

Challenger Guaranteed Annuity (Platform Fixed Term)

Get guaranteed
regular income for
a fixed investment
term that you
choose



**Product Disclosure Statement
(PDS)**

Dated 13 January 2023
(SPIN CHG0005AU)

Issuer

Challenger Life Company Limited
(ABN 44 072 486 938)
(AFSL 234670)

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About this PDS

This PDS relating to the **Challenger Guaranteed Annuity** (also referred to as **Fixed Term Annuity** or the **Annuity**) provides information to help you assess if the Annuity is a suitable investment for you. You should fully read this PDS before investing.

The information in this PDS is general information only and does not take into account your particular investment objectives, financial situation or needs. You should consider whether you need professional advice, particularly about taxation, retirement planning and investment risk tolerance, before investing.

The information in this PDS is current as at the date shown on the front cover. However, some information can change from time to time. If a change is considered materially adverse, we will issue a supplementary or replacement PDS. We may also provide updates to you electronically with your agreement or via our website. For updated information about the Annuity, visit the website shown on the back cover of this PDS or consult your financial adviser. We will send you a copy of any updated information free of charge on request.

The Annuity is issued by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (referred to as **Challenger Life, Challenger, we, us, or our**) who is a member of the Challenger Limited group of companies (**Challenger Group**). Mail: Reply Paid 3698, Sydney NSW 2001. Phone: 13 35 66. Email: info@challenger.com.au.

Challenger Life is a registered life company under the *Life Insurance Act 1995* (Cth) (**Life Act**), and is regulated by the Australian Prudential Regulation Authority (**APRA**). Investments go into a secure fund along with the investments received from other annuity investors. This is known as a 'statutory fund', (**Statutory Fund**) which Challenger Life is required to maintain under the Life Act. APRA monitors the Statutory Fund's investments, the aim of which is to ensure that Challenger Life can meet payment promises to investors. If at any time Challenger Life does not achieve investment returns that are sufficient to cover all the promises Challenger Life has made to annuity investors, Challenger Life must cover the shortfall from the money Challenger Life has invested in the Statutory Fund. The regular income Challenger Life agrees to pay annuity investors is guaranteed for the chosen investment term.

Challenger Life is not an authorised deposit-taking institution for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an authorised deposit-taking institution in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Challenger Life. **Accordingly, unless specified otherwise, the performance, the repayment of capital and any particular rate of return on your investments are not guaranteed by any Challenger ADI.**

The Annuity will be issued only when an application in the form approved by Challenger is received and the money used to buy the Annuity has cleared. The invitation to invest under this PDS is only available to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS and the Policy Document. You should read these documents before investing. We reserve the right to withdraw the invitation to invest and withdraw this PDS. In the event of any inconsistency between the terms of the Policy Document and the terms of this PDS, the terms of the Policy Document prevail.

Who is Challenger?

Challenger has been providing financial services to Australians since 1985 and is the largest provider of annuities in the country. Our vision is to provide customers with financial security for a better retirement.

Challenger Limited is our parent company, an ASX-listed company with group assets under management of \$96 billion¹. It is regulated by the Australian Prudential Regulation Authority (APRA). To learn more about Challenger, visit challenger.com.au/about-us.

Our promise to pay income is not impacted by any movements in Challenger Limited's share price.

Challenger provides reliable income to investors through its management of more than \$23 billion in assets¹.

What is a Fixed Term Annuity?

A Fixed Term Annuity provides regular income for a fixed investment term that you choose in return for a lump sum investment. Term annuities are a secure investment offered by a life insurance company and operate in a similar way to a term deposit available from a bank².

The regular income we agree to pay you and the return of the amount invested is guaranteed by us regardless of how investment markets perform – giving you peace of mind.

A Fixed Term Annuity is a secure investment offered by a life insurance company that operates in a similar way to a term deposit².

¹ As at 30 September 2022.

² Annuities are not covered by the Australian Government's Financial Claims Scheme, which protects certain types of deposits in the event that a bank, building society or credit union fails.

