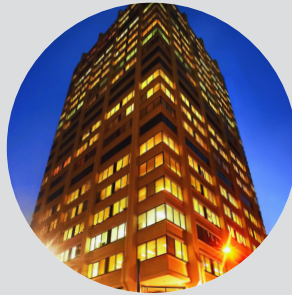


Annual Review 2015

**Challenger Limited** provides  
Australians with financial  
security for retirement.



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### ABOUT THIS REVIEW

This Annual Review is intended to provide you with useful information about your company in an easy-to-read document. Included in the Annual Review is an operational and financial performance update, reports from both the Chairman and CEO, and information on the environmental, social and governance matters that affect your company.

## Key dates

**30 September 2015**  
Final dividend payment date

**27 October 2015**  
2015 Annual General Meeting

**16 February 2016**  
Half year financial results  
Interim dividend announcement

**29 March 2016**  
Interim dividend payment date

**16 August 2016**  
Full year financial results  
Final dividend announcement

**28 September 2016**  
Final dividend payment date

**27 October 2016**  
2016 Annual General Meeting

Dates may be subject to change.

Full listing of key dates:



[challenger.com.au/share/keydates](http://challenger.com.au/share/keydates)

### 2015 ANNUAL GENERAL MEETING

**Location:**  
Wesley Centre, 220 Pitt Street, Sydney, NSW

**Date:**  
27 October 2015

**Time:**  
10.30am (Sydney time)  
Full details of the meeting will be included in your Notice of Annual General Meeting, which will be sent to shareholders in September 2015.

## 2015 highlights



### FINANCIAL HIGHLIGHTS

For further financial information, including our normalised profit framework, refer to page 5.

### 2015 ANNUAL REPORT

Our 2015 Annual Report, including the full financial report for the year ended 30 June 2015, can be downloaded from Challenger's online Shareholder Centre at:



[challenger.com.au/share](http://challenger.com.au/share)

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in section 4.3 of the Directors' Report in the 2015 Annual Report, which can be found at: [www.challenger.com.au/share](http://www.challenger.com.au/share).

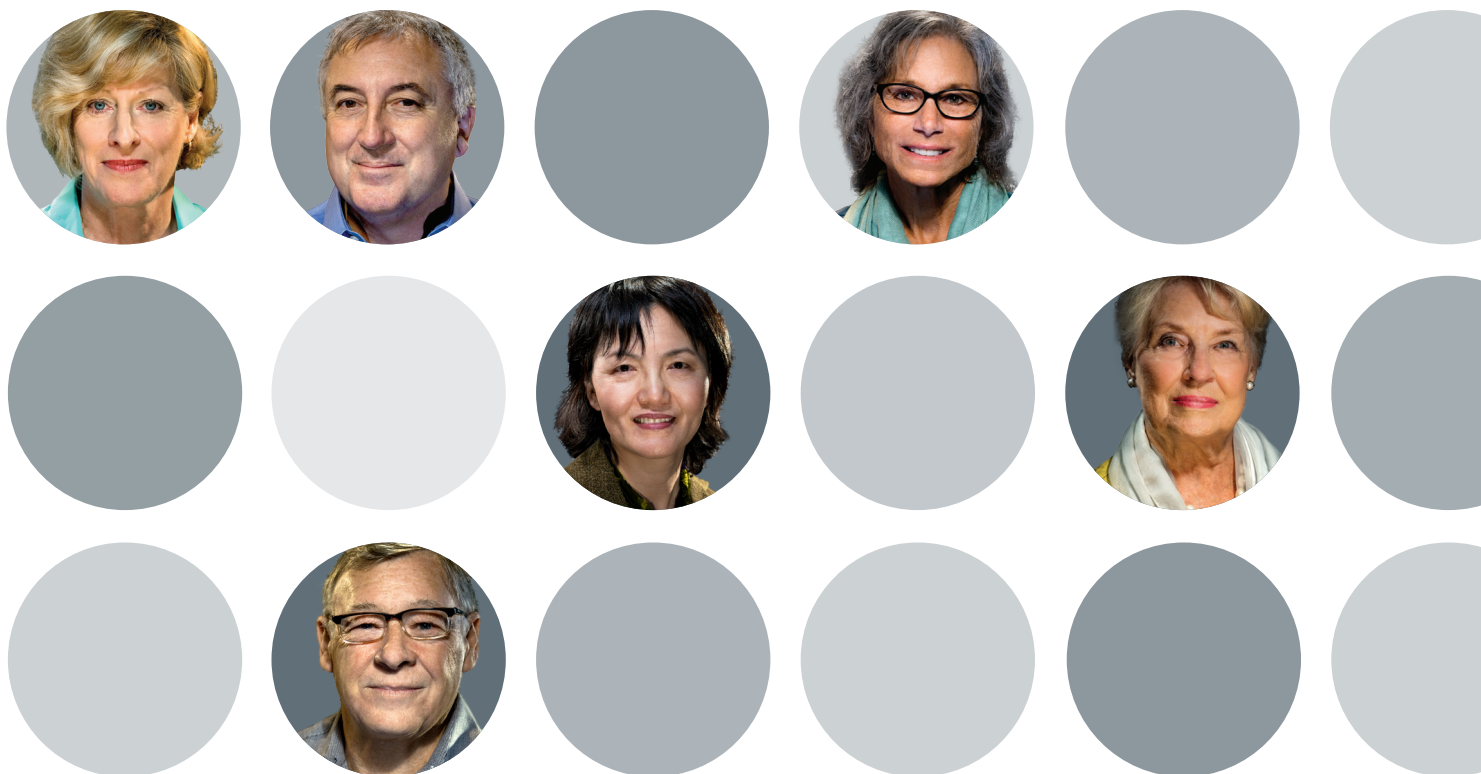
## Challenger today

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**Challenger's vision is to provide Australians with financial security for retirement.**

**Through our diverse and highly agile teams, we provide Australians with relevant investment products seeking superior risk adjusted returns.**

**Our products help build retirement savings and convert those savings into safe and secure retirement incomes.**



# Our structure

**Challenger Limited (Challenger) was established in 1985.**

Challenger's vision is to provide Australians with financial security for retirement. We do this by providing a range of investment products that seek to produce superior risk adjusted returns.

