

CHALLENGER FIRST QUARTER PERFORMANCE

- Total assets under management of \$81 billion
- Life net book growth of \$425 million, or 3.1% book growth for the quarter
- Second highest quarterly annuity sales on record
 - Total annuity sales of \$1,171 million, up 7% on pcp
 - Australian annuity sales of \$1,071 million, up 21% on pcp
- New annuity partnership with Netwealth

Challenger Limited (ASX:CGF) has reported strong growth in annuity sales, reflecting the success of Challenger's strategy to expand its distribution and product offering.

Challenger Chief Executive Officer Brian Benari said: "Annuity sales increased by 7% on the prior corresponding period with Challenger achieving its second highest quarterly result on record.

"Total Life book growth for the quarter was \$425 million or 3.1%, reflecting both higher Australian annuity sales and the benefit of a lower maturity rate compared to the pcp.

"Continued growth in annuity sales reflects strong demand for secure income from the growing number of retirees with increasing retirement savings. Annuity sales are also benefiting from Challenger's expanded distribution reach."

Challenger today also announced plans to further expand distribution by making its full range of annuities available on the fast-growing specialist Netwealth platform. This is the fifth retail platform to launch Challenger annuities, demonstrating strong demand for advisers to be able to easily include annuities in their clients' portfolios.

"Our annuity relationship with Netwealth means Challenger annuities will soon be available on platforms used by more than 70% of financial advisers in Australia," said Mr Benari.

"Many platforms and super funds are now making lifetime income solutions available to their customers, demonstrating the importance of providing options that create secure and stable income for retirees."

Funds management earnings continue to benefit from higher average funds under management (FUM), which was 14% higher than 12 months ago.

Life

Total Life net book growth was \$425 million for the quarter, driven by both an increase in annuity sales and a lower annuity maturity rate. Life total book growth for the quarter was 3.1% of opening FY19 liabilities¹.

Total Life sales of \$1,566 million were in line with the pcp, buoyed by strong growth in Australian annuity sales offset by a lower contribution from MS Primary (Japanese) and institutional sales.

Total annuity sales of \$1,171 million were up \$74 million or 7% on the pcp.

Fixed term annuity sales, which include MS Primary, increased by 7% on the pcp. Australian fixed term annuity sales of \$849 million increased by \$172 million, or 25% on the pcp.

MS Primary sales increased 22% on the June 2018 quarter, however sales were down 52% on the pcp. Challenger's level of MS Primary sales depends on the reinsurance rate and relative interest and foreign exchange rates.

Lifetime annuity sales of \$222 million were 6% higher than the pcp, benefiting from confirmation of means testing treatment for lifetime income products and continued strong demand for CarePlus.

Net Life annuity flows for the quarter were \$370 million, increasing by 5% on the pcp. Annuity book growth for the quarter represented 3.2% of the opening FY19 Life annuity book.

Sales of Other Life products were down \$78 million on the pcp to \$395 million. Sales largely represent the reinvestment of maturities from existing clients and new client mandates.

Life's investment assets at 30 September 2018 were \$18.3 billion, an increase of \$0.3 billion for the quarter. Movements in Life's investment assets reflect net book growth and changes in retained earnings net of dividends paid to the Challenger Group.

Expanding distribution reach

Challenger today announced plans to further expand its distribution reach, with Challenger's range of fixed-term and lifetime annuities soon to be available via the Netwealth platform.

Today's announcement follows the launch of Challenger annuities on BT Panorama in August 2018 and recent plans to make Challenger annuities available via HUB24. Once live, more than 70% of Australian financial advisers will be able to access Challenger annuities via their preferred primary platform.

Being on platform makes it simpler and easier for advisers to include annuities in their clients' portfolios, and expands Challenger's distribution reach as Australian retirees look for reliable income streams in retirement.

Platforms and leading superannuation funds are moving ahead of retirement income reforms designed to help provide secure income in retirement, by building retirement solutions that manage risks in retirement while maximising income. This is driving significant growth in annuity sales and positions Challenger well for the future.

¹ Life annuity book, Guaranteed Index Return (GIR) and Challenger Index Plus liabilities.

Funds Management

Funds Management FUM at the end of the quarter was \$78.2 billion, an increase of \$0.3bn for the quarter. FUM benefited from positive investment markets of \$0.7 billion and was partially offset by net outflows of \$0.4 billion.

Fidante Partners' FUM was \$59.5 billion and was broadly stable for the quarter.

Challenger Investment Partners' FUM was \$18.7 billion and increased by \$0.4 billion for the quarter.

Outlook

For FY19, Challenger remains on track to achieve normalised net profit before tax growth of between 8% and 12% on FY18.

Challenger remains committed to its 18% pre-tax normalised return on equity target. Normalised return on equity is expected to increase in FY19 following deployment of higher levels of capital from the MS&AD equity placement in August 2017, however it is not expected to reach the 18% target in the FY19 year.

