

Thank you for requesting this Product Disclosure Statement from Funds Focus.

### ***Fee Reduction***

As highlighted within our offers page, whilst most managed funds typically pay an entry fee of up to 5%. Applications lodged through Wealth Focus will receive a rebate of up to 5% directly into your fund, providing you with more money in your fund.

### ***How to Apply***

Please have a read through the PDS and if you would like to invest the application pages can generally be found towards the back of the document. You will only need to send the application section back with a cheque payable direct to the investment company (not ourselves). You should take note of any minimum investment amounts that may apply.

Then mail the completed application directly to us.

We will then check to ensure your form is completed correctly before forwarding your document on to the investment provider on your behalf.

Wealth Focus Pty Ltd  
Reply Paid 760  
Manly  
NSW 1655

Please note that we are unable to track applications mailed directly to the product provider and therefore cannot guarantee that your discounts have been applied in these instances.

Should you wish to take advantage of our free annual valuation and tax report for all your investments you should complete our broker nomination form for The Wealth Focus Investment Service.

Regards

**Sulieman Ravell**  
Managing Director

Wealth Focus Pty Ltd  
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# Challenger Investment Funds

Product Disclosure Statement (PDS)  
Dated 3 July 2006

**Responsible Entity**  
Challenger Managed Investments Limited  
(ABN 94 002 835 592)  
(AFSL 234668)



### **About this Product Disclosure Statement (PDS)**

This document provides information to help retail investors and their advisers assess the merits of investing in the Challenger Investment Funds (referred to collectively as the Funds or individually as the Fund) and to compare these Funds with other investment opportunities on offer. The Funds and the relevant class of units to which this PDS relates are listed on the inside back cover of this PDS.

We strongly encourage you to read this document in full before making an investment decision.

In preparing this PDS we did not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider whether investing in the Funds is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice, particularly about such individual matters as taxation, retirement planning and investment risk tolerance.

### **Updated information**

The information in this PDS is up to date at the time of preparation. However, some information can change from time to time. If a change is considered materially adverse we will issue a supplementary or replacement PDS.

For updated or other information about the Funds (such as performance), please consult your financial planner, call our Investor Services team on 13 35 66 or visit our website, [www.challenger.com.au](http://www.challenger.com.au). We will send you a copy of the updated information free of charge upon request.

### **Important notices**

This PDS relating to the Funds is dated 3 July 2006 and is issued by Challenger Managed Investments Limited (ABN 94 002 835 592) (AFSL 234668) (CMIL), referred to as we, us, our, the manager or the responsible entity throughout this PDS. No other class of units in the Funds is offered in this PDS.

The Funds are managed by CMIL, who is the responsible entity and issuer of this PDS and whose ultimate parent is Challenger Financial Services Group Limited (ABN 85 106 842 371) (Challenger or the Challenger Group).

Neither CMIL nor any investment manager or investment consultant appointed by CMIL or any other member of the Challenger group of companies guarantees the repayment of your capital or the performance of your investment.

By investing in the Funds you confirm you have received a copy of the current PDS to which this investment relates, that you have read it and agree to the terms contained in it, and that you agree to be bound by the terms of the current PDS and current constitution (each as amended from time to time).

The offer or invitation to subscribe for units in the Fund 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. CMIL reserves the right to change these terms and conditions with, in the case of an increase in fees, 30 days notice, otherwise notice will be provided before or as soon as practicable after the change occurs. We reserve the right to withdraw the offer or invitation to subscribe for units and withdraw this PDS.

All fees quoted in this PDS, unless otherwise stated are quoted inclusive of any Goods and Services Tax (GST) and Reduced Input Tax Credits (RITCs) of 75% of GST paid, which effectively reduces the GST payable from 10% to 2.5%.

### **Consents**

The following parties have given their consent to the statements about them in the form and context in which they are included:

- Queensland Investment Corporation (QIC)
- HSBC Halbis Partners (Hong Kong) Limited (HSBC Halbis)
- Corporate Monitor

None of the above parties were involved in the preparation and distribution of this PDS and they are not responsible for the issue of this PDS nor are they responsible for any particular part of it, other than those parts that refer to them. They have not withdrawn their consent before the date of this PDS.