Our Funds Management business helps build retirement savings and our Life business helps convert these retirement savings into safe and secure retirement incomes.

Across both our Funds Management and Life businesses, we manage \$60 billion of assets.

**Australia's  
7th largest<sup>1</sup> fund  
manager**

**\$60<sup>bn</sup>**

Our Assets Under  
Management

1. Consolidated FUM for Australian fund managers – Rainmaker Roundup March 2015.

# Challenger Limited

ASX CODE: CGF.AU

**\$45bn**

**Fidante Partners**  
Funds Under Management

**\$13bn**

**Challenger Investment Partners**  
Funds Under Management

**\$13bn**

**Challenger Life**  
Assets Under Management

# Funds Management

Our Funds Management business targets the **retirement savings phase** of superannuation (super) by providing investment products that aim to deliver superior investment returns and help build retirement savings.

As Australia's seventh largest fund manager, we invest across a broad range of investments, including commercial property, fixed income and equities. Our investment teams strive to deliver superior investment returns for our customers and over the years have developed very strong performance track records.

Our Funds Management business has two parts:

**Fidante Partners** collaborates with boutique fund managers. Fidante Partners takes responsibility for distribution, administration and business support, leaving the fund managers to do what they do best, manage investment portfolios.

**Challenger Investment Partners** is an absolute return investment manager. Through Challenger Investment Partners, our institutional clients often invest alongside the Life business in fixed income and commercial property, which generate stable absolute investment returns.

Our Funds Management business has \$58 billion in funds under management (FUM).

---

## Australia's largest fixed income manager

---

### Competitive advantage

- Contemporary model
  - Superior investment performance
  - Diversified investment teams
  - Broad range of investment options
- 

# Life

Our Life business targets the **retirement spending phase** of super by providing investment products that convert retirement savings into safe and secure retirement incomes.

As Australia's largest annuity provider, we provide reliable guaranteed<sup>1</sup> incomes to over 60,000 Australian retirees. Our annuity products appeal to retirees seeking the security and certainty of guaranteed cash flows with protection against market, inflation and longevity risks.

Our lifetime annuities help protect retirees from the risks they face in retirement, including the risk of running out of money late in life.

The secure incomes we pay are backed by a high quality investment portfolio, which includes fixed income and commercial property investments. These investments earn regular and predictable investment income, which we use to pay guaranteed retirement incomes to our customers.

Challenger Life has won the Association of Financial Advisers/Plan for Life 'Annuity Provider of the Year' for the past seven years in a row.

Our Life business has \$13 billion in assets under management (AUM).

---

## Australia's leading life and term annuity provider

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### Competitive advantage

- Leader in retirement incomes
  - Independent provider
  - Proven product innovator
  - Products available from all major financial planning organisations
- 

1. The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited from the assets of its relevant statutory fund.

# Our markets

## Australia has the 4th largest<sup>1</sup> pension market in the world.

Both of our businesses benefit from growth in Australia's superannuation system, which is the world's fourth largest pension market and one of the fastest growing.

Australia's super system is growing strongly and is underpinned by rising compulsory super contributions and market returns.

Over the next 10 years, Australia's super system is projected to double, growing from \$2 trillion today to over \$4 trillion<sup>2</sup>.

Both Challenger's Funds Management and Life businesses stand to benefit from the opportunities that this growing market are expected to provide.

### Funds Management – targeting retirement savings phase

Our investment managers provide products to help customers save for their retirement. As super savings increase, demand for high quality investment managers that produce superior returns will also increase.

Through our highly regarded investment managers, we stand to benefit from growth in Australia's super system.

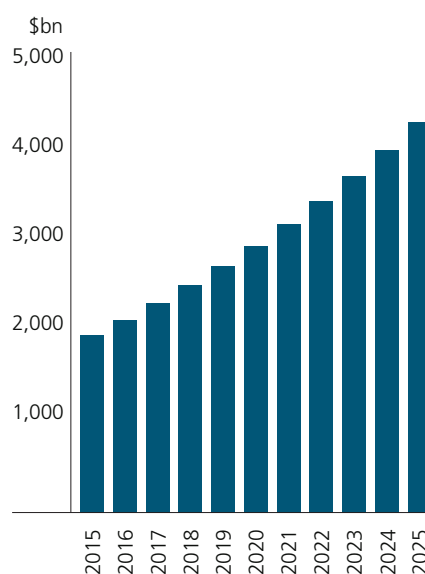
### Life – targeting retirement spending phase

Our Life business will also benefit from Australia's rising super savings. As savings increase, retirees are moving from public funded pensions (the Age Pension) to self-funded retirement. With increased retirement savings, demand for products that convert retirement savings into safe and secure retirement incomes will increase.

Our Life business will also benefit from Australia's ageing population. Life's target market is retirees aged 65 and beyond. This age demographic is expected to increase by 40% over the next 10 years, significantly increasing our target market.

