

Challenger Absolute Return Global Bond Strategies Fund

ASIC Benchmarks and Disclosure Principles Report – 1 July 2017

This ASIC Benchmarks and Disclosure Principles Report (Benchmark Report) provides specific information in relation to the Challenger Absolute Return Global Bond Strategies Fund (ARSN 617 502 753) (Fund) which is issued by Fidante Partners Limited (ABN 94 002 835 592) (AFSL 234668) (Fidante Partners, we, Responsible Entity, RE). Standard Life Investments Limited (Standard Life or the investment manager) is the investment manager of the Fund.

We recommend that you read this Report in conjunction with the Product Disclosure Statement (PDS) for the Fund before making an investment decision. A copy of the PDS for the Fund is available from www.challenger.com.au. This Benchmark Report may be updated periodically and non-materially adverse information may be updated at www.challenger.com.au

A paper copy of any updated Benchmark Report or PDS will be given to you on request, without charge, by calling the Challenger Investor Services team on 13 35 66.

All capitalised terms used in this Benchmark Report and not defined herein have the meaning given to them in the PDS.

ASIC Benchmarks and Disclosure Principles

The ASIC Benchmarks and Disclosure Principles are aimed at assisting investors to understand the risks of investing in funds that meet certain criteria under 'ASIC Regulatory Guide 240: Hedge funds: Improving disclosure' and whether such investments are suitable for them.

The ASIC Benchmarks and Disclosure Principles covered in this Benchmark Report are as follows:

ASIC Benchmarks	For information on each Benchmark refer to the following pages.
ASIC Benchmark 1: Valuation of assets	Page 2 of this Report
ASIC Benchmark 2: Periodic reporting	Page 2 of this Report

ASIC Disclosure Principles	For information on each Disclosure Principle refer to the following pages.
ASIC Disclosure Principle 1: Investment strategy	Page 2 of this Report
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ASIC Disclosure Principle 4: Valuation, location and custody of assets	Page 8 of this Report
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Benchmark 1: Valuation of assets

This benchmark addresses whether valuations of the Fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.

The Fund does not meet this benchmark as it does not have an independent administrator or an independent valuation service provider.

However, investors can take confidence in the valuation of the assets of the Fund because:

- the only assets of the Fund are shares in the Underlying Fund and cash;
- the assets of the Underlying Fund are valued by an independent valuation service provider, which will inform the share price for the Underlying Fund; and
- Fidante Partners will rely on the share price determined for the Underlying Fund when determining the value of the Fund's assets.

The valuation and accounting services for the Underlying Fund are provided by the Bank of New York Mellon SA/NV (Luxembourg Branch).

Benchmark 2: Periodic reporting

This benchmark sets out information that investors should likely be aware of, on a periodic basis.

The Fund meets this Benchmark.

The following information will be included in the Fund's periodic report:

- the actual allocation to each asset type;
- the liquidity profile of the portfolio of assets as at the end of the relevant period;
- the maturity profile of any liabilities at the end of the relevant period;
- the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) at the end of the relevant period;
- details on the derivative counterparties engaged;
- the monthly or annual investment returns over at least a five-year period, or since inception if less than five years; and
- any changes to key service providers since any previous report given to investors, including any change in any related party status.

The latest report of the Fund will be available on the Challenger website.

On a monthly basis, the following information will be made available on the Challenger website:

- the current total net asset value (NAV) of the Fund and the redemption value of a unit as at the date the NAV was calculated. For further information on how the NAV of the Fund is calculated, please refer to 'How unit prices are calculated' on page 36 of the PDS;
- any changes in key service providers or their related party status; the net return on the Fund's assets;
- any material change in the Fund's risk profile, strategy and investment team; and
- the net return on the Fund's assets after fees, costs and taxes.

All disclosures contemplated under this benchmark will report in respect of both the Fund and the Underlying Fund.

Disclosure Principle 1: Investment strategy

This disclosure principle is intended to ensure that investors are made aware of the details of the investment strategy for the Fund, including the type of strategy, how it works in practice, and how risks are managed.

