

# Challenger Shareholder

Newsletter February 2019

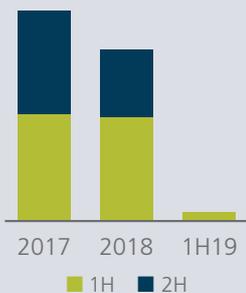


Peter Polson  
Chair

## Normalised net profit after tax<sup>1</sup> (\$m)



## Statutory net profit after tax (\$m)<sup>1</sup>



## Dividends (cps)



Dear Shareholder,

On behalf of Challenger's Board and management team, I'm pleased to provide you with an update on the performance of your company for the first half of the 2019 financial year.

Our results for the first half have clearly been impacted by the difficult operating environment we're experiencing, with increased market volatility, industry disruption and political uncertainty playing out across the sector. While some of these factors are beyond our control, the fundamentals underpinning our business remain supportive. We continue to target a growing market of retirees, we have the leading retirement income brand in the country and our capital position remains very strong.

Our resilient position is well demonstrated by the solid domestic annuities sales we achieved in the half. Australian annuity sales were up 4% on the same period last year, reflecting the continued demand from retirees for our products.

### Earnings update

Assets under management were \$78.4 billion, up 2% on the prior corresponding period (pcp). Normalised net profit before tax<sup>1</sup> was \$270 million, down \$5 million or 2% on the pcp. Earnings were impacted by investment market volatility resulting in lower asset returns in the Life business and lower Funds Management performance fees.

Normalised net profit after tax was down \$8 million or 4% to \$200 million. Statutory net profit after tax, which includes investment experience, being the valuation movements on assets and liabilities supporting the Life business, was \$6 million mainly due to the volatile equity and fixed income markets that were experienced in the December quarter.

Normalised return on equity was lower at 15.6% pre-tax, impacted by lower normalised net profit before tax and higher capital levels held.

### Strongly capitalised

We retain a very strong capital position, with \$1.4 billion of excess regulatory capital and group cash. We continue to hold capital well above APRA's minimum requirements and at 31 December 2018 Challenger Life held 54% more than the minimum, which is toward the upper end of our target capital range.

### Dividend

Your Board seeks to ensure there is an appropriate balance between profits paid to shareholders as dividends and profits retained in order to grow your business.

For the first half of 2019, your Board declared a fully franked interim dividend of 17.5 cents per share, unchanged from last year.

### Strategic progress

Challenger continues to make progress implementing its strategy to take advantage of the broad demographic tailwinds behind Australia's growing retirement income market.

Challenger's product offering is appealing for retirees in this environment as they seek guaranteed income and longevity protection amid sustained market volatility and political uncertainty.

We continue to expand our distribution reach with the launch on the BT Panorama platform in the first half followed by new relationships formed with fast growing independent platforms. Challenger annuities are on track to launch on Hub24 and Netwealth platforms in the second half of this financial year.

Challenger continues to be recognised as a clear leader in retirement income, maintaining a strong brand and reputation. Challenger retained and strengthened its leadership position, ranked first place at 95%<sup>2</sup> despite challenges across the sector.

1 Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Operating and Financial Review Section of the 2019 Challenger Limited Interim Financial Report.

2 Marketing Pulse Adviser Study December 2018.

Trust in the quality of our products and services, and our ongoing focus on improving the experience for our customers and advisers has contributed to our strong brand and reputation. In December, Challenger launched a new website with dedicated content specifically designed for customers and advisers and an improved lead nurturing capability. The new site supports our efforts to better educate customers about retirement income options and assists advisers with their conversations with clients. Later this year, we will launch a new brand campaign focused on educating customers and advisers on the role annuities can play in retirement.

While the retirement income reform process has been impacted by political uncertainty and the election cycle, there has been bipartisan support over many years for policy development to strengthen the retirement phase of superannuation. Challenger is engaging broadly and developing thought leadership to educate and advocate for good policy.

Challenger also continues to grow its Funds Management business through new product and distribution initiatives. Progress has already been made in the second half with FME Asset Management joining Fidante's London-based boutiques. Fidante Partners also launched ActiveX, a series of active ETFs, to address the growing market for exchange traded products.

I'm pleased to report that Challenger continues to be strongly positioned despite the current challenging operating environment, and I am confident the business is well placed to respond to the current market and capture opportunities for future growth.

I would like to thank you, our shareholders, for your ongoing support and commitment to Challenger.



**Peter Polson**  
Independent Chair  
Challenger Limited

## Additional information section

### Key dates

26 March 2019	Payment date for 2019 interim dividend
20 June 2019	2019 Investor Day
13 August 2019	2019 Full-year financial results
30 August 2019	Ex-dividend date for 2019 final dividend
2 September 2019	Record dividend date for 2019 final dividend
3 September 2019	DRP election date for final 2019 dividend
25 September 2019	Payment date for final 2019 dividend
31 October 2019	2019 Annual General Meeting

### Manage your shareholding

For administrative matters in respect of your Challenger shareholding, please contact Computershare Investor Services.

To assist with all enquiries, please quote your unique Security Reference Number (SRN) and your current address.

T: 1800 780 782

› [computershare.com.au/investor](https://computershare.com.au/investor)

### Dividend Reinvestment Plan

Challenger operates a Dividend Reinvestment Plan (DRP) to enable you to receive some or all of your dividends as Challenger shares instead of cash. If you would like to participate in the DRP, you will need to make an election with Challenger's share register, Computershare Investor Services, at [computershare.com/investor](https://computershare.com/investor).

### Go electronic

Challenger can deliver your shareholder communications electronically. Please update your communication preferences via Computershare Investor Services. You can also elect to receive your dividend statements via email and all other communications online.