

# Challenger Shareholder

## Newsletter February 2021



**Peter Polson**  
Chair

**\$96.1<sub>bn</sub>**

### Group assets under management

Value of assets managed by Challenger up 13% for the half year

**\$196<sub>m</sub>**

### Normalised NPBT<sup>1</sup>

On-track for FY21 profit guidance of between \$390m to \$440m

**\$223<sub>m</sub>**

### Statutory NPAT<sup>1</sup>

Includes partial reversal of unrealised pandemic related investment losses

**+4.7%**

### Life book growth

Benefiting from diversification strategy

**+\$6.4<sub>bn</sub>**

### Funds Management net flows

Fastest growing Australian Active Fund Manager<sup>2</sup>

**9.5<sub>cps</sub>**

### Interim dividend (fully franked)

Recommended dividends

Dear Shareholder,

On behalf of the Board and management team, I'm pleased to provide you with an update on Challenger's performance over the first half of the 2021 financial year.

Having withstood industry and COVID-19 related disruption over recent years, this result shows our strategy to diversify revenue is working.

Demonstrating strong growth in both Life and Funds Management, Group Assets Under Management increased 13% to \$96 billion over the half.

As Australia's number one provider of annuities, we believe in the importance of guaranteed income in retirement. The federal government's Retirement Income Review, released in December 2020, highlighted the importance of better retirement solutions, reinforcing the important role we play in providing customers with financial security for retirement.

Our Funds Management business is the fastest growing<sup>2</sup> and fourth largest<sup>3</sup> active fund manager in the country and attracted \$6.4 billion of new funds during the half.

In December, we announced the acquisition of MyLife MyFinance, an Australian-based customer savings and loans bank that will allow us to enter Australia's term deposit market. This acquisition will increase the role Challenger plays supporting customer retirement incomes, extend our customer reach and accelerate our medium-term growth.

## Financial performance

Challenger's financial performance in the first half of the 2021 financial year reflects steps taken last financial year to move to more defensive investment portfolio settings in the early stages of the COVID-19 pandemic. These actions included increasing levels of cash and liquidity which, as previously flagged, we expect to progressively deploy over the remainder of the 2021 financial year to enhance earnings.

Normalised net profit before tax (NPBT)<sup>1</sup> reflects the changes made to Life's investment portfolio and was down 14% to \$196 million, compared to the second half of the 2020 financial year.

Statutory net profit after tax was \$223 million, up significantly on the second half of last year, and includes the partial reversal of pandemic related investment losses recognised last year.

Life sales continue to benefit from our diversification strategy and increased by 10% on the prior comparative period to \$3.4 billion. Sales in all key product categories increased, driving a ~5% increase in the size of Life's guaranteed income business over the half.

Funds Management earnings benefited from a stable margin and increase in funds under management, aided by both strong inflows and more positive investment markets.

Reflecting the strength of our distribution capability, Fidante Partners won Distributor of the Year at the annual Zenith Fund awards.

<sup>1</sup> Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in Section 8 of the Operating and Financial Review in the Challenger 2021 Interim Financial Report.

<sup>2</sup> Measured as listed Australian fund manager net flows over the past 12 months divided by FUM 12 months ago. Data based on most recent ASX disclosures.

<sup>3</sup> Consolidated FUM for Australian Fund Managers – Rainmaker Roundup, September 2020.

## Strongly capitalised and return to paying dividends

Challenger Life remains strongly capitalised and is maintaining appropriate investment portfolio settings. The investment portfolio remains in good shape with no significant credit defaults and stable property valuation outcomes during the half year.

Challenger Life has \$1.5 billion of excess regulatory capital, which is well above both APRA's minimum requirement and our own internal capital targets.

Reflecting confidence in both the business performance and capital position, the Board has recommenced paying dividends after pausing during the early stages of the pandemic. The Board declared a 9.5 cent fully franked interim dividend, representing a normalised dividend payout ratio of 47% which is within our target of between 45% and 50%.

## Outlook

Challenger expects normalised net profit before tax in the 2021 financial year to be in the range of between \$390 million to \$440 million. The gradual and prudent deployment of Life's excess liquidity will mean earnings are expected to be weighted to the second half.

Our strong performance in Funds Management, building annuity sales momentum and new opportunities in our banking operations mean Challenger is well placed to achieve our vision of providing customers with financial security for retirement.

Thank you for your ongoing support and commitment to Challenger.



**Peter Polson**  
Independent Chair  
Challenger Limited

### Additional information section

#### Manage your holding

For administrative matters in respect of your Challenger shareholding, please contact Computershare Investor Services.

T: 1800 780 782

› [computershare.com.au](https://computershare.com.au)

#### Dividend Reinvestment Plan

Challenger operates a Dividend Reinvestment Plan (DRP) to enable you to receive some or all of your dividends as Challenger shares instead of cash. If you would like to participate in the DRP, you will need to make an election with Challenger's share register, Computershare Investor Services.

› [computershare.com.au/investor](https://computershare.com.au/investor)

#### Go electronic

Challenger can deliver your shareholder communications electronically. Please update your communication preferences via the Computershare website.

#### Key dates

Ex-dividend date for 2021 interim dividend	23 February 2021
Record date for 2021 interim dividend	24 February 2021
DRP election date for 2021 interim dividend	25 February 2021
Payment date for 2021 interim dividend	23 March 2021
2021 Third quarter performance update	15 April 2021
2021 Investor Day	17 June 2021
2021 Full year results and final dividend announcement	10 August 2021
Ex-dividend date for 2021 final dividend	30 August 2021
Record date for 2021 final dividend	31 August 2021
DRP election date for 2021 final dividend	1 September 2021
Payment date for 2021 final dividend	22 September 2021
2022 First quarter performance update	13 October 2021
Annual General Meeting	28 October 2021