Introduction

This PDS is designed for investors who wish to access the Annuity via an investment or superannuation platform (**Platform**) and is designed to provide important information when considering such an investment.

This PDS is relevant where you are investing in the Annuity via a Platform that makes the Annuity investment available to you. Your Platform will choose the available terms and options that will be available to you via the Platform. As a result, some of the terms and options shown in this PDS may not be available to you via your Platform.

Annuities made available via Platforms are issued by Challenger directly to the Platform and held by the platform operator or their custodian. This means you are an indirect investor into the Annuity. As an indirect investor, you do not become a policyholder of the Annuity. The Platform pools their investors' money and makes a single investment in the Annuity that is held in the name of a custodian. Accordingly, the Platform (or its custodian), not the indirect investor, is the legal owner of the Annuity. Our Annuity reports and other information are sent directly to the Platform. Your enquiries around this investment should generally be directed to your financial adviser or Platform, not to us.

Important information

Investing into an Annuity via a Platform is different to investing directly into an Annuity. The key differences have been outlined below.

Guarantees

Annuities offered via Platforms are issued by Challenger directly to the Platform and held by the platform operator or their custodian. As an indirect investor into the Annuity, Challenger does not provide any guarantee directly to you. The references to guaranteed regular payments and payment of the residual capital value at maturity in this PDS are references to the contractual obligations of Challenger under the terms of the applicable Annuity to make these payments to the Platform only.

Cooling off

As an indirect investor into the Annuity, Challenger does not confer any cooling off rights to you. You should seek advice from your Platform or adviser about the cooling off rights (if any) that apply to your investment in or through your Platform. If you have any questions about cooling-off rights, please contact your financial adviser or Platform.

Personal information

We do not normally receive any personal information about you when you invest in the Annuity through the Platform. For details on the collection, storage and use of personal information, you should contact your Platform. The information we collect and store from the Platform operator is used to establish and administer their investments. If we do receive any personal information, we will deal with it in accordance with our Privacy policy. A copy of our Privacy policy is available at challenger.com.au or on request from our Investor Services team.

Dispute Resolution

Should you have a complaint about your investment in the Annuity, you should contact your Platform in the first instance. Refer to the Platform PDS or guide for further information. If you are not happy with how the complaint has been handled by your Platform, you can contact us with a complaint. If you are not happy with our response or how the complaint has been handled (or if we have not responded within 30 days), you may contact the following external dispute resolution scheme.

Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001
Tel: 1800 931 678
Email: info@afca.org.au

AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Target Market Determination (TMD)

You should consider the TMD available at challenger.com.au in deciding to acquire or continue to hold your investment in the Annuity.

The Annuity is likely to be appropriate for someone who is looking for an investment that:

- provides a regular income for a chosen term by investing a lump sum
- is designed to be held for the full term
- is low risk guaranteed investment that provides an agreed payment amount for the term invested that is not linked to investment markets.

It is not suitable for someone who needs the ability to regularly access the lump sum invested.

Whilst you may be able to withdraw from the Annuity via the Platform operator before the end of the investment term, there is a penalty and the withdrawal value may be less than what you invested, even after taking into account payments you have already received.

Where to obtain further information

If you require additional information about your investment in the Annuity or you have questions about applications and withdrawals, you should contact your Platform directly.

How a Fixed Term Annuity works

Annuities are a secure investment – we offer a rate of return at the start of your investment and guarantee to pay it for the agreed fixed term regardless of how investment markets perform.

