Challenger IM Multi-Sector Private Lending Fund

Quarterly Report June 2026

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]	0.62	2.45	3.87	8.41	8.41	8.04	7.52	7.45
Benchmark Index[3]	0.39	1.07	1.99	3.86	3.86	4.21	3.11	3.02
Excess Return	0.23	1.37	1.88	4.55	4.55	3.83	4.41	4.43

*Inception Date: 04/05/2021
[1]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.
[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 2.45% during the quarter, an excess return of 1.37% over the Benchmark. Since inception in May 2021, the Fund has returned 7.45% per annum, 4.43% per annum over the Benchmark.

Asset income contributed to about 80% of the total portfolio return for the quarter.

The Fund has a running yield of 8%, which has tracked higher due to changing market interest rates and ongoing deployment.

Fund Positioning:

Credit spreads were unchanged over the month, reflecting a more balanced risk environment. Credit spreads in public markets have been tighter in recent months and in private markets movements have been less evident. Transactions continue to see strong demand suggesting there is good risk appetite in private credit markets.

Illiquidity premiums remain attractive. The Fund has committed to an opportunity in prime office over the month. The pipeline is heavily concentrated in real estate opportunities, although there is competition in the market and many will be rejected during due diligence.

The Fund currently has an approximately 12% weighting to the real estate asset class and has significant capacity to increase exposure should opportunities progress. Recent real estate pipeline opportunities are mostly refinancing transactions, which have been enhanced by more cautious bank appetite as interest coverage ratios come under pressure and the expectation of improved valuation outlooks reverse.

Fund Details

Portfolio Value ($Million)	$1,403.9
Buy/Sell Spread	0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	116
Running yield (%) p.a	8.0
Modified duration (yrs)	0.12
Portfolio Credit Spread Duration (yrs)	2.7
Non-AUD Denominated	7%

Pipeline

Cash & Cash Substitutes	17%
Committed Not Funded	11%
In Due Diligence	2%
Pipeline	13%

Corporate finance borrowers are benefitting from strong uptake of their debt issues, while cyclical or structurally challenged sectors face more challenges in this environment. We have remained cautious in evaluating new transactions, with any opportunities specifically assessed for AI-disruption risk and stress tested for further macroeconomic challenges. The Fund currently has 6.4% exposure to five names in software sector. Opportunities where the illiquidity premium is superior and risk exposures present a diversifying benefit are preferred.

The Fund continues to put its cash and cash substitutes of 17% to work. The Fund has capacity to consider about 3 more transactions if current commitments proceed.

Due to continuing primary supply in all market conditions, we have seen more diverse performance in some new securitised transactions. The Fund has been participating in transactions where it has seen this dispersion. Residential mortgage-backed issuance levels may fall due to slower collateral underwriting post the Commonwealth Government budget changes. If it were to a occur this may reduce supply in securitised markets and technically support risk pricing.

Post settlements and interest rate resets the Fund is expected to generate a return of 4.5% over bank bills, equivalent to about 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 1.7% 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 reflects the Group Credit opinion on the collateral mix and potential for equity support. It is internally rated BB-. This loan is adequately covered by the asset value with an LVR of 60%.

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. The pricing is in the very low-60s the workout process remains ongoing, and the valuation of the position continues to evolve as additional information becomes available.

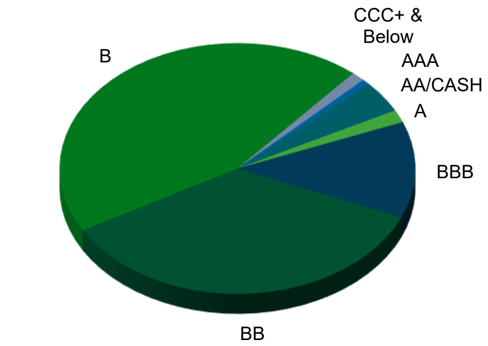
The other position represents a 0.3% weighting to a direct to retail business. The loan has previously been restructured with ongoing management strategies in place to improve performance and maximise recovery value.

Market Conditions:

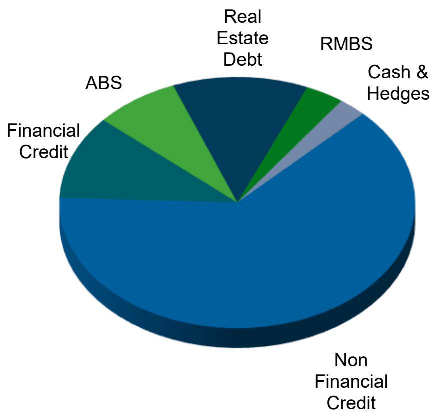
Market performance was mixed in June, with volatility increasing across asset classes as investors digested shifting expectations around interest rates, easing geopolitical risks, and a softer momentum within AI-related equities. Global equities broadly consolidated following the strong gains in April and May, while credit markets remained resilient, supported by strong technical demand despite increasingly tight valuations.

Three and a half months after the conflict in Iran began, the US and Iran signed a Memorandum of Understanding, agreeing to a new 60-day ceasefire framework. Key elements include, 1. Immediate halt to hostilities, 2. Reopening of the Strait of Hormuz, and 3. Commitment to negotiate a comprehensive deal (including nuclear terms), putting an end to the fragile ceasefire introduced in April. With the Strait reopened, oil flow has resumed albeit well below pre-war levels. As a result, the price of oil fell sharply from a peak of ~US$96/barrel to ~US$70/barrel at the end of June – compared to the Crude oil price at the start of 2026 at US$57/ barrel. Whilst the conflict had initially resulted in a substantial oil price increase, oil prices did not sustain these levels given strong strategic oil reserves in place prior to the conflict as well as from demand destruction. Oil prices may remain

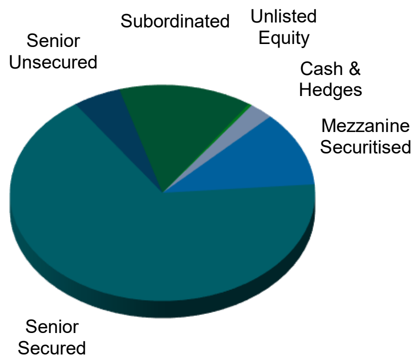
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



under pressure in the near term as these oil reserves will need to be rebuilt and demand returns as we head into the warmer summer months driving increased travel and demand for cooling.

