

# Challenger IM Multi-Sector Private Lending Fund

## Monthly Report April 2026

### 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>	1.21	1.73	3.64	7.10	9.25	8.31	-	7.44
Benchmark Index <sup>3</sup>	0.34	0.95	1.87	3.11	3.79	4.15	-	2.97
Excess Return	0.87	0.78	1.77	3.99	5.46	4.16	-	4.47

<sup>\*</sup>Inception Date: 04/05/2021

<sup>1</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>2</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>3</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 1.21% in April, an excess return of 0.87% over the Benchmark. Since inception in May 2021, the Fund has returned 7.44% per annum, 4.47% per annum over the Benchmark.

As at the end of April, the Fund had 111 issuer exposures with a running yield of 7.8%.

Spreads were stronger in the period across all asset classes. The spread effect added an additional 0.6% to the Funds total return, offsetting negative contributions in recent months. The income effect contributed 0.68% to the portfolio return.

#### Fund Positioning:

Risk sentiment in credit markets rebounded throughout April, with credit spreads tightening following the widening observed in March. Securitised market spreads have lagged this recovery with spreads remaining relatively softer. The recovery in risk appetite was most evident in the strong demand seen across primary markets. Credit spread levels remain above the tights reached earlier in the year. Markets have shown a willingness to retrace, although the Fund was remaining cautious in its sector positioning amid ongoing geopolitical and inflation uncertainty.

### Fund Details

Portfolio Value (\$Million)	\$1,371.6
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	7.8
Modified duration (yrs)	0.11
Portfolio Credit Spread Duration (yrs)	2.5
Non-AUD Denominated	7%

### Pipeline

Cash & Cash Substitutes	19%
Committed Not Funded	13%
In Due Diligence	1%
Pipeline	16%

Activity in domestic private credit remains mixed across asset backed and corporate lending. The Fund is currently committed to four transactions, including a senior secured loan to a borrower providing diversified manufacturing and distribution services to industrial sectors, a senior secured loan to a provider of education resources and commitments to two collateralised warehouse facilities.

New activity in domestic private corporate loan markets has been slower, with M&A activity and potential transaction exit strategies largely placed on hold. The activity levels reflect heightened market volatility; recent interest rate increases and expectations of further increases. Despite the challenging environment, refinancings and selective recapitalisations remain feasible for stronger performing businesses. The changing market risk sentiment and tightening of credit spreads in April have led to recent additional borrowing inquiry.

The potential pipeline of new real estate opportunities remains quite strong with a few opportunities in due diligence. All of these relate to fully developed, income producing assets, as the Fund does not take on any construction risk. The Fund has approximately a 16% weighting to the asset class and has significant capacity at revised market pricing levels to increase exposure should these opportunities progress.

The illiquidity premiums in private markets remain attractive. As spreads stabilise, this should enable a more proactive approach to capture the illiquidity premium.

The Fund has 6% capacity to consider more transactions. Cash and cash substitutes need to be held to make these borrower commitments. It is deploying steadily, although is positioned cautiously to enable further diversification in a weaker macro-economic environment.

When fully invested, the Fund is expected to generate a return of 4.5% over bank bills, equivalent to a 9% yield to maturity with spread duration at 2.5 years. Low spread duration reduces the sensitivity of asset valuations to potential wider spread movement.

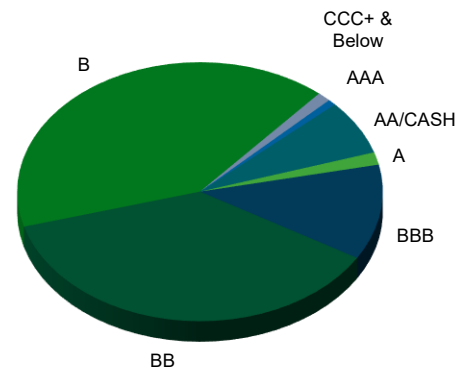
Post month end, there is one real estate position with a weighting of 2% that is currently on Special Mention. Special Mention is defined as an asset that is performing but requires increased monitoring. The position is first ranking and secured against established residential housing. A sponsor related dispute unrelated to the underlying asset has now been resolved. However, valuation weakness and performance have not tracked in line with base case expectations. The exposure is internally rated BB-, with asset coverage reflected in an LVR of approximately 69%.

