

Challenger IM Multi-Sector Private Lending Fund

Monthly Report August 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) ²	0.81	2.35	4.30	1.72	8.34	8.23	7.59	7.54
Benchmark Index ³	0.38	1.15	2.16	0.75	3.99	4.21	3.26	3.06
Excess Return	0.43	1.20	2.14	0.96	4.34	4.02	4.33	4.48

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.

⁴Benchmark 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 0.81% in August an excess return of 0.43% over the Benchmark. Since inception in May 2021, the Fund has returned 7.54% per annum, 4.48% per annum over the Benchmark.

As at the end of August, the Fund has 115 issuer exposures 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 Fund's valuations.

Fund Positioning:

The Fund has been increasing exposure to existing corporate borrowers through refinancing activity, recapitalisations and bolt on acquisitions. Illiquidity premiums remain attractive despite the recent tightening of credit spreads in private markets. Private corporate debt market activity has remained elevated as private equity sponsors continued to seek funding solutions for assets that have experienced delayed exit timelines.

Fund Details

Portfolio Value (\$Million)	\$1,409.5
Buy/Sell Spread	'0.5%/-0.0%'
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	115
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	16%
Committed Not Funded	10%
In Due Diligence	4%
Pipeline	5%

The Fund maintained a focus on developed commercial real estate debt opportunities, particularly where sponsors are seeking refinancing solutions from banks and institutional lenders. Existing positioning continues to favour high quality, senior secured transactions with strong covenant protection and resilient underlying collateral. The opportunity set is entirely focused on completed income-producing assets rather than development and construction lending. Recent activity has been across office and residual stock lending. Within securitised credit, ongoing committed warehouse facility draws have been occurring.

The Fund has approximately \$120 million of expected settlements over the next three months, supporting continued portfolio deployment into an attractive opportunity set across private corporate credit, commercial real estate debt and securitised credit markets. Recent settlement activity included approximately \$40 million in private corporate lending, \$25 million in commercial real estate debt and \$12 million in warehouse funding transactions, funded from existing cash and cash substitute holdings.

Current committed opportunities include senior secured investments across the commercial real estate, education, infrastructure, insurance, engineering and healthcare sectors. The committed pipeline at month end represented approximately 14% of portfolio assets. .

Upon settlements the Fund will be fully invested. The portfolio is expected to generate a return of approximately 4.4% above bank bills, equivalent to a yield to maturity of approximately 8.9% and a spread duration of 2.7 years.

One real estate position representing 1.6% of the portfolio remains on Special Mention. The position is 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.

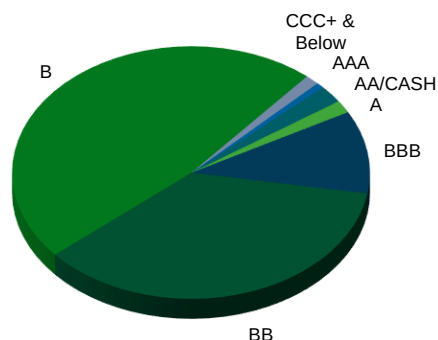
The remaining position represents a 0.3% weighting to a direct-to-retail business. Following a previous restructuring, management initiatives remain focused on maximising recovery value. Trading conditions have remained challenged.

Market Conditions:

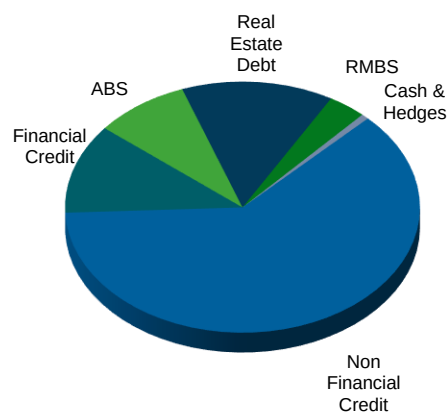
Sentiment improved and risk assets performed in August despite persistent geopolitical uncertainty and a further repricing of interest-rate expectations. This has been driven by strong corporate earnings growth in the United States. There were ongoing tensions between the US and Iran and renewed military activity late in the month, suggesting markets are becoming less sensitive to geopolitical headlines as the war drags on.

Central-bank policy remained a major focus. The Federal Reserve retained its policy rate, while Fed Chair Kevin Warsh used the Jackson Hole symposium to reiterate that inflation remained above target and that price stability should remain the Federal Reserve's predominant focus. Markets interpreted the speech as relatively hawkish, with the implied probability of a September rate hike rising from below 35% to above 60%.

