Challenger Guaranteed Income Fund

Combining monthly income and capital security

challenger

Challenger
Guaranteed Income Fund

Combining regular income and a set capital amount at maturity, the Challenger Guaranteed Income Fund offers peace of mind for investors.

Can older Australians afford to keep investing on the sharemarket?

When it comes to superannuation and financial planning for retirement, Australians have been rewarded with almost 20 years of mostly uninterrupted positive sharemarket returns, thereby resulting in investment portfolios being strongly weighted towards equities, in comparison to more conservative and secure type investments. This was up until late 2007 when the global financial crisis hit our shores. By the end of 2008, 26.7% had been wiped off the total of Australian superannuation funds. The ensuing shift to more conservative, secure type investments was too little too late for some investors, as some would never recover from this market downturn.

The Challenger Guaranteed Income Fund takes share market risk out of the equation – it is a fixed rate product that guarantees income and capital by investing in underlying annuities issued by Challenger Life.

Certainty of income and fixed value at maturity

The Challenger Guaranteed Income Fund gives you the opportunity to plan a secure future by delivering a set, competitive rate of return over an agreed period of time with a fixed value at maturity. It offers the peace of mind of knowing your income levels over your specified investment period and capital amount at maturity and both are locked in when you invest.

The Fund offers the security of investing in underlying annuities issued by Challenger Life, an Australian Prudential Regulation Authority (APRA) regulated Australian Life Company.

How does the Fund work?

Challenger Life determines an earnings rate which is generally set weekly in advance. The earnings rate that applies at the date you invest in the Fund will determine the unit price at which you purchase units. On the commencement date we set three characteristics:

- **fixed** cents per unit distribution – per annum
- **fixed** maturity date
- **fixed** maturity value – unit price of $1.00 per unit held

We offer maturity dates that approximate one through to seven year terms.

Scenarios

The following scenarios are provided to help demonstrate how an investment in the Fund works.

These diagrams are illustrative only and not to scale and figures used in the graphs and assumptions may have been rounded. Please note the application unit price movements in the graphs above include accrued income.

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 6.00% p.a. and does not change before your investment date. The application unit price on your investment date is $1.0000.

Based on holding your investment until the class maturity date and the assumptions alongside, if you invested $100,000 on the class commencement date, when the earnings rate was 6.00% p.a. and the application unit price was $1.0000 you would:

- purchase 100,000 units
- receive $500 per month as a regular monthly distribution
- receive $100,000 as your maturity value
- receive total payments over the life of your investment of $107,500.

Assumptions

Investment date	1 October 2009 (class commencement date)
Earnings rate	6.00% p.a.
Application unit price	$1.0000
Distribution	0.5 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 $1.0154 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.

Based on holding your investment until the class maturity date and the assumptions alongside, if you invested $100,000 part way through the month, i.e. 15 October 2009, when the earnings rate had decreased and therefore the application unit price increased to $1.0154, you would:

- purchase 98,483 units
- receive $492 per month as a regular monthly distribution
- receive $98,483 as your maturity value
- receive total payments over the life of your investment of $105,869.

Assumptions

Investment date	15 October 2009
Earnings rate	decreases from 6.00% p.a. to 5.00% p.a.
Application unit price	$1.0154
Distribution	0.5 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

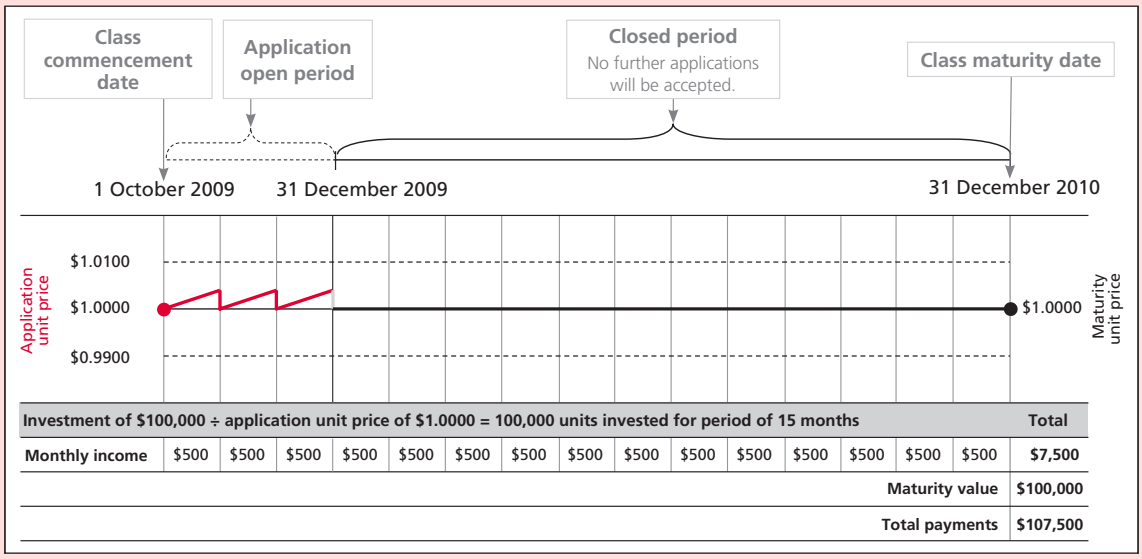
In this scenario, the earnings rate increases and to reflect this higher rate applying to new investors, the application unit price decreases to $0.9932 from $1.0000. This adjustment in the application unit price is to facilitate new investors receiving the specified return for the class via the regular monthly distributions as well as payment of the maturity value.

