

# Challenger Guaranteed Income Fund (for IDPS investors)

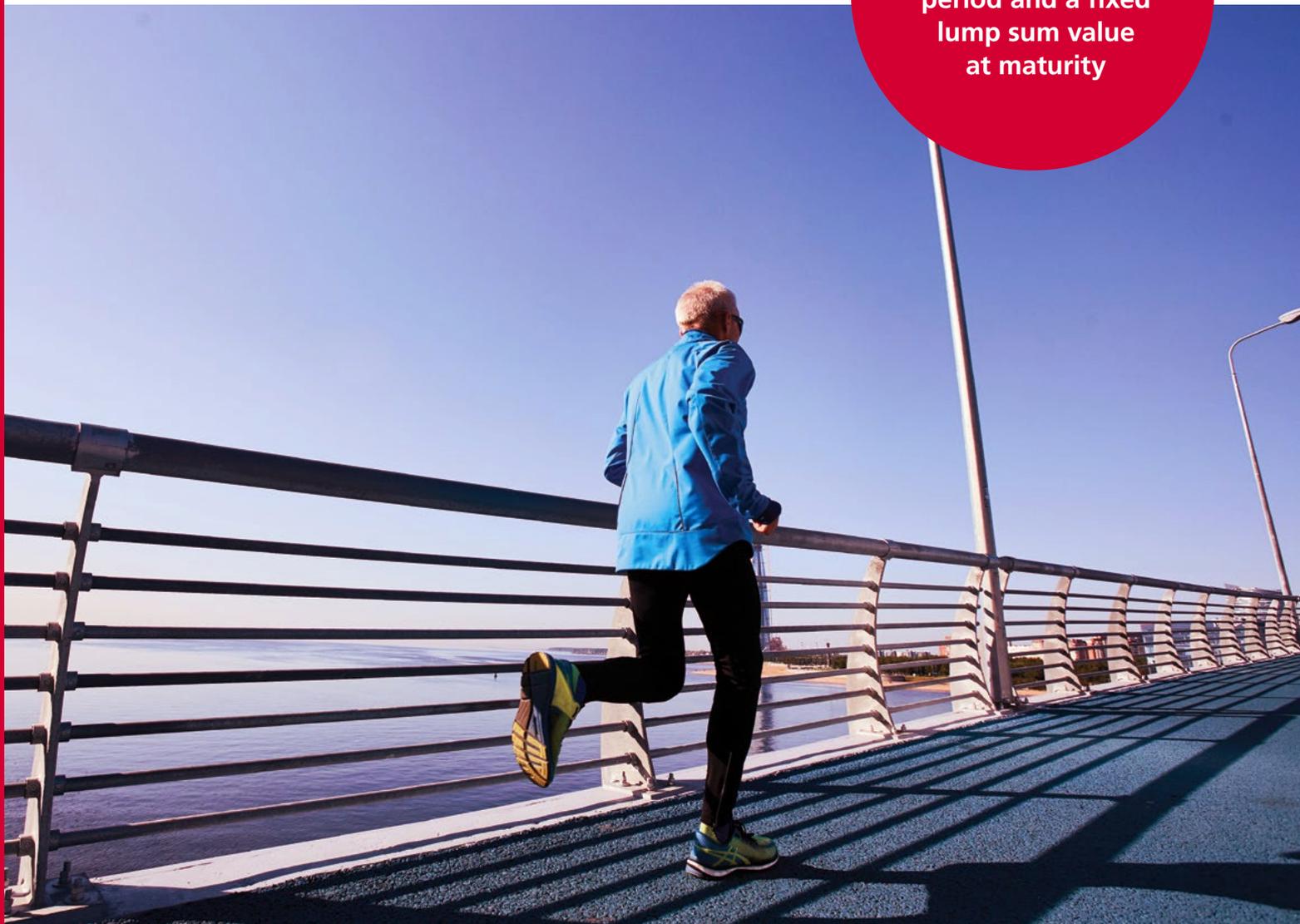
**Product Disclosure Statement (PDS)**

Dated 17 October 2022  
Challenger Guaranteed Income Fund  
(ARSN 139 607 122)

**Responsible Entity**

Fidante Partners Services Limited  
(ABN 44 119 605 373)  
(AFSL 320505)

Known monthly  
income for a fixed  
period and a fixed  
lump sum value  
at maturity



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## Important notices

This PDS relating to the Fund is dated 17 October 2022 and is issued by Fidante Partners Services Limited (ABN 44 119 605 373) (AFSL 320505) (**Fidante**, also referred to as **we, us, our** or the **responsible entity** throughout this PDS). The Fund is managed by Fidante who is the responsible entity of the Fund. An investment in the Fund gives unitholders a beneficial interest in all the assets of the Fund as a whole.

Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (**Challenger Life**), a related body corporate of us, is the provider of the annuities and derivatives in which the Fund invests. Challenger Life is a registered life company under the Life Insurance Act 1995 (Cth), and is regulated by the Australian Prudential Regulation Authority (**APRA**). The annuities and derivatives Challenger Life issues are referable to its Statutory Fund No. 2 (**Statutory Fund**) which it is required to maintain under the Life Insurance Act 1995 (cth) (**Life Act**). The Fund, however, is not regulated by APRA. While the aim of the Fund is to gain exposure to annuities issued by Challenger Life, unitholders in the Fund do not have an entitlement to a particular underlying annuity contract or its income stream.

We and Challenger Life are part of a group of companies, whose ultimate parent is Challenger Limited (ABN 85 106 842 371) (**Challenger Group**). The Statutory Fund is contractually obliged to support the guaranteed income and capital payments to the Fund associated with the annuities and derivatives in which the Fund invests. No company in the Challenger Group guarantees the repayment of your capital from the Fund or the performance of your investment in the Fund or any particular taxation consequences of investing in the Fund. For more information on the guarantees, please refer to 'About the guarantees' on page 10.

We authorise the use of this PDS as disclosure to investors and potential investors (**indirect investors**) who wish to access the Fund through an operator of investor-directed portfolio services (**IDPS**), IDPS-like schemes, master trusts, wrap accounts or other pooled investment schemes (**IDPS operator**). This PDS may also be used for direct investment by IDPS operators.

By making an investment in the Fund you confirm you have received a copy of the current PDS (including all current supplementary PDS(s) that may supplement the original PDS and any incorporation by reference information) to which this investment relates, that you have read it and agree to the terms contained in it, and that you agree to be bound by the terms of the current PDS (including all current supplementary PDS(s) that may supplement the original PDS and any incorporation by reference information) and current Fund constitution (each as amended from time to time).

The offer or invitation to subscribe for units in the Fund under this PDS is only available to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS. We reserve the right to accept or decline applications and reserve the right to change these terms and conditions. Notice would be provided before or as soon as practicable after the change occurs.

We also reserve the right to withdraw the offer or invitation to subscribe for units or a class and withdraw this PDS.

Goods and Services Tax (**GST**) is not payable on the issue, withdrawal or transfer of units in the Fund, as these are input-taxed financial supplies for GST purposes. Unless otherwise stated, any fees and costs are quoted inclusive of any GST and net of any reduced input tax credits that are expected to be available to the Fund.

Challenger Life has provided its consent to the statements in this PDS and any incorporation by reference information about it, in the form and context in which it is included. It was not involved in the preparation and distribution of this PDS or any incorporation by reference information and is not responsible for the issue of this PDS, nor is it responsible for any particular part of this PDS or any incorporation by reference information, other than those parts that refer to it. It has not withdrawn its consent before the date of this PDS.

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## About this Product Disclosure Statement (PDS)

This document provides information to help you and your financial adviser assess the merits of investing in the Challenger Guaranteed Income Fund (ARSN 139 607 122) (Fund) and to compare this Fund with other investment opportunities on offer. We strongly encourage you to read this document in full before making an investment decision.

When you invest in the Fund, you invest in a class of units in the Fund. The current classes of units which are available for investment and to which this PDS relates are available at [challenger.com.au/funds/cgifibr/classes](http://challenger.com.au/funds/cgifibr/classes). A paper copy of information about the classes to which this PDS relates will be given to you on request, free of charge. From time to time we can issue new or close existing classes, and information about this will be updated on our website.

In preparing this PDS, we did not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider whether investing in the Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice, particularly about such individual matters as taxation, retirement planning and investment risk tolerance.

### Updated information

The information in this PDS is up-to-date at the time of preparation. However, some information and terms (see below) can change from time to time and you can obtain updated information as set out below. If a change is considered materially adverse, we will issue a supplementary or replacement PDS.

For updated or other information about the Fund, please consult your IDPS operator (as defined below), your financial adviser or visit our website [challenger.com.au](http://challenger.com.au). We will also send you a copy of the updated information free of charge upon request.

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## Important terms

<b>application open period</b>	Period when applications to invest in a class will be accepted by us.
<b>application unit price</b>	Price at which units in a class are issued by us and calculated to four decimal places.
<b>class</b>	When you invest, you are investing in a particular class of units in the Fund. Each class has its own commencement date, distribution, maturity date and certain assets and liabilities referable to it.
<b>commencement date</b>	Date a particular class initially opens to receive applications.
<b>distribution</b>	The fixed specified distribution amount for a class, payable monthly, per unit held as at the last day of each month.
<b>early withdrawal</b>	Withdrawal of units prior to the maturity date for the applicable class.
<b>early withdrawal unit price</b>	The unit price that applies on an early withdrawal.
<b>earnings rate</b>	The earning rate determined by Challenger Life that applies from time to time to the securities acquired by the Fund.
<b>investment term</b>	Period from an investor's investment date to the maturity date.
<b>investment date</b>	Date we receive and accept an application to invest in the Fund.
<b>maturity date</b>	Date a particular class ends and the date at which the maturity value is calculated.
<b>maturity unit price</b>	The unit price that applies as at the maturity date, which is \$1.0000 and calculated to four decimal places.
<b>maturity value</b>	The dollar amount payable as at the maturity date in respect of the total number of units held in the class.
<b>monthly distribution amount</b>	The dollar amount distributed each month in respect of the total number of units held in a class as at the last day of each month.
<b>securities</b>	Collectively, the annuities and derivatives that form part of the assets of the Fund.
<b>unitholder</b>	IDPS operator who invests directly into the Fund.
<b>you/your</b>	Potential investors who wish to access the Fund through an IDPS operator.

