

# Market Release

17 April 2025

## Third quarter update<sup>1</sup>

- Total Life sales \$1.4 billion supported by longer tenor annuity sales
  - Retail lifetime annuity sales \$246 million<sup>2</sup>, up 22%
  - Japanese sales \$240 million, up 33%
  - Fixed term annuity sales \$505 million, up 15%
  - Annuity maturity rate 5%<sup>3</sup> for the quarter
- Challenger Life strongly capitalised with a PCA ratio of 1.62 times<sup>4</sup>
- Funds Management funds under management (FUM) \$115.2 billion, down 5% for the quarter
- Group assets under management (AUM) \$125.6 billion, down 4% for the quarter

**Challenger Limited (ASX:CGF)** today reported its third quarter AUM, annuity sales and net flows.

Managing Director and Chief Executive Officer, Nick Hamilton said:

“Across our retirement business, Challenger maintained momentum through the third quarter, continuing to broaden our customer footprint while making significant progress delivering new technology for the future.

“Challenger saw continued sales growth across domestic lifetime annuities and Japanese annuities, supporting our focus on longer tenor and more valuable sales. Challenger welcomes NGS Super as a new partner, as we continue to support funds to deliver best-in-class retirement solutions for their members.

“Our market leading income capabilities are powered by Challenger’s highly regarded asset origination platform, which celebrates 20 years as a leader in multi-sector credit and investment excellence.

“As we look forward, the re-platforming of our retirement customer technology, including customer registry, is entering an exciting phase as the build completes and we test and ready for launch. Removing sales frictions and integrating lifetime and term income solutions seamlessly for advisers and funds will enable the next phase of our growth.

“More than ever, Australians need financial confidence and certainty to live their best retirement. The benefits of a lifetime income allocation alongside an account-based pension are powerful and ensure better retirement outcomes and financial confidence.

“Challenger is strongly supportive of the government and regulatory focus to deliver a retirement system for the millions of Australians approaching and in retirement. We look forward to APRA’s forthcoming changes to insurance capital standards, which will support significant growth in the lifetime income market and step change balance sheet resilience.

“We welcome TAL Dai-ichi Life, a global leader in life insurance, as a material shareholder of Challenger, which recognises the strength of Challenger’s strategic position, unique capabilities and the long-term tailwinds in the Australian retirement market,” said Mr Hamilton.

## Challenger Life

Challenger Life continued to execute its strategy to remix sales to higher quality long duration business. Annuity book growth was 1.0%<sup>5</sup> for the quarter driven by greater annuity sales and a moderating maturity rate.

Annuity sales increased by 20% to \$1.0 billion with strong growth in long duration retail lifetime (up 22%) and MS Primary Japanese annuities (up 33%). These longer duration sales will improve book quality and returns.

Fixed term annuity sales also grew 15%, with the inverted yield curve driving investor preference for shorter dated products.

Reflecting the sales remix strategy, maturities moderated to 5%<sup>3</sup> in the quarter, with the FY25 maturity rate expected to be 24%.

Challenger Index Plus sales were \$446 million. The outlook for Index Plus sales remains positive after winning a three- and five-year Index Plus mandate of up to \$500 million with a leading global investment manager that is expected to be funded over 4Q25 and 1H26. With some Index Plus maturities not reinvested, total Life book growth was -0.9%<sup>5</sup> for the quarter.

Challenger Life's investment assets were unchanged for the quarter at \$24.5 billion.

Challenger Life remains strongly capitalised with a PCA ratio of 1.62 times<sup>4</sup>, up 0.01x in the quarter, reflecting retained earnings partially offset by the payment of the Life 1H25 dividend and Additional Tier 1 instrument coupons. Since 31 March 2025, the investment portfolio is performing in-line with expectations, including the alternatives portfolio which is providing diversification and low correlation to equity and credit markets.

### Retirement Income Partnerships

Challenger is delighted to announce a new partnership with NGS Super (NGS). From 2026, Challenger's longevity solution will form part of NGS's broader Retirement Income Strategy, providing their members guaranteed, regular income for life.

### Customer technology uplift

Challenger has made significant progress re-platforming Challenger Life's core customer registry and technology. This will materially improve how Challenger integrates its income solutions with advisers, platforms, and superannuation funds, and is expected to increase productivity and annuity sales. The build of the core customer registry and technology has been completed and is now in testing phase.

