Challenger IM Multi-Sector Private Lending Fund

Quarterly Report September 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]	0.25	1.97	4.47	1.97	7.71	8.16	7.48	7.47
Benchmark Index[3]	0.36	1.11	2.20	1.11	4.06	4.21	3.34	3.08
Excess Return	-0.10	0.86	2.27	0.86	3.65	3.94	4.14	4.39

*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 1.97% during the quarter, an excess return of 0.86% over the Benchmark. Since inception in May 2021, the Fund has returned 7.47% per annum, 4.39% per annum over the Benchmark. Fund performance in the last month was offset by revaluations driven by wider credit spread movements offshore.

The Fund has a running yield of 8.39%, which has tracked higher due to changing market interest rates and ongoing deployment.

Fund Positioning:

Public credit markets weakened during September, with greater differentiation emerging across regions. Credit spreads were broadly flat in Australia but widened offshore. While private credit primary market pricing was largely insulated from these near-term market moves domestically, public market dislocation often influences pricing with a lag through refinancing activity, funding requirements and changes in lender behaviour. Against this backdrop, transaction activity remained healthy, with refinancing, recapitalisation and extension opportunities continuing to drive deal flow across both corporate and real estate markets.

Fund Details

Portfolio Value ($Million)	$1,415.7
Buy/Sell Spread	0.5%/-0.0%
Distribution Frequency	Quarterly
Redemption Terms	Quarterly with best endeavours

Key Statistics

Number of Issuers	113
Running yield (%) p.a	8.4
Modified duration (yrs)	0.14
Portfolio Credit Spread Duration (yrs)	2.5
Non-AUD Denominated	8%

Pipeline

Cash & Cash Substitutes	17%
Committed Not Funded	8%
In Due Diligence	5%
Pipeline	3%

Illiquidity premiums remain attractive. The Fund remains committed to an opportunity in the office sector and continues to see a healthy pipeline of real estate debt opportunities. Deployment in the asset class remains disciplined, with transaction selection focused on developed opportunities (not construction or development) offering strong lender protections, attractive risk-adjusted returns and resilient downside characteristics. The Fund currently has an approximately 13% weighting to the real estate asset class.

Corporate lending activity remains robust, with refinancing, recapitalisation and acquisition-related transactions continuing to represent a significant component of the pipeline. Borrowers with strong market positions and defensive business models continue to attract lender support. However, the Fund remains disciplined in its underwriting approach and continues to manage covenant-lite structures and transactions incorporating payment-in-kind (PIK) features, which have become prevalent recently in certain segments of the domestic market.

The Fund has committed $54 million across three senior secured corporate lending transactions, providing exposure to the healthcare, education and financial services sectors.

Warehouse financing, securitisation-related lending and specialty finance opportunities continue to form an important component of the opportunity set. Drawdown activity on the Funds outstanding commitments remains strong across residential mortgage, consumer finance and specialty lending platforms

The Fund continues to put its cash and cash substitutes of 17% to work. Expected settlements over the next three months will result in the Fund being considered fully invested.

Post settlements and interest rate resets the Fund is expected to generate a return of 4.7% over bank bills, equivalent to about a 9.5% yield to maturity with spread duration at 2.4 years. Low spread duration reduces the sensitivity of asset valuations to potential wider spread movement.

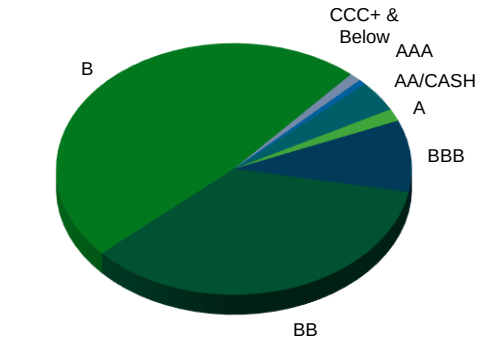
Post month end, there is one real estate position with a weighting of 1.5% that is currently on special mention (Special Mention is defined as an asset that is performing but requires increased monitoring). The position is first ranking and secured against established residential housing. The special 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 0.7%% weight on the watchlist.

The largest position is a senior secured loan to a private hospital operator. private hospital operator, which has been subject to a series of downgrades and revaluations over time. The position is rated D and represents a 0.5% weighting in the Fund. Recoveries are expected to be received this financial year. The workout process is expected to be resolved by year end post an acquisition of the business and operating hospitals. The other position represents a 0.2% weighting to a direct to retail business. There is a strategy currently in place to maximise recovery value over the short term.

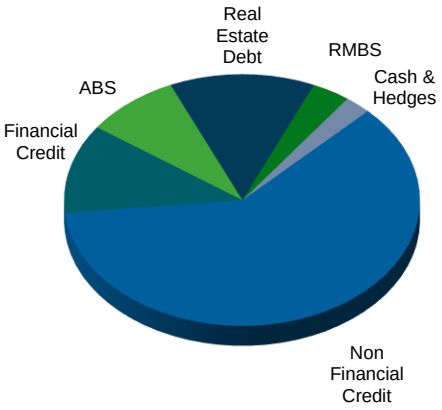
Market Conditions:

September was a challenging month for financial markets, with weakness across both credit and equity markets. Investors adjusted to higher government bond yields, renewed inflation risks and increased scrutiny of liquidity and valuations within segments of the Australian private credit market. The overarching theme was that higher interest rates were increasingly constraining asset prices, despite economic activity and corporate fundamentals remaining relatively resilient.

