

## MARKET RELEASE

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### ASSETS AND FUNDS UNDER MANAGEMENT

#### LIFE ANNUITY SALES

**17 October 2013, Sydney** – Challenger Limited (ASX:CGF) today announced total assets and funds under management at 30 September 2013 and Life annuity sales for the September 2013 quarter.

Total assets and funds under management at 30 September 2013 were \$46.1 billion, an increase of 31% for the 12 months and up 3% for the quarter.

Life annuity sales for the September 2013 quarter were \$732 million, an increase of 31% on the prior corresponding period. Retail annuity sales of \$714 million increased by 48%.

Chief Executive Officer Brian Benari said: "We are very pleased with the unseasonably strong retail annuity sales and remain committed to our 2014 guidance.

"Sales from our new lifetime products, Liquid Lifetime and Care Annuity, have accelerated. Lifetime sales for the quarter were \$119 million or approximately half the sales achieved for the entire 2013 year. The growth in lifetime sales is positive for our business and assists in increasing the tenor of our book, adding significant business value.

"Total Funds Management FUM now stands at \$42.7 billion and our Rainmaker ranking has moved up from ninth to seventh largest Australian investment manager. We are benefiting from our contemporary model and the leverage this business provides" said Mr Benari.

#### Life

Life annuity sales for the first quarter of 2014 were \$732 million, up from \$558 million in the first quarter of 2013. Total life annuity sales comprise retail sales of \$714 million (up from \$481 million) and institutional sales of \$18 million (down from \$77 million).

Retail annuity sales increased by 48% on the prior corresponding period, with the increase driven by strong growth in both fixed term and lifetime annuities. Fixed term annuity sales increased by 33% to \$595 million. Lifetime annuity sales of \$119 million were nearly four times the lifetime sales achieved in the prior corresponding period. Lifetime annuities comprised 17% of total retail sales, up from 7% twelve months ago.

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**Further enquiry:** Stuart Kingham, Head of Investor Relations, Challenger Limited, 02 9994 7125  
Jana Flanagan, Investor Relations Analyst, Challenger Limited 02 9994 7815  
Stuart Barton, General Manager Corporate Marketing and Communications, Challenger Limited, 02 9994 7008

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Net retail annuity book growth was \$251 million, representing 3.5% growth on the opening Life retail annuity book of \$7,123 million. For the 2014 financial year, the retail annuity book is targeted to grow by 8% (~\$570 million), excluding the High Yield Fund maturity of approximately \$300 million in March 2014.

Life AUM at 30 September 2013 was \$10.6 billion, down \$0.2 billion for the quarter. The reduction in Life AUM reflects a previously announced institutional mandate outflow, partly offset by retail annuity net book growth. During the September 2013 quarter there was an institutional mandate outflow of ~\$540 million, with the balance (~\$250 million) completed in early October 2013.

For the 2014 financial year, Life's cash operating earnings guidance remains unchanged at a range of between \$465 million and \$475 million. Based on the mid-point of this guidance range and net annuity book guidance, the implied Life cash operating earnings margin is ~4.5%.

## **Funds Management**

Funds Management FUM at 30 September 2013 was \$42.7 billion, up 31% for the 12 months and up 4% for the quarter. Quarterly FUM growth was driven by positive investment markets, partly offset by net outflows of \$193 million.

Fidante Partners FUM was \$31.1 billion at 30 September 2013, an increase of 49% for the 12 months and up 4% for the quarter. Net outflows for the quarter were \$368 million, reflecting equity mandate outflows, partly offset by ~\$450 million of fixed income inflows following the acquisition of WyeTree Asset Management in July 2013.

Aligned Investments FUM was \$11.7 billion at 30 September 2013, which was in line with 12 months ago and up 3% for the quarter. Net inflows for the quarter were \$175 million, mainly reflecting an increase in fixed income and property mandates.

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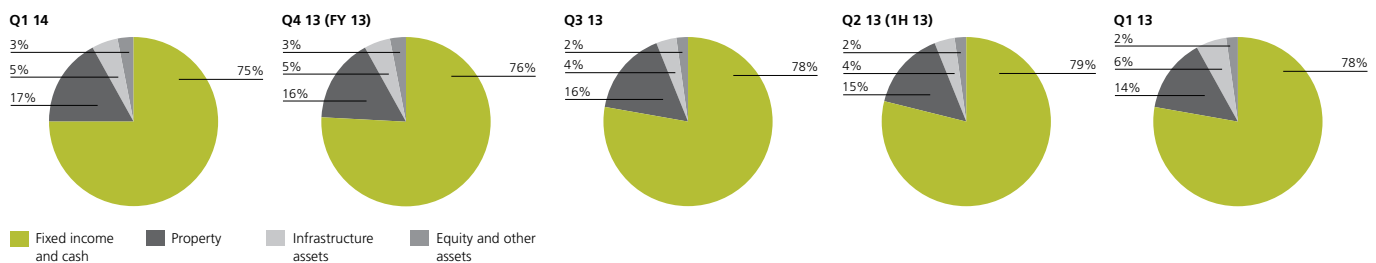
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## Assets and Funds Under Management, net flows and sales

