

MARKET RELEASE

**ASSETS AND FUNDS UNDER MANAGEMENT 30 SEPTEMBER 2012
AND REGULATORY CAPITAL UPDATE**

18 October 2012, Sydney – Challenger Limited (ASX:CGF) today announced that its total assets and funds under management (AUM) as at 30 September 2012 was \$35.2 billion, an increase of 28% over the last 12 months and 5% over the quarter.

CEO Brian Benari said: “We’re fortunate to be growing both our Life and Funds Management businesses and can confirm that we’re on track to meet our 2013 retail annuity sales growth target of 15%, or \$2.25 billion, as well as net book growth of 10%.

“Importantly, we are successfully extending the average tenor of retail annuity sales, which for the September quarter was 6.1 years, up from 5.1 years a year ago and 4.4 years two years ago. A lengthening of tenor increases the future rate of net book growth, enables greater investment in longer-dated assets which earn an illiquidity premium, and is more efficient in terms of distribution and administration.

“We also continue to attract strong inflows into our boutique funds management business Fidante Partners. Investors are responding strongly to the close alignment delivered by our model, as reflected in the 46% increase in FUM over the past 12 months”, said Mr Benari.

Challenger Life

Life’s AUM was \$10.2 billion as at 30 September 2012, representing growth of 16% over 12 months and 4% over the quarter.

Challenger Life annuity sales at \$558 million for the quarter were in line with the September 2011 quarter and comprised \$481 million of retail sales and \$77 million of institutional products.

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Challenger Limited A.B.N 85 106 842 371

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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Funds Management

Funds Management's funds under management (FUM) for the September 2012 quarter was \$32.6 billion, up 27% over 12 months and 5% over the quarter, due to more buoyant investment markets and positive Fidante Partners net flows. Total Funds Management net flows were \$438 million for the quarter.

Fidante Partners FUM reached \$20.9 billion, an increase of 46% over 12 months and 9% over the quarter. Net flows for the quarter were \$633 million, comprising \$116 million in Equity products and \$517 million in Fixed Income products.

Aligned Investments FUM decreased by 1% in the quarter to \$11.7 billion, with net outflows of \$195 million due principally to a reduction in institutional infrastructure mandates.

Regulatory capital update (LAGIC)

The Australian Prudential Regulation Authority (APRA) publically released its new capital standards for all life and general insurers on 10 October 2012. The standards have now been finalised, will be effective from 1 January 2013 and have been designed to ensure that all insurers can absorb one in 200 year adverse shocks and continue to be able to meet their obligations to policyholders.

There is no material change to the expected increase in Challenger Life Company's regulatory capital requirement of between \$110 million and \$125 million per annum for three years, with the first increase effective from 1 January 2014. Challenger's current excess capital position and ongoing organic capital generation is expected to be sufficient to meet the additional capital requirements while maintaining the company's existing dividend policy.

Challenger announced APRA's proposed LAGIC transition arrangements on 16 August 2012 and expects to receive final confirmation from APRA in coming weeks.

ENDS

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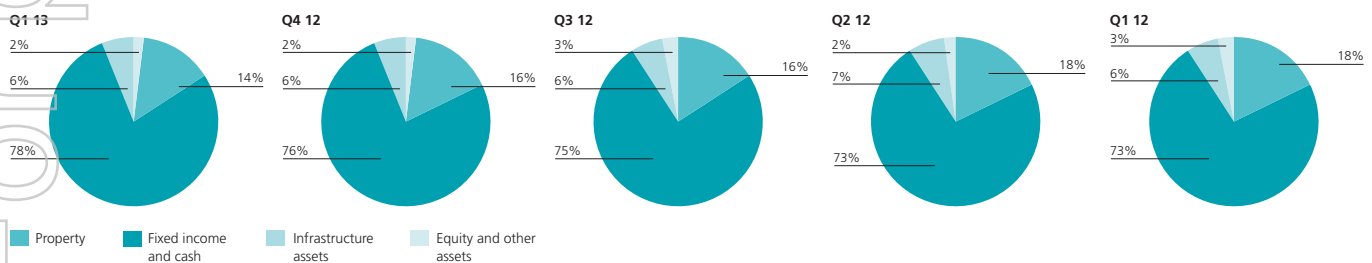
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Assets and Funds Under Management

\$m	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Total Assets and Funds Under Management	35,227	33,429	31,412	29,567	27,579
Represented by:					
Funds Management					
Fidante Partners¹					
Equities	9,695	8,879	8,262	7,549	6,700
Fixed income	11,226	10,372	9,507	8,695	7,596
Total Fidante Partners	20,921	19,251	17,769	16,244	14,296
Aligned Investments²					
Infrastructure					
Institutional mandates	885	1,136	1,105	1,100	1,101
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	430	410	367	352	327
Property					
Institutional mandates	1,845	1,835	1,736	1,757	1,751
Challenger Diversified Property Group (ASX:CDI) (gross assets)	888	869	884	871	873
Fixed income ³	7,637	7,516	7,528	7,397	7,425
Total Aligned Investments funds	11,685	11,766	11,620	11,477	11,477
Total funds under management	32,606	31,017	29,389	27,721	25,773
Average Fidante Partners	20,364	18,426	17,026	15,399	14,614
Average Aligned Investments	11,838	11,708	11,491	11,443	10,714
Average total funds under management⁴	32,202	30,134	28,517	26,842	25,328
Life					
Fixed income and cash	7,891	7,388	7,046	6,369	6,430
Property ⁵	1,484	1,539	1,533	1,552	1,565
Infrastructure ⁶	623	618	571	569	509
Equity and other	170	228	230	219	243
Total Life investment assets	10,168	9,773	9,380	8,709	8,747
Average Life investment assets⁴	9,908	9,637	9,013	8,670	8,513

Life asset allocation



¹ Fidante Partners comprise 11 co-owned, separately branded boutique active investment managers from which Fidante receives distribution and administration fees. Fidante Partners also shares in the profits from these businesses.

² Aligned Investments develops and manages products under Challenger's brand for the Life business and third party institutional investors.

³ Fixed income includes mortgages.

⁴ Average funds under management and investment assets are calculated on a monthly basis.

⁵ Property is reported at Q1 2013 net of senior debt of \$665m (Q4 2012 \$663m). Property includes direct and indirect holdings.

⁶ Infrastructure is reported at Q1 2013 net of debt of \$206m (Q4 2012 \$206m).

Analysis of flows	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Funds Management net flows					
Fidante Partners	633	1,858	614	1,650	336
Aligned Investments	(195)	2	31	11	(276)
Net flows	438	1,860	645	1,661	60
Life sales					
Retail	481	607	364	475	509
Institutional	77	–	415	239	49
Sales	558	607	779	714	558
Reconciliation of Total Group Assets and Funds Under Management					
Funds Management (FUM)	32,606	31,017	29,389	27,721	25,773
Life investment assets	10,168	9,773	9,380	8,709	8,747
Adjustments to remove double counting of cross holdings:					
Life Company investment in CDI and CIF	(496)	(488)	(460)	(451)	(439)
Life Company investment in fixed income, property and infrastructure ¹	(7,051)	(6,873)	(6,897)	(6,412)	(6,502)
Total Assets and Funds Under Management	35,227	33,429	31,412	29,567	27,579