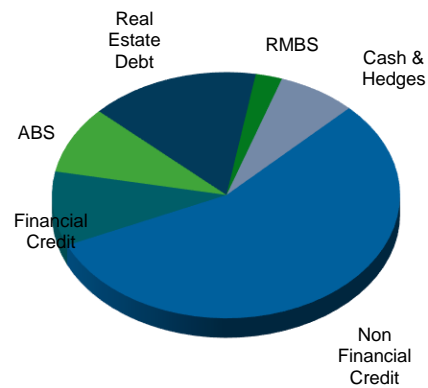
There have been no other changes to the two substandard or defaulted names that represent a 1% weight on the watchlist.

The largest position is a senior secured loan to a private hospital operator. The position is internally rated D and represents a 0.7% weighting in the Fund. During the period, pricing was revised upward from the high-50s to the low-60s due to improved timing of recoveries. The workout process remains ongoing, and the valuation of the position continues to evolve as additional information becomes available. The other position represents a 0.3% weighting to a direct to retail business. The loan has previously been restructured with ongoing management strategies in place to improve performance and maximise recovery value

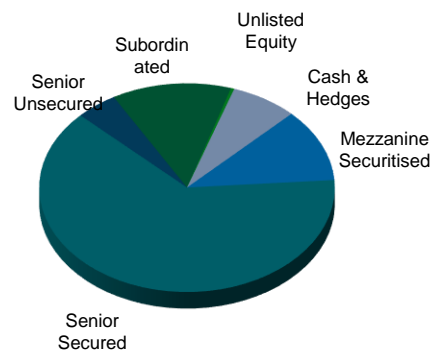
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



Market Conditions:

Market risk sentiment continued to deteriorate over March. There is a combination of continued geopolitical risks, fears around AI disruption and tighter financial conditions to consider. There has been a broad-based selloff in equity markets (MSCI world down -6.5%) and credit spreads widened over the month. However, credit spreads continue to remain somewhat low versus historical "risk off" event levels. The levels of credit pricing are partly driven by optimism around near-term de-escalation of the Iran War conflict. There was also continuing technical support coinciding with firmer secondary execution towards the end of the month, although the depth of the market bid was relatively more shallow. Of note, there were some secondary auctions in the Domestic Asset Backed markets where there was limited bid interest, highlighting investors are becoming more cautious on weaker profiles and less known issuer platforms, resulting in dispersion in market bids.

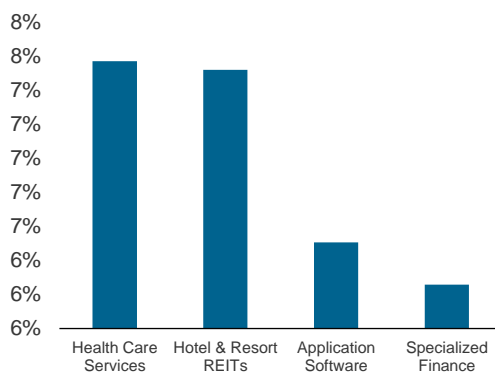
Weighing most heavily on risk sentiment was the war in Iran, which extended beyond a month, with the Straits of Hormuz (through which ~20% of the world's oil supply flows) remaining largely shut. As a result, Brent oil prices spiked from US\$72/barrel at the end of February to US\$118/barrel at the end of March (+63%), reinforcing inflation concerns and increasing rate hike expectations for many developed economies. Notably, Australia appears to be more aggressive and currently pricing in circa three rate hikes by year end, after hiking +25bps in March. This resulted in a flattening of yield curves, which were briefly inverted in some markets.

While oil prices ended the month materially higher, we note that current levels are still below what was reached during the start of the Russia/Ukraine conflict, which peaked at US\$128/barrel when oil flow wasn't as significantly disrupted. As a reminder, Russia were able to re-route the majority of their shipments to Asia. This is partly attributed to the rising popularity of the TACO ("Trump Always Chickens Out") trade, and optimism around a near term de-escalation of the Iran War, despite no guarantees that the Strait would be reopened even if the U.S. were to exit the conflict.

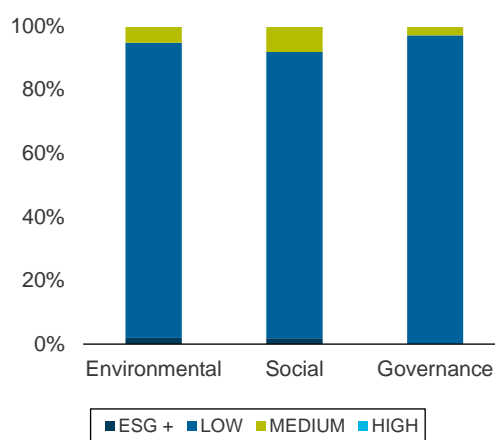
This could result in heightened near term volatility as countries begin to draw down on current energy reserves. In fact, it was TACO Tuesday on the 7th of April when Trump posted that "a whole civilisation will die tonight", only for the S&P500 and high yield credit markets to close broadly unchanged. Market participants were vindicated as the next day. The United States and Iran agreed to a two-week ceasefire, during which the Strait would be reopened with free passage in coordination with Iran's armed forces. Oil prices subsequently plummeted from US\$109/barrel to US\$93/barrel, equity markets rallied and credit spreads tightened, with S&P500 index up +2.5% and US high-yield credit default swap index tightening by 19bps on the day.

Meanwhile, concerns around private credit continue to float around in the background with continued redemption requests from business development companies, where Blue Owl enforced redemption gates of 5%, while receiving redemption requests of greater than 20% from their Blue Owl Capital Inc.'s flagship fund and more than 40% from their tech focused fund. While fears continue to be present around AI disrupting the viability of various SaaS business models, performance of software loans improved over the month, with JP Morgan reporting month to date performance of technology loans of +1.6% to 27 March, vs +0.7% for the loan index, although still underperforming significantly year to date with -4.3% vs -0.3% for the index. However, the relative outperformance during the month suggests that some "throwing the baby out with the bath water" may have taken place, providing investors an opportunity to purchase less AI-exposed software loans at a discount.

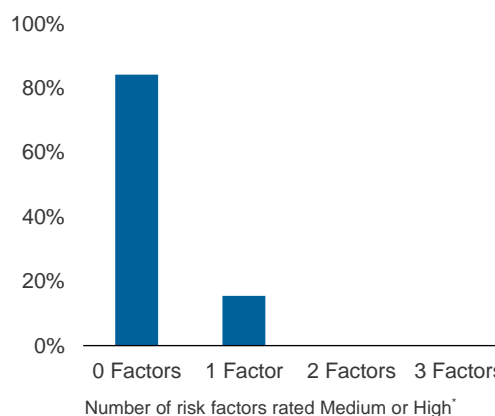
Top Industry Exposures



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.

While markets have experienced some temporary relief following the ceasefire, risks remain elevated. Volatility could re-emerge should hostilities resume, inflation pressures persist, or central banks maintain a more restrictive policy stance. In this environment, spreads may face renewed widening pressure, underscoring the importance of disciplined risk and liquidity management.

Challenger Investment Management Team

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