## Features at a glance

		More information
Minimum transaction and balance requirements	You need to comply with any minimum transaction and balance requirements of your IDPS operator.	'Managing your investment' on pages 19 to 22.
<b>Fees and other costs</b>		
Establishment fee	Nil	'Fees and other costs' on pages 15 to 18.
Contribution fee	Nil	
Withdrawal fee	Nil (refer to 'Early withdrawals' below).	
Exit fee	Nil	
Management costs	Nil	
Switching fee	Nil	
<b>Risks of investing in the Fund</b>	A degree of risk applies to all types of investments, including investments in the Fund. The significant risks are described on pages 12 to 14.	'About the risks of investing' on pages 12 to 14.
<b>Managing your investment</b>		
Classes	<p>An investment will be made in a particular class of the Fund. Each class of the Fund has its own particular commencement date, distribution, maturity date and certain assets and liabilities referable to it.</p> <p>An up-to-date list of the classes currently open for investment is available at <a href="http://challenger.com.au/funds/cgifibr/classes">challenger.com.au/funds/cgifibr/classes</a></p>	'How does the Fund work?' on pages 5 and 6.
Investing	Investments can only be made during the application open period. To invest, simply complete the documentation required by your IDPS operator. Your IDPS operator can only apply for units in a particular class on your behalf during the application open period.	'Managing your investment' on pages 19 to 22.
Early withdrawals	The Fund is designed for you to hold your investment for your full investment term until the class maturity date. Early withdrawals will be processed using the early withdrawal unit price (which includes an early withdrawal discount), and you may receive significantly less back than you would if you held your investment until the relevant maturity date.	'Death-related early withdrawals' on page 20.
Death-related early withdrawals	Early withdrawals may also be requested by an IDPS operator where requested by the executor or administrator of a deceased person.	
Transaction cut-off times	Valid transaction requests must be received by your IDPS operator by their relevant cut-off times. Please contact your IDPS operator for details of their transaction times. Your IDPS operator must lodge all valid transaction requests with us prior to 3pm Sydney time to be processed effective that day.	
<b>Distributions</b>		
Frequency	Monthly	'Distribution payments' on page 24.
Payment methods	Distributions will be paid to your IDPS operator as soon as practicable after the end of the distribution period.	
Re-investment	The Fund does not offer the re-investment of distributions due to the product structure.	
<b>Valuations and pricing</b>		
Valuing the Fund's assets	Usually valued each Sydney business day.	'Unit prices and valuing assets and liabilities' on pages 23 and 24.
Unit pricing	Usually calculated each Sydney business day. Unit pricing for death-related early withdrawals will usually be calculated on a Sydney non-business day.	

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## About the Fund

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<b>Suggested investment timeframe for each class</b>	<p>Until the class maturity date.</p> <p>You should be aware that if you withdraw before the class maturity date, you may receive significantly less back than if you held your investment until the class maturity date (refer to 'Early withdrawals' on page 20 for further details). You should not invest in the Fund unless your intention is to remain fully invested until the class maturity date.</p>
<b>Investment type</b>	<p>The Fund is a registered managed investment scheme.</p>
<b>Investment objective</b>	<p>The Fund aims to provide a specified and regular income until maturity as well as a maturity unit price of \$1.0000 per unit by investing in securities provided by Challenger Life.</p>
<b>Investment strategy and universe</b>	<p>The Fund will predominantly invest in annuities provided by Challenger Life that closely match the income and maturity profile of the relevant class. For the purpose of managing the Fund's cash flow, the Fund will also invest in derivatives provided by Challenger Life. The Fund may also hold cash.</p>
<b>Investment approach</b>	<p>To invest in annuities together with derivatives (collectively referred to as 'securities') provided by Challenger Life, the terms of which support the distribution and maturity unit price of each class. The securities provided by Challenger Life are referable to Challenger Life's Statutory Fund.</p> <p>Challenger Life will invest the assets of the statutory fund. Generally, the fund will be invested in cash, shares, government and corporate bonds, convertible notes, debt instruments, geared and ungeared property investments, infrastructure investments and other assets. The underlying investment objectives of the Statutory Fund include:</p> <ul style="list-style-type: none"><li>• achieving consistent returns from investments that ensure that the guaranteed rate of return offered to policyholders is earned; and</li><li>• matching the liability cash flows with cash flows receivable from the underlying assets.</li></ul> <p>Both the Statutory Fund and Challenger Life are subject to prudential supervision by APRA. The Fund, however, is not regulated by APRA.</p> <p>For information on the guarantees relating to the Fund, please refer to 'About the guarantees' on page 10.</p>
<b>Derivatives</b>	<p>The Fund's constitution permits the use of derivatives. The Fund will invest in derivatives provided by Challenger Life to manage the Fund's cash flows. We do not, however, intend to gear the Fund through the use of derivatives.</p>
<b>Labour standards or environmental, social or ethical considerations</b>	<p>We take account of labour standards and environmental, social and ethical considerations in selecting, retaining and realising an investment through its adherence with Challenger Limited policies related to responsible investment.</p> <p>Challenger Limited is a signatory to the Principles of Responsible Investment (PRI) and aims to be a responsible investor by considering environmental, social and governance (ESG) factors when investing the assets of the statutory fund. In signing up to PRI, Challenger Limited has committed to extending ESG integration activities across its investments, as it recognises that such factors are important factors impacting investment performance over the longer term. While Challenger Life takes into account ESG considerations when investing the assets of the statutory fund, it does not adhere to any particular set of standards and has no predetermined view as to what constitutes such considerations, or the extent to which they will be taken into account in its investment management practices.</p>
<b>Asset allocation ranges</b>	<p>Securities and cash      100%</p>

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## What type of Fund is this?

The Fund is a registered managed investment scheme that predominantly invests in annuities and derivatives provided by Challenger Life. An annuity is a life insurance contract that provides a series of regular payments received for an agreed period of time in return for the payment of a lump sum of money. The Fund offers investors the opportunity to invest in units that provide a specified and regular income until maturity as well as a maturity unit price of \$1.0000 per unit.

While the aim of the Fund is to gain exposure to annuities issued by Challenger Life, unitholders in the Fund do not have any entitlement to a particular underlying annuity contract or its income stream.

## How does the Fund work?

### Classes

When you invest in the Fund, you purchase units in a particular class of the Fund. Units in a class are purchased at the applicable application unit price as at your investment date. Please refer to 'Application unit price' on page 23 for information on how this unit price is calculated.

For each class we will set a particular commencement date, distribution and maturity date. An up-to-date list of the classes currently on offer is available at [challenger.com.au/funds/cgifibr/classes](http://challenger.com.au/funds/cgifibr/classes).

### The earnings rate

Challenger Life sets an earnings rate for the securities referable to each class. This earnings rate is generally set weekly in advance.

The earnings rate is important because the rate that applies on the commencement date of a class will determine the distribution offered (refer to 'Regular income (distribution)' on page 6).

The earnings rate is also important because the rate that applies as at your investment date will determine the application unit price at which you purchase units.

If, on your investment date, the earnings rate had increased from that which applied on the class commencement date, the application unit price would decrease, meaning you would be able to purchase units at a lower price (without taking into account any accrued income).

Conversely, if on your investment date, the earnings rate had decreased from that which applied on the class commencement date, the application unit price would increase, meaning you would be able to purchase units at a higher price (without taking into account any accrued income).

The earnings rate that applies as at any early withdrawal date will also be relevant in determining the early withdrawal unit price.

For more information on how the application unit price and early withdrawal unit price are calculated, please refer to 'Application unit price' and 'Early withdrawal unit price' on page 23.

The earnings rate, as at your investment date, is also a reflection of the return you will receive on your investment (per unit) assuming you hold your units until the class maturity date. This is outlined below.

For this example, assume the following:

- On 1 April 2021, Challenger Life sets an earnings rate at 1.50% per annum.
- On 1 April 2021, we issue a new class, which has the following characteristics:
  - a commencement date of 1 April 2021;
  - an initial application unit price of \$1.0000;
  - a distribution of 1.50 cents per annum per unit, which equates to 0.125 cents per month per unit; and
  - a maturity date of 30 June 2024.
- On 1 July 2021, Challenger Life sets the earnings rate at 2.00% per annum.
- To reflect this increased earnings rate, the application unit price for the class decreases to \$0.9854.

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1 July 2021	You invest \$100,000 into the class at an application unit price of \$0.9854 and therefore receive 101,481.6318 units.
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1 July 2021 – 30 June 2024	You receive a distribution of 1.50 cents per annum per unit, which equates to \$1,522.22 per annum or \$126.85 per month.
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30 June 2024	You receive \$1.0000 per unit at class maturity date which equates to \$101,481.63.
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In summary, you invested \$100,000 at the beginning and received a total of \$106,048.31 over three years, which equates to an annualised return on units of 2.00% on your initial investment (assuming you hold your units until the applicable maturity date).

For the current earnings rates applicable to the classes on offer, please contact your financial adviser or IDPS operator.

### **Regular income (distribution)**

Each class will offer a specified distribution which provides the security of receiving regular income via monthly distribution payments throughout your investment term.

The actual dollar amount you will receive each month is determined by this specified distribution and the number of units you hold as at the last day of each month.