## Funds Management

Funds Management FUM was \$115.2 billion, a decrease of \$5.9 billion or 5% for the quarter, with \$3.7 billion due to negative investment market movements, net outflows of \$1.9 billion and client distributions of \$0.3 billion. Net outflows included the derecognition of \$0.8 billion of FUM from Merlon Capital Partners.

In February 2025, Fidante welcomed global long-short manager System Capital to its stable of affiliate managers. The addition of System Capital is a continuation of Fidante's strategy of focusing on alternative offerings to meet client demand.

## Outlook

Challenger has tightened its FY25 normalised net profit after tax guidance to a range of between \$450 million and \$465 million, with the mid-point of the range representing 10% growth on FY24.

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

## About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates 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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<sup>1</sup> All commentary compares the March 2025 quarter against the March 2024 quarter (the prior corresponding period or pcq), unless otherwise stated.

<sup>2</sup> Retail lifetime annuity sales of \$246 million includes CarePlus sales of \$152 million and Liquid Lifetime sales of \$94 million.

<sup>3</sup> Maturity rate represents the value of Life annuities maturing and repayments (excluding interest payments) in the period as a proportion of opening Life annuity liabilities (undiscounted) of \$18.2 billion.

<sup>4</sup> PCA ratio represents total Challenger Life Company Limited (CLC or Challenger Life) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 31 March 2025.

<sup>5</sup> Book growth percentage represents net flows for the period divided by opening liability balances for the financial year.

# Challenger Limited

## Assets and Funds Under Management, net flows and sales

### Life quarterly sales and investment assets

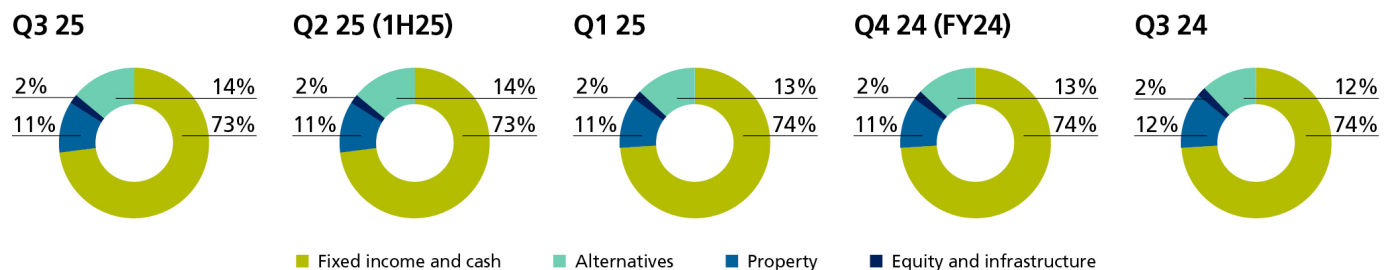
\$m	Q3 25	Q2 25	Q1 25	Q4 24	Q3 24
<b>Life sales</b>					
Fixed term sales – 1-year	137	357	204	161	121
Fixed term sales – 2-years or more	221	307	360	319	271
Lifetime sales	246	308	275	230	202
<b>Total retail annuity sales</b>	<b>604</b>	<b>972</b>	<b>839</b>	<b>710</b>	<b>594</b>
Fixed term sales – 1-year	115	127	275	153	6
Fixed term sales – 2-years or more	32	15	—	22	43
Lifetime sales	—	28	—	—	—
<b>Total institutional annuity sales</b>	<b>147</b>	<b>170</b>	<b>275</b>	<b>175</b>	<b>49</b>
<b>Total domestic annuity sales</b>	<b>751</b>	<b>1,142</b>	<b>1,114</b>	<b>885</b>	<b>643</b>
Japan sales	240	371	244	183	180
<b>Total Life annuity sales</b>	<b>991</b>	<b>1,513</b>	<b>1,358</b>	<b>1,068</b>	<b>823</b>
Maturities and repayments	(842)	(1,183)	(1,538)	(884)	(736)
<b>Total Life net flows</b>	<b>149</b>	<b>330</b>	<b>(180)</b>	<b>184</b>	<b>87</b>
<b>Annuity book growth<sup>1</sup></b>	<b>1.0%</b>	<b>2.2%</b>	<b>(1.2%)</b>	<b>1.3%</b>	<b>0.6%</b>
Challenger Index Plus sales	446	682	1,072	1,065	925
Challenger Index Plus maturities and repayments	(775)	(1,193)	(1,057)	(1,042)	(841)
<b>Challenger Index Plus flows</b>	<b>(329)</b>	<b>(511)</b>	<b>15</b>	<b>23</b>	<b>84</b>
<b>Challenger Index Plus net book growth<sup>1</sup></b>	<b>(6.1%)</b>	<b>(9.6%)</b>	<b>0.3%</b>	<b>0.4%</b>	<b>1.6%</b>
Total Life sales	1,437	2,195	2,430	2,133	1,748
Total maturities and repayments	(1,617)	(2,377)	(2,595)	(1,926)	(1,577)
<b>Total Life net flows</b>	<b>(180)</b>	<b>(182)</b>	<b>(165)</b>	<b>207</b>	<b>171</b>
<b>Total Life book growth<sup>1</sup></b>	<b>(0.9%)</b>	<b>(0.9%)</b>	<b>(0.8%)</b>	<b>1.0%</b>	<b>0.9%</b>
<b>Life investment assets</b>					
Fixed income and cash <sup>2</sup>	17,685	17,963	18,293	18,334	18,356
Alternatives	3,517	3,461	3,084	3,167	3,121
Property <sup>2</sup>	2,702	2,688	2,669	2,762	2,955
Equity and Infrastructure <sup>2</sup>	586	535	470	448	422
<b>Total Life investment assets</b>	<b>24,490</b>	<b>24,647</b>	<b>24,516</b>	<b>24,711</b>	<b>24,854</b>
<b>Average Life investment assets<sup>3</sup></b>	<b>24,644</b>	<b>24,462</b>	<b>24,754</b>	<b>24,776</b>	<b>24,473</b>