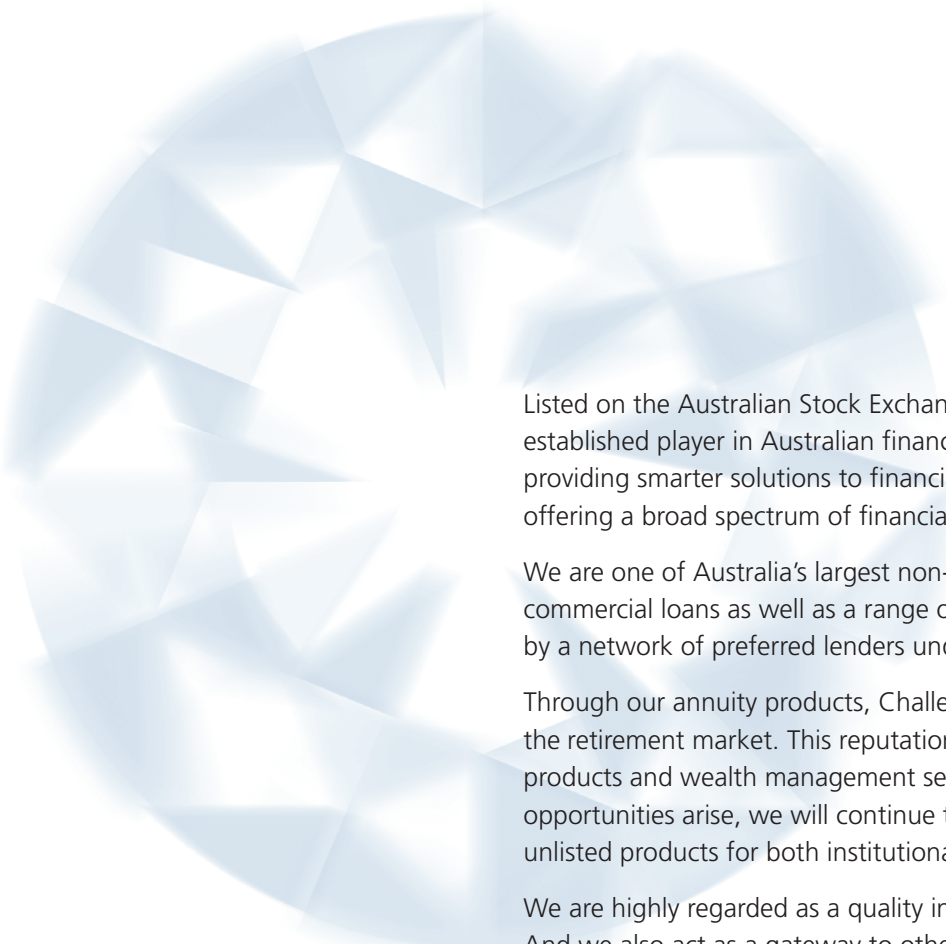
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## Contact details

<b>Website</b>	<a href="http://www.challenger.com.au">www.challenger.com.au</a>
<b>By Email</b>	<a href="mailto:info@challenger.com.au">info@challenger.com.au</a>
<b>By Telephone</b>	Investor Services team 13 35 66 Adviser Services team 1800 621 009
<b>By Mail</b>	Challenger Managed Investments Limited Reply Paid 3698 Sydney NSW 2001
<b>By Fax</b>	02 9994 7777

# About the Challenger Group



Listed on the Australian Stock Exchange, the Challenger Group is an established player in Australian financial services. We are dedicated to providing smarter solutions to financial intermediaries and their clients, offering a broad spectrum of financial products and services.

We are one of Australia's largest non-bank mortgage lenders, funding commercial loans as well as a range of residential mortgage products offered by a network of preferred lenders under their own brands.

Through our annuity products, Challenger has built a strong reputation in the retirement market. This reputation also extends to the other investment products and wealth management services that we offer. As new opportunities arise, we will continue to expand our range of listed and unlisted products for both institutional and retail clients.

We are highly regarded as a quality investment manager in our own right. And we also act as a gateway to other expert investment managers. This means that we can offer a range of funds to help meet your investment needs, across not only a variety of asset classes, but also across different investment styles.

Our commitment to quality ensures we provide our clients with outstanding access to top level solutions, an ethos that is also carried into our range of financial planning services.

Challenger is always striving to challenge the status quo and deliver a smarter way forward. To find out more about how Challenger can help you, talk to your financial planner or call Challenger's Investor Services team on 13 35 66.

# Features at a glance

		See section
<b>Minimum transaction and balance requirements per Fund<sup>1</sup></b>		
Initial investment	\$5,000	'Making, withdrawing and monitoring your investment' on page 27.
Additional investment	\$1,000	
Regular savings plan	\$100 per month	
Switching	\$1,000 (minimum balance must be maintained)	
Minimum withdrawal	\$1,000	
Minimum balance	\$5,000	
<b>Fees and other costs<sup>2</sup></b>		
Contribution fee	Up to 4.0% <sup>3</sup> – as agreed between you and your adviser.	'Fees and other costs' on page 19.
Withdrawal fee	Nil	
Management fee	1.50% – 2.30% p.a. (varies by Fund).	
Normal operating expenses	These are recovered from our management fee, not from the assets of the Funds. <sup>4</sup>	
Performance fee	The Challenger High Yield Fund charges a performance fee.	
Adviser service fee	Up to 1.10% – as agreed between you and your adviser.	
Transaction costs – buy/sell spread	0.20% – 0.43% per transaction (varies by Fund).	
<b>Distribution payments</b>		
Frequency	Depending on the Fund either quarterly or annually. However, there may be periods in which no distributions are made.	'Distributions' on page 31.
Payment methods	Reinvested into the relevant Fund as additional units or paid to your nominated accessible account with an Australian financial institution.	
<b>Valuations and pricing</b>		
Valuing the Fund's assets	Each Fund's assets are usually valued each NSW business day.	'Unit prices' on page 31.
Unit pricing	Unit prices are usually calculated each NSW business day.	
<b>Investor reporting</b>		
Transaction confirmations	We generally send transaction confirmations for investments and withdrawals.	'Monitoring your investment' on page 30.
Regular reporting	For all Funds we send quarterly periodic statements as at 31 March, 30 June, 30 September and 31 December.	
Annual tax reporting	We send consolidated annual tax statements.	
Annual fund reporting	We send an annual report for each Fund. You may elect not to receive the annual report.	

