

**CHALLENGER SELLS KAPSTREAM EQUITY INTEREST AND ENTERS NEW DISTRIBUTION
AND SERVICE AGREEMENTS WITH KAPSTREAM AND JANUS**

2 July 2015, Sydney – Challenger Limited (ASX:CGF) today announced the sale of its 25% equity interest in Australian based global fixed income fund manager, Kapstream Capital Pty Limited (Kapstream), to Janus Capital Group Inc. (Janus), a US-based global investment business, for \$45 million.

The sale provides opportunities to further develop Kapstream and Challenger's Fidante Partners businesses.

Kapstream will reinforce Janus's global fixed income capabilities, with Kapstream's Chief Investment Officer, Kumar Palghat, joining with the globally recognised fixed income investor Bill Gross, as part of Janus's global macro fixed income business. The combined business will operate jointly from Kapstream's existing base in Sydney and Janus's Newport Beach, California, office. Kapstream will continue to operate in Australia under its own brand with no change to its Australian activities, investment approach and client services.

Challenger's Chief Executive Officer, Brian Benari, said: "We are not naturally a seller of our boutique funds management equity interests but this transaction provides unique opportunities to develop Kapstream's and Fidante Partners' businesses.

"It realises value for shareholders; it provides continuity to Kapstream's clients and business operations, through new service agreements which we have signed with Kapstream and Janus; and it opens the door for further long term strategic collaboration between the firms, including product development and distribution."

Challenger backed the formation of Kapstream in 2007. Challenger's multi-boutique funds management division, Fidante Partners, will continue to distribute Kapstream products to Australian retail investors and provide operational services.

Challenger will recognise a \$40 million pre-tax profit from the sale of its 25% equity interest in Kapstream, with the profit on sale recognised in the 2016 financial year.

Following the sale, Fidante Partners will no longer receive equity distributions from Kapstream, however, it will receive administration and distribution fees. As a result, over the medium term, Fidante Partners' normalised earnings are not expected to be negatively impacted.

Fidante Partners and Kapstream have issued a joint media release today. A copy is attached.

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Further enquiry: Stuart Kingham, Head of Investor Relations, Challenger Limited, 02 9994 7125
Paul Marriage, Senior Manager Corporate Communications, 02 9994 7053

About Challenger

Challenger Limited (Challenger) is an investment management firm managing \$60.4 billion in assets, as at 31 March 2015. It is focused on providing Australians with financial security in retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

About Kapstream

Kapstream Capital Pty Limited is a global fixed income asset manager focused on delivering innovative solutions to its clients. With A\$8.7 billion in assets under management, as at 31 March 2015, Kapstream is one of the pioneers in long-only unconstrained and benchmark agnostic fixed income strategies. Based in Sydney, Australia, Kapstream opened the firm's first offshore office in Newport Beach, California, in 2013.

Founded by Kumar Palghat and Nick Maroutsos, Kapstream has grown steadily over the past eight years with clients in both Australia and the United States. To date, Kapstream has ten staff and is led by three investment principals, Mr Palghat, Mr Maroutsos and Steve Goldman.

About Janus Capital Group, Inc.

Janus Capital Group Inc. (Janus) is a global investment firm dedicated to delivering better outcomes for clients through a broad range of actively managed investment solutions, including fixed income, equity, alternative and multi-asset class strategies.

It does so through a number of distinct investment platforms, including investment teams within Janus Capital Management LLC, Enhanced Investment Technologies and Perkins Investment Management LLC, in addition to a suite of exchange-traded products under VelocityShares. Each team brings distinct asset class expertise, perspective, style-specific experience and a disciplined approach to risk. Investment strategies are offered through open-end funds domiciled in both the US and offshore, as well as through separately managed accounts, collective investment trusts and exchange-traded products.

At the end of March 2015, Janus managed approximately US\$189.7 billion in assets for shareholders, clients and institutions around the globe. Based in Denver, Colorado, Janus also has offices in London, Milan, Singapore, Hong Kong, Tokyo, Melbourne, Paris, The Hague, Zurich, Frankfurt, Dubai and Taipei.

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Disclaimer: The forward looking statements, estimates and projections contained in this release are not representations as to future performance and nothing in this release should be relied upon as guarantees or representations of future performance.



MEDIA RELEASE

Kapstream advances US expansion plans with sale of controlling interest to Janus Capital Group

2 July 2015, Sydney – The founding shareholders of leading Australian global fixed income fund manager Kapstream Capital Pty Limited have accelerated the firm's US market ambitions by selling a 51% interest in the firm to Janus Capital Group Inc. (Janus), a US-based global investment business with US\$189.7 billion in assets under management as of 31 March 2015.

Kapstream is one of the pioneers in managing unconstrained fixed income portfolios. Their strategies will also now be distributed in the US and other international markets under the Janus brand as part of the Global Macro Fixed Income business currently run by Bill Gross, the founder of PIMCO. Mr Gross worked with Kapstream founder and Chief Investment Officer Kumar Palghat at PIMCO between 1997 and 2006.