Investment strategy	<p>The primary aim of the Fund is to deliver a positive absolute return over the medium to long term in all market conditions, whilst providing a steady stream of income.</p> <p>To meet this objective, the Fund has been established as a feeder fund into the Australian Dollar Hedged Share Class of the Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund, which is a Luxembourg domiciled SICAV regulated by the Commission De Surveillance Du Secteur Financier (Underlying Fund).</p> <p>The Underlying Fund aims to deliver a return of cash +3% per annum, gross of fees, over rolling three-year periods. The investment team who actively manage the Underlying Fund have a wide investment remit to help them try to achieve this aim.</p> <p>The Underlying Fund exploits market inefficiencies through active allocation to a diverse range of market positions. It uses a combination of traditional assets (such as bonds, cash and money market instruments) and investment strategies based on advanced derivative techniques, resulting in a diversified portfolio. It is permitted to take long and short positions in markets, securities and groups of securities through derivative contracts.</p> <p>The investment strategies are implemented to seek to make money irrespective of market direction, helping cushion the portfolio during adverse investment conditions. They include duration, credit, currency, yield curve, inflation and volatility. Standard Life Investments expect each one of these strategies to deliver positive returns on an 18-24 month investment horizon. Standard Life Investments monitor exposures continually and rigorously, altering or closing them at any point in time. The investment return of the Fund relies on Standard Life Investment's ability and decision making in relation to the investment management of the Underlying Fund.</p> <p>For information regarding the Fund structure, including the due diligence performed on the Underlying Fund, please refer to 'Disclosure Principle 3: Fund structure' on pages 5 to 8 of this document.</p>
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Asset allocation	Shares in the Underlying Fund Cash	95%-100% 0%-5%
Investment universe	<p>The Fund will only invest in shares in the Australian Dollar Hedged Share Class of the Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Sub-Fund (Underlying Fund) and cash. The Underlying Fund is a UCITS regulated fund, the Underlying Fund may only invest in 'Eligible Assets' under the UCITS directive. These include:</p> <ul style="list-style-type: none"> • derivative contracts (including futures, options, swaps, forward currency contracts and other derivatives) • fixed interest securities • cash • other forms of eligible transferable securities • money market instruments • undertakings for collective investment. 	
Currency strategy	<p>The Fund only invests in the Australian Dollar Hedged Share Class of the Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Sub-Fund, and in cash denominated in Australian Dollars. The Underlying Fund invests in assets of various currency denominations including, but not limited to, Australian Dollars, Euro, Japanese Yen, Singapore Dollars, United States Dollars, and United Kingdom Sterling, but its base currency for performance reporting and share price calculation purposes is the Sterling.</p>	
Portfolio construction and risk limits	<p>Standard Life Investments use a risk-based approach to portfolio construction. Standard Life Investments embed risk management into every step of their investment process making use of innovative investment tools and techniques to enhance the resilience of our portfolios, even in adverse market conditions.</p> <p>Standard Life Investments use a risk-based approach to portfolio construction. In particular they employ a methodology called stand-alone risk which takes any one investment position within the portfolio, and tests position in different market scenarios. It demonstrates what risks that one position represents within the Underlying Fund.</p> <p>Limits are applied to allowable risk exposures not to physical asset allocations. The risk limits imposed are:</p> <ul style="list-style-type: none"> • For each strategy category (i.e. interest rates, credit quality, currency etc) no more than 40% of total stand-alone risk of the portfolio can be assigned to any one strategy category. • Within each strategy category, no more than 30% of the total stand-alone risk can be assigned to any one individual position. <p>The constitution of the Fund permits a wide range of investments and gives us, as Responsible Entity, broad investment powers. We may change the investment manager and/or vary the investment objectives, strategies, benchmarks, asset allocation ranges and processes of the Fund. We will give unitholders written notice of any material variation which we believe they would not have reasonably expected.</p>	
Leverage	<p>The Fund and Underlying Fund may borrow; however, the investment manager will generally not borrow on behalf of the Fund or Underlying Fund, except from time to time to cover short-term cash flow needs or if emergency or extraordinary situations arise. Borrowings may be from a variety of sources, including related entities. Where funds are borrowed from related entities, the terms are set on a commercial and arm's length basis.</p> <p>While the Underlying Fund does not borrow to invest, the use of derivatives may cause the nominal investment exposure of the Underlying Fund to exceed 100% of the value of assets. Please refer to 'Disclosure Principal 6: Leverage' on pages 9 to 10 of this document for more information.</p>	
Derivatives	<p>The Fund does not use derivatives.</p> <p>The Underlying Fund uses both OTC and exchange traded derivatives to achieve the investment objective and implement the strategy. Please refer to 'Disclosure Principal 7: Derivatives' on page 10 of this document for more information.</p> <p>The use of derivatives may expose the Fund to certain risks. Please refer to 'Derivative risk' on page 16 of the PDS for more information.</p>	
Short selling	<p>The Fund does not short sell.</p> <p>The Underlying Fund has the ability to implement both long and short positions. There are no limits on the level of short selling permitted, however there are limits on the gross exposure of the total positions for the Underlying Fund as well as risk limits for different types of exposures (interest rates, currencies). Please refer to 'Disclosure Principal 8: Short Selling' on page 10 of this document for further information.</p> <p>Short selling may expose the Fund to certain risks. Please refer to 'Short selling risk' on page 18 of the PDS for more information.</p>	