If you invest part way through a month, you will still receive the full distribution for that month.

For example, if the class you are invested in has a distribution of 0.1 cents per unit per month, and you hold 100,000 units as at the last day of the month, you would receive a distribution amount of \$100 ( $\$0.001 \times 100,000$  units).

The specified distribution applies to all investors in that class and will not change throughout the life of that class.

Challenger Life provides certain guarantees in relation to the securities it provides which generate returns that equal the distribution and the maturity unit price it provides to the responsible entity (refer to 'About the guarantees' on page 10 for more information).

### **Final payment on maturity**

As at the class maturity date, we will process one final distribution and a redemption being your maturity value, and then terminate the class. Once a class is terminated, your investment in the class will cease and you will not be able to invest in, switch or withdraw from the class.

We will make this final payment to your IDPS operator as soon as practicable after the class maturity date. You should check with your IDPS operator to see when they will pass this final payment onto you.

Your maturity value is calculated using the maturity unit price of \$1.0000 per unit. The actual dollar amount you receive as your maturity value will depend on the number of units you hold as at the class maturity date. For example, if you held 100,000 units as at the class maturity date, you would receive \$100,000 as your maturity value ( $\$1.0000 \times 100,000$  units).

The final payments as at the class maturity date would therefore be, for example, your final regular monthly distribution amount of \$100 plus your maturity value of \$100,000.

It is important to note that there is a relationship between your maturity value, distribution and the application unit price at which you purchase units. As the distribution and maturity unit price are fixed at the commencement of the relevant class, any changes to the underlying earnings rate applicable to new investments will be reflected in the application unit price.

Where the application unit price is above \$1.0000 (reflecting the fact that the underlying earnings rate has reduced since the commencement of the class), the investor will be effectively paying a premium for the higher distributions built into the relevant class.

Where the application unit price is below \$1.0000 (reflecting the fact that the underlying earnings rate has increased since the commencement of the class), the investor will receive the benefit of the higher earnings rate through buying the set distribution and final maturity value of \$1.0000 at a discount to the initial application price of \$1.0000.

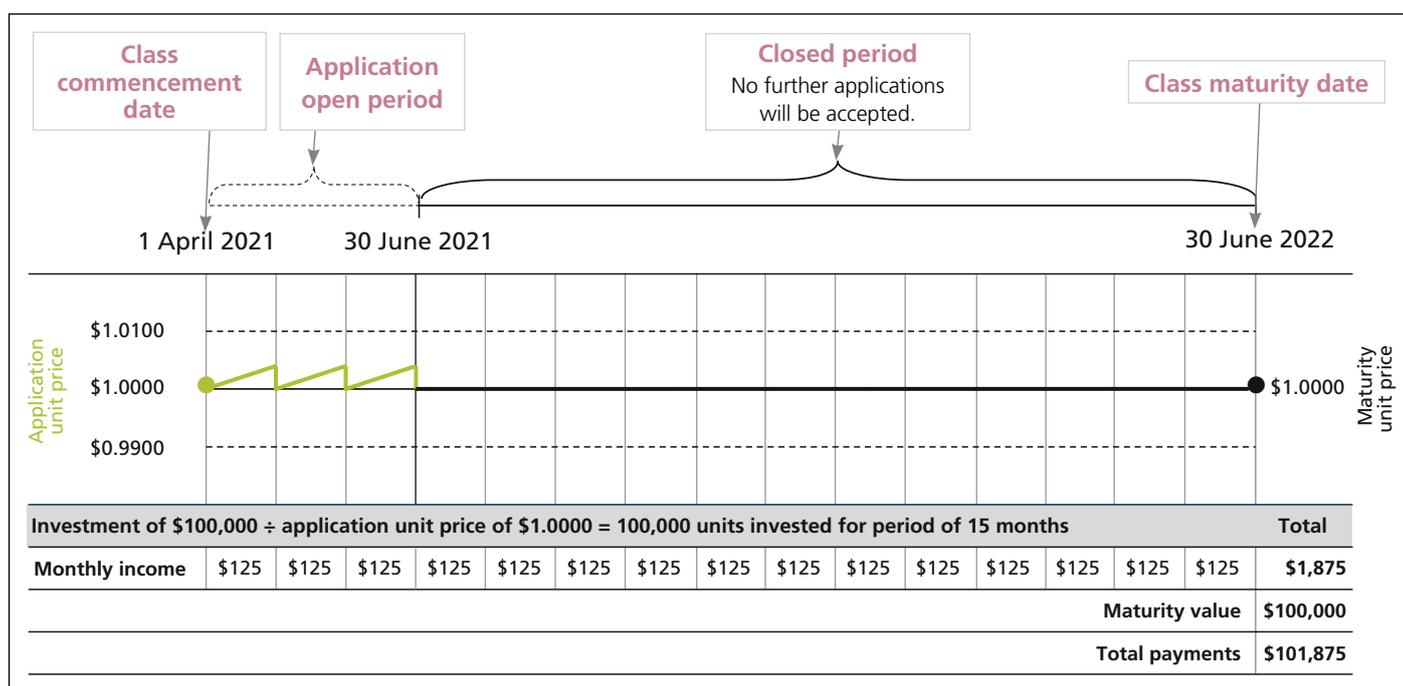
## Scenarios

The scenarios below are provided to help demonstrate how an investment in the Fund works. They are indicative only and use rates and figures selected by us to demonstrate how a class works. They are not based on any investor's particular investment objectives, financial situation or needs and it is recommended investors obtain independent advice before deciding to invest.

**The Fund is designed for you to hold your investment for your full individual investment term, until the class maturity date. You should not invest in the Fund unless your intention is to remain fully invested until the class maturity date.**

### Scenario 1: Investing on the class commencement date when the application unit price is \$1.0000

In this scenario, the earnings rate is set at 1.50% p.a. and does not change before your investment date. The application unit price on your investment date is \$1.0000.



The diagram above is illustrative only and not to scale, and figures used in the graph and assumptions may have been rounded. Please note the application unit price movements in the graph above include accrued income.

Based on holding your investment until the class maturity date and the assumptions below, if you invested \$100,000 on the class commencement date, when the earnings rate was 1.50% p.a. and the application unit price was \$1.0000, you would:

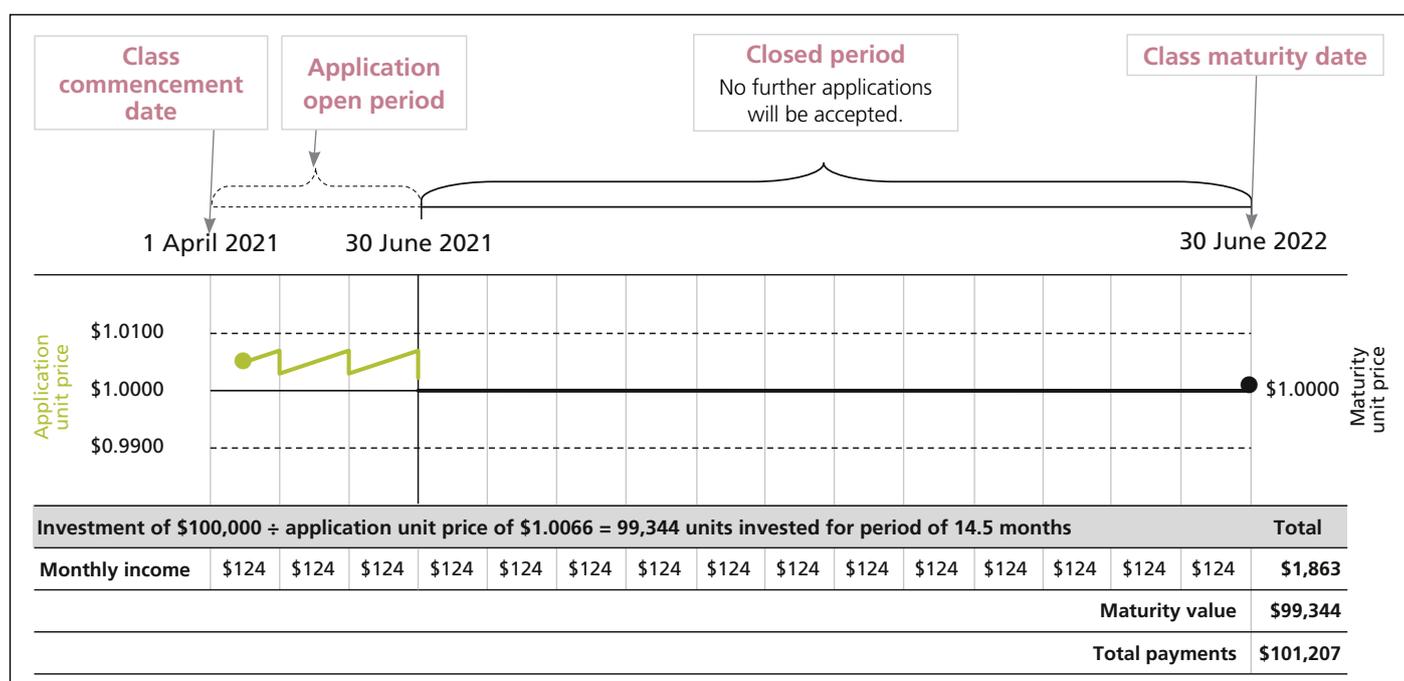
- purchase 100,000 units
- receive \$125 per month as a regular monthly distribution
- receive \$100,000 as your maturity value
- receive total payments over the life of your investment of \$101,875.