1. Book growth percentage represents net flows for the period divided by opening liability balances for the financial year.

2. Fixed income, property and infrastructure are reported net of debt.

3. Average Life investment assets is calculated on a monthly basis.

### Life asset allocation



## Funds Under Management and net flows

\$m	Q3 25	Q2 25	Q1 25	Q4 24	Q3 24
<b>Funds Under Management</b>					
Equities <sup>1</sup>	67,244	72,599	67,546	63,988	58,887
Fixed Income	44,873	45,534	48,414	50,815	52,896
Alternatives	2,190	2,074	1,936	1,870	1,932
Property <sup>2</sup>	850	816	792	735	768
<b>Total Funds Under Management</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>	<b>114,483</b>
Fidante	98,266	103,859	101,128	100,081	96,778
Challenger Investment Management <sup>2</sup>	16,891	17,164	17,560	17,327	17,705
<b>Total Funds Under Management</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>	<b>114,483</b>
Institutional <sup>2</sup>	97,809	102,775	100,529	99,396	95,997
Retail	17,348	18,248	18,159	18,012	18,486
<b>Total Funds Under Management</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>	<b>114,483</b>
Average Fidante	102,877	102,640	101,869	96,419	94,168
Average Challenger Investment Management <sup>2</sup>	17,007	17,259	17,605	17,592	17,070
<b>Total average Funds Under Management<sup>3</sup></b>	<b>119,884</b>	<b>119,899</b>	<b>119,474</b>	<b>114,011</b>	<b>111,238</b>
<b>Analysis of flows</b>					
Equities	(1,120)	1,483	1,148	5,029	515
Fixed income	(826)	(3,138)	(2,711)	(1,564)	200
Alternatives	26	70	39	(35)	303
Property	—	—	—	29	—
<b>Total net flows</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>	<b>1,018</b>
Fidante	(1,622)	(955)	(1,854)	3,594	321
Challenger Investment Management	(298)	(630)	330	(135)	697
<b>Total net flows</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>	<b>1,018</b>
Institutional	(1,358)	(1,694)	(1,412)	3,787	1,028
Retail	(562)	109	(112)	(328)	(10)
<b>Total net flows</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>	<b>1,018</b>

1. Q3 25 included \$0.8b FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement.

2. Includes FUM relating to Japanese real estate holdings managed by Challenger Kabushiki Kaisha (CKK).

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

## Reconciliation of total Group assets and Funds Under Management

\$m	Q3 25	Q2 25	Q1 25	Q4 24	Q3 24
Funds Management Funds Under Management	115,157	121,023	118,688	117,408	114,483
Life investment assets	24,490	24,647	24,516	24,711	24,854
Adjustments to remove double counting of cross-holdings	(14,022)	(14,234)	(14,805)	(14,997)	(15,572)
<b>Total Assets Under Management</b>	<b>125,625</b>	<b>131,436</b>	<b>128,399</b>	<b>127,122</b>	<b>123,765</b>