Risk management	<p>There are risks associated with the Fund itself as well as risks from the investments of the Underlying Fund. Significant risks of the Fund are outlined under 'Risks of managed investment schemes' in the PDS. Risks include:</p> <ul style="list-style-type: none"> • A change in key personnel of the investment manager potentially impacting the success of the investment strategy. • The Fund and Underlying Fund are, to a certain extent, reliant on external service providers in connection with their operation and investment activities. 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 alternate supplier and, in the interim, investment activities of the Fund may be affected. • The risk that the other party to a contract (such as a derivatives contract, physical security trade or foreign exchange contract) fails to perform a contractual obligation either in whole or in part. • Various investment laws and regulations imposed by the foreign jurisdictions relevant to the Underlying Fund that limit the use of certain securities and investment techniques that might improve performance. • Shares in the Underlying Fund not being actively traded, meaning the only option for liquidity is generally redemption which may be subject to delays. • Risk that taxation or other applicable laws may change in Australia that may affect the operation of the Fund, including how distributions are paid from the Fund, or in Luxembourg which may affect the operation of the Underlying Fund.
Changes to investment policy	<p>The constitution of the Fund permits us, as Responsible Entity, to change the investment manager and/or vary the investment objectives, strategies, benchmarks, asset allocation ranges and processes of the Fund. The Underlying Fund may alter its investment strategy at its discretion; subject to regulatory approval by the relevant regulator of the Underlying Fund. The investment manager will inform us of any such changes. We will give unitholders written notice of any material variation which we believe they would not have reasonably expected.</p>

Disclosure Principle 2: Investment manager

This disclosure principle is intended to ensure that investors have the necessary information about the people responsible for managing the Fund's investments, as well as the arrangement between the Responsible Entity and any investment manager.

As Responsible Entity of the Fund, Fidante Partners have appointed Standard Life Investments as the investment manager of the Fund to invest and manage the Fund's portfolio. Under the terms of the appointment Standard Life Investments must, amongst other things, provide an update to the Responsible Entity at regular intervals regarding the performance of the Underlying Fund, including any possible operational or legal breaches. Standard Life Investments must also assist the Responsible Entity with any reasonable requests for information for compliance and auditing purposes. The appointment of Standard Life Investments is for an initial term of five years.

Key information on the investment team of the Underlying Fund, including details on their qualifications, commercial experience and time spent executing the Fund's investment strategy is provided in the tables below.

Name	Roger Sadewsky
Title	Investment Director – Multi-Asset Investing & Co-manager of Absolute Return Global Bond Strategies, Standard Life Investments.
Year joined	2004.
Responsibilities	Roger has been involved in the management of the Absolute Return Global Bond Strategies Fund since its inception in March 2011. He is also responsible for the management of the Global Absolute Return Strategies (GARS) Funds. Furthermore, he works with the Credit Team to provide a macro overlay (using derivatives), for a large pension scheme.
Investment experience	Roger joined Standard Life Investments in 2004. He began his career in rates before specialising in credit and credit derivatives. Prior to joining the firm, he gained experience at Deutsche Bank and then at JP Morgan where he was responsible for distributing a credit product (cash and derivatives) to UK asset managers. Whilst working within Standard Life Investments' Credit team for eight years, Roger was responsible for developing the macro expertise within the team by working very closely with Credit, Rates and Multi-Asset teams. Roger has 12 years investment experience at Standard Life Investments with 31 years of industry experience.
Education and professional qualifications	BA (Hons) in Politics from University of York, MBA from Cranfield School of Management, IMC.
Portion of time devoted to executing investment strategy	It is expected Roger will spend approximately 30 hours per week (on average) on investment management activities which include managing the Underlying Fund.

Name	Katy Forbes
Title	Investment Director – Fixed Income & Co-manager of Absolute Return Global Bond Strategies, Standard Life Investments.
Year joined	2001.
Responsibilities	Katy has been a manager of the Absolute Return Global Bond Strategies Fund since late 2012. She is also co-manager of the Global Inflation Linked Bond Fund.
Investment experience	Katy joined the Government bond team in 2008 as a secondary manager on the Inflation-Linked Bond Funds, with prior experience in risk and derivatives execution. Katy was appointed as a manager of the Absolute Return Bond Fund in 2012 and as co-manager of the Global Inflation Linked Bond Funds in 2015. Katy is a member of the Strategic Investment Group. Katy has 15 years investment experience at Standard Life Investments and in the industry.
Education and professional qualifications	IMC, CFA Charterholder, BSc (1st class honours) from University of Edinburgh.
Portion of time devoted to executing investment strategy	It is expected Katy will spend approximately 30 hours per week (on average) on investment management activities which include managing the Underlying Fund.