Based on holding your investment until the class maturity date and the assumptions alongside, if you invested $100,000 part way through the month, i.e. 15 October 2009, when the earnings rate had increased and therefore the application unit price decreased to $0.9932, you would:

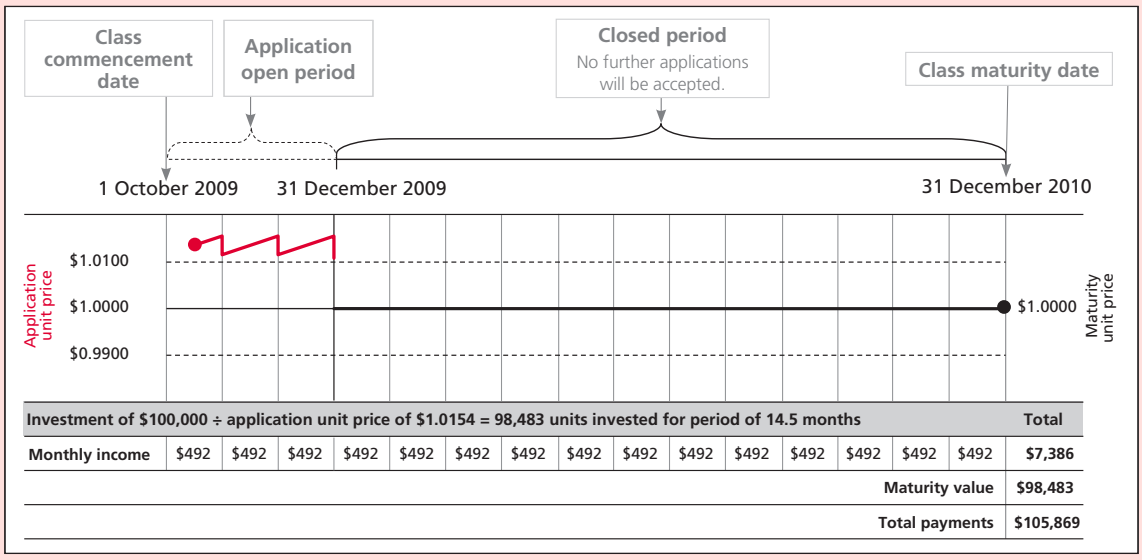
- purchase 100,684 units
- receive $503 per month as a regular monthly distribution
- receive $100,684 as your maturity value
- receive total payments over the life of your investment of $108,235.

Assumptions

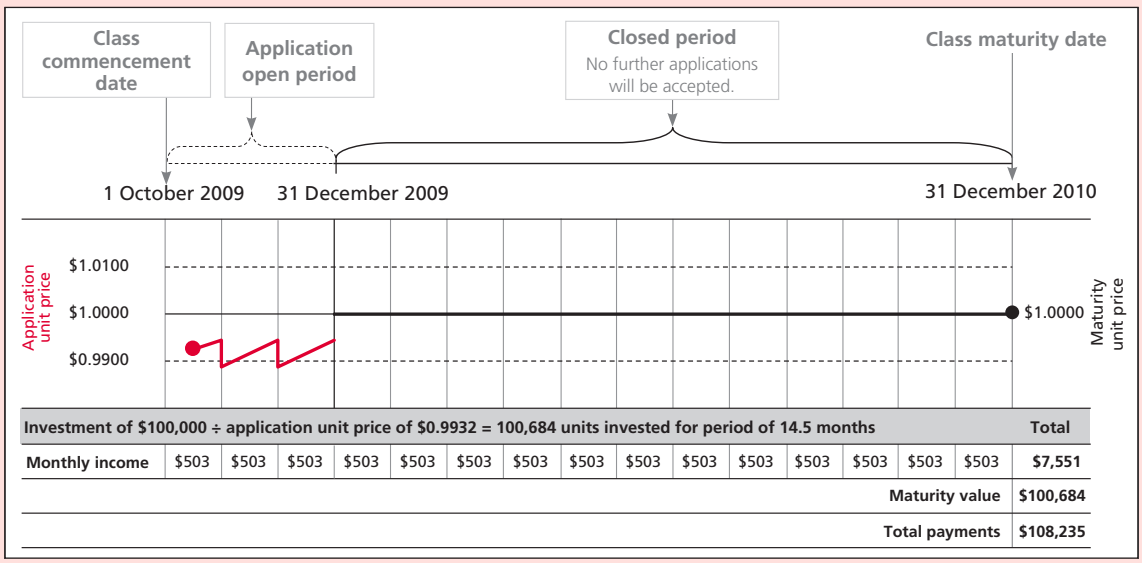
Investment date	15 October 2009
Earnings rate	increases from 6.00% p.a. to 7.00% p.a.
Application unit price	$0.9932
Distribution	0.5 cents per unit (per month)