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

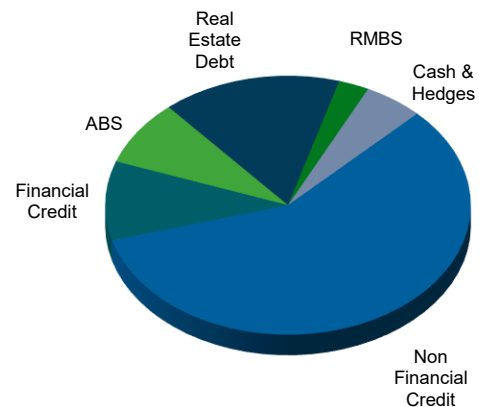
The largest position is a senior secured loan to a private hospital operator. The position is internally rated D and represents a 0.7% weighting in the Fund. There has been no further change to pricing. It was revised upward from the high-50s to the low-60s in March due to improved timing of recoveries. 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.

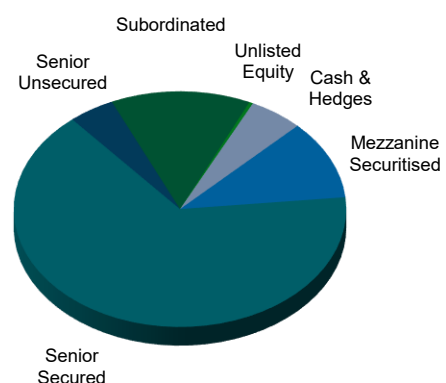
### Fund Credit Quality



### Fund Asset Allocation



### Fund Ranking



### Market Conditions:

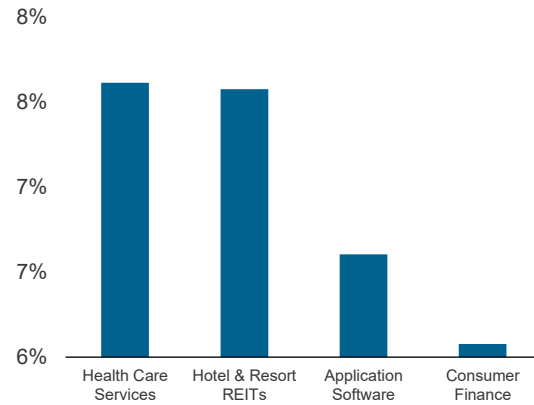
Market risk sentiment improved but remained fragile throughout April and continued to be dominated by developments in the Iran conflict, and its impacts on the global economy. With the announcements of a ceasefire in early April, equity markets rallied with the S&P 500 closing the month at an all-time high of ~7200, a 10% increase vs the prior month. There was a similar story in credit markets with credit spreads tightening to pre-Iran-war levels. However, investor confidence remains fragile as negotiations stalled, increasing uncertainty around the reopening of the Strait, resulting in credit spreads nudging slightly higher towards the end of the month.

Oil prices were volatile over the period, dropping from a peak of US\$112/barrel to a trough of US\$84/barrel following the ceasefire announcement. Oil prices ended the month at US\$105/barrel as negotiations stalled and US blockades choked off toll income to Iran such that supply remained constrained. According to the IEA April 2026 oil market report, shipments of crude, natural gas liquids and refined products averaged ~3.8 million barrels / day (mb/d) in early April, compared with more than 20 mb/d in February prior to the conflict. Markets are currently viewing this as a near term demand / supply imbalance, rather than a long-term structural supply issue with oil currently trading in backwardation (cheaper prices in the future compared with today) with Apr-27 contracts trading at ~US\$75/barrel. This view of the eventual normalisation of supply, combined with stronger than expected earnings growth (especially for the technology sector), could be what's been driving equity markets higher.