#### Assumptions

<b>Investment date</b>	1 April 2021 (class commencement date)
<b>Earnings rate</b>	1.50% p.a.
<b>Application unit price</b>	\$1.0000
<b>Distribution</b>	0.125 cents per unit (per month)

## Scenario 2: Investing after the class commencement date when the earnings rate has decreased and the application unit price has increased

In this scenario, the earnings rate decreases, and to reflect this lower rate applying to new investors, the application unit price increases to \$1.0066 from \$1.0000. This adjustment in the application unit price is to facilitate new investors receiving the specified return for the class via the regular monthly distributions as well as payment of the maturity value.



The diagram above is illustrative only and not to scale, and figures used in the graph and assumptions may have been rounded. Please note the application unit price movements in the graph above include accrued income.

Based on holding your investment until the class maturity date and the assumptions below, if you invested \$100,000 part way through the month, i.e. 15 April 2021, when the earnings rate had decreased and therefore the application unit price increased to \$1.0066, you would:

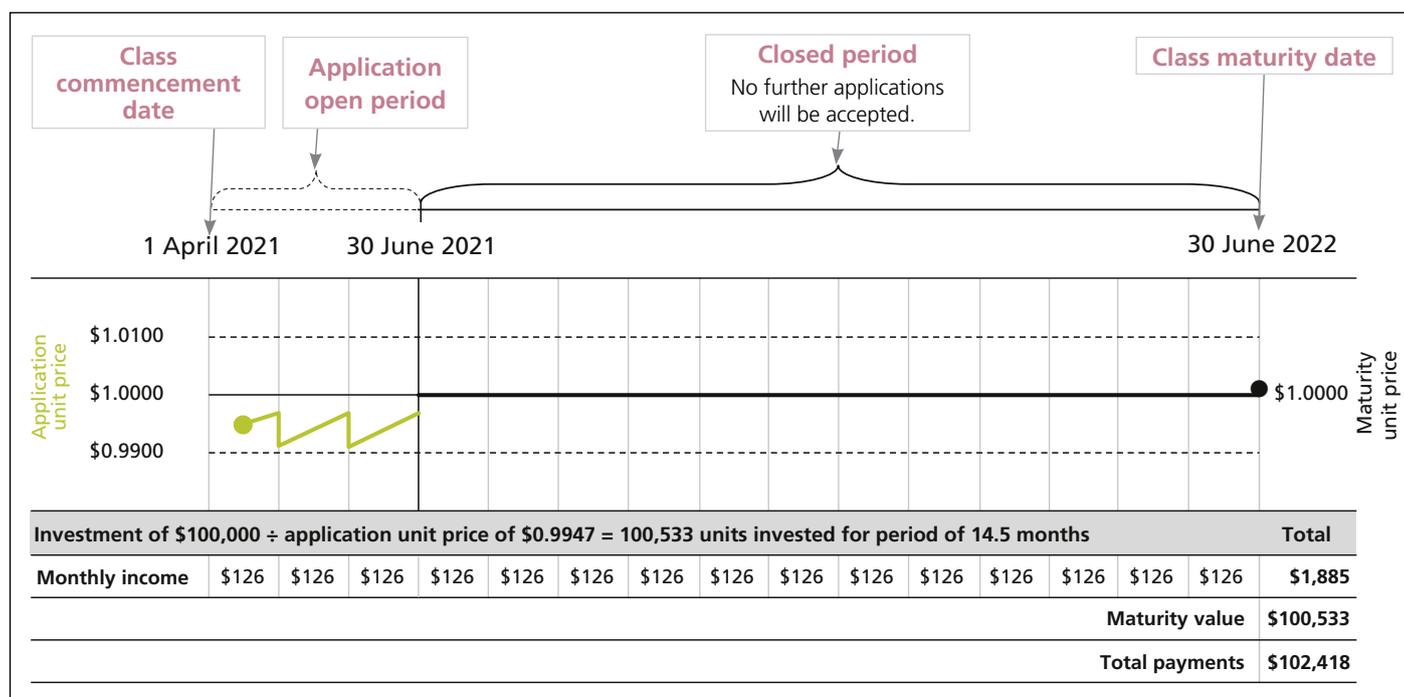
- purchase 99,344 units
- receive \$124 per month as a regular monthly distribution
- receive \$99,344 as your maturity value
- receive total payments over the life of your investment of \$101,207.

### Assumptions

<b>Investment date</b>	15 April 2021
<b>Earnings rate</b>	decreases from 1.50% p.a. to 1.00% p.a.
<b>Application unit price</b>	\$1.0066
<b>Distribution</b>	0.125 cents per unit (per month)

## Scenario 3: Investing after the class commencement date when the earnings rate has increased and the application unit price has decreased

In this scenario, the earnings rate increases, and to reflect this higher rate applying to new investors, the application unit price decreases to \$0.9947 from \$1.0000. This adjustment in the application unit price is to facilitate new investors receiving the specified return for the class via the regular monthly distributions as well as payment of the maturity value.



The diagram above is illustrative only and not to scale, and figures used in the graph and assumptions may have been rounded. Please note the application unit price movements in the graph above include accrued income.

Based on holding your investment until the class maturity date and the assumptions below, if you invested \$100,000 part way through the month, i.e. 15 April 2021, when the earnings rate had increased and therefore the application unit price decreased to \$0.9947, you would:

- purchase 100,533 units
- receive \$126 per month as a regular monthly distribution
- receive \$100,533 as your maturity value
- receive total payments over the life of your investment of \$102,418.

### Assumptions

<b>Investment date</b>	15 April 2021
<b>Earnings rate</b>	increases from 1.50% p.a. to 2.00% p.a.
<b>Application unit price</b>	\$0.9947
<b>Distribution</b>	0.125 cents per unit (per month)

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## About the guarantees

References to Challenger Life's obligations below refer to, and are limited to, the securities and contractual guarantees provided to the Fund by Challenger Life (and wholly referable to the Statutory Fund No. 2).

Amounts equal to the distribution and the maturity unit price are required to be paid to the Fund by Challenger Life under the terms of the securities to be provided by Challenger Life to the Fund.

The combined effect of the operation of the terms of the securities to be provided by Challenger Life, is that Challenger Life is contractually obliged to make regular income payments to the Fund that match each distribution. Challenger Life will also be contractually obliged to make payments that match the maturity unit price for each class (assuming units in the relevant class are held to the applicable class maturity date).

Through the operation of the combined terms of these securities, Challenger Life contractually undertakes and guarantees to the Fund the payment of these amounts. The payments that Challenger Life is required to make are, however, subject to any changes to relevant laws (including taxation laws) that apply to life insurance companies and annuities, its right to vary the terms of the annuities to meet any changes to legislative requirements, and its right to make deductions for charges such as stamp duty, tax and other government charges. The Fund's ability to pay the distributions and maturity unit price will depend on Challenger Life meeting these contractual obligations.

It is important to note that while Challenger Life is contractually obliged to make the relevant guaranteed income and capital payments to the Fund, no other company in the Challenger Group provides a guarantee to you in respect of the Fund. Refer to 'About the risks of investing' on pages 12 to 14 for information on the significant risks of investing in the Fund.

We, as the responsible entity of the Fund, do not provide any guarantee in respect of the Fund or the distribution or the maturity unit price. In addition to your investment not being guaranteed by the responsible entity, it is also not secured against loss, and under the constitution there is no recourse against the responsible entity (including in its personal capacity) or for investors in one class against the assets of the Fund that are referable to another class.

## About Challenger Life

As at the date of this PDS, Challenger Life is the largest issuer of annuities in Australia. Its annuities offer competitive rates and are backed by a diversified portfolio of high-quality assets including debt investments, property and infrastructure.

Challenger Life is regulated under the Life Act (which governs the provision of annuities in Australia) and the prudential standards made under it, which prescribe minimum capital and solvency requirements, for Challenger Life as well as for the annuity business it writes. APRA actively supervises Challenger Life's compliance with these requirements, which are designed to ensure that they are able to meet their obligations to investors. For example, Challenger Life is required to hold enough capital to withstand a one in 200-year shock event. Even so, unforeseen and extreme circumstances that might impact their ability to make payments to the Fund can never be completely ruled out. For more information on the Statutory Fund, please refer to 'Investment approach' on page 4.

For more information about Challenger Life please speak to your financial adviser or visit our website [challenger.com.au](http://challenger.com.au).

## About Fidante

We are the responsible entity of the Fund. As responsible entity, we manage the operation of the Fund, issues units in the Fund and are legally responsible under the Corporations Act 2001 (Cth) (**Corporations Act**) to unitholders in the Fund.

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## Can you make changes to your investment once it has commenced?

You cannot make adjustments to your investment once it has commenced. You may make additional investments into any class during the application open period for that class. Please refer to 'Additional investments' on page 19 for more information.

You may make an early withdrawal from the Fund, in part or full; however, it is important to note that any early withdrawal will be processed using an early withdrawal unit price (which includes an early withdrawal discount) and not the \$1.0000 maturity unit price. Therefore, you may receive significantly less back than your initial investment amount. Please refer to 'Early withdrawals' on page 20 for more information.

## Up-to-date information about the Fund

You can obtain up-to-date information about the Fund by contacting your IDPS operator, financial adviser or visiting our website [challenger.com.au](http://challenger.com.au). A paper copy of any updated information will be given to you, on request, without charge.

## Continuous disclosure

We, as responsible entity of the Fund, are subject to continuous disclosure obligations that require us to make material information available to investors. You can obtain a copy of the Fund's continuous disclosure information by visiting our website [challenger.com.au](http://challenger.com.au). A paper copy of any updated information will also be given to you, on request, without charge.

## Changes to investment policy

The Fund's constitution permits a wide range of investments and gives us, as responsible entity, broad investment powers. We may vary the investment objective, strategy and processes set out in this PDS, provided that we give unitholders written notice of any material variation we believe they would not have reasonably expected.

## Changes to legislation

Changes to the law could affect the value or tax treatment of an investment in the Fund or its underlying assets. Please refer to 'Regulatory risk' on page 14 for more information.