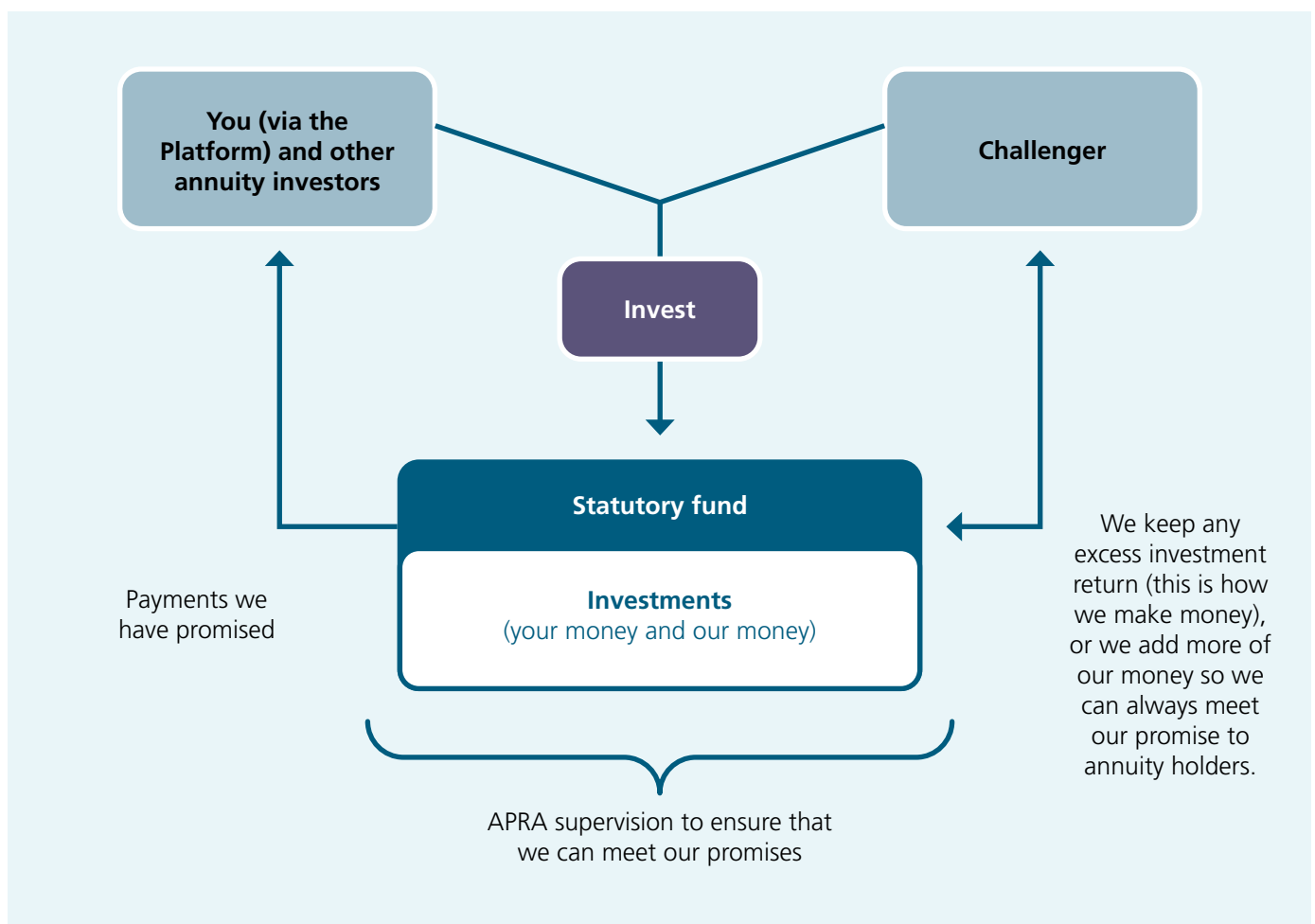
When you invest via a Platform in a Fixed Term Annuity, your investment goes into a secure fund along with the investments received from other annuity investors. This fund is known as the 'statutory fund', and all regular payments to our annuity investors are paid from this fund. We are also required by APRA to invest our own money into the fund.

APRA monitors the statutory fund's investments, the aim of which is to ensure that we can meet the promises that we have made. APRA is the authority that regulates the banking, insurance and superannuation industries. If at any time we do not achieve investment returns that are sufficient to cover all the promises that we have made to our annuity investors, we must cover the shortfall from the money we have invested in the fund.

