

MARKET RELEASE

ASSETS AND FUNDS UNDER MANAGEMENT

ANNUITY SALES

16 April 2014, Sydney – Challenger Limited (ASX:CGF) today announced total group assets and funds under management at 31 March 2014, Life annuity sales and Funds Management net flows for the March 2014 quarter.

Total group assets and funds under management at 31 March 2014 was \$49.5 billion, an increase of 21% for the 12 months and 1% for the quarter.

Challenger Life annuity sales for the March 2014 quarter were \$496 million, an increase of 29% on the prior corresponding period (pcp). Retail annuity sales were \$478 million, an increase of 35% on pcp with strong growth achieved in both term and lifetime annuity products.

Challenger Chief Executive Officer Brian Benari said: "Retail annuity sales continue to be propelled by our product innovation and a rising number of baby boomer retirees. In what is seasonally our quietest sales period, we have maintained sales momentum and have further increased the share of retirement savings allocated to guaranteed income products.

"Challenger continues to revive Australia's lifetime annuity market with lifetime sales accounting for 30% of total retail annuity sales, up from 20% in the December 2013 quarter. Lifetime (Liquid Lifetime and Care Annuity) sales for the quarter were \$143 million, more than double that achieved in the March 2013 quarter.

"Sales of longer tenor products not only assist future net book growth but also enable investments in longer dated assets, such as property and infrastructure.

"With year-to-date retail annuity net book growth of 10.1%, we now expect to be at the upper end of our 2014 financial year guidance range for retail annuity net book growth of 10% to 12%¹.

"In Funds Management, total FUM now stands at \$45.7 billion, up 21% over the 12 months and up 2% over the quarter supported by \$0.5 billion of net flows into Fidante Partners" said Mr Benari.

¹ Excluding maturity of the High Yield Fund.

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Life

Life annuity sales for the March 2014 quarter were \$496 million, up from \$385 million in the pcp. Total Life annuity sales comprise retail sales of \$478 million (up from \$354 million) and institutional sales of \$18 million (down from \$31 million).

Retail annuity sales increased by 35% on the pcp, with the increase driven by strong growth in both fixed term and lifetime annuities. Fixed term annuity sales grew by 15% to \$335 million and lifetime annuity sales rose by 123% to \$143 million.

Retail annuity net book growth for the quarter was \$179 million (or 2.5%), bringing year-to-date retail annuity net book growth to 10.1%. Retail annuity net book growth excludes the maturity of the High Yield Fund annuity in March 2014.

Life AUM at 31 March 2014 was \$10.7 billion, down \$0.2 billion for the quarter. The reduction in Life AUM reflects the maturity of the High Yield Fund annuity (\$0.3 billion), which was partly offset by retail annuity net book growth of \$0.2 billion.

Following the maturity of the High Yield Fund annuity, a relatively small number of customer balances (~\$30 million) were reinvested into another Challenger annuity in April 2014. As expected, reinvestment rates on the High Yield Fund annuity were significantly lower than the average reinvestment rates on Challenger's broader annuities business, which remained around 80% during the March 2014 quarter.

For the 2014 financial year, Life's cash operating earnings guidance remains unchanged at a range of between \$470 million and \$480 million.

Funds Management

Funds Management FUM at 31 March 2014 was \$45.7 billion, up 21% for the 12 months and up 2% (\$0.7 billion) for the quarter. Quarterly FUM growth was driven by Fidante Partners (up \$1.0 billion), partly offset by Challenger Investment Partners (down \$0.3 billion).

Fidante Partners FUM was \$34.7 billion at 31 March 2014, an increase of 31% for the 12 months and up 3% (\$1.0 billion) for the quarter. The increase in Fidante Partners quarterly FUM was due to both positive investments markets (\$0.5 billion) and positive net flows (\$0.5 billion).

Challenger Investment Partners FUM was \$11.0 billion at 31 March 2013, decreasing by 3% (\$0.3 billion) for the quarter. The reduction in FUM is as a result of lower fixed income managed on behalf of Challenger Life, following the maturity of the High Yield Fund annuity.