<sup>1</sup> We may at our discretion accept lower minimum transaction and balance amounts.

<sup>2</sup> For certain Wholesale clients (as defined in the Corporations Act) we may, at our discretion, negotiate, rebate or waive all or part of our fees.

<sup>3</sup> Until 31 August 2006 the maximum Contribution fee for the Challenger High Yield Fund; Challenger Australian Share Fund and the Challenger Smaller Companies Fund will be 2.0%. From 1 September 2006 the maximum Contribution fee will be 4.0%.

<sup>4</sup> Until 31 July 2006 for the Challenger Asian Share Fund and the Challenger MTM International Share Fund we will recover normal fund related expenses from the Fund. From 1 August 2006 any normal fund related expenses will be paid from the management fee and only abnormal expenses will be recovered from the Fund.

# About the Funds

## Overview

The Challenger Investment Funds are investment products for those looking to accumulate wealth by investing in managed funds. The products give you access to 10 funds, allowing you to invest both locally and globally across different markets and asset classes.

Challenger has a growing reputation as an investment manager, however, we realise that there is more than one way to manage money and the range of funds offered illustrates Challenger's own strengths in investment management, as well as providing investors with access to other quality investment managers.

The Challenger Investment Funds give you access to:

- **Challenger's in-house expertise:** in fixed interest, property securities and Australian shares through the following funds:
  - Challenger High Yield Fund
  - Challenger Property Securities Fund
  - Challenger Australian Share Fund
  - Challenger Select Australian Share Fund
  - Challenger Australian Share Income Fund
  - Challenger Socially Responsive Share Fund
  - Challenger Smaller Companies Fund.
- **Quality managers with whom we have alliances:** giving investors access to the following funds managed by HSBC Halbis:
  - Challenger Asian Share Fund
  - Challenger China Share Fund.
- **Multi-manager funds:** where QIC, as investment consultant, along with Challenger have selected and blended a range of quality managers together to offer the Challenger MTM International Share Fund.

For more information about the Funds and how they are managed, please refer to the relevant Fund profiles on pages 5 to 9 of this PDS.

## Fund profiles

The Fund profiles on the following pages provide details of each Fund's investments and how they are managed.

### **Fund performance, asset allocation and Fund size**

You can obtain up-to-date information for each Fund by contacting your financial planner or visiting our website, [www.challenger.com.au](http://www.challenger.com.au). A paper copy of any updated information will be given to you without charge on your request by calling our Investor Services team on 13 35 66.

### **Investment manager details**

For an up-to-date list of investment managers for multi-manager funds please visit our website [www.challenger.com.au](http://www.challenger.com.au), contact your financial planner or call our Investor Services team on 13 35 66.

### **Changes to investment policy**

Each Fund's constitution permits a wide range of investments and gives us broad investment powers.

We may change the investment consultant and/or vary the investment objectives, strategies and processes of the Funds set out in this PDS, provided that we give unitholders written notice of any material variation we believe they would not have reasonably expected.