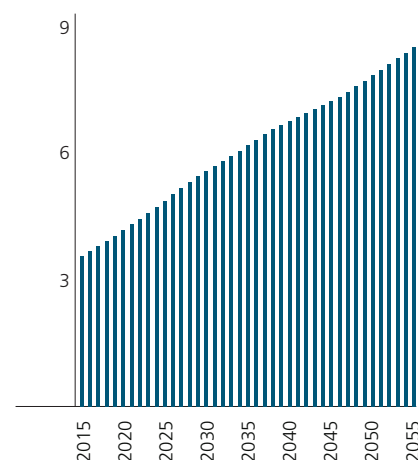
Through our market leading Life business we stand to benefit from growth in Australia's super system and also benefit from a significant increase in our target demographic.

### Super system is growing strongly<sup>2</sup>



### Population getting older<sup>3</sup>

Number of people aged 65+ (millions)



1. OECD Pension Markets in Focus – 2014.

2. Rice Warner Actuaries projections.

3. Australian Bureau of Statistics population projections.

# 2015 financial highlights

## NORMALISED PROFIT BEFORE TAX

↑ **13%**

## DIVIDEND

↑ **15%**

### Our normalised profit reporting framework

Normalised profit is Challenger's preferred profitability measure, as it aims to reflect the underlying performance trends of the business. Normalised profit excludes investment experience, being the difference between actual investment gains and losses and normalised returns (which are based on long-term assumed returns).

The normalised profit, which is different to statutory profit, is not audited but has been subject to a review by our auditors. A reconciliation to statutory profit is disclosed in the Directors Report (section 4.3), which forms part of the 2015 Annual Report.

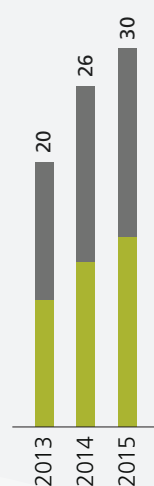
## Group AUM (\$bn)

up 18%



## Dividend (cps)

up 15%



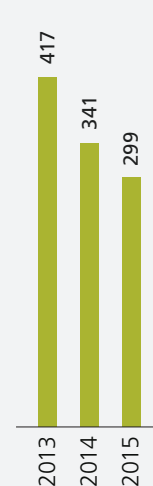
## Normalised profit before tax (\$m)

up 13%



## Statutory profit after tax (\$m)

down 12%



■ Final  
■ Interim

↑ **\$60bn**

**Total AUM up 18%**

# Shareholder outcomes

SEPTEMBER 2015 DIVIDEND

**100%**  
FRANKED

TSR OUTPERFORMANCE OVER FIVE YEARS

**↑ 58%**  
AGAINST  
ASX100

**Challenger ranked 75th in ASX100 with a market capitalisation of \$3.7bn.**

DIVIDEND

OVER FIVE YEARS

**↑ 107%**

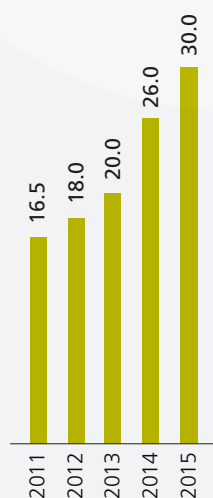
TOTAL SHAREHOLDER RETURN (TSR)

OVER FIVE YEARS

**120%**

Dividend CPS

Over five years

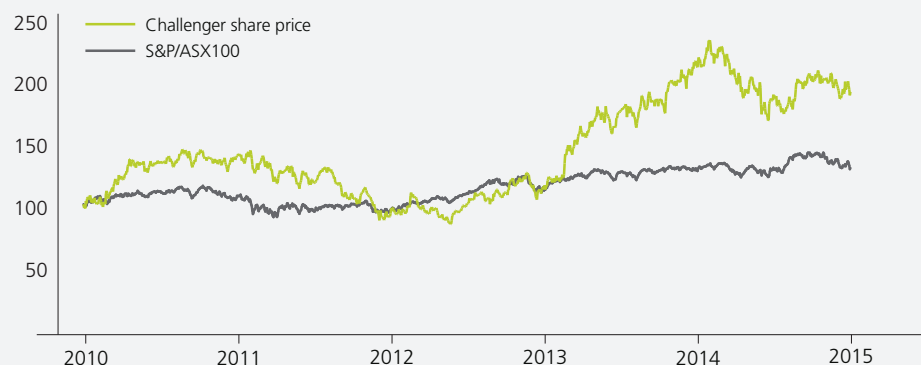


TSR

Over five years



**Challenger share price outperforming the market over five years**





# From the Chairman

Peter Polson  
18 August 2015



## Fellow shareholders

2015 has been a watershed year for Challenger in terms of our drive for a much larger and more vibrant retirement incomes market.

For the past six years, Challenger has dedicated itself to re-establishing Australia's annuities market under our vision to provide Australians with financial security for retirement. Consequently, this period has seen us build a track record of innovation and strong annuity sales.

I'm pleased that in the past 12 months, retirement income needs have become more mainstream with growing attention from policymakers, the media and the superannuation industry.

**"We are at a tipping point ... the industry has begun to take steps to make guaranteed retirement income products more readily available."**

Naturally, Challenger was encouraged by the Financial System Inquiry's (FSI) recognition that the objective of the superannuation system is to provide retirement incomes, and its endorsement of annuities as a key component of super funds' retirement income solutions. We were further heartened by the Treasury Department's progress toward reforms allowing for deferred annuities to be issued. This is generally anticipated by most financial commentators and will be widely accepted in the market.