Name	Adam Skerry
Title	Investment Director – Multi-Asset Investing & Co-manager of Absolute Return Global Bond Strategies, Standard Life Investments.
Year joined	2011.
Responsibilities	Adam Skerry joined Standard Life Investments as an Investment Director on the Real Returns Team in March 2011. In May 2016 he was appointed joint manager of the Absolute Return Global Bond Strategies Fund with Roger and Katy. He also acts as manager of both UK and Global Inflation Linked Bond portfolios analysing key market themes and feeding inflation insights into both his own funds and the absolute return suite of portfolios. He began his career in 1998 at PricewaterhouseCoopers and then moved onto other investment management roles at Henderson Global Investors, Saxon Financial, and Baring Asset Management.
Investment experience	Adam has five years of investment experience at Standard Life Investments with 18 years' of experience in the industry.
Education and professional qualifications	BA (Hons) Modern History & Economics (1998), IMC (1999), ASIP (2001).
Portion of time devoted to executing investment strategy	It is expected Adam will spend approximately 30 hours per week (on average) on investment management activities which include managing the Underlying Fund.

Termination of the investment manager's appointment

The appointment of Standard Life Investments Limited as investment manager of the Fund is for an initial term of 5 years. Fidante Partners may terminate the appointment on 5 days' notice under various circumstances, including the investment manager's liquidation, ceasing to carry on or selling the investment management business, breach of the investment management agreement, or if the investment manager ceases to be licensed under the relevant law. Standard Life Investments Limited can also terminate the appointment on 20 days' notice under various circumstances including Fidante Partner's liquidation, breach of the investment agreement, or if Fidante Partners ceases to be licensed under relevant law.

Standard Life Investments Global SICAV or Standard Life Investments (Mutual Funds) Limited may terminate the investment management agreement in relation to the Underlying Fund upon the expiration of six months' notice in writing to Standard Life Investments Limited. Standard

Life Investments Limited may terminate the investment management agreement in relation to the Underlying Fund by giving the Standard Life Investments Global SICAV and the Standard Life Investments (Mutual Funds) Limited not less than six months' notice in writing, or further to any other termination clause provided for in the investment management agreement.