Fund	Challenger High Yield Fund	Challenger Property Securities Fund												
Suggested investment timeframe	At least three years	At least three years												
Investment manager	Challenger Managed Investments Limited	Challenger Managed Investments Limited												
Benchmark	<ul style="list-style-type: none"> <li>UBSA Bank Bill Index</li> <li>UBSA Composite (All Maturities) Bond Index</li> </ul>	S&P/ASX 300 Property Trust Accumulation Index												
Distribution frequency	Quarterly	Quarterly												
Investment objective	The Fund aims to outperform both benchmarks over any 12 month period.	The Fund aims to outperform its benchmark over rolling three-year periods while providing a quarterly income stream and some capital growth over the medium term.												
Investment strategy	We adopt an active approach to managing the Fund. We are active participants in the fixed interest and hybrid securities market and have considerable expertise in assessing the investment potential of rated and unrated fixed interest and hybrid securities.	We believe to add value to investment portfolios, a combination of 'top-down' macroeconomic and 'bottom-up' company specific research and analysis is required.												
Investment approach	<p>We maintain a solid research base and draw information from a wide variety of sources, such as the media, brokers, company visits, ratings agencies, in-house research and central bank commentaries. We adopt a three-step process of analysis when making investments:</p> <ol style="list-style-type: none"> <li>1. Macroeconomic assessment;</li> <li>2. Research and valuation analysis; and</li> <li>3. Risk management.</li> </ol>	<p>Our investment approach identifies the major trends in the economy, and looks at how these trends will influence financial and property markets. By analysing both global and domestic economic prospects, we aim to position investment portfolios to take advantage of future economic developments.</p> <p>The level of exposure to a sector (for example retail or office) is based on our 'top-down' business cycle and property market analysis, combined with 'bottom-up' company analysis. Our 'bottom-up' fundamental analysis allows us to identify those stocks that we expect will deliver superior performance over the medium to long term.</p>												
Investment universe	<p>The Fund typically invests in high yielding corporate bonds, asset backed securities, hybrid debt/equity and fixed interest investments. The Fund may also invest in international securities. The Fund's investments include but are not limited to: bank bills, bonds, commercial paper, mortgages, loans, convertible shares/notes, mortgage and asset backed securities, floating rate notes, reset securities, hybrid debt/equity securities, structured yield transactions, credit linked securities and ordinary and preferred shares/units. We have the ability to participate in short selling (see page 15).</p> <p>We may use derivatives (e.g. options) within the Fund to implement strategic investment decisions and as a risk management tool.</p>	<p>To invest primarily in securities listed, or due to be listed on the Australian Stock Exchange (ASX) (but may include other exchanges). The Fund's securities may include:</p> <ul style="list-style-type: none"> <li>• listed property trusts; or</li> <li>• real estate investment trusts; or</li> <li>• companies engaged in property investment, management, development or construction that aim to produce capital gains and/or income for investors.</li> </ul> <p>The portfolio will give exposure to properties and real estate related activities domiciled within and outside Australia.</p>												
Portfolio construction	The final portfolio reflects our rigorous securities selection process resulting in a diversified portfolio of high yielding securities. Portfolio construction guidelines include broad limits to the Fund's exposure to any one issuer or industry sector.	The final portfolio reflects the best bottom-up ideas and top-down analysis, meeting the Fund's philosophy and investment criteria. The objective of the portfolio is to build a diversified portfolio of listed property securities. Portfolio construction guidelines include broad limits to the Fund's exposure to any one company or industry sector.												
Currency strategy	Intention is to fully hedge any foreign currency exposure back to the Australian dollar.	Not applicable												
Asset allocation ranges	<table> <tr> <td>Securities</td> <td>80 – 100%</td> </tr> <tr> <td>Cash</td> <td>0 – 20%</td> </tr> </table>	Securities	80 – 100%	Cash	0 – 20%	<table> <tr> <td>Securities*</td> <td>90 – 100%</td> </tr> <tr> <td>Cash</td> <td>0 – 10%</td> </tr> </table> <p>*The Securities asset allocation is broken down as follows:</p> <table> <tr> <td>Listed property related companies</td> <td>0 – 20%</td> </tr> <tr> <td>Listed property securities</td> <td>80 – 100%</td> </tr> </table>	Securities*	90 – 100%	Cash	0 – 10%	Listed property related companies	0 – 20%	Listed property securities	80 – 100%
Securities	80 – 100%													
Cash	0 – 20%													
Securities*	90 – 100%													
Cash	0 – 10%													
Listed property related companies	0 – 20%													
Listed property securities	80 – 100%													

Fund	Challenger Australian Share Fund	Challenger Select Australian Share Fund
Suggested investment timeframe	At least five years	At least five years
Investment manager	Challenger Managed Investments Limited	Challenger Managed Investments Limited
Benchmark	S&P/ASX 300 Accumulation Index	S&P/ASX 200 Accumulation Index
Distribution frequency	Quarterly	Quarterly
Investment objective	The Fund aims to outperform its benchmark over rolling three-year periods.	The Fund aims to outperform its benchmark over rolling five-year periods.
Investment strategy	<p>We are an active manager and believe we can add value and outperform the market by using fundamental research to identify companies mispriced or overlooked by the market.</p> <p>As a 'style neutral' manager, we invest in companies that exhibit both value and growth characteristics. We focus on identifying companies that are undervalued and we believe will be rerated by the market. This investment approach moderates the cyclical swings from growth and value investing and can outperform over the full business cycle.</p>	<p>We are an active manager and believe we can add value and outperform the market by using fundamental research to identify companies mispriced or overlooked by the market.</p> <p>As a 'style neutral' manager, we invest in companies that exhibit both value and growth characteristics. We focus on identifying companies that are undervalued and we believe will be rerated by the market. This investment approach moderates the cyclical swings from growth and value investing and can outperform over the full business cycle.</p>
Investment approach	<p>We use a wide variety of information from sources including in house investment research, stockbroker analysis and publicly available data to generate investment ideas. Companies that rank well in our idea generation stage undergo further analysis, including company visits, to verify the accuracy and completeness of our information as well as to confirm the main drivers of the company and its competitive advantages.</p> <p>Companies are rated based on quantitative valuation measures as well as qualitative factors such as industry structure, management quality and the competitive position of the company.</p> <p>The emphasis of our internal analysis is the company's free cash flow generation over the medium term, balance sheet strength and long term growth prospects.</p>	<p>We use a wide variety of information from sources including in house investment research, stockbroker analysis and publicly available data to generate investment ideas. Companies that rank well in our idea generation stage undergo further analysis, including company visits, to verify the accuracy and completeness of our information as well as to confirm the main drivers of the company and its competitive advantages.</p> <p>Companies are rated based on quantitative valuation measures as well as qualitative factors such as industry structure, management quality and the competitive position of the company.</p> <p>The Fund primarily targets companies identified by our analysts that benefit from positive industry dynamics (industry structure) and/or improvements in corporate performance (turnaround situations).</p>
Investment universe	<p>The Fund's investment universe is companies and other securities listed on the ASX, or those we expect to list within the next six months.</p> <p>The Fund can invest in listed equity securities or hybrid equity securities such as convertible notes, redeemable preference shares and partly paid shares. It can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations.</p>	<p>The Fund's investment universe is companies and other securities listed on the ASX, or those we expect to list within the next six months. The Fund can also invest in cash.</p> <p>The Fund can invest in listed equity securities or hybrid equity securities such as convertible notes, redeemable preference shares and partly paid shares. It can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations.</p>
Portfolio construction	The final portfolio reflects the company rating determined from our fundamental analysis, our sector views as well as our strong focus on risk management. Portfolio construction guidelines limit the Fund's exposure to any one company or sector. The aim is to build a portfolio that is well diversified across different industries and sectors and meets the Fund's investment objectives in a risk controlled manner.	The portfolio is a concentrated portfolio of between 10 and 30 companies that reflects the best ideas generated from our internal research meeting the Fund's philosophy and investment criteria. Portfolio construction guidelines include broad limits to the Fund's exposure to any one company or industry sector.
Currency strategy	Not applicable	Not applicable
Asset allocation ranges	Securities <b>80 – 100%</b> Cash <b>0 – 20%</b>	Securities <b>60 – 100%</b> Cash <b>0 – 40%</b>