Irrespective of regulatory reform, the superannuation industry has begun to take steps to make guaranteed retirement income products more readily available. As you would expect, Challenger has worked hard to bring this about. This past year, a number of previously sown seeds have started to bear fruit, which indicates we may have reached a tipping point.

The country's largest investment platform provider, Colonial First State, recently made Challenger annuities available to around half of Australia's financial advisers. In the industry super fund sector, VicSuper was the first super fund to launch a Comprehensive Income Product for Retirement-style solution, as recommended by the FSI, which includes Challenger annuities.

In addition, leading administration provider AAS has partnered with Challenger to ensure annuities can be accessed on its platform. AAS services the needs of 10 million super fund members.

We are confident in our ability to remain the annuities leader through our specialist focus, product innovation, distinctive brand communication and unwavering commitment to this market.

Within the funds management industry, there has been increasing recognition of the value created by the multi-boutique fund manager model of Fidante Partners.

In July this year, Fidante Partners expanded its European presence through acquiring London based Dexion Capital, an alternative investments business with three specialist fund managers. The acquisition provides a platform to expand our successful multi boutique model into Europe.

Turning to our financial results, Challenger has maintained its growth profile by achieving double digit earnings growth. Normalised earnings before tax have increased by 13% allowing the board to pay a full-year dividend of 30.0 cents per share. This represents a 15% increase on last year.

Importantly, the final dividend of 15.5 cents is 100% franked, which means that distributions averaged out at 86% franking across the year. As previously advised, we anticipate that we will pay 100% franked interim and final dividends for the foreseeable future, subject to market conditions.

With a dividend payout ratio target range of 45-50% (49% achieved during this past year), Challenger shares have over the past five years shown strong growth underpinned by a track record of increasing dividends. Dividends during this period have more than doubled.

We have announced the establishment of a Challenger Limited Dividend Reinvestment Plan. This gives shareholders the option to receive some or all of their dividends as Challenger shares, instead of cash, without any brokerage and associated costs, making it an efficient way to increase your ownership of Challenger.

Once again the company's management and staff have worked tirelessly and with great skill to achieve another strong result. It is always a pleasure to work with such a focused group whose dedication to excellence is outstanding. On behalf of the Board and the shareholders I thank you.

In closing, on behalf of shareholders I would like to thank Mr Russell Hooper for diligently representing Challenger shareholders over the past 11 years. Russell resigned his non-executive directorship in February and is enjoying a well-deserved retirement.

Our Annual General Meeting this year will take place on 27 October 2015. As always, the Challenger senior executive team and I will be happy to answer any questions about the company's recent performance and future prospects at the meeting. I look forward to seeing you at the AGM.

**Peter Polson**  
Chairman

# CEO's report

**Brian Benari**  
18 August 2015



**"As Australia's leading annuities provider, our competitive position is underpinned by strengths in product innovation, distribution, financial technology and brand."**

In 2015 your company has continued to build on its leadership position in retirement incomes at a time of strong demographic tailwinds due to an ageing population. This is focusing the Government and superannuation industry on the retirement income challenges facing Australia's retirees.

For many people, true 'retirement' from financial stress is only possible when they have the kind of long-term financial security provided by guaranteed annuities. Throughout 2015, the salience of annuities' central value proposition has never been greater. Interest in our products has been boosted by greater general awareness of the risk of retirees outliving their savings, lower expectations of share market returns and uncertainty caused by public debate over Age Pension and superannuation rules.

Regrettably, the once-safe assumptions underwriting Australians' sense of financial security in retirement are being progressively diminished. While a long life is indeed a blessing, it seems inevitable that future retirees will need to save harder, work longer, and be more financially self-reliant in retirement than they expected. We anticipate that some people will respond by taking more investment risk, while the pragmatists – our core customers – will continue to value capital preservation and reliable income.

As our Chairman has said, it has been a watershed year for the development of the annuities market.

As Australia's leading annuities provider, our competitive position is underpinned by strengths in product innovation, distribution, financial technology and brand. All of these have been to the fore over the past year.

Challenger's products continue to be recognised as industry-leading. In a ground-breaking initiative we partnered with VicSuper creating a lifetime annuity

tailored to the need of its member base, supporting what is effectively Australia's first Comprehensive Income Product for Retirement. Our Liquid Lifetime annuity continues to win accolades, being recognised as best longevity product for the second year in a row at the influential Chant West Super Fund Awards.

In distribution, our business development team tops rankings for its support to financial advisers. We have been also driving thought leadership through our advocacy of income layering strategies, which combine account-based pensions with an annuity to manage retirees' concerns of running out of savings in retirement. This approach is becoming widely accepted in the industry.

**"Interest in our products has been boosted by greater general awareness of the risk of retirees outliving their savings."**

Over the past 12 months we have also developed a distinct financial technology capability that is highlighted through partnerships with the superannuation industry's largest platforms to make annuities more accessible to advisers and retirees. This includes strategic initiatives with Colonial First State, the country's largest investment platform provider, and AAS, the dominant administrative platform serving the industry fund sector.

Meanwhile, our brand commitment to the overall financial security of our customers was demonstrated by our response to Government changes affecting aged care residents. In November 2014, we received news that a Government administrative change of heart had the potential to affect the ability of nursing home residents, who held our Care Annuity, to fund their aged care costs. Fortunately, by working closely with the relevant department, we were able to preserve the position of those customers and engage in work on a suitable replacement Care product, which we expect to release soon.

The competitive advantages we have developed contribute to the growth shareholders have seen this year and leave Challenger very strongly positioned as our market expands.