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## About the risks of investing

Risk can mean different things to different investors and a degree of risk applies to all types of investments. As investing in the Fund involves exposing your investment to a range of risks, it is important that you understand:

- the risks involved in investing in the Fund;
- how these risks compare with the risks of other investments;
- how comfortable you are in exposing your investment to risk; and
- the extent to which the Fund fits into your overall financial plan.

Investments are subject to many risks, not all of which can be predicted or foreseen. Ensuring you select an investment that matches your investment timeframe and investment needs will help you manage the risks of investing. You should consult your financial adviser before making a decision to invest as they can help you consider and understand the risks of investing.

The table below explains the significant risks associated with investing in the Fund.

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<b>Derivative risk</b>	The Fund enters into derivative contracts with Challenger Life's Statutory Fund to manage the cash flows of the Fund. Please refer to 'Counterparty risk' on page 13 for an explanation of the risk associated with these derivative contracts.
<b>Early withdrawal risk</b>	<p>The Fund is designed for you to hold your investment until the class maturity date. You should not invest in the Fund unless your intention is to remain fully invested until the class maturity date. If you withdraw, in part or full, before the relevant class maturity date, you may receive significantly less back than you would if you held your investment until the class maturity date. Please refer to 'Early withdrawals' on page 20 for information on early withdrawals.</p> <p>The Fund may suspend or spread withdrawal requests in extreme circumstances, including where the responsible entity considers that it is in the interests of unitholders (including unitholders in the applicable class). Please refer to 'Early withdrawals' on page 20 for more information on early withdrawals as well as the circumstances in which payments of early withdrawals may be delayed, suspended or spread over subsequent periods.</p>
<b>Fund risk</b>	<p>Risks associated with the Fund or a particular class include termination of the Fund or a class prior to the relevant class maturity date or closure to new investments into the Fund or a class prior to the end of the relevant application open period.</p> <p>We may terminate the Fund or a class prior to the relevant class maturity date by notice to unitholders (refer to 'Termination' on page 26 for more information).</p>

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**Fund risk (continued)**

There is also a risk that the Fund may not be able to meet its obligations to you. If the Fund is unable to meet its obligations to you, you will not be able to recover any unpaid amounts from any entity in the Challenger Group (including us and Challenger Life), from any other entity or from the assets referable to another class (where the assets of the Fund, referable to a class, are insufficient for that purpose). Unitholders, however, have a right of first priority in relation to the assets of the Fund referable to the applicable class in respect of any such unsatisfied obligations (refer to 'Recourse of unitholders' on page 26 for more information).

Your investment in the Fund is governed by the terms of the constitution and the PDS for the Fund, each as amended from time to time and notified to the unitholder. There is also a risk that investing in the Fund may give different results from holding the underlying assets of the Fund directly because of:

- income accrued in the class at the time of investing; and
- the consequences of investment and withdrawal decisions made by other investors in the class; for example, a large level of withdrawals from the class may lead to the need to sell underlying assets which would potentially realise income.

We aim to manage these risks by monitoring the Fund and acting in investors' best interests. Winding up the Fund will result in crystallisation of tax positions (both income and capital) at that time.

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**Counterparty risk**

Challenger Life is contractually obliged under the terms of the security contracts entered into with the Fund to, amongst other things, make regular income payments to the Fund from its Statutory Fund. These payments are intended to match each distribution and the maturity unit price for each class. Challenger Life's ability to meet these obligations is dependent on the assets the Statutory Fund holds from time to time and on capital support in accordance with the capital adequacy standards it is required to meet under APRA prudential standards (refer to 'About Challenger Life' on page 10 for more information).

Challenger Life's ability to meet these capital support obligations is dependent on its ability to meet its financial obligations as and when they fall due, i.e. on its creditworthiness. The payments that Challenger Life is required to make are subject to any changes to relevant laws (including taxation laws) that apply to life insurance companies.

As a result, the Fund's ability to pay the distributions and maturity unit price in respect of a class will depend on Challenger Life meeting its obligations under the applicable securities.

As with any counterparty to a contract, there is a risk that Challenger Life might not meet its obligations under the securities, and that the assets of the Statutory Fund that support the annuities issued by Challenger Life to the Fund are insufficient to meet the Statutory Fund's obligations under the securities provided to the Fund.

This risk is mitigated because, in the event that Challenger Life becomes insolvent and is wound up, all payments in respect of the securities are liabilities of the Statutory Fund.

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<b>Counterparty risk (continued)</b>	<p>The Fund's rights in respect of the securities are limited in the first instance to assets of the Statutory Fund. In the event of an insufficiency of assets to meet liabilities relating to the securities, the Fund may have a right to claim against other assets of Challenger Life on a winding up of Challenger Life or termination of the Statutory Fund, subject to the below.</p> <p>The Fund has no rights to any assets of other statutory funds of Challenger Life except as may be ordered by a court on a winding up of Challenger Life or on the appointment of a Judicial Manager (noting there can be no certainty of outcome in this regard).</p> <p>Challenger Life has the right under the annuities to recover from the responsible entity by deductions from the income payments payable to the Fund, any stamp duty, tax, or other government charges or imposts or a proportionate part thereof that may be imposed in respect of the annuities, an annuity or its annuity business. Challenger Life also reserves the right to:</p> <ul style="list-style-type: none"> <li>• adjust income payments and tax instalments as a result of any change in taxation or other legislative provision; or</li> <li>• vary without prior notice to the Fund any of the terms and conditions of the annuity policy document in order to comply with any requirements of, or as a result of, any amendments to any legislative provision.</li> </ul>
<b>Inflation risk</b>	<p>The real value of the distribution may reduce over time as a result of inflation.</p>
<b>Service provider risk</b>	<p>The Fund may be reliant on external service providers in connection with its operation, such as the custodian. There is a risk with these arrangements that the service providers may default in the performance of their obligations or seek to terminate the services with the result that the Fund may be required to seek an alternative supplier and, in the interim, investment activities and other functions of the Fund may be affected.</p>
<b>Interest rate risk</b>	<p>Movements in official interest rates can have some influence over certain aspects of the Fund. Firstly, anticipated movements in the official interest rates are taken into account by Challenger Life when determining the earnings rate each week.</p> <p>Secondly, if official interest rates rise after your application into the Fund has been accepted, you would not gain exposure to any potential benefit from this rise, as the return you receive is fixed at the date of your investment. Similarly, if interest rates were to fall, you would not be negatively affected by the reduction in interest rates.</p>
<b>Regulatory risk</b>	<p>Changes in government policies (including taxation), regulations and laws could affect the value, and/or tax treatment, of an investment in the Fund.</p> <p>As the Fund is a member of Challenger Group's Tax Consolidated Group (TCG), it may be jointly and severally liable to the income tax related liabilities of the other members of the TCG. The Fund has, however, entered into a Tax Sharing Agreement with the Challenger TCG, which protects the Fund from the income tax-related liabilities of the other members of the Challenger TCG.</p>
<b>Significant Investor Visa compliance</b>	<p>As at the date of this PDS, the Fund is intended to be operated so that it is a complying 'Balancing Investment' under the Significant Investor Visa Complying Investment Framework (as set out in Part 2, section 10 of the Migration (IMMI 15/100: Complying Investments) Instrument 2015, made pursuant to regulation 5.19C of the Migration Regulations 1994).. Changes to the Significant Investor Visa Complying Investment Framework could result in the Fund not being compliant.</p>

# Fees and other costs

## Consumer advisory warning

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

Because you are investing in this Fund via an IDPS, you will need to consider the fees and other costs of the IDPS when calculating the total cost of your investment. This section shows fees and other costs that unitholders may be charged in the Fund. These fees and costs may be deducted from unitholder money, from the returns on unitholder investment or from the Fund assets as a whole.

Taxes are set out in 'Taxation considerations' on page 24.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

## Challenger Guaranteed Income Fund

Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs:</b> The fees and costs for managing your investment.	Nil	Not applicable (refer to 'Management costs' on page 17).
<b>Performance fees:</b> Amounts deducted from your investment in relation to the performance of the product.	Nil	Not applicable
<b>Transaction costs:</b> The costs incurred by the scheme when buying or selling assets.	Nil	Not applicable
<b>Member activity related fees and costs (fees for when your money moves in or out of the product)</b>		
<b>Establishment fee:</b> The fee to open your investment.	Nil	Not applicable
<b>Contribution fee:</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>Buy-sell spread:</b> An amount deducted from your investment representing costs incurred in transactions by the scheme.	Nil	Not applicable
<b>Withdrawal fee:</b> The fee on each amount you take out of your investment.	Nil	Not applicable; however, early withdrawals are processed using the early withdrawal unit price which is adjusted by an early withdrawal discount (refer to 'Early withdrawal discount' on page 17).
<b>Exit fee:</b> The fee to close your investment.	Nil	Not applicable
<b>Switching fee:</b> The fee to changing investment options.	Nil	Not applicable

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## Example of annual fees and costs for the Fund

A managed funds fee calculator can also be used to calculate the effect of fees and costs on account balances. This table gives an example of how fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

<b>EXAMPLE</b>		<b>BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR</b>
Contribution fees	Nil	For every additional \$5,000 you put in <sup>1</sup> , you will be charged \$0.
PLUS Management fees and costs	Nil	And, for every \$50,000 you have in the Fund, you will be charged or have deducted from your investment \$0 each year.
PLUS Performance fees	Nil	And, you will be charged or have deducted from your investment \$0 in performance fees each year.
PLUS Transaction costs	Nil	And, you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of \$0 <sup>2</sup> .

## Cost of product information

### Cost of product for 1 year

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your investment over a 1-year period for all investment options. It is calculated in the manner shown in the Example of annual fees and costs.