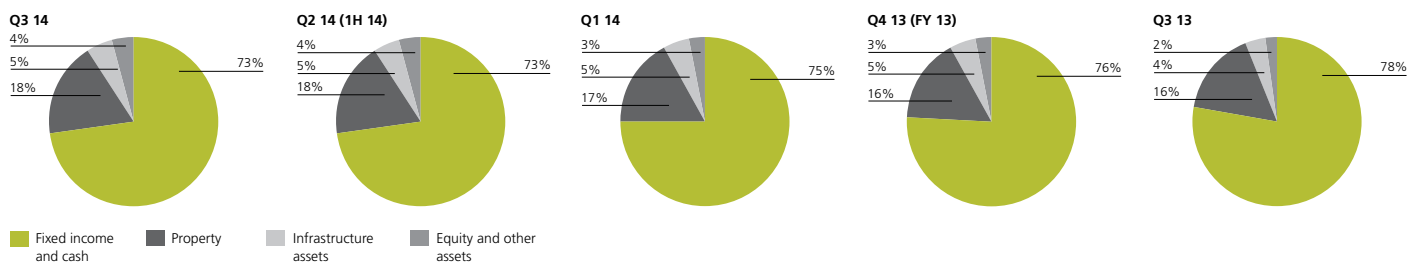
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Assets and Funds Under Management, net flows and sales

\$m	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Total Assets and Funds Under Management	49,502	48,814	46,062	44,770	40,873
Represented by:					
Funds Management					
Fidante Partners¹					
Equities	16,570	16,384	15,678	15,132	13,409
Fixed income	18,104	17,287	15,397	14,625	13,005
Total Fidante Partners	34,674	33,671	31,075	29,757	26,414
Challenger Investment Partners²					
Fixed income ³	6,057	6,358	6,861	6,699	7,621
Property					
Institutional mandates	3,160	3,157	3,048	2,921	2,199
Challenger Diversified Property Group (ASX:CDI) (gross assets)	888	888	894	888	883
Infrastructure					
Institutional mandates	896	912	862	838	677
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	–	–	–	–	4
Total Challenger Investment Partners	11,001	11,315	11,665	11,346	11,384
Total funds under management	45,675	44,986	42,740	41,103	37,798
Average Fidante Partners	34,024	32,306	30,675	29,023	25,460
Average Challenger Investment Partners	11,203	11,449	11,426	11,417	11,478
Average total funds under management⁴	45,227	43,755	42,101	40,440	36,938
Life					
Fixed income and cash ⁵	7,746	7,983	7,886	8,219	8,002
Property ⁵	1,955	1,952	1,821	1,761	1,575
Infrastructure ⁵	518	521	508	488	414
Equity and other	431	433	368	319	241
Total Life investment assets	10,650	10,889	10,583	10,787	10,232
Average Life investment assets⁴	10,939	10,655	10,732	10,503	10,239

Life asset allocation



¹ Fidante Partners comprise a number of separately branded active boutique investment managers from which Fidante receives distribution and administration fees. Fidante Partners also shares in the profits from these businesses through its equity ownership.

² Challenger Investment Partners develops and manages products for the Life business and third party institutional investors.

³ Fixed income (including asset backed securities).

⁴ Average total funds under management and Life investments calculated on a monthly basis.

⁵ Fixed income, property and infrastructure are reported net of debt.

Analysis of flows	Q3 14	Q2 13	Q1 14	Q4 13	Q3 13
Funds Management net flows					
Fidante Partners	516	1,632	(368)	3,626	1,176
Challenger Investment Partners	(262)	(325)	175	(104)	56
Net flows	254	1,307	(193)	3,522	1,232
Life sales					
Fixed Term	335	592	595	678	290
Lifetime	143	151	119	92	64
Total Retail	478	743	714	770	354
Institutional	18	273	18	–	31
Sales	496	1,016	732	770	385
Reconciliation of Total Group Assets and Funds Under Management					
Funds Management (FUM)	45,675	44,986	42,740	41,103	37,798
Life investment assets	10,650	10,889	10,583	10,787	10,232
Adjustments to remove double counting of cross holdings:					
Life Company investment in CDI and CIF	(342)	(341)	(344)	(338)	(327)
Life Company investment in fixed income, property and infrastructure	(6,481)	(6,720)	(6,917)	(6,782)	(6,830)
Total Assets and Funds Under Management	49,502	48,814	46,062	44,770	40,873