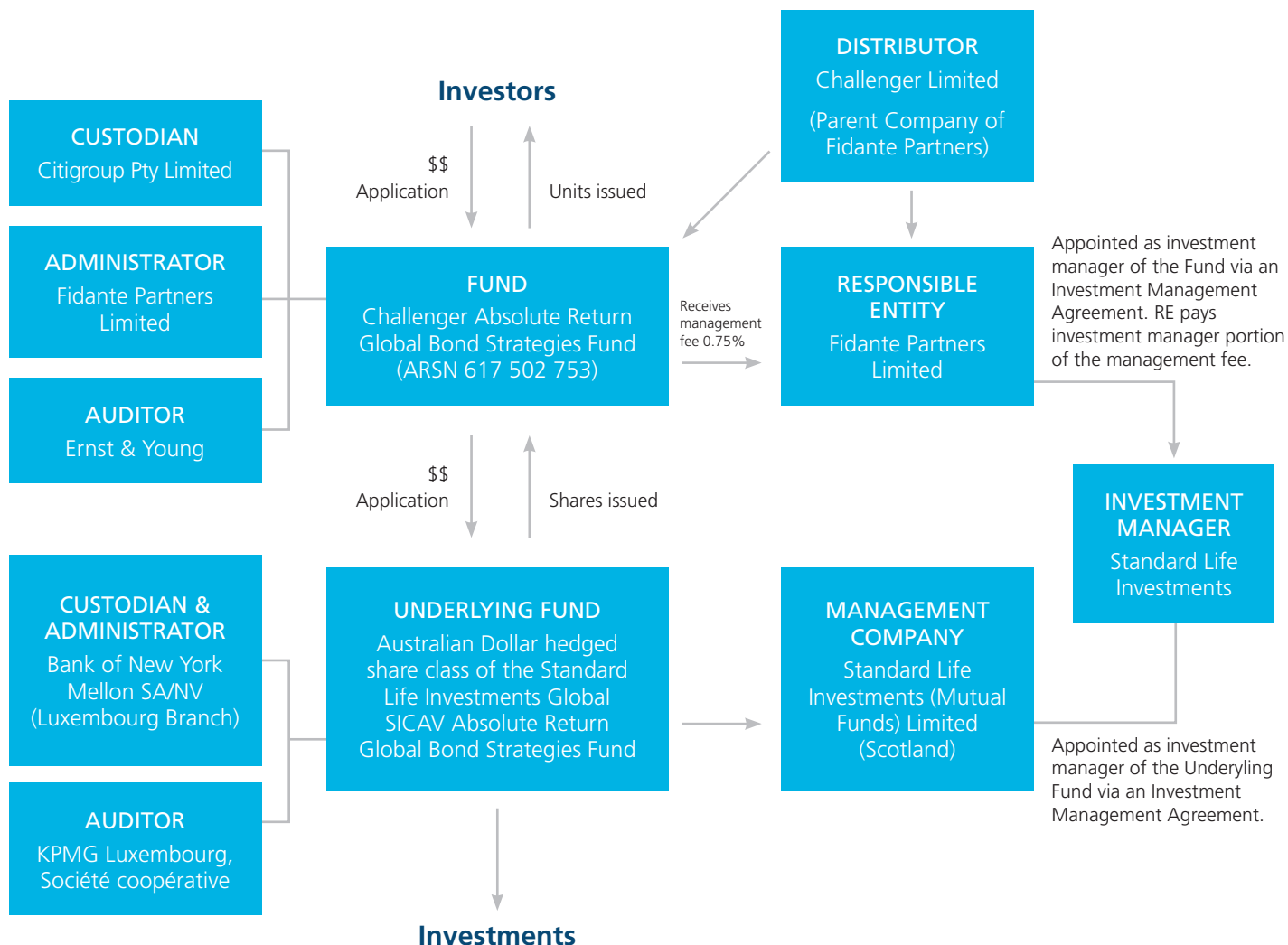
Disclosure Principle 3: Fund structure

This disclosure principle is intended to ensure that the investment structures, the relationships between entities in the structure, fees and other costs payable to the Responsible Entity and investment manager, jurisdictions involved, the due diligence performed on underlying funds, and the related party relationships within the structure are explained.

The Fund's investment structure

The Fund is a registered managed investment scheme. It has been established as a 'feeder fund' into the Australian Dollar Hedged Share Class of the Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund, which is a Luxembourg domiciled SICAV regulated by the Commission De Surveillance Du Secteur Financier (**Underlying Fund**).

The Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund may also issue different share classes that have different investment objectives, assets and rights such as different fee structures or currency denominations.



The key service providers of the Fund are outlined below:

Key service providers	Role	Scope of services	Jurisdiction
Standard Life Investments	Investment manager of the Fund	Standard Life Investments is the investment manager of the Fund and responsible for all aspects of the investment management of the Fund. Standard Life Investments is entitled to receive a portion of the management fee for its management of the portfolio. For further information on Standard Life Investments, please refer to 'About Standard Life Investments' on page 3 of the PDS. Standard Life also acts as investment manager of the Underlying Fund.	Edinburgh
Fidante Partners Limited (ABN 94 002 835 592, AFSL 234668)	Responsible Entity and Administrator	A wholly owned subsidiary of Challenger Limited and Responsible Entity of the Fund, Fidante Partners Limited will issue units in the Fund and is legally responsible to the unitholders of the Fund for its operation. As Administrator, Fidante Partners provides the following services: <ul style="list-style-type: none"> • Middle office • Pre trade compliance • Post trade compliance • Fund valuation and reconciliations • Performance and attribution • Fund accounting • Contact centre • Distribution calculations and payments • Financial accounts. For further information on Fidante Partners, please refer to 'About the Responsible Entity' on page 3 of the PDS.	Australia
Challenger Limited (ABN 85 106 842 371)	Parent company of the Responsible Entity and Distributor	Subsidiaries of Challenger Limited will provide marketing, distribution, administration and compliance support services to the Fund.	Australia
Citigroup Pty Limited	Custodian	Citigroup Pty Limited has been appointed by the Responsible Entity as the custodian for the Fund. The custodian provides custodial services to the Fund and is responsible for the safekeeping of the assets of the Fund. As custodian of the assets of the Fund, Citigroup Pty Limited has no independent discretion with respect to the holding of assets and is subject to performance standards.	Australia
Ernst & Young (ABN 75 288 172 749)	Fund auditor	Ernst & Young is the registered company and compliance plan auditor for the Fund. The auditor's role is to provide an audit of the financial statements and compliance plan of the Fund each year, as well as performing a half-yearly review (if required), and to provide an opinion on the financial statements.	Australia

The Responsible Entity has entered into separate agreements with each service provider which sets out the terms and conditions of the relationship, as well as the consequences of any breaches to the terms of that relationship. The Responsible Entity has agreements in place with each service provider for the provision of certain reporting obligations and adopts the following procedures to ensure compliance with these arrangements:

- The RE monitors the services provided by Citigroup Pty Limited as custodian through its day-to-day dealings with these service providers.
- Ernst & Young provide audit services for the Fund's full-year statutory accounts and compliance plan as well as half-year opinions for half-year accounts (if applicable). Ernst & Young's services are conducted in accordance with the Corporations Act 2001, including auditing standards as revised by the Auditing and Assurances Standards Board.