As at 30 June 2022, we had approximately \$3 billion of our own money invested in the funds that we manage. That's more than enough to ensure that we could continue to cover all promises made to our annuity investors even if a one in 200-year investment market shock event occurred.

To further protect your investment, APRA can require us at any time to invest more of our own money into the fund or tell us to change the statutory fund's investments. The aim of this supervision is to ensure that we can meet our payment promises now and into the future, and is the reason why an Annuity is a secure investment.

The regular income we promise to pay is not impacted by any movements in Challenger Limited's share price.



Product features

What terms are available?	We offer investment terms of 1 to 50 years. Your Platform will choose the available terms that will be available to you. As a result, some of the terms shown may not be available to you via your Platform. The term you select must be a whole year and cannot change after you invest.
How often will I be paid?	We can pay monthly, quarterly, half-yearly or yearly. Your Platform will choose the payment frequencies that will be available to you. As a result, some of the payment frequencies shown may not be available to you via your Platform. Your regular payments will be paid to your Platform, who will allocate the payments to your portfolio and/or cash account. For example, if you choose to be paid monthly, the first payment will be made one month after investing. If you choose to be paid yearly, the first payment will be made one year after investing. You cannot change your choice.
What interest rate will I receive?	We offer competitive rates based on current investment market conditions. Your Platform can provide you with the rates on offer for each of the available terms. Our rates are generally updated on a weekly basis.
When is my original investment repaid to me?	At the end of the fixed term your investment will be repaid to your Platform, who will then allocate the payment to your portfolio and/or cash account. The payment to the Platform will generally be made on the first business day after the end of the fixed term.
Will my regular payment amount change over time?	We guarantee the amount of regular income at the start of your fixed term. Payments will not change.
Can I add more money to my investment?	You cannot add more money to your fixed term annuity after it has started; however, you can commence a new, additional fixed term annuity via your Platform.

Can I withdraw before the end of the fixed term if my circumstances change?

You can withdraw from the Annuity before the end of the investment term (in part or in full). However, the Annuity is designed to be held until the end of the investment term and so you might not receive the benefits you would have, had you not withdrawn. **You should only invest if you plan to remain invested for the full fixed term.**

If you withdraw before the end of the fixed term, there is a penalty and the withdrawal value may be less than what you invested, even after taking into account payments you have already received. This is because the competitive rates that we offer can only be provided because we invest your money for the full investment term that you have chosen.

The calculation of a lump sum withdrawal value after death may be greater than the withdrawal value if you chose to withdraw before the end of the fixed term, in recognition that withdrawal after death was not a voluntary withdrawal.

The early withdrawal value calculation is impacted by changing interest rates, which means it is only possible to determine the withdrawal value at the time of withdrawal. If you withdraw in full, your regular payments stop. Set out below is an example, which is an illustration only. Actual outcomes will depend on factors such as inflation and prevailing interest rates.

Withdrawal example

You invest \$100,000 for five years at a rate of 4.95% per annum³, and have all your investment repaid to you at the end of the term. We pay you annual payments of \$4,950.

If you want to withdraw your Annuity at the end of the third year (after receiving three annual payments of \$4,950), an estimate of your Annuity's withdrawal value is:

Change in interest rates since investing	Estimated withdrawal value	Annual payments received	Total received since investing
Decrease in rate of 2%	\$98,171	\$14,850	\$113,021
Decrease in rate of 1%	\$97,607	\$14,850	\$112,457
No change to rate	\$95,838	\$14,850	\$110,688
Increase in rate of 1%	\$94,118	\$14,850	\$108,968
Increase in rate of 2%	\$92,445	\$14,850	\$107,295

³ The illustration is based on our rates and interest rates effective 23 November 2022.

What are the risks of investing?

All investments carry some risk. Listed below are the key risks that you should take into account when deciding whether a Fixed Term Annuity via your Platform is right for you.

Withdrawal risk

This is the risk that if you voluntarily withdraw or die before the end of the fixed term, you may receive back less money than you invested and less money than you would have received had you held the Annuity for the full investment term.