For the 2014-15 financial year, at a Group level, our Life and Funds Management divisions increased assets and funds under management to \$60 billion, a rise of 18%. This produced normalised earnings before interest and tax of \$438 million, up 13%.

Our normalised net profit after tax was \$334 million, up 2%, equivalent to a 12% increase excluding the one-off impact of a higher tax bill due to the roll-off of a TOFA tax benefit last year. On the same basis, normalised earnings per share were up 5%, which reflected a higher number of shares on issue following a capital raising in October 2014.

We're very fortunate that Challenger today has the nature and scale of annuities business that allows us to maximise our shareholder returns, particularly return on equity (ROE), through optimising both our volume and margin mix. Consequently, Challenger has delivered on its promise of 18% ROE.

As retirees seek longer dated income streams, the tenor of our annuity sales increases, which assists in the net book growth of our portfolio. This year we achieved retail net book growth of \$738 million, up 9.4%, on relatively unchanged sales volumes. Total retail sales were \$2.8 billion, with sales of lifetime annuities representing 17% of that.

With an increased book, the benefit for shareholders comes through sustainable margins. Life's investment margin was stable, for the third year running, at 4.5%. These strong investment returns gave us the ability to deliver increased earnings to shareholders.

**"We have seen positive long-term developments for our industry and company throughout the year and are strongly positioned to capture market growth."**

Regardless of the cessation of Care Annuity sales last December, the Life company grew its average assets under management by 13% to \$12.2 billion, and recorded commensurate increases in cash operating earnings to \$544 million and earnings to \$457 million.

We have also seen significant progress in our funds management division with average assets under management increasing 24% to \$55.1 billion, confirming our position as one of Australia's larger and fastest growing fund managers.

Growth in AUM was driven by strong inflows across our Fidante Partners boutique funds management business, including the formation of infrastructure asset manager Whitehelm Capital, and fixed income and property investment in Challenger Investment Partners.

After the end of the financial year, Fidante Partners undertook two transactions which highlight the value of its multi-boutique manager model.

The first was the sale of our 25% shareholding in global fixed income specialist Kapstream to US giant Janus Capital Group. We are not a natural seller of our boutique fund manager interests but this was a unique opportunity that sees Challenger realise a handsome return on its investment, helps Kapstream's principals further their US growth ambitions and opens the door to strategic collaboration with Kapstream and Janus through distribution and operational services agreements in Australia.

The second was the execution of our plan to expand Fidante Partners' proven model, through the acquisition of Dexion Capital in Europe. Dexion provides us with an established channel to UK and European alternative asset investors and, in addition, has been evolving into a multi-boutique manager, much like Fidante Partners. Combined with our existing European presence through Whitehelm and WyeTree Asset Management, we now have a scalable platform of five boutique alternative asset managers in Europe with existing FUM of \$6 billion.

In concluding, I would like to thank all of our employees for their outstanding contribution to another successful year for your company and welcome Dexion employees to Challenger.

We have seen positive long-term developments for our industry and company throughout the year and, as demonstrated by our recent announcements on VicSuper, Colonial First State, AAS and Dexion, we are strongly positioned to capture market growth.

As we move into 2016, I'm excited about the opportunities that lie ahead.



**Brian Benari**  
Chief Executive Officer



# Board of Directors

## Peter Polson

### Chairman

Peter has been the independent Chairman since 2004 and an independent non-executive director since 2003. Peter is also Chairman of the Nomination Committee, and a member of the Group Risk Committee, Group Audit Committee and Remuneration Committee.

## Brian Benari

### Chief Executive Officer and Managing Director

Brian has been Challenger's Managing Director and Chief Executive Officer since 2012. Brian has been employed by Challenger since 2003, with previous roles including Chief Financial Officer and Chief Operating Officer. Prior to Challenger, Brian held senior executive positions with JP Morgan, Bankers Trust and Macquarie Bank.

## Graham Cubbin

### Independent Non-Executive Director

Graham has been an independent non-executive director since 2004, and is Chair of the Remuneration Committee, and a member of the Group Risk Committee, Group Audit Committee and Nomination Committee.

Directorships of other listed companies:

- Bell Financial Group Limited
- McPherson's Limited (Chair)
- STW Communications Group Limited
- White Energy Company Limited

## Steven Gregg

### Independent Non-Executive Director

Steven has been an independent non-executive director since 2012, and is a member of the Remuneration Committee and Nomination Committee.

Directorships of other listed companies:

- Tabcorp Holdings Limited

Peter Polson

Brian Benari

Graham Cubbin

Steven Gregg

Jonathan Grunzweig

Brenda Shanahan

JoAnne Stephenson

Leon Zwier

## Jonathan Grunzweig

### Independent Non-Executive Director

Jonathan has been an independent non-executive director since 2010, and is a member of the Nomination Committee. Jonathan is Executive Director, Corporate Strategy at Colony Capital, Inc. a leading global real estate and investment management firm.

## Brenda Shanahan

### Independent Non-Executive Director

Brenda has been an independent non-executive director since 2011, and is a member of the Group Risk Committee, Group Audit Committee, Remuneration Committee and Nomination Committee.

Directorships of other listed companies:

- Clinuvel Pharmaceuticals Limited
- Bell Financial Group Limited

## JoAnne Stephenson

### Independent Non-Executive Director

JoAnne has been an independent non-executive director since 2012, and is Chair of the Group Risk Committee and Group Audit Committee, and a member of the Nomination Committee.

Directorships of other listed companies:

- Asaleo Care Limited

## Leon Zwier

### Independent Non-Executive Director

Leon has been an independent non-executive director since 2006, and is a member of the Nomination Committee. Leon is a partner in the law firm Arnold Bloch Leibler.