Fund	Challenger Australian Share Income Fund	Challenger Socially Responsive Share Fund												
Suggested investment timeframe	At least five years	At least five years												
Investment manager	Challenger Managed Investments Limited	Challenger Managed Investments Limited												
Benchmark	S&P/ASX 200 Accumulation Index	S&P/ASX 300 Accumulation Index <sup>1</sup>												
Distribution frequency	Quarterly	Quarterly												
Investment objective	The Fund aims to provide a higher level of tax effective income than its benchmark, with the potential for capital growth over the medium to long term.	The Fund aims to outperform its benchmark over rolling three-year periods.												
Investment strategy	<p>We are an active 'bottom up' manager and believe we can enhance the mix of total return in favour of income and generate capital growth by using fundamental research to identify companies with attractive, sustainable and growing dividends.</p> <p>We do not apply a particular style and do not focus exclusively on 'growth' or 'value' stocks. Instead, we look for high dividend-paying securities with strong cash flows.</p> <p>Our approach to stock selection combined with the use of derivatives and hybrid equity securities will generally produce a portfolio with a lower level of volatility (i.e. variations in total return) than its benchmark.</p>	<p>We are an active manager and believe we can add value and outperform the market by using fundamental research to identify companies mispriced or overlooked by the market.</p> <p>As a 'style neutral' manager, we invest in companies that exhibit both value and growth characteristics. We focus on identifying companies that are undervalued and we believe will be rerated by the market. This investment approach moderates the cyclical swings from growth and value investing and can outperform over the full business cycle.</p>												
Investment approach	<p>Our analysis is focused on identifying opportunities for the Fund at an individual company level as opposed to considering broad macroeconomic and sector trends when selecting stocks i.e. 'bottom-up' approach. The Fund primarily targets companies identified by our analysts as having attractive, sustainable and growing dividends.</p> <p>Companies that are of interest to the Fund undergo fundamental analysis (including detailed financial modelling) and are also assessed on the basis of qualitative factors (including strategic direction and management). We visit companies to verify the accuracy and completeness of our information as well as to confirm the main drivers of the company, its competitive advantages and corporate strategy. The emphasis of our internal analysis is the company's free cash flow generation over the medium term, balance sheet strength and long-term growth prospects.</p>	<p>Investments in the Fund are subject to a three-step screening approach:</p> <ol style="list-style-type: none"> <li>1. Negative screening and ranking the investment universe</li> <li>2. Detailed investment analysis</li> <li>3. Positive screening, portfolio construction and ongoing monitoring</li> </ol> <p>(See further information about the screening process on page 10.)</p>												
Investment universe	<p>The Fund's investment universe is primarily securities listed on the ASX, or those we expect to list within the next six months. The Fund can also invest in cash.</p> <p>The types of securities the Fund can invest in is broad, for example, the Fund can invest in listed equity securities, derivatives or hybrid equity securities such as convertible notes, redeemable preference shares and partly paid shares. It can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations.</p> <p>It is our intention to use derivatives (e.g. options) within the Fund as a means to derive income and reduce volatility. While this may earn income for the Fund, the potential total return from the security (the subject of the option) may be limited by the terms of the option.</p>	<p>The Fund may invest in those companies listed on the ASX that have been screened through SRI filters or those we expect to list within the next six months.</p> <p>The Fund can invest in listed equity securities or hybrid equity securities such as convertible notes, redeemable preference shares and partly paid shares. It can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations.</p>												
Portfolio construction	The final portfolio reflects the best bottom-up ideas generated, resulting in a portfolio of between 30 and 60 securities, which meet the Fund's investment criteria. There are broad limits to the Fund's exposure to any one company.	Overall, the Fund aims to invest in between 25 and 45 companies that are analysed as having superior investment characteristics and have satisfied socially responsive screening.												
Currency strategy	Not applicable	Not applicable												
Asset allocation ranges	<table> <tr> <td>Securities</td> <td>60 – 100%</td> </tr> <tr> <td>Derivatives</td> <td>0 – 40%</td> </tr> <tr> <td>Hybrid equity securities</td> <td>0 – 20%</td> </tr> <tr> <td>Cash</td> <td>0 – 10%</td> </tr> </table>	Securities	60 – 100%	Derivatives	0 – 40%	Hybrid equity securities	0 – 20%	Cash	0 – 10%	<table> <tr> <td>Securities</td> <td>80 – 100%</td> </tr> <tr> <td>Cash</td> <td>0 – 20%</td> </tr> </table>	Securities	80 – 100%	Cash	0 – 20%
Securities	60 – 100%													
Derivatives	0 – 40%													
Hybrid equity securities	0 – 20%													
Cash	0 – 10%													
Securities	80 – 100%													
Cash	0 – 20%													

