Challenger IM Multi-Sector Private Lending Fund

Monthly Report July 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]	0.90	2.14	3.90	0.90	8.16	8.06	7.63	7.50
Benchmark Index[3]	0.38	1.11	2.06	0.38	3.94	4.21	3.18	3.04
Excess Return	0.53	1.03	1.84	0.53	4.22	3.86	4.45	4.46

*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.

Monthly Commentary

Performance Update:

The Fund returned 0.90% in July, an excess return of 0.53% over the Benchmark. Since inception in May 2021, the Fund has returned 7.50% per annum, 4.46% per annum over the Benchmark.

As at the end of July, the Fund has increased issuer exposures to 118 and had a running yield of 8.2%.

The returns for the period were supported by income generation in addition to a tightening of the externally provided credit spreads, which are used in the Funds valuations.

Fund Positioning:

During the month, the Fund selectively increased exposure to existing borrowers through refinancing activity and recapitalisations, reflecting the continued availability of attractive relative value opportunities within private corporate credit markets.

The Fund maintained a focus on developed commercial real estate debt opportunities, particularly where sponsors are seeking refinancing solutions from bank and institutional lenders. Existing positioning continues to favour high quality, senior secured transactions with strong covenant protection and resilient underlying collateral.

Within securitised credit, ongoing demand for warehouse facilities and private funding solutions continued to support attractive investment opportunities. The Fund maintained its disciplined approach to deployment, focusing on transactions that offer attractive risk-adjusted returns and illiquidity premia.

Fund Details

Portfolio Value ($Million)	$1,396.7
Buy/Sell Spread	0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	118
Running yield (%) p.a	8.2
Modified duration (yrs)	0.13
Portfolio Credit Spread Duration (yrs)	2.7
Non-AUD Denominated	7%

Pipeline

Cash & Cash Substitutes	19%
Committed Not Funded	13%
In Due Diligence	1%
Pipeline	10%

Portfolio construction remains centred on senior secured lending, defensive business models and strong asset coverage. Exposure to technology, software and selected business services sectors remains measured given ongoing disruption risks associated with evolving artificial intelligence developments.

The Fund's committed pipeline represents approximately 13% of portfolio assets, with a further 6% of capital available for deployment. Current opportunities include two senior secured commercial real estate investments across the office and residual stock sectors. The Fund is also evaluating an incremental investment in an existing borrower within the industrial supplies sector as it refinances its debt facilities.

Several additional opportunities remain under review across corporate lending, commercial real estate and securitised credit markets. Upon deployment of committed capital, the portfolio is expected to generate a return of approximately 4.4% above bank bills, equivalent to a yield to maturity of approximately 9.0%, with spread duration of 2.8 years.

Post month-end, one real estate position representing 1.6% of the portfolio was classified as Special Mention. The position remains performing and is secured by a first-ranking mortgage over established residential housing. A sponsor-related dispute unrelated to the underlying asset has now been resolved; however, asset performance and valuation outcomes have remained below original expectations. The exposure is internally rated BB- and benefits from asset coverage with an approximate 60% loan-to-value ratio.

Two additional positions representing a combined 1.0% portfolio weighting remain on the watchlist. The largest position is a senior secured loan to a private hospital operator, representing 0.7% of portfolio assets. The exposure remains internally rated D, with the workout process ongoing. Recovery expectations continue to evolve as additional information becomes available.

The remaining position represents a 0.3% weighting to a direct-to-retail business. Following a previous restructuring, management initiatives remain focused on maximising recovery value. More challenging trading conditions during the period resulted in a downgrade of the internal credit assessment and a corresponding reduction in valuation.

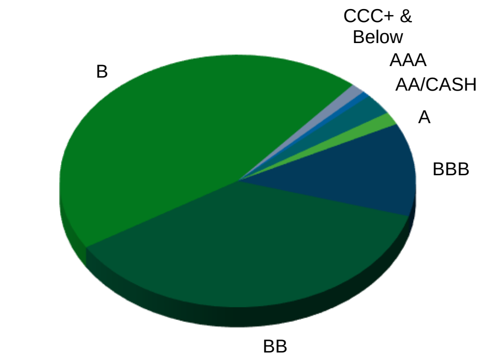
Market Conditions:

Market conditions were mixed during July. Investors balanced strong corporate earnings and resilient economic data against rising government bond yields, renewed geopolitical tensions and increasing scrutiny of AI-related investment. While headline equity and credit market returns were relatively subdued, significant dispersion emerged beneath the surface as investors reassessed the sustainability of AI-driven growth expectations and the implications of a higher-for-longer interest rate environment.

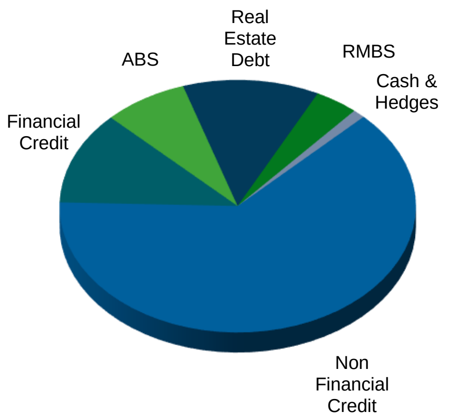
After the signing of the Memorandum of Understanding had briefly presented the market with some reprieve in June, the conflict resumed. Iran and US exchanged fire after disputes regarding the control of shipping lanes through the Strait of Hormuz. As a result, the price of oil increased from around US$70/barrel at the end of June to US$85/barrel at the end of July, briefly exceeding US$100/barrel during the month. Despite elevated volatility in energy markets, broader risk assets remained relatively resilient and investor appetite for credit remained generally supportive.