Full Director bios are included in the 2015 Annual Report available at:



[challenger.com.au/share](http://challenger.com.au/share)

# Executive team

## Brian Benari

### Chief Executive Officer and Managing Director

Brian has been Challenger's Managing Director and Chief Executive Officer since 2012. Brian has been employed by Challenger since 2003, with previous roles including Chief Financial Officer and Chief Operating Officer. Prior to Challenger, Brian held senior executive positions with JP Morgan, Bankers Trust and Macquarie Bank.

## Richard Howes

### Chief Executive, Life

Richard is responsible for the Life business and joined Challenger in 2003. Prior to Challenger, Richard held positions at Zurich Capital Markets, Macquarie Bank and Bankers Trust.

## Angela Murphy

### Executive General Manager, Human Resources

Angela is responsible for Challenger's Human Resources department and joined Challenger in 2012. Prior to Challenger, Angela held senior Human Resource positions at the Westpac Group and Mercer Human Resource Consulting.

## Paul Rogan

### Chief Executive, Distribution, Product and Marketing

Paul is responsible for coordinating Challenger's distribution product and marketing activities across both Life and Funds Management. Paul joined Challenger in 2005, and held previous roles in Challenger including Chief Financial Officer. Prior to Challenger Paul held senior positions at Lend Lease and NAB.

## Ian Saines

### Chief Executive, Funds Management

Ian is responsible for the Funds Management business and joined Challenger in 2015. Prior to Challenger, Ian held senior executive positions with the Commonwealth Bank of Australia.

Brian Benari

Richard Howes

Angela Murphy

Paul Rogan

Ian Saines

Andrew Tobin

Michael Vardanega

Richard Willis

## Andrew Tobin

### Chief Financial Officer

Andrew is the Chief Financial Officer and joined Challenger in 2007. Andrew became Challenger's Chief Financial Officer in 2012. Prior to Challenger, Andrew held senior executive roles at Commonwealth Bank of Australia and MLC.

## Michael Vardanega

### General Counsel and Executive General Manager, Corporate Affairs

Michael is responsible for Challenger's legal and corporate affairs departments and joined Challenger in 2006. Prior to Challenger, Michael held senior legal positions with law firms, including Ashurst.

## Richard Willis

### Chief Risk Officer

Richard is responsible for establishing and maintaining Challenger's risk management framework and joined Challenger in 2003. Prior to Challenger, Richard held senior positions with Zurich Capital Markets and Bankers Trust.

Rob Woods

## Rob Woods

### Chief Executive, Strategy and Mergers and Acquisitions (M&A)

Rob is responsible for Challenger's strategy and M&A activities and joined Challenger in 2003. Rob's previous Challenger roles include Chief Executive of both the Life and Funds Management businesses. Prior to Challenger, Rob held senior positions with Bankers Trust.



# Case study

## Funds Management



## Alphinity stands out in this big universe.

**Alphinity is a core Australian equities manager** aiming to deliver consistent outperformance with lower risk.

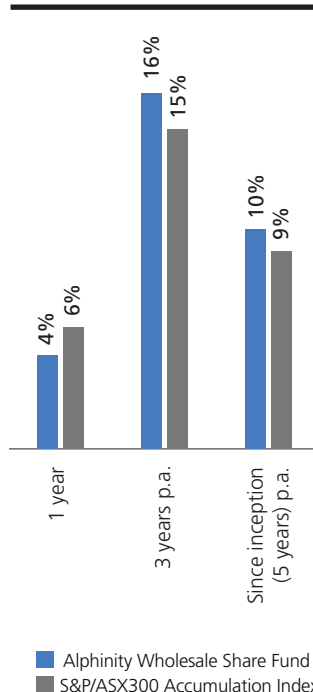
Alphinity was established in 2010 and is run by four highly experienced principals using a distinctive, well-balanced process. The four principals have worked together since 2005 and have on average 23 years experience each, making them one of the market's most experienced and longest serving Australian equities teams.

The Alphinity team will soon celebrate five years at the helm of their flagship fund, the Alphinity Wholesale Australian Share Fund. Looking back, they've achieved what they set out to do – deliver consistent top quartile performance versus the benchmark with bottom quartile risk.

Alphinity's investment process is focused on identifying companies entering an earnings upgrade period. These can be found at any stage of the market cycle. As these earnings upgrades come through, they support a higher share price, delivering gains for Alphinity's investors.

Alphinity invests in up to 55 high quality Australian companies that are expected to outperform the market. Alphinity uses a distinctive process to identify these companies. Rather than put their faith in any one method and perhaps miss an important clue, they use a wide range of qualitative and quantitative inputs from many sources. A strong research focus with first-hand information is key, to identify the right companies to invest in.

**Alphinity Wholesale Australian Share Fund performance as at 30 June 2015\***



Over the past three years, the Alphinity Wholesale Australian Share Fund has delivered for its investors an average return of 16% per annum, some 1.6% per annum more than its benchmark, the S&P/ASX300 Accumulation Index.

Alphinity's focus on producing consistent results over extended periods makes Alphinity an Australian equity manager that appeals to investors.

Alphinity manages \$7 billion of funds and has built this over the last five years. Alphinity's high growth is a testament to the team's investment capability and ability to outperform.

To learn more, visit:

 [alphinity.com.au](http://alphinity.com.au)

If you'd like to get more information on any of Fidante's funds, please contact your adviser or Fidante Partners Client Services team on 13 51 53.

\*Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.