The key service providers of the Underlying Fund (among others) are outlined below:

Key service providers	Role	Scope of services	Jurisdiction
Standard Life Investments	Investment manager of the underlying Fund	Standard Life Investments is the investment manager of the Underlying Fund and responsible for all aspects of the investment management of the Underlying Fund. Standard Life Investments is also the investment manager of the Fund.	Edinburgh
The Bank of New York Mellon SA/NV (Luxembourg Branch)	Custodian	The Bank of New York Mellon SA/NV (Luxembourg Branch) has been appointed to provide safekeeping services in respect of the Underlying Fund assets and to ensure an effective and proper monitoring of the Underlying Fund's cash flows.	Luxembourg
The Bank of New York Mellon SA/NV (Luxembourg Branch)	Administrator	The Bank of New York Mellon SA/NV (Luxembourg Branch) acts as the central administrator for the Underlying Fund. The Central Administrator is responsible for, inter alia, the daily determination of the net asset value per Share of each Class and/or Category of Shares of the Underlying Fund, the proper book-keeping of the Underlying Fund and the maintenance of the Share register.	Luxembourg
The Bank of New York Mellon SA/NV (Luxembourg Branch)	Transfer Agency	The Bank of New York Mellon (Luxembourg Branch) acts as transfer agency for the Underlying Fund.	Luxembourg
KPMG Luxembourg, Société coopérative	Auditor	KPMG Luxembourg, Société coopérative is the auditor for the Underlying Fund.	Luxembourg

Due Diligence performed on Underlying Fund

The Responsible Entity looked at historic performance information, regularly met with the investment manager of the Underlying Fund to assess investment strategy and process and reviewed documentation associated with the Underlying Fund, its service providers and its strategy in determining whether the Underlying Fund was an appropriate investment for the Fund.

Jurisdictions involved with the Fund structure

The Fund is an Australian registered managed investment scheme registered with ASIC. Fidante Partners, the Responsible Entity is domiciled in Australia with its principal place of business in Sydney. All other service providers for the Fund are domiciled in Australia

The Underlying Fund is domiciled in Luxembourg. Standard Life Investments, as investment manager of the Fund and Underlying Fund is domiciled in Edinburgh. All other service providers associated with the Underlying Fund are domiciled in either Luxembourg or Singapore.

Related party relationships

We may enter into transactions with, and use the service of, any of our related entities. Such arrangements will be based on arm's length commercial terms. We, or any of our related entities, or any director, officer or employee of any of them may invest in the Fund.

All current material arrangements in place with the Fund have been made on arm's length terms.

Key risks of the Fund structure

The key risks to the Fund's structure are counterparty risk, currency risk, fund risk and service provider risk. For further information on these risks please refer to 'Risks of managed investment schemes' on pages 15 to 19 of the PDS.

Disclosure principle 4: Valuation, location and custody of assets

This disclosure principle is intended to ensure that the RE of the Fund discloses the types of assets held, where they are located, how they are valued and the custodial arrangements.

Valuation policy of the Fund

The Fund's assets are shares in the Underlying Fund and cash. The Fund's assets and liabilities are usually valued each NSW Business Day, based on the Net Asset Value of the Underlying Fund. Cash is valued at recoverable value. Generally, for unit pricing purposes, liabilities are valued at cost. Liabilities also include an accrual for management costs and for costs (if any) that an investor would ordinarily incur when investing in the Fund's underlying assets.

Any income entitlements, cash at bank, and any amounts of Goods and Services Tax (GST) recoverable from the Fund from the Australian Taxation Office (ATO) are also included in asset values used to calculate the investment and withdrawal unit price.

Refer to 'How unit prices are calculated' page 36 of the PDS.

Location and custody of assets

The strategic asset allocation ranges of the Fund and where assets are domiciled are provided below:

Asset class	Min (%)	Max (%)
Shares in Underlying Fund (domiciled in Luxembourg)	95	100
Cash (domiciled in Australia)	0	5

The Underlying Fund does not have any constraints with regard to asset allocations. It will invest in a diversified portfolio of permitted derivative contracts (including futures, options, swaps, forward currency contracts and other derivatives), fixed interest securities and cash.

The Underlying Fund invests in assets domiciled in various jurisdictions.

Custodial arrangements of the Fund

Citigroup Pty Limited has been appointed by the Responsible Entity as the custodian for the Fund. The custodian provides custodial services to the Fund and is responsible for the safekeeping of the assets of the Fund. As custodian of the assets of the Fund, Citigroup Pty Limited has no independent discretion with respect to the holding of assets and is subject to performance standards.

The custodian for the Underlying Fund is the Bank of New York Mellon SAVNV (Luxembourg Branch).

Disclosure Principle 5: Liquidity

This disclosure principle is intended to ensure that investors are made aware of the Fund's ability to realise its assets in a timely manner and the risks of illiquid classes of assets.