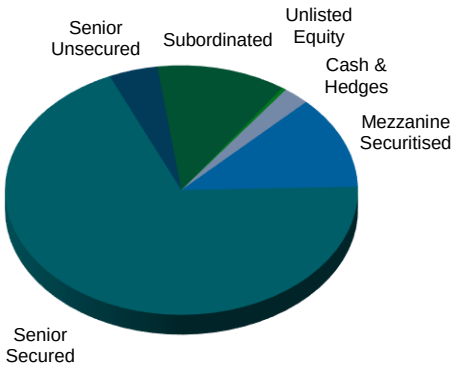
Fund Credit Quality



Fund Asset Allocation



Fund Ranking



The defining development was a sharp repricing of global interest rates. Government bond yields rose materially as central banks continued tightening and markets reassessed the likelihood of near-term rate cuts. Higher energy prices further reinforced inflation concerns and the prospect of rates remaining higher for longer.

Public credit performance was mixed. Investment-grade spreads were broadly stable, with Australian and US markets outperforming Europe, where fiscal concerns in France weighed on sentiment. Higher-risk credit weakened, with US high-yield and CCC spreads widening as heavy issuance and a higher-for-longer interest-rate outlook pressured market technicals and weaker borrowers.

Australian private credit faced increased valuation, liquidity and regulatory scrutiny during the month. Several listed private credit vehicles were suspended from trading while valuations were finalised, with subsequent adjustments reducing reported net tangible assets across three funds. The events followed redemption restrictions elsewhere in property-related private credit.

Regulatory attention intensified, with ASIC highlighting governance, controls and underwriting standards as areas requiring improvement and calling on managers to assess themselves against its 10 private credit principles. While these developments were manager-specific rather than indicative of broad deterioration, they reinforced the importance of manager selection, governance and liquidity management.

September was less a story of broad-based credit deterioration than one of increasing differentiation. Higher rates and renewed inflation risks placed greater pressure on duration and weaker borrowers, while more resilient areas of credit continued to attract investor demand. Meanwhile, developments in Australian private credit brought valuation, liquidity and governance considerations into sharper focus. Corporate fundamentals remained broadly resilient, but the consequences of leverage, illiquidity and weaker credit quality became more visible, reinforcing the importance of disciplined security selection in public markets and manager selection in private markets.

As always comments, questions and general feedback are welcome.

Warm regards,

Challenger Investment Management Team

For further information, please contact:

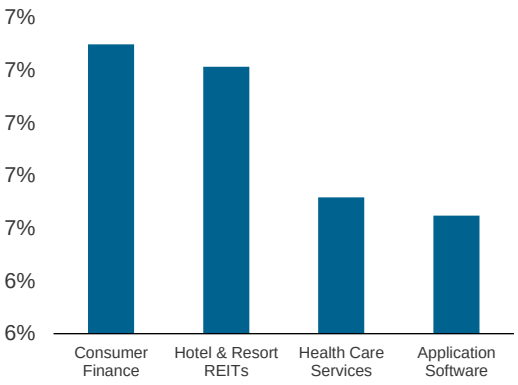
Linda Mead

Senior Institutional Business Development Manager

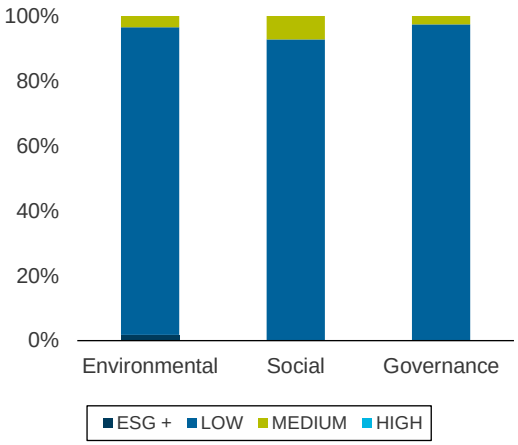
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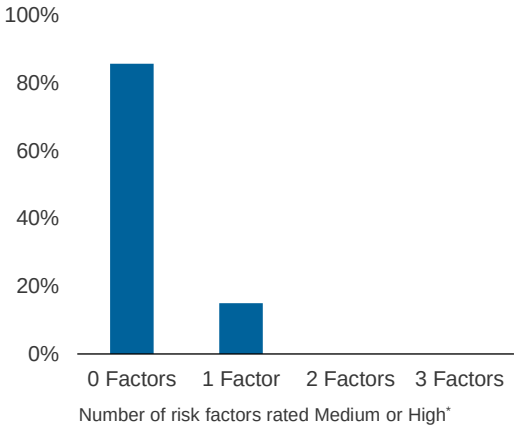
Top Industry Exposures



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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