### FIDANTE PARTNERS

collaborates with boutique fund managers. Fidante Partners takes responsibility for distribution, administration and business support, leaving the boutique fund managers to do what they do best, manage the investment portfolios.

Fidante Partners boutique fund managers invest across domestic and international equities, fixed income and alternative investments.

### Equities



### Fixed income



### Alternatives

| Dexion | Capital



## Case study Life

### Peace of mind in retirement.

**When Margaret and Claude Person from Sydney retired three years ago,** their challenge was how to turn their savings into a secure, guaranteed income stream so they could lead an active, enjoyable lifestyle. The solution? A Challenger lifetime annuity in conjunction with an account-based pension. Their financial adviser explained that the lifetime annuity would pay them a fixed, monthly income for the rest of their lives, acting like a paycheque for the length of their retirement.

According to Claude, "We are not here to take risk, we just want an amount every month so we know where we are going. It's great because you can sleep at night time, you don't have to worry about the next day; you know the money will come.

"Every month, on the same day, we get paid by Challenger. It never changes. It's not linked with the share market, we wanted safety."

Claude and Margaret each invested in a lifetime annuity and they find that combined with the partial Age Pension they receive, and their investment in an account-based pension, they are able to generate the income they need to fund their lifestyle and do the things they like doing, like kayaking and bushwalking.



Margaret and Claude  
Challenger lifetime annuity customers

Says Claude: "We do get the Age Pension through Centrelink, it's a partial payment, but, no, it's not enough to live on and you do need to supplement your income with some investments and that's why we've gone to a financial adviser who has advised us to invest with Challenger."

**When I was working I had a salary but now it feels the same."**  
– Claude

A key feature of lifetime annuities is that Claude and Margaret will continue to receive payments for as long as they live, even if it is longer than they expect. Claude says: "If you die at 80 or 100 or 120, you will get that every month and you can budget and really enjoy the money and enjoy life."

This certainty enables Claude and Margaret to enjoy their retirement free of financial worries. Says Margaret: "I'm very happy with that and it gives us great peace of mind."

To find out more about Challenger's lifetime annuities, speak to your financial adviser or view a video of Claude and Margaret at:



[challenger.com.au/lifetime](http://challenger.com.au/lifetime)

### What is an annuity?

An annuity is a simple, secure financial product which provides a series of regular payments in return for an upfront capital payment. The rate of return and payments are fixed at the outset, and are not affected by share market or interest rate movements and can increase to protect against inflation. You can select to have capital returned at the end of the agreed term or gradually during the term of the annuity as part of your regular payments.

We provide term annuities, which provide regular payments over an agreed term and lifetime annuities, which provide a regular payment for the rest of your life.

This case study is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670, the issuer of the Challenger Guaranteed Annuity (Liquid Lifetime). It is for illustrative purposes only. No interviewee is intending to give financial advice, social security benefit advice or tax advice. The interviewees' views are their own. These views do not take into account anyone else's objectives, financial situation or needs and it's important to consider those matters before making any investment decision. You should consider the appropriateness of this product for your circumstances and read the product disclosure statement (PDS) (available at [www.challenger.com.au](http://www.challenger.com.au) or by calling 13 35 66) before deciding whether to acquire or continue to hold the product.

# Our sustainability commitment

**Sustainability is critical for Challenger to build long-term value for our customers, shareholders, employees and the wider community.**

As part of our vision of providing Australians with financial security for retirement, we believe in having a retirement system that encourages long-term savings and the conversion of those savings into retirement income that lasts a lifetime.

We also believe in the delivery of sustainable business practices through robust governance, strong risk management culture and practices, appropriate people and workplace programs and the responsible investment of customer and shareholder money. Finally, we strive to contribute to the sustainability of our environment and the communities in which we operate.

We perform strongly across a range of key sustainability areas.

Our full commitment to sustainability is outlined in our Sustainability Report and can be viewed at:



[challenger.com.au/sustainabilityreport](http://challenger.com.au/sustainabilityreport)

# 97%

**OF ADVISERS REGARD CHALLENGER AS A RETIREMENT INCOMES LEADER<sup>1</sup>**

## Our commitment to sustainable retirement incomes and responsible investing

Challenger is playing a critical role as Australia's superannuation system evolves and the focus shifts to converting retirement savings into long-term sustainable incomes.

As a leader in Australian retirement incomes, we're a key contributor to industry and political debate, and through our thought leadership and innovation we're leading the development of sustainable retirement income practices.

### We are:

- Introducing new longevity products to enhance the sustainability of our customers retirement savings.
- Using technology to increase access to our retirement income products, which provide guaranteed incomes.
- Actively contributing to Australia's retirement incomes political debate. We believe Australia's retirement system should support the efficient conversion of superannuation assets into retirement incomes, with retirees protected from the risk of running out of money.
- Educating financial advisers and consumers on the importance of guaranteed retirement incomes and the need to protect against the risks in retirement.
- Challenger has recently become a signatory to the United Nations Principles of Responsible Investment (UNPRI); this furthers our investment governance progress.

**In conjunction with UNSW launched Australia's first dedicated retirement income course for advisers**



**Winner Chant West Longevity Product Best Fund 2015**



1. Marketing Pulse: Survey of advisers.



## Our employees are highly engaged.

### Our commitment to our people

Our people are critical to our success. We foster and promote a working environment where diversity is embraced and our people are motivated to perform at their best.

We use Aon Hewitt to measure employee engagement. Our most recent engagement score of 61% placed us ahead of the Australian and New Zealand Financial Services benchmark.