This disclosure principle does not apply to the Fund as the Fund reasonably expects to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's net asset value, within 10 days as at the date of this Report.

The Underlying Fund offers daily applications and redemptions (on any day that is a Business Day in Luxembourg). The Underlying Fund is a Luxembourg domiciled SICAV, its liquidity management is in accordance with UCITS Regulation.

Disclosure Principle 6: Leverage

This disclosure principle is intended to ensure that investors are made aware of the maximum anticipated and allowed level of leverage of the Fund (including leverage embedded in the assets of the Fund).

The Fund and the Underlying Fund may borrow on a secured or unsecured basis for any purpose. At present the Fund and Underlying Fund do not intend to borrow except for short-term cash management purposes. The Fund and the Underlying Fund will pay interest on such borrowed monies. The use of derivatives and other instruments may cause the nominal investment exposure of the Underlying Fund to routinely exceed 100% of the value of assets. As a regulated European Union UCITS fund leverage is restricted to 1000% (that is, for every \$1 of a fund's net asset value, that fund may be leveraged up to \$10).

Leverage in the Underlying Fund will be a result of the use of derivatives.

Derivative gearing may increase the volatility of the Underlying Fund's unit price by potentially magnifying gains and losses from the Underlying Fund's investments. The value and liabilities associated with leveraged investment strategies can be more variable than traditional investments and there may be greater exposure to possible losses. Accordingly, a geared fund may be regarded as having a higher risk profile than a comparable fund which has no derivative gearing.

The use of derivatives and the associated leverage is sometimes required to implement volatility reduction strategies. The leverage exhibited in the Underlying Fund is monitored daily to ensure any new risks that are introduced into the Underlying Fund remain minimal and under control. If the leverage associated with an individual strategy were to exceed a given threshold, specific stress testing would be undertaken. The Fund does not impose any additional policies or restrictions on the leverage of the Underlying Fund.

We do not expect leverage to exceed to the EU UCITS restriction of 1000%. It is anticipated the actual leverage of the Underlying Fund will generally be between 200% and 1000% of the Underlying Fund's net asset value (e.g. for every \$1 of the Underlying Fund's net asset value, the Underlying Fund is leveraged between \$2 and \$10. Depending on the nature of the individual strategy, cash or collateral counterparties may be used and the investment manager's is normal counterparty credit risk policy applies. Leverage is used in line with the Underlying Fund objective and target return, this can have both a positive and negative impact on the magnitude of individual strategy returns.

For example, if the leverage of the Underlying Fund was 1000% and the value of the Underlying Fund's assets increased by 10%, the increase in the Underlying Fund's value would be 100%. That is, for every \$1 invested in the Underlying Fund, the Underlying Fund would earn \$1.

Conversely, a fall of 10% in the value of the Underlying Fund's assets would result in a fall in the Underlying Fund's value of 100%. That is, for every \$1 invested in the Underlying Fund, the Underlying Fund would lose \$1.

Please note the above assumptions are for illustrative purposes only and is based on each leveraged position in the portfolio being positively correlated with one another. However, in constructing a diversified portfolio is likely that some of the leveraged positions will move in an opposite direction to others and the size of the movement will likely to be of a different magnitude.

The value of your investment may go down as well as up, however, you cannot lose more than you invest.

Disclosure Principle 7: Derivatives

This disclosure principle is intended to ensure that investors are made aware of the purpose and types of derivatives used by the Responsible Entity or investment manager, and the associated risks.

The term derivative is used to describe any financial product that has a value that is derived from another security, liability or index. While the Fund's constitution permits the use of derivatives, the Fund does not invest in derivatives.

The Underlying Fund will use both exchange traded and OTC derivatives to implement its investment strategy and achieve its investment objective.

Examples of strategies that are implemented through derivatives include:

- Credit strategy – changes in credit quality can influence the valuation of assets and in turn benefit the portfolio. Rather than invest in physical credit securities, Standard Life Investments may enter into derivatives (such as credit default swaps) to take advantage of the predicted change in credit quality.
- Currency strategy – an assessment of the value of one currency relative to another. The strategy could involve the sale of the currency considered overvalued and purchase of the currency considered undervalued. Derivatives, in the form of forward foreign exchange contracts, could be used to implement the strategy.
- Interest rate strategy – an assessment of the direction of interest rates. Derivatives, in the form of interest rate swaps, could be used to position the portfolio such that it could benefit from the future direction of interest rates.

Standard Life Investments will use derivatives for the following reasons:

- efficient management of investment risks;
- broadens the range of available investment strategies, as some would not be accessible using traditional approaches;
- liquidity of the portfolio is enhanced;
- reduced transaction costs.