<sup>1</sup> This index is not directly comparable to the Fund performance because it does not take into account SRI principles (see page 10).

Fund	Challenger Smaller Companies Fund	Challenger Asian Share Fund
Suggested investment timeframe	At least five years	At least five years
Investment manager	Challenger Managed Investments Limited	HSBC Halbis Partners (Hong Kong) Limited
Benchmark	S&P/ASX Small Ordinaries Accumulation Index	MSCI All Country Far East Free (ex Japan) Accumulation Index – unhedged
Distribution frequency	Quarterly	Yearly
Investment objective	The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.	The Fund aims to outperform its benchmark over rolling three-year periods while providing capital growth over the medium to long term.
Investment strategy	We are an active investment manager. Our approach to managing the Fund is based on paying a reasonable price for companies with an improving profit growth profile, while paying particular attention to the underlying quality of company earnings and management.	HSBC Halbis believes that the Asian equity markets are inefficient, due to high market volatility, lower quality corporate data and investor research relative to major markets and high index concentration in top stocks, with a large number of existing and newly listed securities. HSBC Halbis is an active investor in Asian equities which seeks to exploit these market inefficiencies by investing in mispriced stocks where the market has over-reacted to temporary or short-term events or where HSBC Halbis has a 'research edge' as a result of its detailed fundamental research and analysis.
Investment approach	Our research effort is the foundation on which our investment process is built. To support our analysis of smaller companies we conduct in-depth proprietary research through field visits and interviews with management staff of the target companies, their competitors and the wider market including their vendors, customers and suppliers. We investigate comparable offshore industries and compile research from a variety of other sources including government and industry bodies. As well, we study demographics, industry trends, competitive forces operating within an industry, the ability of an industry to grow within an economy and the ability of a company to grow within an industry. We also take into account the broad domestic and international economic climate. We apply a disciplined, research-based process to our management of the Fund's investments.	HSBC Halbis employs a 'bottom up' company specific research and analysis approach designed to exploit the inefficiencies of the Asian market by identifying mispriced stocks. The process results in no systematic style bias over time. Key to the process is the detailed, in depth research carried out by an extensive team of experienced investment professionals based in Asia.
Investment universe	The Fund will primarily be invested in the shares of companies listed on the ASX, but not included in the ASX 100 at the time they are first acquired on behalf of the Fund. Up to 10% of the Fund can be invested in unlisted companies, usually those that intend to list within six months. The Fund can invest in listed equity securities or hybrid equity securities such as convertible notes, redeemable preference shares and partly paid shares. It can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations.	To invest primarily in shares and other securities listed in Hong Kong, South Korea, Taiwan, China and other Asian countries (ex Japan). A small proportion is held in cash for liquidity purposes.
Portfolio construction	The final portfolio reflects the outcome of our fundamental stock selection process. Portfolio construction guidelines are applied to ensure that the final portfolio meets the Fund's investment objectives and is managed within a risk-controlled framework. These guidelines include limits to the Fund's exposure to any one company. Diversification is achieved by investing across multiple industry sectors.	Following detailed analysis, senior team members subject each mispriced stock to peer review. This ensures that the key factors set in the research agenda have been fully covered and enables the portfolio manager to assess the conviction behind the analysis. The portfolio manager determines the target weight, taking into account the expected return, conviction, and the risk parameters.
Currency strategy	Not applicable	Although the assets are normally left unhedged, up to 25% of the Fund's international assets may be hedged back into Australian dollars. Given the difficulty and cost of hedging specific Asian currencies, and the close relationship that many of these currencies maintain with the US dollar, HSBC Halbis will normally undertake hedging via the US dollar to protect the Fund against an anticipated rise in the Australian dollar.
Asset allocation ranges	Securities <b>80 – 100%</b> Cash <b>0 – 20%</b>	Securities <b>90 – 100%</b> Cash <b>0 – 10%</b>