United States central bank policy remained a key focus. The Federal Reserve left policy rates unchanged. Although markets increasingly assigned a higher probability to additional policy tightening given resilient economic data and ongoing inflation concerns. Warsh reiterated the Fed's commitment to deliver price stability. Government bond yields moved materially higher during the month, with the 30yr government bond yields rising by 0.3% to 5.3%, the highest level since 2007. This move in rates has resulted in negative returns observed over the month for duration-sensitive assets, where US Investment Grade and High Yield bonds had negative excess returns over the month.

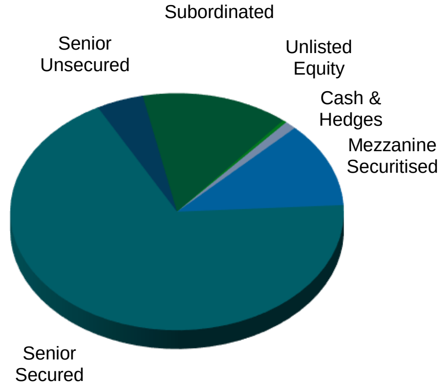
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



Equity markets delivered mixed performance beneath relatively stable headline index returns. Despite the rising treasury yields weighing on valuations, the S&P 500 was relatively flat over the month as corporate earnings remained exceptionally strong, exceeding 35% (26% ex-Alphabet) by late July with more than a quarter of companies having reported. However, investor focus increasingly shifted toward the sustainability of AI-related capital expenditure by hyperscalers and the ability of future earnings growth to justify the scale of these expenses.

Credit markets remained relatively resilient despite the higher-rate backdrop. US investment grade spreads were marginally weaker during July, while US CCC high yield materially underperformed BB to B spread performance, highlighting a continuing dispersion across lower-quality borrowers. July was one of the strongest months on record for US Investment Grade bond issuance reached near-record levels during July, largely driven by significant funding requirements associated with AI infrastructure and data-centre investment. Although issuance volumes remained elevated, attractive all-in yields continued to support demand, limiting the impact on spreads. However, similar to equity markets, credit investors are also being increasingly cautious on AI-related investments, with spreads on data centre bonds and hyperscalers with no cloud services widening over the course of the month. Domestically, lenders are starting to see the effects from the changes made during the budget announcement in May to Capital Gains Tax and negative gearing with some major banks reporting weaker mortgage applications, suggesting origination volumes may become challenged and potentially increasing competition for mortgage volumes.

Overall, July highlighted the increasing divergence between strong underlying economic and corporate fundamentals and a market becoming more selective in the deployment of capital. While risk assets generally remained resilient, rising government bond yields, elevated geopolitical uncertainty and growing scrutiny of AI-related investment led investors to favour businesses and sectors with more visible cash flows and earnings. The resulting dispersion across equity and credit markets reinforces the importance of security selection as investors navigate an environment characterised by strong growth but increasingly demanding valuations.

As always comments, questions and general feedback are welcome.

Warm regards,

Challenger Investment Management Team

For further information, please contact:

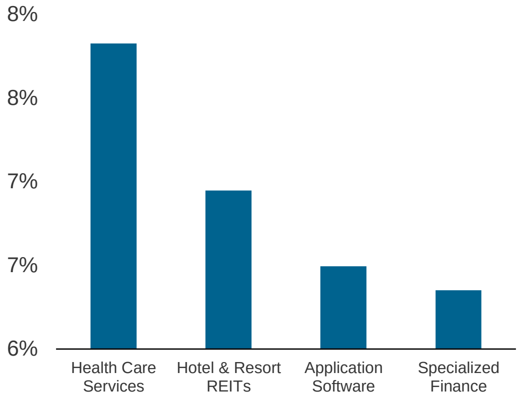
Linda Mead

Senior Institutional Business Development Manager

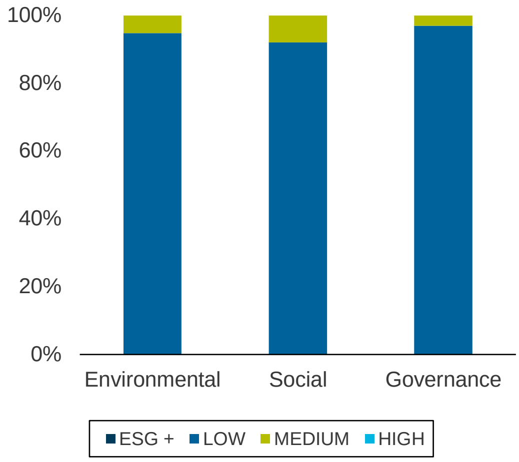
+61 2 9994 7867 | lmead@challenger.com.au

www.challengerim.com.au

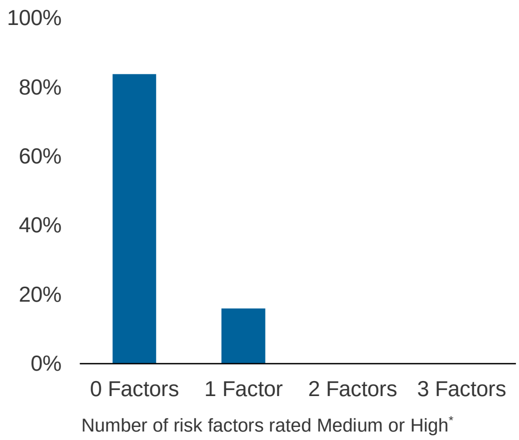
Top Industry Exposures



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.