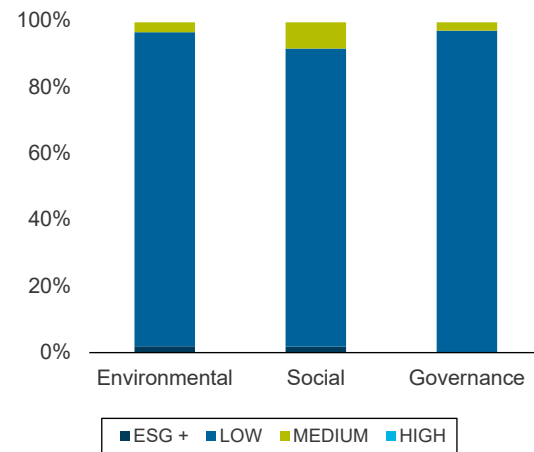
Credit rallied in April, with credit spreads tightening to pre-war levels. While the strait is still shut and there is currently no resolution, the technical backdrop has meant that there is a strong demand for assets driving spreads tighter. For example, European securitised markets saw mezz tranches multiple times oversubscribed, while some deals in CLO markets saw tranches taken subject shortly post announcement. However, dispersion continues to persist with deals with lower quality collateral taking longer to syndicate. Domestically, Australian securitised markets are currently lagging the rally with senior AAA RMBS spreads about midway between the year-to-date range, suggesting there is still room to run if market conditions remain stable.

Even if there was to be a near term resolution to the conflict, oil prices are expected to be higher than prior to the start of the conflict given there has likely been some damage to oil assets and work will be required to get the oil flowing again. Additionally, there could also be an impact on food prices down the line due to increasing cost of food production (fuel transportation, fertiliser etc.), which may put further pressure on consumers. As a result, inflation concerns persisted in April with most developed economy central banks remaining on hold during the month with a hawkish tilt, with the exception of the RBA which is expected to hike rates at least two more times by year end after hiking in March due to the country running above target inflation even prior to the supply shock to oil (headline inflation of 4.1% vs 2-3% target).

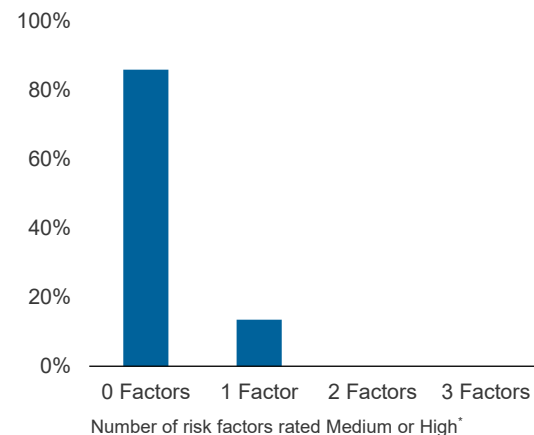
### Top Industry Exposures



### 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.

In private credit markets, there continues to be increasing scrutiny in the space where the Fed asked major US banks for details around their exposure to private credit due to the recent surge in redemptions and rise in troubled loans, to assess potential for spillover effects to the wider financial system. While exposures are relatively low (Wells Fargo has the highest exposure to private credit, including non-bank financial loans (NBFI) at 19% of their loan book), specifically, exposure to BDCs were less than 1% of their total loan book. While relatively contained, increasing scrutiny could result in banks tightening their lending to private credit, e.g. JPM has already been marking down the value of loans (particularly software) in March. This could result in increased issuance of private credit CLOs, as private credit managers look to securitisation as an alternative to bank leverage.

In summary, April saw markets rally driven by some easing in geopolitical stress as well as strong technical support. However, risks persist and remain sensitive to headlines and policy signals, highlighting a need to exercise discipline when it comes to credit selection.

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

*Warm regards,*

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