The cost of product assumes a balance of \$50,000 at the beginning of the year with a contribution of \$5,000 during the year. (Additional fees such as an establishment fee or an exit fee may apply: refer to the Fees and costs summary for the relevant option.)

You should use this figure to help compare this product with other products offered by managed investment schemes.

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Challenger Guaranteed Income Fund	Cost of product \$0
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<sup>1</sup> You can make additional investments at any time during the relevant class application open period.

<sup>2</sup> While the total cost of the Fund in the example above is \$0, if you decide to request an early withdrawal from the Fund prior to the class maturity date, your withdrawal will be processed using the early withdrawal unit price, which takes into account an early withdrawal discount. Refer to 'Early withdrawals' on page 20 for further details.

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## Additional explanation of fees and costs

### Management costs

The total management costs for the Fund include the management fee, indirect costs, recoverable expenses and performance fees (if payable). They do not include the transactional and operational costs (i.e. buy/sell spreads) of the Fund or the transactional and operational costs of underlying assets (as set out below). Management costs are payable from the Fund's assets and are not paid directly from your account.

The Fund does not currently incur any management costs and therefore the Indirect Cost Ratio (ICR) is zero.

### Related party transactions

The investment strategy of the Fund is to invest in securities provided by Challenger Life.

Under agreements entered into between Challenger Life and the responsible entity in respect of the operation of the Fund, Challenger Life agrees to pay the responsible entity certain fees and expenses in respect of the operation of the Fund. In addition, the responsible entity waives its entitlement under the Fund's constitution to be paid or reimbursed out of the Fund assets for expenses incurred by it (or any of its officers, employees and agents) in connection with the Fund on condition that Challenger Life pays or reimburses it for all such expenses. Prior to incurring any abnormal expenses in respect of the Fund (such as costs of unitholder meetings and defending or pursuing legal proceedings), the responsible entity is required to obtain the prior consent of Challenger Life. This consent cannot be unreasonably withheld and is required to be given where the incurring of the expense is for the purpose of ensuring that we meet our duties in respect of the Fund. Challenger Life also agrees to pay the responsible entity certain management fees in respect of the Fund.

These fees and expenses are paid by Challenger Life from its resources and it is not intended they will be paid out of the Fund. The fees and expenses incurred by Challenger Life as a result of its obligations under these agreements are, however, taken into account when Challenger Life determines the earnings rates. Accordingly, they are reflected in the application unit price, and may also affect the early withdrawal unit price and discount that applies to early withdrawals. Please refer to the section 'Additional information' on

page 23 for more information about the earnings rate and the calculation of the application unit price and early withdrawal unit price.

Certain operational aspects of the Fund and the annuities in which the Fund invests have also been agreed with Challenger Life. For example, we have agreed not to establish a class where Challenger Life has not first agreed to provide the relevant securities referable to that class once it is established. Challenger Life has no obligation to issue annuities referable to a particular class where it is not the provider of the applicable derivative contract referable to that class and where the application period for that class is closed.

Additionally, we may enter into transactions with or use the services of any member of the Challenger Group. It is our policy to ensure that such arrangements are on arm's-length commercial terms. Challenger Life will hold units in the Fund, and we or any member of the Challenger Group or any director or officer of any of them may invest in the Fund. We have a conflict resolution procedure in place in the unlikely event that a conflict of interest arises.

### Early withdrawal discount

Early withdrawals will be processed using the early withdrawal unit price which may take into account a discount factor.

The early withdrawal discount factor equals any discount factor applied under the terms of the securities that we are required to realise in order to meet your early withdrawal request. The realised value of these securities is their commutation value and is calculated by Challenger Life using the net present value of those securities (determined by applying the then applicable current earnings rate) plus an additional discount amount of up to 2% per annum calculated daily until the class maturity date.

Please refer to 'Early withdrawal unit price' on page 23 for more information.

Before making an early withdrawal, please contact your financial adviser. Your financial adviser will be able to provide you with an indicative early withdrawal unit price.

Any indicative early withdrawal unit price provided by your financial adviser is provided for illustration purposes only and may not be the actual early withdrawal unit price which applies on the day of your early withdrawal.

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## **Government charges and GST**

Government taxes such as stamp duty and GST may be applied as appropriate. Please refer to the section on 'Taxation considerations' on page 24.

## **Indirect (or alternative form) remuneration**

We may provide benefits to other financial services intermediaries where the law permits. If we do, we will provide these benefits from our own resources so that they are not an additional cost to the Fund or its unitholders.

We maintain a register (in compliance with the relevant regulatory requirements) summarising alternative forms of remuneration that are paid or provided to Australian Financial Services Licensees and/or their representatives. Registers are publicly available and if you would like to review our register, please contact us.

## **Other payments**

We may pay fees from our resources to some IDPS operators because they offer the Fund on their investment menus. These fees may be rebated to the indirect investor investing in the Fund through the IDPS operator or retained by the IDPS operator and include:

- for each IDPS operator, product access payments of up to \$20,000 p.a.; and/or
- where permitted by law, fund manager payments of up to 0.55% p.a. of the amount invested by the IDPS operator in the Fund.

If we do pay fees, we will pay them from our own resources so that they are not an additional cost to the Fund or its unitholders. These amounts are current at the date of this document.

We may pay additional fees from our resources to some approved participants because they offer the Fund on their investment menus. You should refer to the relevant approved participants' Financial Services Guide before investing.

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# Managing your investment

## How do I make an investment?

### Initial investment

Investments can generally be made at any time during the relevant class application open period. Unless we determine otherwise, the application open period of a class will generally close one year before its class maturity date. For example, if the class maturity date of a class is 30 June 2022, then the last day for an investment into the class may be 30 June 2021.

To make your initial investment, you need to complete the documentation required by your IDPS operator and ensure you meet their minimum investment requirements.

Your application must be received by your IDPS operator by their cut-off time. We must receive the request from your IDPS operator by the transaction cut-off time for the request to be processed effective that business day. If we receive the IDPS operator's request after the transaction cut-off time, it will usually be processed as at the next business day in Sydney. Please refer to 'Transaction cut-off times' on page 22 for more information.

Your initial investment will be processed using the relevant application unit price as at your investment date (refer to 'Application unit price' on page 23 for information on how the application unit price and earnings rate are calculated).

We may reject any application in whole or in part for any reason.

### Additional investments

Once your investment has commenced, additional investments can be made into the same class during its application open period. You will need to complete the documentation required by your IDPS operator and ensure you meet their minimum additional investment requirements.

Your application must be received by your IDPS operator by their cut-off time. We must receive the request from your IDPS operator by the transaction cut-off time for the request to be processed effective that business day. If we receive the IDPS operator's request after the transaction cut-off time, it will usually be processed as at the next business day in Sydney. Please refer to 'Transaction cut-off times' on page 22 for more information.

The unit price applicable to any additional investment will be the application unit price that applies on the effective date of the additional investment (not the date of your initial investment). Please refer to 'Application unit price' on page 23 for more information.

### Restrictions on investments

While we currently do not impose a minimum investment amount, you must ensure you meet your IDPS operator's minimum investment requirements. The constitution allows us to impose a minimum or vary the minimum investment amount in the future. We can also change the application cut-off time.

Under the constitution, we can refuse applications for any reason. Also, where we consider it to be in the best interests of unitholders (such as an inability to value the assets of the Fund), we may suspend application requests. Any application requests received during the period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

### Cooling-off right

You should seek advice from your IDPS operator about the cooling-off rights (if any) that apply to your investment in or through your IDPS. If you have any questions about cooling-off rights, please contact your financial adviser or IDPS operator.

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## What happens at the class maturity date?

At the class maturity date, your investment in the Fund will cease and we will pay you one final distribution payment and an amount being your maturity value. Please refer to 'Regular income (distribution)' and 'Final payment on maturity' on page 6 for more information on each of these features of the Fund.

We will pay this final amount to your IDPS operator as soon as practicable after the class maturity date and you should check with your IDPS operator to see when they will make this payment to you.

## Can I withdraw from the Fund?

While the Fund allows you to make early withdrawals, it is designed for you to hold your investment until the class maturity date.

### Early withdrawals

Generally, you can withdraw some or all of your investment at any time prior to the class maturity date if the requirements set by your IDPS operator are satisfied. We do not accept withdrawal requests on the class maturity date. To make an early withdrawal, you will need to complete the documentation required by your IDPS operator.

You should be aware that early withdrawals will be processed using the applicable early withdrawal unit price and therefore you may receive significantly less back than if you held your investment until the class maturity date. You should not invest in the Fund unless your intention is to remain fully invested until the class maturity date.

Please refer to 'Early withdrawal unit price' on page 23 for an explanation on how the unit price is calculated.

Your request must be received by your IDPS operator by their cut-off time. We must receive the request from your IDPS operator by the transaction cut-off time for the request to be processed effective that business day. If we receive the IDPS operator's request after the transaction cut-off time, it will usually be processed as at the next business day in Sydney. We can change the withdrawal transaction cut-off time at any time.

Please refer to 'Transaction cut-off times' on page 22 for more information.

While the Fund is liquid (refer to 'If the Fund becomes illiquid' on page 22), withdrawals will normally be processed within five business days of receiving a request from your IDPS operator. However, under the Fund's constitution, we may take up to 30 days to pay a withdrawal, and may suspend withdrawals for 90 days. Refer to 'Delay in withdrawals' below for when we can do this and the timeframes.

A withdrawal request, either in whole or in part, once received by us may not be withdrawn without our agreement.

Any withdrawal, either in part or full, may have tax implications depending on your individual circumstances. We recommend you discuss these with your financial adviser or tax adviser before deciding to make a withdrawal.

### Death-related early withdrawals

Generally, an IDPS operator as a result of a request made to it by the executor or administrator of the estate of the deceased person can make a death-related early withdrawal request in respect of Guaranteed Income Fund units.