ENDS

About Challenger

Challenger Limited (Challenger) is an investment management firm managing \$81 billion in assets at 30 September 2018. It is focused on providing customers with financial security for 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.

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Assets and Funds Under Management, sales and net flows

Life – Sales, net flows and investment assets

\$m	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Life sales and net flows					
Fixed term sales	949	735	544	980	887
Lifetime sales ¹	222	216	217	212	210
Life annuity sales	1,171	951	761	1,192	1,097
Maturities and repayments	(801)	(632)	(445)	(786)	(745)
Life annuity net flows	370	319	316	406	352
Annuity net book growth²	3.2%	3.1%	3.1%	3.9%	3.4%
Other Life sales	395	182	338	562	473
Other maturities and repayments	(340)	(281)	(25)	(543)	(302)
Other Life net flows	55	(99)	313	19	171
Other Life net book growth²	2.6%	(5.8%)	18.5%	1.1%	10.1%
Total Life sales	1,566	1,133	1,099	1,754	1,570
Total maturities and repayments	(1,141)	(913)	(470)	(1,329)	(1,047)
Total Life net flows	425	220	629	425	523
Total Life net book growth²	3.1%	1.9%	5.2%	3.5%	4.4%
Life investment assets					
Fixed income and cash ³	11,913	11,728	11,413	11,076	11,096
Property ³	3,504	3,840	3,718	3,655	3,305
Equity and other	2,188	1,799	1,868	1,643	1,594
Infrastructure ³	742	718	673	666	491
Total Life investment assets	18,347	18,085	17,672	17,040	16,486
Average Life investment assets⁴	18,217	17,824	17,362	16,884	16,059

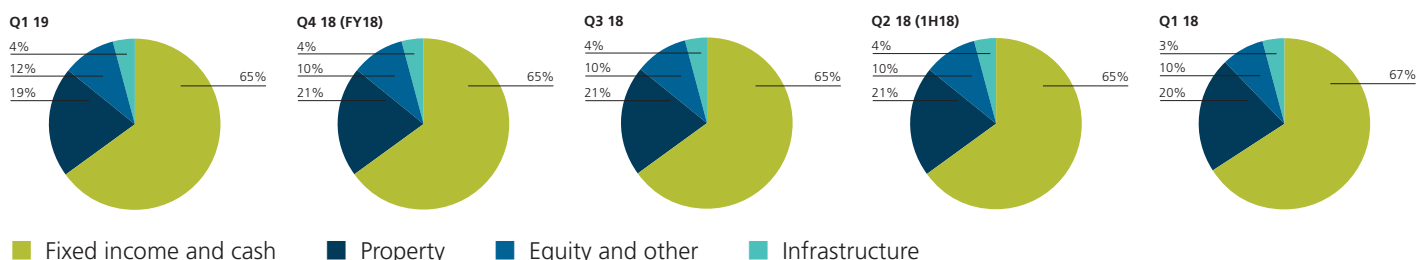
¹ Lifetime sales includes CarePlus, a lifetime annuity specifically designed for the aged care market.

² Book growth percentage represents net flows for the period divided by opening book value for the financial year.

³ Fixed income, property and infrastructure reported net of debt.

⁴ Average Life investment assets calculated on a monthly basis.

Life asset allocation



Challenger Limited

Assets and Funds Under Management, sales and net flows

Funds Management – Funds Under Management and net flows

\$m	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Funds Under Management					
Fidante Partners					
Equities	26,578	26,349	24,373	24,295	23,343
Fixed income	24,611	25,036	24,699	24,299	23,237
Alternatives	8,337	8,245	8,275	7,437	7,110
Total Fidante Partners	59,526	59,630	57,347	56,031	53,690
Challenger Investment Partners					
Fixed income	13,053	12,346	13,134	12,290	12,538
Property	5,654	6,008	5,876	5,107	4,734
Total Challenger Investment Partners	18,707	18,354	19,010	17,397	17,272
Total Funds Under Management	78,233	77,984	76,357	73,428	70,962
Average Fidante Partners	59,834	58,489	56,575	54,121	52,604
Average Challenger Investment Partners	18,670	18,807	17,921	16,852	16,522
Total average Funds Under Management¹	78,504	77,296	74,496	70,973	69,126
Net flows					
Equities	(44)	(188)	404	(444)	647
Fixed Income	(447)	230	242	770	1,491
Alternatives	(155)	(71)	758	(152)	185
Total Fidante Partners	(646)	(29)	1,404	174	2,323
Challenger Investment Partners	224	(685)	677	(2)	1,439
Net flows	(422)	(714)	2,081	172	3,762

Group – Assets Under Management

\$m	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Funds Management FUM	78,233	77,984	76,357	73,428	70,962
Life investment assets	18,347	18,085	17,672	17,040	16,486
Adjustments to remove double counting of cross holdings	(15,308)	(14,926)	(15,476)	(13,945)	(13,903)
Total Group Assets and Funds Under Management	81,272	81,143	78,553	76,523	73,545

¹ Average total Funds Under Management calculated on a monthly basis.