

**CHALLENGER'S FIDANTE PARTNERS EXPANDS EUROPEAN PRESENCE  
ACQUIRES ALTERNATIVE INVESTMENTS GROUP DEXION CAPITAL**

**15 July 2015, Sydney** – Challenger Limited's (ASX:CGF) boutique funds management division, Fidante Partners, has agreed to acquire 100% of Dexion Capital Holdings Limited, a European alternative investments group comprising interests in three specialist fund managers, as well as an investments distribution business, based in London.

The acquisition substantially expands Fidante Partners' presence in Europe where it already holds interests in UK-based alternative asset managers, including global infrastructure investor Whitehelm Capital and asset-backed security specialist, WyeTree Asset Management.

Challenger's Chief Executive Funds Management, Ian Saines said: "This represents a significant step-up in our European presence and is an important part of our international distribution and product expansion. Dexion Capital's funds management operation provides a scalable platform to realise our ambition of replicating Fidante Partners' successful multi-boutique model in the European market, while opening up global distribution opportunities for our existing boutique managers.

"Dexion's origins are in the development and marketing of innovative alternative asset investment strategies and this focus means it is well positioned as investors increase allocations to alternative asset classes.

"It provides us with a large established distribution channel to UK and European investors and, in addition, has been evolving into a multi-boutique manager much like Fidante Partners, taking long-term interests in asset managers and supporting them with distribution and operational services."

Dexion Capital's founder Robin Bowie said: "We are very pleased to be joining forces with Fidante Partners which is a highly successful multi-boutique fund manager in the world's fourth largest pension market, Australia.

"We believe that bringing the capability of Fidante Partners to Dexion Capital is very attractive to both investors and managers. For investors, it provides access to a range of managers who have the same high standards of reporting, governance, transparency and fair fees via our combined platform. For managers, it builds on Dexion Capital's existing distribution strengths by adding Fidante's capability in Australia."

Mr Bowie added: "Alternatives are the fastest-growing investment sector and will comprise 15% of global assets under management and 40% of revenues by 2020<sup>1</sup>. Moreover, boutique managers punch above their weight in alternatives."

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<sup>1</sup> McKinsey research: Capturing the Next Wave of Growth in Alternative Investments.

Dexion Capital's strategic relationships comprise interests in three boutique fund managers: renewable energy specialist Resonance Asset Management Limited; UK social housing investor Horizon Infrastructure Partnership Limited; and, Agricultural Asset Management Limited, which is focused on agricultural investments in the US and UK. In addition, Dexion Capital manages London-listed alternative asset fund Dexion Absolute Limited.

The business employs approximately 40 staff, predominantly located in London.

Challenger will make an agreed fixed payment of £19.6 million (A\$41 million) to Dexion's shareholders. The final acquisition price is dependent on profitability over a period of up to six years, under earn-out arrangements with key Dexion executives.

The acquisition is immediately earnings accretive and is expected to meet Challenger's 18% pre-tax return on equity target.

Completion is expected to occur in July 2015, subject to final pre-completion steps.

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### **About Challenger**

Challenger Limited (Challenger) is an Australian Stock Exchange listed investment management firm managing A\$60.4 billion in assets, as at 31 March 2015. It is focused on providing Australians with financial security in retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

### **About Dexion Capital**

Dexion Capital is an alternative investments group focused on the design, management and distribution of alternative asset strategies through private and public capital markets. Dexion Capital partners with specialist asset managers to either white-label products or form strategic relationships where it focuses on distribution, operational support and business development, allowing investment managers to focus on their specialist skills. The business has been employee owned since its inception in 2000, with its distribution business having raised more than US\$18 billion in partnership with specialist investment firms and a wide range of investors.

(Further information on Dexion Capital attached).

### **About Fidante Partners**

The Fidante Partners division of Challenger forms long-term alliances with talented investment professionals to create, grow and support specialist, boutique funds management businesses.

By providing a broad range of integrated services to each specialist fund manager, Fidante Partners frees up investment teams to focus on what they do best: investing and managing assets. Since the establishment of the boutique firm in 2005, Fidante Partners has grown to form alliances with a portfolio of 14 boutique funds management businesses. As at 31 March 2015, Fidante Partners was responsible for A\$45.1 billion of funds under management.

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Dexion Capital is an alternatives investment group focused on the design, management and distribution of alternative asset strategies. Dexion's business can be described in four core areas: UK-listed funds, Dexion-branded funds, boutique partnerships and corporate services.

### **UK-listed funds**

The origins of Dexion, and an important part of the business today, is its UK listed funds business, which focuses on matching investor capital to alternative investment strategies in a structure which facilitates liquidity and transparent, mark-to-market portfolio valuations. Dexion Capital has undertaken 110 transactions, raising more than US\$18 billion. The UK-listed funds industry operates quite differently to the LIC market in Australia and has become an important part of multi-manager and private client portfolios seeking alternative investment strategies. Dexion also provides corporate finance advisory, research, market making and broking services directly related to its support of listed funds, investors and specialist investment managers.

### **Boutique partnerships**

Dexion has been distributing investment strategies on a private placement basis (institutional, unlisted funds designed for sophisticated or institutional investors) since 2002, raising more than US\$2.5bn since that time. In 2011, Dexion formed its first boutique partnership, enabling investment teams to focus on the investment strategy within a specialist and separately branded investment management firm while Dexion provides operational and distribution support to develop and grow the business. Three boutique partnerships exist today with combined funds under management of circa US\$246 million. These boutique partnerships are:

- Agricultural Asset Management (agricultural investments in partnership with Brown&Co)
- Horizon (UK social housing)
- Resonance (alternative and conventional energy & water and waste treatment investments)

### **Dexion-branded (white-labelled) funds**

Since 2002, Dexion has developed 'white-labelled funds' with specialist managers, where Dexion performs the role of fund manager, fund administrator and distributor, while appointing a specialist firm to implement a specific investment program that matches a client need in the market. This style of business provides Dexion with ongoing funds management revenues and while historically in a listed fund format, more recent fund launches have been in unlisted format, including UCITS fund structure. The white-labelled, or Dexion-branded funds business, forms part of Dexion's asset management operation and has FUM of £132 million (as at 29 May 2015).

### **Corporate and fund services**

In support of its own business activities, those of its boutique partnerships, listed and unlisted funds businesses, Dexion operates professional corporate and fund services functions in London and Guernsey. These functions encompass: finance, legal and compliance, company and fund secretarial, fund administration and IT support services for the Dexion group and its clients.