Investment of $100,000 ÷ application unit price of $1.0000 = 100,000 units invested for period of 15 months																Total
Monthly income	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$7,500
															Maturity value	$100,000
															Total payments	$107,500



Investment of $100,000 ÷ application unit price of $1.0154 = 98,483 units invested for period of 14.5 months																Total
Monthly income	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$492	$7,386
															Maturity value	$98,483
															Total payments	$105,869



Investment of $100,000 ÷ application unit price of $0.9932 = 100,684 units invested for period of 14.5 months																Total
Monthly income	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$503	$7,551
															Maturity value	$100,684
															Total payments	$108,235

Key features

Fixed income/value at maturity – Certainty – the Fund offers an agreed level of income regardless of market movements and a fixed value at maturity.

Attractive rates of return – Challenger offers highly competitive earnings rates.

No management costs – Unlike most other retirement income products, the Fund has no investment management fees. This means you get the return that's promised.

Regular income

The amount of your regular payments is agreed at the time you invest in the Fund and is fixed for the duration of your investment term. The amount you receive will depend on:

- How much money you invest
- The maturity date you choose for your investment
- The earning rates on offer at the time of your investment.

Flexibility – You have a choice of maturity date, therefore you can elect how long you want your investment to last.

Secure – The Fund invests in underlying annuities provided by Challenger Life which provides a guarantee through the terms of the annuity. Challenger Life is governed by the statutory rules/regulations set by APRA in order to ensure annuity holders' payments are met.

Retire on your terms

The Fund provides a range of terms to tailor to a person's own individual investment needs. This fact, combined with the Fund's security and the absence of management costs, makes it an appealing low risk option for people in or near retirement. With the Challenger Guaranteed Income Fund you can take control of your retirement savings and retire on your terms.

To find out more about the Challenger Guaranteed Income Fund, talk to your financial adviser, visit our website www.challenger.com.au or call the Challenger Investor Services team on 13 35 66.

Adviser contact details

The information contained in this publication is current as at 1 November 2010 and is provided by Challenger Retirement and Investment Services Limited ABN 80 115 534 453 AFSL 295642 (Challenger). It should be regarded as general information only rather than advice. It is provided without taking account of any person's investment objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs.

Interests in the Challenger Guaranteed Income Fund ARSN 139 607 122 (Fund) are offered by Challenger. Challenger Life Company Limited ABN 44 072 486 938 AFSL 234670 (Challenger Life) is the provider of the annuities and derivative contracts (collectively know as securities) in which the Fund invests. Whilst Challenger Life's Statutory Fund No.2 is contractually obliged under the terms of the annuities and derivative contacts in which the Fund invests to, amongst other things, make certain guaranteed regular income and capital payments to the Fund, no company within the Challenger Group provides a guarantee in respect of the Fund or a person's return or capital. For additional information on the guarantee please refer to the current product disclosure statement (PDS) for the Fund. Challenger, as the responsible entity of the Fund, does not provide any guarantee in respect of the Fund, the earnings rate, the distribution or the maturity unit price. An investment in the Fund 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 referrable to another class. For additional information please refer to the current product disclosure statement (PDS) for the Fund.

Persons considering investing in the Fund should first obtain and consider the information in the current PDS. A copy of the PDS can be obtained from your financial planner, our Investor Services team on 13 35 66, or on our website: www.challenger.com.au. Please read the PDS carefully before making an investment decision (including deciding whether to acquire or continue to hold any investment in the Fund). Where a person acquires or holds units in the Fund, Challenger and Challenger Life will receive the fees and/or other benefits disclosed in the PDS. Neither Challenger nor Challenger Life nor their employees receive any specific remuneration for any advice provided. Some or all of Challenger group companies and their directors may benefit from fees, commissions and other benefits received by another group company.

www.challenger.com.au

Challenger Limited
Level 15
255 Pitt Street
Sydney NSW 2000
Telephone 02 9994 7000
Facsimile 02 9994 7777

17439/CG693/1014