

MARKET RELEASE

ASSETS AND FUNDS UNDER MANAGEMENT 30 SEPTEMBER 2011

20 October 2011, Sydney – Challenger Limited (ASX:CGF) today announced that as at 30 September 2011 its Assets and Funds Under Management (AUM) totalled \$27.6 billion, representing an increase of 8% over the prior corresponding period. AUM was down 1% on the prior quarter, reflecting positive net boutique partnership flows and strong life sales for the quarter offset by negative market movement in boutique partnerships.

Challenger Life total annuity sales were \$558m for the quarter, which included \$49m of institutional products. Life retail sales for the quarter was a record \$509m, the largest quarter in retail sales we have seen excluding one-off transactions. Total retail annuity sales represent a 48% increase on the prior corresponding period and a 13% increase on the prior quarter. Life's assets under management totalled \$8.7 billion, up 18% for the 12 months ended 30 September 2011 and up 4% over the prior quarter due to solid book growth and earnings for the quarter.

Funds Management total funds under management was \$25.8 billion at 30 September 2011 representing an increase of 18% over the 12 months and 9% over the prior quarter. This increase was largely driven by the increase in fixed income and mortgage mandates (\$2.7 billion) managed by the Aligned team on behalf of the Life Company. Total aligned and other AUM was \$11.5 billion at 30 September 2011.

Boutique partnership FUM for the quarter was \$14.3 billion, an increase of 19% on the prior corresponding period. However, FUM decreased 4% on the prior quarter, primarily reflecting negative market movements partially offset by positive net flows principally in Australian equity focused boutique partnerships.

Ends

Assets and Funds Under Management

as at 30 September 2011

	30 Sep 11 \$m	30 Jun 11 \$m	31 Mar 11 \$m	31 Dec 10 \$m
Total Assets and Funds Under Management	27,579	27,909	27,025	25,771

Represented by:

Funds Management

Boutique Partnerships^(a)				
Equities	6,700	7,211	6,919	6,745
Fixed income	7,596	7,637	6,857	5,953
Total Boutique funds	14,296	14,848	13,776	12,698
Aligned and Other^(b)				
Infrastructure				
Institutional mandates	1,101	1,001	875	862
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	327	311	368	371
Property				
Institutional mandates	1,751	1,721	1,742	1,497
Challenger Diversified Property Group (ASX:CDI) (gross assets)	873	874	871	781
Challenger Wine Trust (ASX:CWT) (gross assets)	–	–	–	212
Fixed income ^(c)	7,425	4,853	4,894	5,443
Total Aligned and Other funds	11,477	8,760	8,750	9,166
Total funds under management	25,773	23,608	22,526	21,864
Comprising:				
Retail	3,790	4,379	4,666	4,880
Institutional	20,783	18,044	16,621	15,620
Listed funds	1,200	1,185	1,239	1,364
Total funds under management	25,773	23,608	22,526	21,864

^(a) Boutique Partnerships are co-owned, separately branded and licensed businesses from which Challenger receives dividends, distribution fees and administration fees.

^(b) Aligned and Other includes asset classes where Challenger Life may be a significant investor and that are typically Challenger owned and branded.

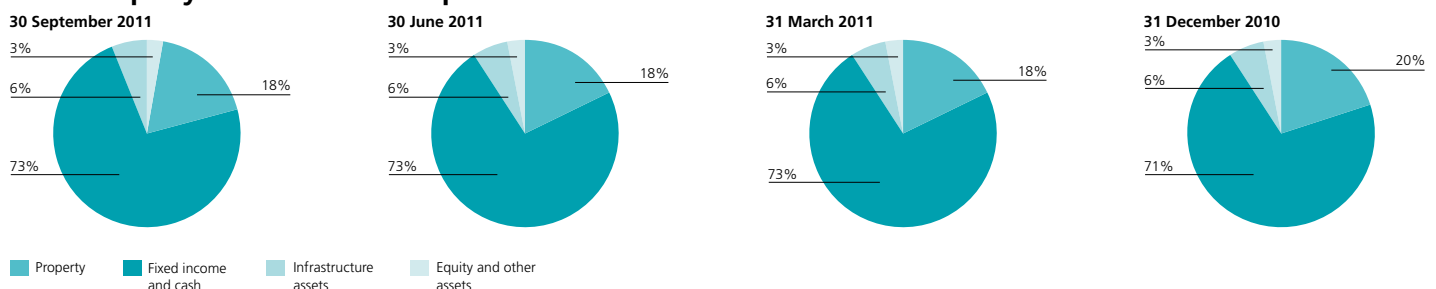
^(c) Fixed income includes mortgages.

Life

Fixed income and cash	6,430	6,114	6,025	5,431
Property ^(d)	1,565	1,535	1,519	1,497
Infrastructure	509	479	480	465
Equity and other	243	259	237	237
Total Life investment assets	8,747	8,387	8,261	7,630

^(d) Property is reported net of senior debt of \$724m (June 2011 \$660m). Property includes direct and indirect holdings.

Life Company asset allocation split



Analysis of Flows

Funds Management

Net flows for the quarter:	30 Sep 11 \$m	30 Jun 11 \$m	31 Mar 11 \$m	31 Dec 10 \$m
Boutique Partnerships	336	1,309	585	367
Aligned and Other	(276)	(70)	(500)	(675)
Net flows	60	1,239	85	(308)
Retail	(302)	(187)	(428)	(1,009)
Institutional	362	1,426	513	701
Net flows	60	1,239	85	(308)

Life

Sales for the quarter:	30 Sep 11 \$m	30 Jun 11 \$m	31 Mar 11 \$m	31 Dec 10 \$m
Retail	509	450	740	370
Institutional	49	10	31	–
Net flows	558	460	771	370

Reconciliation of Total Group Assets and Funds Under Management

	30 Sep 11 \$m	30 Jun 11 \$m	31 Mar 11 \$m	31 Dec 10 \$m
Funds under management	25,773	23,608	22,526	21,864
Life investment assets	8,747	8,387	8,261	7,630
Adjustments to remove double counting of cross holdings:				
Life Company investment in CDI and CIF	(439)	(435)	(441)	(454)
Life Company investment in infrastructure, property and fixed income mandates ^(c)	(6,502)	(3,651)	(3,321)	(3,269)
Total Assets and Funds Under Management	27,579	27,909	27,025	25,771