You should be aware that death-related early withdrawal requests will be processed using the applicable death-related early withdrawal unit price and therefore your estate may receive significantly less back than if the investment was held until the class maturity.

Please refer to 'Death-related early withdrawal unit price' on pages 23 and 24 for information on how the unit price is calculated for death withdrawals.

### Delay in withdrawals

While withdrawals are usually processed within five business days of receiving your withdrawal request, we do not guarantee this timeframe. We may take significantly longer to pay withdrawals.

Withdrawals may also be delayed by any one or more of the following (and the applicable timeframes may apply cumulatively):

- we have 30 days to pay withdrawals under the constitution; and
- we can suspend withdrawals for up to 90 days (refer to 'Suspending withdrawal requests' below); and
- while a Fund is 'illiquid' (as explained under 'If the Fund becomes illiquid' on page 22), we are not required to pay withdrawals unless we offer to do so.

## Suspending withdrawal requests

We may suspend withdrawal requests in respect of a class or classes for up to 90 days including where:

- we consider it impracticable to calculate the Fund's net asset value, the adjusted net asset value or the early withdrawal unit price in relation to the applicable class or classes, for example because the prevailing earnings rate that would be applicable to the annuity and derivative contracts is not available or cannot be determined (and hence unit prices);
- we estimate that we must sell 5% or more (by value) of all the Fund's assets referable to the applicable class or classes to meet current unmet withdrawal requests for such class or classes;
- we believe that the size of withdrawal requests in respect of the applicable class or classes is such that it would require us to realise a significant amount of the assets of the Fund referable to the applicable class or classes, and we consider that if those requests are all met immediately, unitholders who continue to hold units may bear a disproportionate burden of income tax or other expenses, or the meeting of those requests would otherwise be to the existing unitholders' disadvantage, including (but not limited to) a material diminution in the value of the assets of the Fund referable to the applicable class or classes;
- we consider that it is in the interests of unitholders (including unitholders in the applicable class or classes); or
- subject to the Corporations Act, we determine to do so.

Any withdrawal request received during a period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period. If any of the circumstances set out above should arise, we may also suspend payment of any processed early withdrawal for so long as withdrawals are suspended.

## Spreading withdrawals

We may spread a withdrawal request where:

- we receive on any business day withdrawal requests that in total represent 10% or more of the units in a class; or
- we receive a withdrawal request from any one unitholder that represents 5% or more of the units on issue in a class on the date of receipt of the request; or
- there have been, or we anticipate that there will be, withdrawal requests for 10% or more of the total units in the Fund or in respect of units on issue in a class, and we consider that if those requests are all met immediately (or within a short period of time after receipt), unitholders who continue to hold units may bear a disproportionate burden of income tax or other expenses, or meeting the requests would otherwise be to the existing or continuing unitholders' disadvantage, including (but not limited to) a material diminution in the value of the assets of the Fund.

When we spread withdrawals, we may determine a withdrawal request is four separate requests, each for a quarter (or as close to a quarter as we determine) of the total number of units in the original withdrawal request. In this case, each of the four (deemed) withdrawal requests will be deemed to be lodged and received by us on the same day of the month (or the next business day if the day is not a business day or and the day does not occur in the relevant month) in each of the four succeeding months following the date on which we received the original withdrawal request.

## Who may invest?

Only IDPS operators can invest directly in the Fund through this PDS. In this PDS, we refer to investors who invest in the Fund through an investor-directed portfolio service (IDPS), an IDPS-like scheme, master trust, wrap account or other pooled investment scheme service as indirect investors, and we refer to the operators of these products and services as IDPS operators.

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As an indirect investor, you do not become a unitholder in the Fund. Your enquiries should be directed to your financial adviser or IDPS operator, not to us. Usually, IDPS operators pool their investors' money and make a single investment in the relevant class in the Fund that is held in the name of a custodian. Accordingly, it is the IDPS operator or custodian, not the indirect investor, who acquires the unitholder rights and it is the IDPS operator or custodian, not you as the indirect investor, to whom we have reporting obligations. Fund reports and other information will be sent directly to your IDPS operator, who will use this information to provide you with regular reporting.

In addition to reading this PDS, you should read the disclosure document that explains your IDPS.

### **If the Fund becomes illiquid**

If the Fund becomes illiquid (as defined by the Corporations Act), unitholders will only be able to withdraw from the Fund if we make an offer of withdrawal. If we do make such an offer, unitholders may only be able to withdraw part of their investment. There is no obligation for us to make such an offer.

Under the Corporations Act, the Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of the Fund. Liquid assets generally include money in an account or on deposit with a bank, bank-accepted bills, marketable securities and any other property that the responsible entity reasonably expects can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests received from investors. For the purpose of the Corporations Act, the period specified in the constitution for satisfying withdrawal requests received from investors is 120 days (comprising the period of 30 days referred to under the heading 'Suspending withdrawal requests' on page 21 to pay withdrawals and the period of 90 days referred to under the heading 'Suspending withdrawals' on page 21) that we may suspend withdrawals.

### **Transaction cut-off times**

Please see your IDPS operator's disclosure document for more information on the applicable transaction cut-off times that apply to you.

Generally, if your IDPS operator's valid transaction request is received in our Sydney office before 3pm Sydney time on a New South Wales business day (the transaction cut-off time), it will usually be processed using the application unit price (for applications) and the early withdrawal unit price (for early withdrawals) determined as at the close of business on that day.

If a valid application with payment or a valid withdrawal request is received after the cut-off time, or on a non-business day in Sydney, it will usually be processed using the application unit price (for applications) and the early withdrawal unit price (for early withdrawals) calculated as at the close of business on the next Sydney business day.

We will provide notice if we are to change the cut-off time.

### **Monitoring your investment**

Fund reports and other information will be sent directly to your IDPS operator, who will use this information to provide you with regular reporting. You should consult your IDPS operator for any investor queries or complaints.

An annual report for the Fund will be available within three months after the end of each financial year on our website [challenger.com.au](http://challenger.com.au). Unitholders can request a paper copy of the annual report free of charge at any time.

If the Fund is a 'disclosing entity' for purposes of the Corporations Act it will be subject to regular reporting and disclosure obligations. Unitholders may obtain from or inspect at ASIC, copies of documents lodged by the Fund. They can also ask us for a copy of the Fund's most recent annual financial report lodged with ASIC, any subsequent continuous disclosure notices given before the date of this PDS and any half-yearly financial report lodged with ASIC before the date of this PDS.

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## Additional information

### Unit prices and valuing assets and liabilities

Unit prices are determined in accordance with the Fund's constitution and are usually calculated each Sydney business day and the Fund's assets will usually be valued each Sydney business day.

We have a Unit Pricing Permitted Discretions Policy that sets out how any discretions in relation to unit pricing (such as how often we determine unit prices and valuation methodology) are exercised. You can obtain a copy of this policy free of charge by calling our Investor Services team.

Challenger Life will set an earnings rate for the securities referable to each class of units in the Fund. Generally, each earnings rate is set weekly in advance and a different earnings rate will apply to the securities referable to each class. The earnings rates are used for the purpose of valuing the applicable securities. As a result, changes in any earnings rate affects the application unit price that applies when you invest in the Fund and the early withdrawal unit price if you decide to withdraw from the Fund prior to the applicable class maturity date. It does not change the maturity unit price.

For the current earnings rates applicable to the classes on offer, please contact your financial adviser or IDPS operator.

### Application unit price

The application unit price is the price at which units in a class are issued by us.

The application unit price in respect of a class is calculated each Sydney business day based on the net asset value (NAV) attributed to the particular class in which you are investing. The NAV is the value of all the Fund's assets attributed to the relevant class less the value of all the Fund's liabilities attributed to that class at the valuation time. When calculating the NAV, we must use the most recent valuations of the Fund's assets and liabilities.

Under the Fund's constitution and for the purpose of calculating the application price, the NAV is calculated on the basis that the value of the securities, that are referable to the relevant class, will be the net present value of those securities, which will be determined using the prevailing earnings rate applicable to such securities as at the relevant valuation time. Any liabilities are valued at cost as they are incurred.

### Maturity unit price

The maturity unit price is fixed at \$1.0000 and is the price you receive for every unit you hold as at the class maturity date.

### Early withdrawal unit price

While the Fund is liquid, early withdrawals will be processed using the early withdrawal unit price. For information on liquidity, please refer to 'If the Fund becomes illiquid' on page 22.

The early withdrawal unit price is calculated by dividing the adjusted NAV by the number of units on issue at that time. The adjusted NAV is calculated on the following basis:

- the net present value of the securities referable to the relevant class, determined using the current earnings rate applicable to such securities; and
- adjusted by the early withdrawal discount factor (if any) applied in accordance with the terms of the relevant security (refer to 'Early withdrawal discount' on page 17).

If you make an early withdrawal, you may receive significantly less back than you would if you held your investment until the class maturity date. This could be significantly less than the amount you originally invested.

If you wish to make an early withdrawal, you can request an indicative early withdrawal unit price from your financial adviser. Any indicative early withdrawal unit price provided by your financial adviser is provided for illustration purposes only and may not be the actual early withdrawal unit price that applies to your early withdrawal. For more information on the early withdrawal unit price, please contact your financial adviser.

### Death-related early withdrawal unit price

While the fund is liquid, death-related early withdrawals will be processed using the death-related early withdrawal unit price. For information on liquidity, please refer to 'If the Fund becomes illiquid' on page 21.

The unit price for death-related early withdrawals will be calculated on the first non-business day in Sydney after each week, and will be calculated by dividing the NAV by the relevant number of units on issue at that time. The NAV is to be calculated as the net present value of the securities referable to the relevant class determined using the current earnings rate applicable to such securities.