Fund	Challenger China Share Fund	Challenger MTM International Share Fund
Suggested investment timeframe	At least five years	At least five years
Investment manager	HSBC Halbis Partners (Hong Kong) Limited	QIC is the investment consultant
Benchmark	MSCI China Index – unhedged	MSCI World All Countries (ex Australia) Index, Net Dividends Reinvested – hedged to A\$
Distribution frequency	Yearly	Yearly
Investment objective	The Fund aims to provide long-term capital growth (over a period of at least five years) and to outperform its benchmark (after ongoing fees) over rolling five-year periods.	The Fund aims to outperform its benchmark over rolling three-year periods.
Investment strategy	<p>HSBC Halbis believes that the Chinese equity markets are inefficient, due to high market volatility, lower quality corporate data and investor research relative to major markets and high index concentration in top stocks, with a large number of existing and newly listed securities.</p> <p>HSBC Halbis is an active investor in Chinese equities which seeks to exploit these market inefficiencies by investing in mispriced stocks where the market has over-reacted to temporary or short-term events or where HSBC Halbis has a 'research edge' as a result of its detailed fundamental research and analysis.</p>	<p>The Fund is designed to provide investors with a 'manage-the-manager' (MTM) international share portfolio.</p> <p>We believe, in relation to multi-manager portfolios, the key to producing the best possible performance for investors is by selecting a small number of specialist active managers to run concentrated portfolios of securities that they believe have the most potential to outperform. QIC provides manager research and selection services for Challenger's range of multi-manager funds.</p>
Investment approach	HSBC Halbis employs a 'bottom-up' company specific research and analysis approach designed to exploit the inefficiencies of the Asian market by identifying mispriced stocks. The process results in no systematic style bias over time. Key to the process is the detailed, in depth research carried out by an extensive team of experienced investment professionals based in Asia.	QIC's MTM research process involves a progressive filtering process being used to reduce the universe of investment managers within each asset class. The filtering process utilises both quantitative and qualitative analysis. For the investment managers progressing to a review, the assessment of their capabilities focuses on corporate strength, investment philosophy and process, people, systems and technology. This review stage may include onsite investment manager visits.
Investment universe	To invest primarily in securities listed on the stock exchanges in China (including Hong Kong Special Administrative regions) and exchanges outside of China but have a significant business link with China.	<p>The Fund will primarily be invested in the shares of international companies but may also include equity securities, hybrid securities (for example, convertible notes, redeemable preference shares and partly paid shares) and shares in unlisted companies, provided that they are expected to list within a reasonable time.</p> <p>They can also enter into underwriting agreements relating to shares able to be held by the Fund provided there are sufficient liquid assets in the Fund to cover such obligations. The investment managers have the ability to participate in short selling (see page 15). The Fund may also use options, futures and other derivatives to achieve its performance objective.</p>
Portfolio construction	Following the detailed analysis, senior team members subject each mispriced stock to peer review. This ensures that the key factors set in the research agenda have been fully covered and enables the portfolio manager to assess the conviction behind the analysis. The portfolio manager determines the target weight, taking into account the expected return, conviction and the risk parameters.	<p>Based on its MTM research, QIC will select and blend specialist international share investment managers to manage the portfolio.</p> <p>For an up-to-date list of investment managers please visit our website, <a href="http://www.challenger.com.au">www.challenger.com.au</a>.</p>
Currency strategy	Unhedged	<p>To limit the risk relating to adverse currency movements, QIC hedges the relevant benchmark exposure of the overall portfolio to Australian dollars.</p> <p>QIC believes that currency markets have the potential to contribute to Fund returns and will not hedge the active currency positions held by the underlying managers.</p> <p>To further this belief, the Fund invests in the QIC Active Currency Trust as an additional source of investment returns, seeking to take advantage of movements in foreign exchange markets.</p> <p>Currency movement can significantly affect the value of an investment both negatively and positively. Please refer to currency risk on page 17.</p>
Asset allocation ranges	<p>Chinese securities      90 – 100%</p> <p>Cash                        0 – 10%</p>	<p>Securities                80 – 100%</p> <p>Cash                        0 – 20%</p>

## Labour standards or environmental, social or ethical considerations

For all Funds other than the Challenger Socially Responsive Share Fund neither we nor the investment managers take into account labour standards or environmental, social or ethical considerations when buying, retaining or selling underlying investments. However, to the extent that we believe those matters may affect the value or performance of an underlying investment they may be considered.

Neither we nor the investment managers have a pre determined view as to what constitutes a labour standard or environmental, social or ethical consideration as these will be determined on a case-by-case basis.

### Challenger Socially Responsive Share Fund

For the Challenger Socially Responsive Share Fund we take into account labour standards and environmental, social and ethical considerations when making investment decisions. Some of the key socially responsive investment terms are defined below.

**Socially responsive investing (SRI)** – Socially responsive investing may be new to many investors. It is a holistic investment approach that can include analysis of companies' social, labour, ethical and environmental performance within the framework of traditional investment or financial analysis.

**Sustainable development** – In its broadest sense, sustainable development is defined as development that meets the needs of present generations without compromising the ability of future generations to meet their own needs.

SRI facilitates the adoption of the sustainable development approach.

Applying the principle of sustainable development to companies and corporations has resulted in the development of various reporting standards to measure companies' social, labour, ethical and environmental performances.

These reporting standards can be, and are, applied to companies in all industries, allowing a diversity of potential investments.