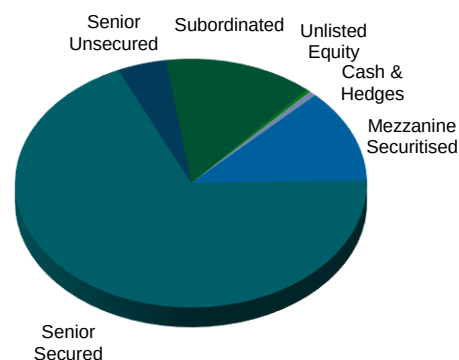
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



While the RBA left cash rates unchanged at 4.35%, Australian interest rates experienced a more material adjustment. The Australian two-year and ten-year government bond yields both rose by 17 bps to 4.69% and 5.09% respectively. Although headline inflation moderated, underlying inflation remained elevated, particularly across domestically driven services categories. Combined with relatively firm household spending, this increased expectations that the Reserve Bank of Australia may need to tighten policy further.

Improving risk appetite was also evident in credit markets, particularly in riskier parts of the credit spectrum. For example, US non-financial corporate spreads tightened modestly by 3bps compared to US high yield, US CCC & lower high yield and leveraged loan spreads which tightened 23bps, 17bps and 16bps respectively. Within leveraged loans, software outperformed with the Bloomberg Leveraged Loan Technology Index returning 2.1% vs 1.0% for the broader index, reversing some of the losses seen during the onset of "SaaSpocalypse" earlier in the year, although still lagging YTD at +0.4% vs +3.1% for the broader index. However, risks persist in this space, particularly with the looming maturity wall in 2028, where software companies with revenue streams eroded by AI may face heightened refinancing risk.

Growing investor selectivity was also evident within private credit markets in Australia with the collapse of Bathla Group, one of the largest property developers in New South Wales who went into voluntary administration on the 25th of August, weighed down by around \$3.3bn in debt, and as the industry faced headwinds from a softer property market and rising construction costs. A significant portion of this debt was financed by the private credit market, where PAG, CVS Lane Capital Partners and Centuria Bass collectively lent more than \$1bn. The collapse led to CVS (who had exposure to nine Bathla loans) suspending redemptions across two funds. While MA Financial confirmed they had zero direct exposure to Bathla, they also announced they would be capping redemptions from their MA Secured Real Estate Income Fund at 1% of AUM per month, stating that it was a proactive measure to potential increases in redemption activity, highlighting fears of contagion risk within private credit markets.

While risk sentiment improved during August, there are growing indications that investors are becoming more discriminating in where they allocate capital. Credit markets continue to absorb substantial issuance volumes and spreads remain well supported, however signs of increasing selectivity and dispersion in performance have emerged across credit markets.

As always comments, questions and general feedback are welcome.

Warm regards,

Challenger Investment Management

For further information, please contact:

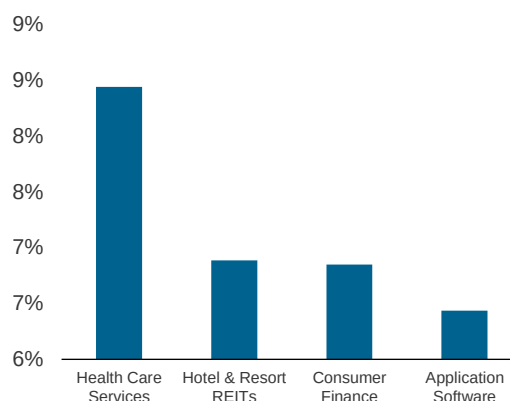
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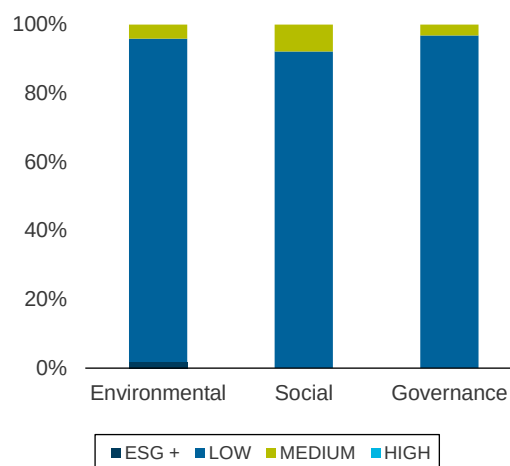
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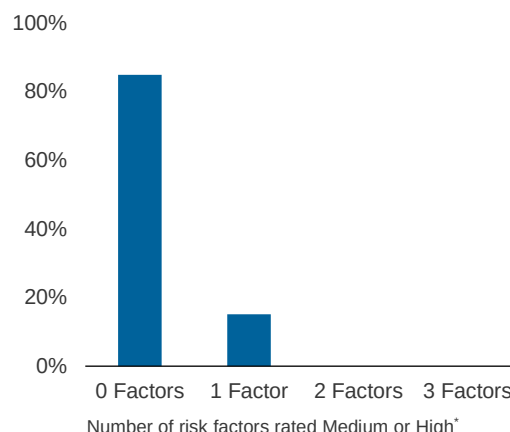
Top Industry Exposures



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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