

Challenger Guaranteed Income Fund (CHYF)

Overview

On 24 February 2011 a meeting of unitholders of the Challenger High Yield Fund was held where two resolutions were passed, which resulted in Challenger High Yield Fund (**High Yield Fund**) investors having all their units in the High Yield Fund redeemed and receiving cash and new units in the Challenger Guaranteed Income Fund (CHYF) (**Fund**). Challenger Life Company Limited (**Challenger Life**) now owns all the units in the High Yield Fund.

The Fund is a registered managed investment scheme that invests in an annuity issued by Challenger Life and is closed to new investors.

Challenger Managed Investments Limited (**Challenger**) as responsible entity of the Fund, manages the operation of the Fund and is legally responsible under the Corporations Act to unitholders in the Fund.

The information in this document explains how the features of the Fund affect direct investors.

Investors accessing the Fund through an investor directed portfolio services (IDPS) or IDPS-like scheme (commonly a master trust or wrap account) may use this document to understand the Fund. Indirect investors do not become investors nor do they acquire the rights of an investor. The operator of that service acquires those rights and can exercise or decline to exercise them on behalf of indirect investors.

Indirect investors should speak with their service operator for more information on how the features explained in this document affect them.

How does the Fund work?

The Fund has the following features:

- **Distributions:** The Fund will pay fixed quarterly distributions. This amount per unit is fixed and applies until the earlier of the Maturity Date, or in the case of a full Early Withdrawal, the Early Withdrawal date. The actual dollar amount investors will receive each quarter is calculated by multiplying the number of units held at the end of the relevant quarter by 1.23 cents per unit. Please refer to the information about the Earnings Rate on page 2 of this flyer.
- **Return of capital:** Your capital should be repaid within 10 business days after the Maturity Date at \$1.00 per unit held as at Maturity Date.
- **Limited early withdrawal opportunities:** You may be able to apply for an Early Withdrawal, Hardship Withdrawal or (subject to ASIC granting the relevant regulatory relief which has been applied for) Death Withdrawal at certain times as allowed by Challenger in accordance with the Fund's constitution. Any early withdrawal will be processed using the applicable early withdrawal unit price (which includes an early withdrawal discount). If a unitholder withdraws prior to the Maturity Date they may receive significantly less back than they would if they held their investment to the Maturity Date.

The table on the following pages outlines the key features of the Fund. For more information on the Fund, please refer to the Notice of Meeting and Explanatory Memorandum dated 21 January 2011 (as updated for additional information).

Key features of the Fund

Feature	Explanation
Fund name	Challenger Guaranteed Income Fund (CHYF)
ARSN	147 935 411
APIR code	HOW0087AU
Morningstar ticker code	18975
Investment objective	Aims to provide specified and regular Distributions until the Maturity Date as well as a Maturity Unit Price of \$1.00 per unit by holding an annuity issued by Challenger Life.
Investment strategy	The Fund invests in an annuity issued by Challenger Life that closely matches the Distributions, Maturity Unit Price and maturity profile of the units in the Fund.
Investment approach	<p>The investment approach of the Fund is to invest in an annuity issued by Challenger Life, which is referable to Challenger Life's Statutory Fund No. 2 (Statutory Fund).</p> <p>The Statutory Fund generally contains a range of investments that may include bank bills, debt investments, convertible notes, shares, geared and ungeared property investments, infrastructure investments and other assets. The underlying investment objectives of the Statutory Fund include:</p> <ul style="list-style-type: none"> • achieving consistent returns from investments that ensure that the guaranteed rate or return offered to policy holders is earned; and • matching the liability cash flows with cash flows receivable from the underlying assets. <p>Challenger Life is subject to prudential supervision by Australian Prudential Regulation Authority (APRA). The Fund, however, is not regulated by APRA.</p> <p>The Fund's constitution permits the use of derivatives. Challenger does not intend to use derivatives in the Fund.</p>
Commencement Date	25 February 2011
Issue Price	\$1.00 per unit
Earnings Rate	<p>The Earnings Rate is a reflection of the fixed return a unitholder will receive on their investment, per unit, assuming units are held to maturity.</p> <p>The Earnings Rate is 4.92% p.a. and was calculated by deducting 0.50% p.a. from the 3 year swap rate as at 24 February 2011.</p> <p>The Earnings Rate determines the cents per unit distribution amount paid quarterly and will not change.</p>
Distribution cents per unit	1.23 cents per unit per quarter
Distribution frequency	Quarterly
Distribution payment methods	Challenger will generally pay distributions within 10 Business Days of the last day of the quarter. If you are an investor through an IDPS operator, you should check with your IDPS operator when they will pass on distributions to you. The Fund does not allow distributions to be reinvested.
Maturity Date	31 March 2014
Maturity Unit Price	\$1.00 per unit