\$m	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13
<b>Total Assets and Funds Under Management</b>	<b>46,062</b>	<b>44,770</b>	<b>40,873</b>	<b>38,284</b>	<b>35,227</b>
<b>Represented by:</b>					
<b>Funds Management</b>					
<b>Fidante Partners<sup>1</sup></b>					
Equities	15,678	15,132	13,409	12,021	9,695
Fixed income	15,397	14,625	13,005	11,963	11,226
<b>Total Fidante Partners</b>	<b>31,075</b>	<b>29,757</b>	<b>26,414</b>	<b>23,984</b>	<b>20,921</b>
<b>Aligned Investments<sup>2</sup></b>					
Fixed income <sup>3</sup>	6,861	6,699	7,621	7,815	7,637
<b>Property</b>					
Institutional mandates	3,048	2,921	2,199	1,910	1,845
Challenger Diversified Property Group (ASX:CDI) (gross assets)	894	888	883	881	888
<b>Infrastructure</b>					
Institutional mandates	862	838	677	690	885
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	–	–	4	55	430
<b>Total Aligned Investments</b>	<b>11,665</b>	<b>11,346</b>	<b>11,384</b>	<b>11,351</b>	<b>11,685</b>
<b>Total funds under management</b>	<b>42,740</b>	<b>41,103</b>	<b>37,798</b>	<b>35,335</b>	<b>32,606</b>
Average Fidante Partners	30,675	29,023	25,460	22,372	20,364
Average Aligned Investments	11,426	11,417	11,478	11,449	11,838
<b>Average total funds under management<sup>4</sup></b>	<b>42,101</b>	<b>40,440</b>	<b>36,938</b>	<b>33,821</b>	<b>32,202</b>
<b>Life</b>					
Fixed income and cash <sup>5</sup>	7,886	8,219	8,002	7,974	7,891
Property <sup>5</sup>	1,821	1,761	1,575	1,541	1,484
Infrastructure <sup>5</sup>	508	488	414	427	623
Equity and other	368	319	241	228	170
<b>Total Life investment assets</b>	<b>10,583</b>	<b>10,787</b>	<b>10,232</b>	<b>10,170</b>	<b>10,168</b>
<b>Average Life investment assets<sup>4</sup></b>	<b>10,732</b>	<b>10,503</b>	<b>10,239</b>	<b>10,032</b>	<b>9,908</b>

### Life asset allocation



<sup>1</sup> Fidante Partners comprise a number of co-owned, separately branded active boutique investment managers from which Fidante receives distribution and administration fees. Fidante Partners also shares in the profits from these businesses through its equity ownership.

<sup>2</sup> Aligned Investments develops and manages products under Challenger's brand for the Life business and third party institutional investors.

<sup>3</sup> Fixed income (including asset backed securities).

<sup>4</sup> Average total funds under management and Life investments calculated on a monthly basis.

<sup>5</sup> Fixed income, property and infrastructure are reported net of debt.

<b>Analysis of flows</b>	<b>Q1 14</b>	<b>Q4 13</b>	<b>Q3 13</b>	<b>Q2 13</b>	<b>Q1 13</b>
<b>Funds Management net flows</b>					
Fidante Partners	(368)	3,626	1,176	2,110	633
Aligned Investments	175	(104)	56	(323)	(195)
<b>Net flows</b>	<b>(193)</b>	<b>3,522</b>	<b>1,232</b>	<b>1,787</b>	<b>438</b>
<b>Life sales</b>					
Fixed Term	595	678	290	505	449
Lifetime	119	92	64	69	32
<b>Total Retail</b>	<b>714</b>	<b>770</b>	<b>354</b>	<b>574</b>	<b>481</b>
Institutional	18	-	31	844	77
<b>Sales</b>	<b>732</b>	<b>770</b>	<b>385</b>	<b>1,418</b>	<b>558</b>
<b>Reconciliation of Total Group Assets and Funds Under Management</b>					
Funds Management (FUM)	42,740	41,103	37,798	35,335	32,606
Life investment assets	10,583	10,787	10,232	10,170	10,168
Adjustments to remove double counting of cross holdings:					
Life Company investment in CDI and CIF	(344)	(338)	(327)	(329)	(496)
Life Company investment in fixed income, property and infrastructure	(6,917)	(6,782)	(6,830)	(6,892)	(7,051)
<b>Total Assets and Funds Under Management</b>	<b>46,062</b>	<b>44,770</b>	<b>40,873</b>	<b>38,284</b>	<b>35,227</b>