

## UPDATE ON CAPITAL POSITION AND FY20 GUIDANCE

With the significant recent market volatility resulting from the coronavirus pandemic, Challenger Limited (ASX:CGF) confirms it remains well capitalised and is currently on track to achieve FY20 normalised net profit before tax within its guidance range.

Challenger Life Company Limited (Challenger Life) continues to actively manage its investment portfolio to maintain a strong capital position and remain within its target range of 1.3 times to 1.6 times the Prescribed Capital Amount (PCA). This includes reducing the capital intensity of the investment portfolio.

Challenger has additional financial flexibility, including a \$400 million group banking facility, with \$250 million drawn and held in cash by Challenger at group level.

Recent investment market volatility has included investment grade fixed income spreads more than tripling to beyond 140 bps<sup>1</sup> and significant falls in global equity markets. While the investment market volatility impacts the fair value of Life's assets and statutory earnings, it has no material impact on Life's normalised earnings. Funds Management earnings is impacted by the amount of funds under management and associated performance fees.

In February 2020, Challenger narrowed its FY20 normalised net profit before tax guidance to be around the top end of its previously announced \$500 million to \$550 million guidance range. While events to date have not materially changed Challenger's normalised profit outlook, Challenger believes it is prudent to return to its original guidance range of normalised net profit before tax of between \$500 million and \$550 million for FY20 to allow it to actively manage its portfolio through this market volatility.

Managing Director and Chief Executive Officer, Richard Howes said: "Challenger is well placed to manage through the current market volatility. We have a strong capital position, a robust risk management approach, an experienced team and an excellent track record of delivering for our customers, shareholders and employees.

"Our active investment portfolio management together with the financial flexibility we have, allows us to remain well capitalised in changing and volatile investment market conditions.

"Importantly, the investment market volatility has not impacted our customers who continue to enjoy guaranteed returns from their annuities regardless of these market movements."

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<sup>1</sup> Australian iTraxx Index.

## **Disclaimer**

The forward-looking statements, estimates and projections contained in this release are not representations as to future performance and nothing in this release should be relied upon as guarantees or representations of future performance.

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## **About Challenger**

Challenger Limited (Challenger) is an investment management firm focusing 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 is Australia's largest provider of annuities.

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