With concerns around energy prices alleviated for now, market participants turned attention to the Fed, where the new chair Kevin Warsh chaired his first FOMC meeting. While the Fed held rates steady at 3.50%-3.75% and no forward guidance provided by Warsh, the market perceived his emphasis on solid economic activity, above target inflation and price stability to be a hawkish pivot, resulting in a repricing to the front end of the US yield curve, with the 2yr yield increasing from 4.00% to 4.17% over the month and around 1 hike currently priced into Q3 2027.

Equity markets whipsawed in June with the S&P 500 seeing a peak to trough decline of 4.5% before bouncing back to end the month down 1.1%. The correction reflected a broader reassessment of valuation levels across AI-related equities following strong YTD performance, with market punishing AI related companies which missed on revenue expectations. This was compounded by investors becoming increasingly concerned over the rising cost to the Hyperscalers for AI infrastructure buildout as well as rate hike expectations cutting into valuation levels, e.g. Nvidia ended the month down 5.2%, although still up 7.3% YTD. The tech selloff also extended to leveraged loans somewhat which saw the Bloomberg Technology US Leveraged Loan index decline by 0.65% over the month, extending their YTD decline to -2.9% (but still above -5.6% YTD trough in early March). A rotation theme also emerged with value outperforming growth with the Russel 1000 Value Index increasing 2.1% over the month vs -2.7% down for the Russel 1000 Growth Index.

Despite the volatility seen in equity markets, credit markets remained resilient. The High Yield CDS Index only increased marginally by ~5bps and remains close to YTD and recent historical tights, driven by easing geopolitical risks, falling oil prices and resilient fundamentals and earnings. While spreads have broadly remained unchanged over the month, there have been dispersion in parts of the credit markets. For example, in CLO markets, manager tiering increased where spreads have widening out in the lower parts of the capital structure, particularly as Europe saw the first single B default from a Bain managed CLO. Despite the ~33% principal impairment, initial investors are estimated to have achieved >5% IRR given 7yrs of coupon and initial issue price of 93.8. Nevertheless, this highlights the increasing dispersion beneath headline spread numbers and growing importance of credit selection.

In summary, June marked a transition from the strong, momentum-driven rally earlier in the quarter to a more volatile and selective market environment. While fundamentals such as earnings growth and economic resilience remain broadly supportive, markets are increasingly sensitive to interest rate expectations, valuation concerns, particularly within AI-related sectors, and geopolitical developments. As a result, risk assets appear more finely balanced, and asset selection continuing to be in focus.

As always comments, questions and general feedback are welcome.

Warm regards,

Challenger Investment Management Team

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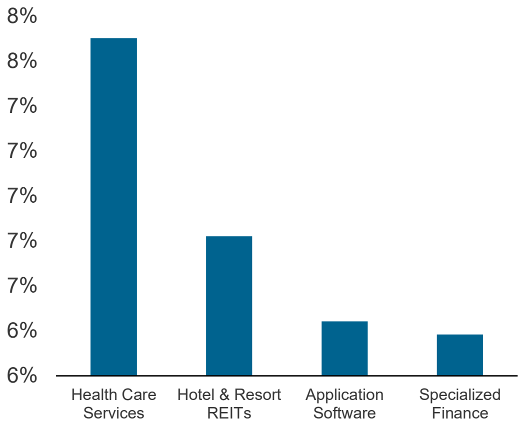
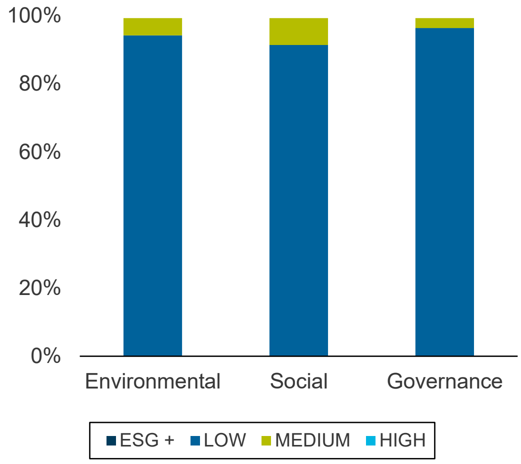
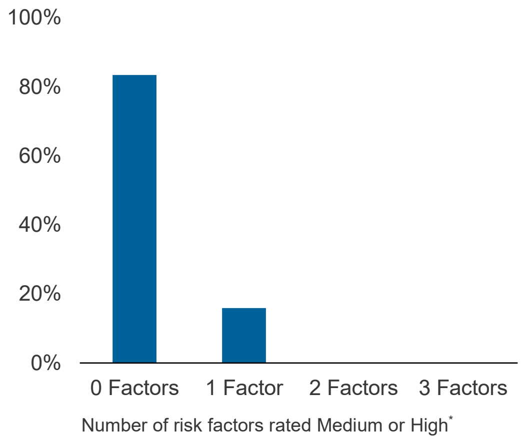
Top Industry Exposures



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.