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Death-related early withdrawals may be requested by an executor or administrator in the event of the death of a former Guaranteed Income Fund unitholder or by an IDPS operator where requested by the executor or administrator of a deceased person.

## Distribution payments

Each class has a specified distribution amount payable per unit (distribution). This amount does not change throughout the life of that class and is not affected by the number of days in a month.

Throughout your investment term, you will receive the distribution each month. We will generally pay the distributions to your IDPS operator as soon as practicable after the last day of the month. You should check with your IDPS operator to see when it will pay distributions to you. The Fund does not accept reinvestment of distributions.

The distribution amount you will receive each month is calculated by multiplying the distribution amount by the number of units you hold in a class as at the last day of the relevant month. If you invest part way through a month, you will still receive the full distribution for that month.

Distribution payments are sourced from income payments we receive from the securities in which the Fund invests.

Should there be a change in a law in respect of tax that results in the Fund or us becoming subject to tax, we, as responsible entity, will no longer be required to make distributions in accordance with the terms set out in this PDS. We may, at our discretion, choose when to make distributions of profits, income, capital or any taxation or imputation credits that have become available in relation to the Fund.

## Final payment

Under the Fund's constitution, we terminate the applicable class at its class maturity date and you will no longer be able to invest in, switch or withdraw from that class from that date. Effective this date, we will pay you one final distribution payment and an amount being your maturity value.

We will make this final payment to your IDPS operator as soon as practicable after the class maturity date and you should check with your IDPS operator to see when they will pass this final payment on to you.

To terminate the class, and make the final payment, we realise the relevant securities referable to that class, provide for all liabilities referable to that class (which includes any expenses relating to the maturity of that class) and distribute the net proceeds.

We will make a final distribution of income properly referable to the applicable class to the registered unitholders as at the close of business on the applicable class maturity date in proportion to the number of units in the applicable class at such time, together with a payment of an additional maturity payment amount of \$1.0000 for each unit held at such time, and after the distribution and payment referred to cancel each unit in the applicable class for zero consideration.

We may, subject to our duties, determine that some or all of the proceeds distributed consist of income rather than capital for the relevant distribution period. We are required to advise unitholders of such a determination as soon as practicable after the end of the financial year in which the distribution occurred.

## Taxation considerations

Any investment can have a substantial impact on your tax position from year to year. Indirect investors should refer to tax information in their IDPS disclosure document. Tax statements will be sent by us to your IDPS operator after the end of the financial year.

The following information is of a general nature and is based on our understanding of the Australian tax laws as at the date of preparing this PDS and our assumption that units in the Fund are held by investors on capital account. We recommend that you obtain your own professional advice regarding your position, as tax and social security laws are complex and subject to change, and investors' individual circumstances vary.

You may be liable for tax on income distributed by the Fund and any net realised gains from the disposal of your units in the Fund. For investors who are non-residents, Australian withholding tax may be deducted from distributions.

Some of the income distributed to investors may be classified as tax-deferred income. Generally, tax-deferred income is not taxable in the year it is received, but may increase the capital gain or reduce the capital loss upon disposal of an investor's units.

GST is not payable on the issue, withdrawal or transfer of units in the Fund, as these are input-taxed financial supplies for GST purposes. Unless otherwise stated, any fees and costs are quoted inclusive of any GST and net of any reduced input tax credits that are expected to be available to the Fund.

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## Complaints

Indirect investors may either contact their IDPS operator or us with complaints relating to the Fund. Indirect investors who choose to contact us with a complaint can do so by calling the Challenger Investor Services team on 1300 721 637 or by writing to:

Complaints Resolution Officer  
Fidante  
GPO Box 3993  
Sydney NSW 2001

Complaints regarding the operation of an IDPS should be directed to the IDPS operator. If a complaint is first raised with an IDPS operator and an indirect investor is not happy with how the complaint has been handled, they should raise that with the IDPS operator or the IDPS operator's external dispute resolution service. If an indirect investor chooses to contact us with a complaint relating to the Fund, and they are not happy with our response or how the complaint has been handled (or if we have not responded within 30 days), they may contact the following external dispute resolution scheme.

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Tel: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

AFCA provides fair and independent financial services complaint resolution that is free to consumers.

## Privacy and personal information

We do not normally receive any personal information about you when you invest in the Fund through an IDPS operator. For details on the collection, storage and use of personal information, you should contact your IDPS operator.

The information we collect and store from IDPS operators is used to establish and administer their investments. If we do receive any personal information, we will deal with it in accordance with our privacy policy. A copy of our privacy policy is available at [challenger.com.au](http://challenger.com.au) or on request from our Investor Services team.

## Legal relationships

The Fund is a registered managed investment scheme that is an unlisted Australian unit trust and is governed by a constitution. Interests in unit trusts, which are called 'units', represent a share in the trust's collective asset pool. Certain rights are attached to units and these rights are exercisable by the investors who own these units (i.e. unitholders).

The Fund's constitution, together with the Corporations Act and some other laws, governs the way in which the Fund operates and the rights and responsibilities and duties of the responsible entity and unitholders.

The constitution contains the rules relating to a number of issues including:

- unitholder rights;
- the process by which units are issued and redeemed;
- the calculation and distribution of income;
- the investment powers of the responsible entity (including to enter into annuity contracts and/or derivative contracts with persons whether or not related to or associated with it);
- the responsible entity's right to claim indemnity from the Fund and charge expenses to the Fund; and
- the termination of the Fund or a class of units prior to its maturity date.

It is generally thought that unitholders' liabilities are limited to the value of their holding in the Fund. It is not expected that a unitholder would be under any obligation if a deficiency in the value of the Fund or a class were to occur.

However, this view has not been fully tested at law. Unitholders can inspect a copy of the constitution at our head office or we will provide them with a copy free of charge.

We may alter the constitution if we reasonably consider the amendments will not adversely affect unitholders' rights. Otherwise (subject to any exemption under the law) we must obtain unitholder approval at a meeting of unitholders.

We may retire or be required to retire as responsible entity (if unitholders vote for our removal).

## Recourse of unitholders

Under the constitution, if the assets of the Fund referable to a class are insufficient to enable the responsible entity to satisfy any of its obligations provided for under the constitution (for example, in respect of the distribution, early withdrawal or maturity value) to a unitholder, neither the responsible entity nor us (in any capacity) shall be liable for such unsatisfied obligations. A unitholder will have no recourse against any of the other assets of the Fund, the responsible entity, us (in any capacity) or any member of the Challenger Group, and without limiting the constitutional rights of the responsible entity with respect to payment or reimbursement for outgoings from the Fund and its right of indemnity under the constitution, the unitholder shall have a right of first priority in relation to the assets of the Fund referable to the applicable class in respect of any such unsatisfied obligations.

## Termination

The constitution of the Fund, together with the Corporations Act, governs how and when the Fund may be terminated. We may terminate the Fund or a class by written notice to unitholders. Therefore, the termination date of a class may not be its class maturity date. On termination, the ability to acquire, switch or withdraw relevant units ceases. Subject to the constitution and the terms of issue of units and conditions of any different classes, we will realise all applicable assets of the Fund attributable to the relevant class, and pay, discharge or provide for all applicable liabilities of the Fund attributable to the relevant class in accordance with the constitution.

If we terminate a particular class of units before the class maturity date, investment in that class will be automatically cancelled for an amount no less than the greater of the early withdrawal unit price that applies as at the date of the closure of the class and an amount equal to the difference between the unit application price paid in respect of such unit and all distributions made in respect of such unit (refer to 'Early withdrawal unit price' on page 22 for more information).

On termination of a class, we may permit a unitholder to request investment wholly (or with our approval, partly) of any amounts payable to that unitholder on termination in subscriptions in another class.

## Unitholder meetings

The conduct of unitholder meetings and unitholders' rights to requisition, attend and vote at those meetings are subject to the Corporations Act and (to the extent applicable) the Fund's constitution.

## Compliance plan

We have prepared and lodged a compliance plan for the Fund with ASIC. The Fund's compliance plan sets out how we will ensure compliance with both the Corporations Act and the Fund's constitution.

Our compliance with the compliance plan is independently audited each year, as required by the Corporations Act and the auditor's report is lodged with ASIC.

## Custody

We have engaged an independent custodian to hold any cash assets and annuities of the Fund. We will hold derivatives, provided by Challenger Life, of the Fund ourselves. Under the Corporations Act we are required to ensure that the assets of the Fund are clearly identified as scheme property and held separately from our property and property of any other managed investment scheme unless otherwise permitted under relief from this requirement for omnibus accounts granted by ASIC.

## Registry

We have engaged a third party registry provider that is responsible for maintaining the register of unitholders which includes all details of an investor's account and investments. The registry provider is responsible for sending all correspondence related to unitholders investments as well as providing customer service support.

## Audit

The Fund and the compliance plan are required to be audited annually. The Fund has a registered company auditor, whose role is to provide an audit of the financial statements of the Fund each year as well as performing a half-yearly review (if required), and to provide an opinion on the financial statements.

## Non-resident account holder reporting requirements

As a result of an increased international focus on account holder data exchange, a number of countries have legislated that financial institutions (which may include your IDPS operator) identify and report certain information about the financial accounts of investors. The regimes include the United States Foreign Account Tax Compliance Act (**FATCA**), and the OECD's Common Reporting Standard (**CRS**). To comply with obligations under various reporting legislation, your IDPS operator may provide, to the Australian Taxation Office, such data as required in respect of your investment. This will be required if you are a US citizen or a foreign tax resident of any jurisdiction outside of Australia.

**By phone**

1300 721 637

**By email**

[info@challenger.com.au](mailto:info@challenger.com.au)

**By mail**

Fidante

GPO Box 3993

Sydney NSW 2001

**Website**

[challenger.com.au](http://challenger.com.au)