The use of derivatives may result in the nominal investment exposure of the Underlying Fund to exceed 100% of the value of assets. Please refer to 'Disclosure Principle 6: Leverage' on page 9 of this document for more information.

Standard Life Investments have significant experience in managing derivative instruments and ensure:

- dedicated counterparty credit analysis and selection;
- exposure control at a portfolio, instrument and business level;
- daily collateral management.

A significant proportion of the Underlying Fund is held in cash and short-dated deposits to meet the collateral and margin requirements of those strategies implemented using derivatives.

The Fund does not impose any additional policies or restrictions on the use of derivatives by the Underlying Fund.

The use of derivatives may expose the Fund to certain risks. Please refer to 'Derivative risk' on page 16 of the PDS for more information.

Disclosure Principle 8: Short selling

This disclosure principle is intended to ensure that investors are made aware of how short selling may be used as part of the investment strategy, and of the associated risks and costs of short selling.

The Fund does not take short positions. The Underlying Fund may, subject to and in accordance with the UCITS restrictions, take long and short positions in markets, securities and groups of securities through Derivative contracts. It does not take short positions in individual securities and it would be unlikely to be net short of credit exposure. There are no formal limits on the level of short selling permitted but there are limits on the gross exposures of total positions for the Underlying Fund as well as risk limits for different types of exposures (interest rates, currencies etc). This is done in a risk appropriate manner with risk analysis conducted prior to any new strategy being implemented and diversification benefits explored on the overall portfolio level.

Disclosure Principle 9: Withdrawals

This disclosure principle ensures that investors are made aware of the circumstances in which the Fund allows withdrawals and how these might change.

If a situation occurs where the assets that the Fund or the Underlying Fund invests in are no longer able to be readily bought and sold, or market events reduce the liquidity of a security of an asset class, there is a risk that the generally applicable timeframe of six business days for meeting withdrawal requests may not be able to be met. This is because it may take longer to sell these types of investments at an acceptable price. In this case withdrawals from the Fund may take significantly longer than the generally applicable timeframe.

The maximum timeframe in which we, as Responsible Entity, have to meet a withdrawal request is set out in the constitution of the Fund. Where the Fund is not liquid (as defined in the Corporations Act 2001), you may only withdraw when we make an offer to withdraw to all investors under a statutory withdrawal offer, as required by the Corporations Act 2001.

Refer to 'Additional information about withdrawing' on pages 29 and 30 of the PDS and 'Withdrawal risk' on page 19 of the PDS for more information.

If an investor wishes to request a withdrawal from the Fund, the direct investor can request a withdrawal by telephone or fax or in writing. A withdrawal request, either in whole or in part once received by us may not be cancelled without our agreement. Indirect investors must complete the withdrawal documentation required by their IDPS operator.

If your withdrawal would cause your balance to fall below the current minimum balance amount of \$10,000 or \$1,000 when a Regular Savings Plan is established, this may be treated as a request for full withdrawal.

Withdrawals from the Fund are not currently funded by an external liquidity facility.

In the event there are any material changes to withdrawal rights, investors will be notified of these changes in writing as soon as practicable.

Issued by Fidante Partners Limited (ABN 94 002 835 592) (AFSL 234668). The Fidante Partners business unit is a division of Challenger Limited.

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This document contains general information. In preparing the information contained in this ASIC Benchmarks and Disclosure Principles Report, 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 individual matters such as taxation, retirement planning and investment risk tolerance.

Consents

Standard Life Investments has provided its consent to the statements about it and the Underlying Fund in the form and context in which it was included. It is not responsible for the issue of this Report, nor is it responsible for any particular part of this Report, other than the parts that refer to it. It has not withdrawn its consent before the date of this Report.

Bank of New York Mellon SA/NV (Luxembourg) has provided its consent to the statements about it in the form and context in which it was included. It is not responsible for the issue of this Report, nor is it responsible for any particular part of this Report, other than the parts that refer to it. It has not withdrawn its consent before the date of this Report.

KPMG Luxembourg, Société coopérative has provided its consent to the statements about it and the Underlying Fund in the form and context in which it was included. It is not responsible for the issue of this Report, nor is it responsible for any particular part of this Report, other than the parts that refer to it. It has not withdrawn its consent before the date of this Report.

Citigroup Pty Limited has provided its consent to the statements about it and the Underlying Fund in the form and context in which it was included. It is not responsible for the issue of this Report, nor is it responsible for any particular part of this Report, other than the parts that refer to it. It has not withdrawn its consent before the date of this Report.

Ernst & Young has provided its consent to the statements about it in the form and context in which it was included. It is not responsible for the issue of this Report, nor is it responsible for any particular part of this Report, other than the parts that refer to it. It has not withdrawn its consent before the date of this Report.