"This is an incredibly exciting opportunity for Kapstream's Australian clients and our staff. Having spent nearly a decade apart refining our own approaches to global unconstrained fixed income investing, Bill and I will now pool our combined thinking to the benefit of Kapstream and Janus Global Macro Fixed Income clients," said Mr Palghat.

"Kumar Palghat, Steve Goldman and Nick Maroutsos are simply great people and great investors," said Richard Weil, Chief Executive Officer of Janus Capital. "We are delighted to offer our clients the highest level of macro fixed income investment expertise with Bill Gross, Kumar Palghat and the highly sophisticated professionals that make up the Kapstream team."

Kapstream will continue to operate under its own brand in Australia as it does today, with no change to its Australian activities, investment approach, style, objectives or client service. Fidante Partners will continue to provide distribution and operational support services to Kapstream in Australia through renewed Administration, Distribution and Responsible Entity service agreements.

In order to facilitate this transaction, Fidante Partners has divested all of its 25% shareholding. Janus holds an option to acquire the remaining 49% of the company from Kapstream's principals in the future, with long term incentive structures in place to retain investment personnel.

Challenger's Chief Executive, Funds Management, Ian Saines said: "As Kapstream's partner for the last eight years we recognised that this was a unique, transformative

Further enquiry:
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opportunity for Kapstream, its clients and for Fidante Partners, Challenger's multi-boutique business. Kapstream and Janus have a lot more in common than just attracting two of the world's leading fixed income investors and we are excited to partner with both organisations and explore new growth opportunities together."

The Janus Global Unconstrained Bond strategy and the Kapstream Absolute Return Income strategy share a similar philosophy and approach to portfolio construction, focusing on a global opportunity set, investment flexibility and prudent risk management philosophies.

Kapstream also adopts a top-down macro approach similar to that used by the Janus Global Unconstrained Bond strategy in determining the headline structure of portfolios.

Both strategies strive to provide greater diversification as well as a low correlation to other assets by avoiding the structural biases of conventional core fixed income portfolio management.

Kumar Palghat and Nick Maroutsos established Sydney-based Kapstream in 2007 with the financial backing of Challenger Limited's multi-boutique funds management business (now known as Fidante Partners) and opened the firm's first offshore office in Newport Beach, California, in 2013. Steve Goldman joined the firm in 2010. All three Kapstream principals' have worked with Bill Gross and PIMCO previously. Kapstream managed approximately A\$8.7 billion (US\$6.6 billion) in assets, as at 31 March 2015.

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Kapstream Capital

Kapstream Capital Pty Limited is a global fixed income asset manager focused on delivering innovative solutions to its clients. With A\$8.7 billion in assets under management as of 31 March 2015, Kapstream is one of the pioneers in long-only unconstrained and benchmark agnostic fixed income strategies. Based in Sydney, Australia, Kapstream also has offices in Newport Beach, California.

Founded by Kumar Palghat and Nick Maroutsos, Kapstream has grown steadily over the past eight years with clients in both Australia and the United States. To date, Kapstream has ten staff and is led by three investment principals, Mr Palghat, Mr Maroutsos and Steve Goldman.

Fidante Partners

The Fidante Partners division of Challenger forms long-term alliances with talented investment professionals to create, grow and support specialist, boutique funds management businesses.

By providing a broad range of integrated services to each specialist fund manager, Fidante Partners frees up investment teams to focus on what they do best: investing and managing assets. Since the establishment of the boutique firm in 2005, Fidante Partners has grown to form alliances with a portfolio of 14 boutique funds management businesses. As at 31 March 2015, Fidante Partners was responsible for A\$45.1 billion of funds under management.

Fidante Partners is part of Challenger Limited (Challenger), an Australian financial services firm listed on the Australian Securities Exchange (ASX:CGF).

Janus Capital Group, Inc.

Janus Capital Group Inc. (Janus) is a global investment firm dedicated to delivering better outcomes for clients through a broad range of actively managed investment solutions, including fixed income, equity, alternative and multi-asset class strategies.

It does so through a number of distinct investment platforms, including investment teams within Janus Capital Management LLC, Enhanced Investment Technologies and Perkins Investment Management LLC, in addition to a suite of exchange-traded products under VelocityShares. Each team brings distinct asset class expertise, perspective, style-specific experience and a disciplined approach to risk. Investment strategies are offered through open-end funds domiciled in both the US and offshore, as well as through separately managed accounts, collective investment trusts and exchange-traded products.

At the end of March 2015, Janus managed approximately US\$189.7 billion in assets for shareholders, clients and institutions around the globe. Based in Denver, Colorado, Janus also has offices in London, Milan, Singapore, Hong Kong, Tokyo, Melbourne, Paris, The Hague, Zurich, Frankfurt, Dubai and Taipei.

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