

## MARKET RELEASE

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### ASSETS AND FUNDS UNDER MANAGEMENT 30 SEPTEMBER 2010

18 October 2010, Sydney – Challenger Financial Services Group Limited (ASX:CGF) today announced that as at 30 September 2010 its assets and funds under management (AUM) totalled \$25.5 billion, representing an increase of 18% over the prior corresponding period<sup>1</sup>. AUM was up 7% on the prior quarter, primarily reflecting strong boutique inflows for the period.

The September quarter was a record period for Challenger Life retail sales. Total Life sales for the quarter were \$362 million (including \$19 million of Institutional sales) whilst runoff remained in line with projections. Retail Life sales of \$343 million were up 23% on the 30 June 2010 quarter and up 40% on the prior corresponding period. Life's assets under management totalled \$7,383 million, up 22% for the 12 months ended 30 September 2010 and down 3% over the prior period primarily due to a dividend paid to the parent and currency impacts on offshore assets (offsetting hedge gains are excluded from the Life AUM calculation.)

Boutique FUM increased \$5 billion or 70% for the quarter resulting in total boutique FUM of \$12 billion as at 30 September 2010. The \$5 billion increase includes \$1.5 billion of new net inflows (representing 21% growth for the quarter) and \$3.1 billion from conversion of Challenger's Australian Equities and Real Estate Securities funds. Funds Management total funds under management was \$21,844 million at 30 September 2010, representing an increase of 22% over the 12 months and 8% on the prior quarter.

*Ends*

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<sup>1</sup> Excluding the impact of the Mortgage Management sale

# Assets and Funds Under Management

as at 30 September 2010

	30 Sep 10 \$m	30 Jun 10 \$m	31 Mar 10 \$m	31 Dec 09 \$m
<b>Total Assets and Funds Under Management</b>	<b>25,511</b>	<b>23,948</b>	<b>22,080</b>	<b>22,887</b>

**Represented by:**

**Funds Management**

**Unlisted funds/mandates**

Australian equities	1,621	2,247	3,046	3,145
International equities	145	145	156	159
Real estate securities (including hybrid property)	604	1,615	1,409	1,494
Property	1,489	1,578	1,490	1,238
Infrastructure	900	995	902	1,094
Fixed interest	5,774	5,646	3,990	4,149
Mortgage funds	2,200	2,283	2,360	2,432
Boutique partnership mandates <sup>(a)</sup>	7,704	4,250	3,635	3,094
<b>Total Unlisted funds/mandates under management</b>	<b>20,437</b>	<b>18,759</b>	<b>16,988</b>	<b>16,805</b>

**Listed funds**

Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	385	423	470	615
Challenger Diversified Property Group (ASX:CDI) (gross assets)	792	799	795	794
Challenger Wine Trust (ASX:CWT) (gross assets)	230	240	258	261
Challenger Kenedix Property Trust (ASX:CKT) (gross assets) <sup>(b)</sup>	0	0	0	749
<b>Total assets of listed funds</b>	<b>1,407</b>	<b>1,462</b>	<b>1,523</b>	<b>2,419</b>
<b>Total funds under management</b>	<b>21,844</b>	<b>20,221</b>	<b>18,511</b>	<b>19,224</b>

Comprising:

Retail	5,846	6,488	6,177	6,287
Institutional	14,591	12,271	10,810	10,517
Listed funds	1,407	1,462	1,524	2,420
<b>Total funds under management</b>	<b>21,844</b>	<b>20,221</b>	<b>18,511</b>	<b>19,224</b>

<sup>(a)</sup> Boutique partnership mandates represent segregated institutional mandates and do not include the registered schemes. Boutique FUM including schemes totals \$12,000m, at 30 September 2010.

<sup>(b)</sup> CKT was privatised in February 2010.

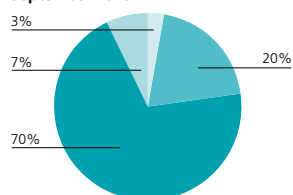
**Life**

Property <sup>(c)</sup>	1,489	1,578	1,490	1,238
Debt investments, cash and receivables	5,176	5,207	4,389	4,464
Infrastructure assets	479	527	509	693
Equity and other assets	239	266	257	256
<b>Total Life investment assets</b>	<b>7,383</b>	<b>7,578</b>	<b>6,645</b>	<b>6,651</b>

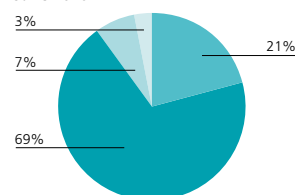
<sup>(c)</sup> Property is reported net of senior debt of \$719m (Jun 2010 \$683m). Property includes direct and indirect holdings.

**Life Company asset allocation split**

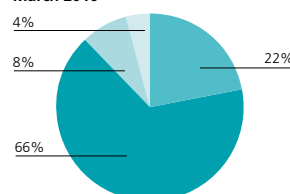
September 2010



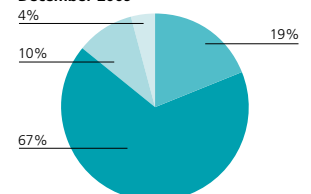
June 2010



March 2010



December 2009



■ Property ■ Debt investments, cash and receivables ■ Infrastructure assets ■ Equity and other assets

## Analysis of Flows

### Funds Management

Net flows for the quarter comprise	30 Sep 10 \$m	30 Jun 10 \$m	31 Mar 10 \$m	31 Dec 09 \$m
Retail	(715)	552	(382)	(52)
Institutional – Managed Funds	2,096	1,581	256	1,049
Net flows	1,381	2,133	(126)	997

### Life

Sales for the quarter	30 Sep 10 \$m	30 Jun 10 \$m	31 Mar 10 \$m	31 Dec 09 \$m
Retail	343	279	199	210
Institutional	19	670	42	541
Net flows	362	949	241	751

### Reconciliation of Total Group Assets and Funds Under Management

	30 Sep 10 \$m	30 Jun 10 \$m	31 Mar 10 \$m	31 Dec 09 \$m
Funds Management	21,844	20,221	18,511	19,224
Life	7,383	7,578	6,645	6,651
<b>Adjustments to remove double counting of cross holdings:</b>				
Life Company investment in listed funds	(446)	(467)	(488)	(522)
Life Company investment in unlisted funds	(3,270)	(3,384)	(2,588)	(2,466)
<b>Total Assets and Funds Under Management</b>	<b>25,511</b>	<b>23,948</b>	<b>22,080</b>	<b>22,887</b>