### We will continue to invest in our people.

#### We have:

- Implemented sponsorship and scholarship programs for high potential women to increase gender equality.
- Recognised the rise of mental health issues in the broader community and implemented a wellbeing initiative to proactively manage and support our people impacted by mental health. Following our increased focus, utilisation of our Employee Assistance Program for mental health issues increased.
- Enhanced our commitment to diversity through the establishment of a Diversity Committee to ensure ongoing focus, and the promotion of workplace diversity.

### Our commitment to the environment

We believe in doing the right thing by the environment and are committed to reducing the impact we have on it.

We achieve this by raising awareness with our people, utilising technologies to minimise the resources we use and applying sustainable business practices.

#### Our journey to become carbon neutral

- 2013** Partnered with Climate Friendly and introduced a program to offset greenhouse gas emissions for electricity consumption from our Sydney head office.
- 2014** Extended our commitment to offset greenhouse gas emissions by including waste (Sydney office), taxi trips, paper use and 20% of air travel.
- 2015** Going carbon neutral. Offset greenhouse gas emissions across our entire business. In order to achieve this, we are investing in wind farms and native forest protection.

### Our employment brand

Challenger's employment brand was developed with our employees, and is built on Challenge, Collaborate, Grow, and Achieve principles.

Our employment brand communicates the employment experience offered to current and potential employees.

Our most recent employee engagement survey showed a 10 point improvement in Challenger delivering on our promises to our employees.



## Challenger carbon neutral in 2015

**In excess of 5,000 tonnes of CO<sub>2</sub> offset**  
equivalent to 1,200 return flights to London.



Challenger discloses climate change information annually through CDP and won the CDP 2014 ASX200 Climate Leadership Award for best year on year improvement in climate disclosure.



## Our advertising campaign

You can't stop the bills. But you can stop the worry.

'Retirement on paper' is a multi-award winning national consumer advertising campaign and recipient of Australia's pre-eminent accolade for advertising effectiveness, the 2014 Gold Effie Award (Financial Services).

In the first 12 months of the campaign our ads had been seen by 54% of our target retiree audience, lifting Challenger brand awareness to a new high of 66% and perceptions that we are a leader in retirement investing to 54% – higher than all other major investment managers.

Our advertising was not only recalled by our target audience, it persuaded them to take action, evident from the finding that 44%<sup>1</sup> of independently surveyed financial advisers reported reverse client enquiry regarding annuities.

The advisers themselves have also been positively influenced by the campaign, with those having viewed the advertising being significantly more likely to recall Challenger as a retirement specialist, to regard us as a strong leader in retirement incomes, and to express a high degree of familiarity with our products.



2014 Gold Effie Winner  
Financial Services

1. Marketing Pulse Adviser Study.

You can't stop the bills. But you can stop the worry.

Annuities act like a paycheque in retirement, paying you guaranteed, monthly income which keeps pace with inflation, if you choose.

Google 'Challenger annuities', speak to your financial adviser or call 1300 362 888 today.

**challenger**

Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger Life) issues Challenger annuities, which offer a range of terms, payment frequencies, return of capital and inflation options. Before making an investment decision, consider the current product disclosure statement (available from a financial adviser or [www.challenger.com.au](http://www.challenger.com.au)) and the appropriateness of the annuity to your circumstances (including the risks). The word 'guaranteed' means payments are guaranteed by Challenger Life from the assets of its relevant statutory fund.

## Our history

- 1985** Challenger International Ltd established
- 1987** Challenger International Ltd lists on ASX
- 1992** Australia's compulsory superannuation system begins
- 1997** Challenger enters annuities market following acquisition of Equity Life Ltd
- 2003**
  - Merger between Challenger International and CPH Investment Corporation
  - Name changed to Challenger Financial Services Group Limited
  - Acquires Interstar Securities (Mortgage Management business)
- 2005** First Funds Management boutique added
- 2006** Standard & Poor's assigns an 'A' Insurer Financial Strength rating to Challenger Life
- 2009**
  - Strategy focused on retirement savings (Funds Management) and retirement spending (Life)
  - Mortgage Management business sold
- 2010** Name changed to Challenger Limited
- 2014** Winner of Plan for Life Annuity Provider of the Year (winner 2007 to 2014)
- 2015**
  - Partnerships announced with Colonial First State and VicSuper
  - Seventh largest Australian fund manager – \$60 billion in FUM
  - Australia's leading annuity provider

# Our awards



## Principal place of business and registered office in Australia

Level 15  
255 Pitt Street  
Sydney NSW 2000  
Telephone: 02 9994 7000  
Facsimile: 02 9994 7777

## Company secretaries

Michael Vardanega  
Andrew Brown

## Share register

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Telephone: 02 8234 5000



[computershare.com.au](http://computershare.com.au)

## Website



[challenger.com.au](http://challenger.com.au)

## Manage your shareholding at Computershare Investor Services



[computershare.com/investor](http://computershare.com/investor)  
Telephone: 1800 780 782

## Go electronic

Challenger can deliver all of your shareholder communications electronically, just update your details via Computershare Investor Services.

## Online digital version of this review

The 2015 Annual Review is available at:



[challenger.com.au/annualreview2015](http://challenger.com.au/annualreview2015)



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Challenger Limited ABN 85 106 842 371.

Unless otherwise specified, all amounts are in Australian dollars.

The information, including all amounts, in this Annual Review is current as at 30 June 2015.

This Annual Review is not financial product advice, investment advice or a recommendation to acquire Challenger's securities and has been prepared without taking into account your objectives, financial situation or needs. This document is not, and should not be considered as, an offer or an invitation to acquire securities in Challenger or any other financial products.