Feature	Explanation
Maturity Value (Capital payment)	Calculated as the number of units held on the Maturity Date multiplied by the Maturity Unit Price. This transaction will be processed as a redemption of units and paid within 10 business days after the Maturity Date.
Management costs	Nil
Early Withdrawals	<p>The Fund is designed for you to hold your investment until the Maturity Date; however, subject to certain requirements, you will be able to apply for an Early Withdrawal, Hardship Withdrawal or (if regulatory relief (which is currently being sought) is obtained) Death Withdrawal.</p> <p>Early withdrawal requests can be lodged at any time during the quarter up to 3.00pm on the last business day of the relevant quarter, i.e. end of March, June, September and December.</p> <p>Requests will be processed on the first business day of the next quarter, except in the case of an early withdrawal relating to death or hardship, which will generally be processed as at the last business day of each week following Challenger receiving all necessary supporting documentation and approving the application to withdraw.</p> <p>If Challenger does not obtain the necessary regulatory relief, then Death Withdrawals will be treated as Early Withdrawals (other than hardship related withdrawal requests).</p>
Maximum withdrawals per quarter	<p>The maximum aggregate amount available for early withdrawal requests in connection with the Fund is:</p> <ul style="list-style-type: none"> • \$3 million per quarter in aggregate for all Death Withdrawals (if regulatory relief (which is currently being sought) is obtained) and Hardship Withdrawals; and • \$50 million per quarter in aggregate for all early withdrawals (including requests for Death Withdrawals (if regulatory relief (which is currently being sought) is obtained) and Hardship Withdrawals).
Early withdrawal unit price	<p>The early withdrawal unit price is calculated by dividing the adjusted Net Asset Value (NAV) of the Fund on the effective date of the transaction by the number of units held by the investor at that time. The adjusted NAV is calculated as the net present value of the annuity determined using a discount rate equal to the greater of the:</p> <ul style="list-style-type: none"> • prevailing yield on a Commonwealth Government Security with a term nearest to the remainder of the term of the annuity held by the Challenger Guaranteed Income Fund (CHYF) plus: <ul style="list-style-type: none"> – 4% for Early Withdrawals; or – plus 0.5% for Death Withdrawals (if regulatory relief (which is currently being sought) is obtained) and Hardship Withdrawals); and • gross yield implicit in the annuity held by the Challenger Guaranteed Income Fund (CHYF) at the time of issue. <p>The maximum possible Early Withdrawal Unit Price is \$1.00.</p> <p>The withdrawal unit price as at 18 March 2011 was \$0.9104¹.</p>

¹ The withdrawal price shown here is at a particular date, is provided for indicative purposes only and is calculated using the formula that applies for early withdrawal. Early withdrawals will, however, be processed using the applicable early withdrawal unit price on the effective date of the request. Accordingly the early withdrawal price you actually receive may be different from the price shown.

The information in this publication is correct as at 25 February 2011 (unless specified otherwise) and is provided by Challenger Managed Investments Limited (ABN 94 002 835 592, AFSL 234668) (Challenger), the responsible entity of the Challenger Guaranteed Income Fund (CHYF) (Fund). It is a summary only and is not intended to contain all the relevant information relating to the Fund. It is also general information rather than advice. It has been prepared without taking account of any persons objectives, financial situation and needs. Investors in the Fund should consider these matters before acting on this information. The Fund is closed to new investors. Please refer to the Notice of Meeting and Explanatory Memorandum dated 21 January 2011 (as updated) for additional information. Alternatively you can contact your financial adviser or Challenger on 13 35 66. There is no product disclosure statement for the Fund.