The withdrawal value of the Annuity will vary over time because it depends on changing factors, including how long you've held the Annuity for and prevailing market rates at that time. Any lump sum payable on death during the investment term is calculated similarly to the withdrawal value for voluntary withdrawal, and so this risk also applies to withdrawal on death.

Regulatory risk

Government policies and laws may change in the future, which may impact your personal circumstances.

In such circumstances, we may be required to change the terms and conditions of the Fixed Term Annuity if changes to tax or other laws impact your investment or, if necessary, to comply with any law, ruling or determination of any relevant government authority.

We will generally notify your Platform in advance of any material change before it occurs, and in any event as soon as practicable after the change. Where a change is not materially adverse to you, we will give your Platform notice of the change no later than 12 months after the change has occurred.

Counterparty risk

This is the risk that we become unable to meet our commitments. However, we are subject to detailed legislative and regulatory requirements designed to ensure that this does not occur.

Challenger is regulated under the Life Act and the prudential standards made under it, which prescribe minimum capital and solvency requirements for Challenger as well as for the annuity business it writes. APRA actively supervises Challenger's compliance with these requirements, which are designed to ensure that we are able to meet our obligations to investors. For example, Challenger is required to hold at least enough capital to withstand a one in 200-year investment market shock event. APRA can require us at any time to change how we invest or tell us to invest more capital into the fund.

Even so, unforeseen and extreme circumstances that might impact our ability to make payments can never be completely ruled out.

Inflation risk

This is the risk that the real value of your regular payments may reduce over time as a result of inflation.

Fees and other costs

There are no fees or charges payable to us.

We may provide benefits to financial services intermediaries where the law permits us to do so. If we do, we will do so using our own money. We maintain a register of these benefits in accordance with relevant regulatory requirements. If you would like to review this register, please contact us.

No fees – how do we make money?

We simply invest the money you give us. We take the costs of providing the Annuity (including payments to a third-party administrator if applicable) into account when setting the amount of your regular payments, and we also make various assumptions about potential investment returns. If we achieve investment returns that are above the amount required to cover the promises made to our annuity investors, we keep the excess amount. This is how Challenger makes a profit. If we do not achieve investment returns that are sufficient to cover all promises made to our annuity investors, we cover the shortfall from our own money.

Platform fee

The Platform may charge Challenger a fee for the Platform arrangement. If we pay a fee, we will do so using our own money.

Other important information

How we invest

Challenger will invest the assets of the statutory fund, subject to investment restrictions in the Life Act. Generally, the fund will be invested in cash, shares, government and corporate bonds, convertible notes, debt instruments, geared and ungeared property investments, infrastructure investments, equities and other assets. The investment objectives for the fund include to achieve consistent returns on investment and to match the cash flow in from investment returns with cash flow out to investors so that all present and future guaranteed payments can be made to all investors.

The name of Challenger's statutory fund that your money will go to when your Platform buys the Annuity is Challenger's Statutory Fund No. 2. All references to guarantees refer to payments Challenger promises to pay the Platform.

Labour standards and environmental, social and ethical considerations

Challenger takes account of labour standards and environmental, social and ethical considerations in selecting, retaining and realising an investment through its adherence with Challenger Limited policies related to responsible investment.

Challenger Limited is a signatory to the Principles for Responsible Investment (PRI) and aims to be a responsible investor by considering environmental, social and governance (ESG) factors when investing the assets of the statutory fund. In signing up to PRI, Challenger Limited has committed to extending ESG integration activities across its investments, as we recognise that such factors are important factors impacting investment performance over the longer term. While Challenger takes into account ESG considerations when investing the assets of the statutory fund, we do not adhere to any particular set of standards and have no predetermined view as to what constitutes such considerations, or the extent to which they will be taken into account in our investment management practices.

Further details of Challenger Limited's approach to responsible investment are set out in the Responsible Investment Policy available at challenger.com.au.