The increasing ability to measure and quantify companies' performances provides the opportunity for a company to improve its own environmental, labour, ethical and social standards in absolute terms and also relative to its peers. This can provide social and environmental benefits for current and future generations.

**Negative and positive screens** – To 'screen' a portfolio is to apply selection criteria to determine whether a company is eligible for investment.

Negative screens can avoid investing in companies on the basis of various labour, social, environmental and/or ethical considerations. Negative screens can exclude investing in areas such as tobacco, uranium and armament companies.

To positively screen is to actively seek or to prefer investing in companies involved in operations or technologies that can provide positive labour, social, environmental and/or ethical outcomes.

Positive screens are often directed at areas such as pollution control, renewable and alternative energies, healthcare and education. They can be investments in smaller companies in developing industries that may have strong future prospects.

### Corporate Monitor (the SRI adviser to the Fund)

We, currently, retain the services of Corporate Monitor (ABN 18 093 454 865), an external expert research provider, to undertake the SRI research, and provide a quantitative database of the social and environmental characteristics of listed Australian companies. This is an extensive, ongoing process that evolves as new information sources are incorporated. Any new data included in the screening process may result in changes in companies' relative rankings in the socially responsive sustainability analysis. Challenger may replace the external expert research provider. We will inform investors of any change to the external expert research provider in the next regular communication after the change.

Corporate Monitor was founded in 1999 to provide social and sustainable investment research and portfolio services. Corporate Monitor uses a comprehensive information gathering process to evaluate companies. Corporate Monitor has built an independent research service for SRI company ratings. Currently, ratings are maintained for approximately 250 companies. These SRI Company Ratings are published monthly in Ethical Investor Magazine.

More information about the Corporate Monitor research methodology can be found on the Internet at <http://www.corporatemonitor.com.au/method003.htm>.

## **SRI screening**

Investments in the Fund are selected using a three-step approach.

### **Step One. Negative screening and ranking the investment universe**

The investment universe is first screened to identify those companies that fail the SRI principles as set by Corporate Monitor. This is known as socially responsive negative screening.

**Negative socially responsive screening** – Under this screen, companies generating operating revenue from, or as a result of, the following activities will be excluded from the investment universe:

#### **Environmental**

- Harvesting of old growth native forests.
- Uranium mining and/or processing and power generation from uranium derived fuels.
- Cruel or inhumane animal testing.

#### **Ethical**

- Alcohol production.
- Tobacco manufacture.
- Armaments manufacture.
- Gambling and gambling equipment manufacture.

We aim to immediately exclude all companies directly involved in breaching these socially responsive negative screens. We may also on a case-by-case basis exclude companies indirectly involved in these activities.

However, for risk management purposes, in volatile markets, we may divest a holding in a company that has breached any negative screen in an orderly manner so as not to unduly affect investment performance.

It is our intention to exclude any company generating operating revenues from these negatively screened activities regardless of their significance within the entire company operations.

**Ranking the universe** – The remaining investment universe is then ranked to identify potential investment opportunities worth pursuing. This is achieved by using the combination of a quantitative model incorporating both value and growth factors as well as accessing other sources of information including external broker research, ideas generated from general reading and analysis and company meetings.

A shorter list of companies considered to have good investment merit is identified for further analysis.

### **Step Two. Detailed investment analysis**

Companies that pass the initial SRI screening and rank well in our idea generation stage undergo further analysis. This includes company visits to verify the accuracy and completeness of our information, as well as to confirm the main drivers of the company and its competitive advantages.

Companies are rated based on quantitative valuation measures as well as qualitative factors such as industry structure, management quality and the competitive position of the company.

### **Step Three. Positive screening, portfolio construction and ongoing monitoring**

The final portfolio reflects the company rating determined from our fundamental analysis, our sector views as well as our strong focus on risk management.

To develop our sector views, we continually monitor the broader economic climate to identify emerging global and domestic trends for potential portfolio impacts and opportunities.

Portfolio construction guidelines are applied to ensure that the final portfolio meets the Fund's investment objectives, is diversified across different industries and sectors and is managed within a risk-controlled manner. The guidelines include limits to the Fund's exposure to any one company or industry sector. In constructing the final portfolio, the Fund also seeks to include companies that meet certain socially responsive positive screening criteria. This may result in the portfolio having a greater weighting to such companies.

### Positive socially responsive screening

In addition to the negative screening, all companies are further evaluated using key sustainable development indicators and measures. Companies are analysed with respect to strategy and policies implemented or intended in the future; systems and resources currently employed; and past record for the following sustainability criteria:

- Environmental considerations assesses companies' strategies and actions to address specific environmental issues arising from operations. This includes an assessment of the life cycle analysis of companies' products (from initial development to delivery to market) with respect to their social and environmental impacts, including the extent to which companies aim to develop and integrate existing production processes and inputs with more durable, recyclable or renewable alternatives.
- Labour standards and practices analyses the management of occupational health and safety risks, and other human resource management issues that relate to company operations.
- Social and ethical consideration analysis:
  - Corporate governance analyses the establishment and incorporation of strong governance structures and processes and corporate values.
  - Regulatory compliance examines the standards, transparency and appropriateness of resources of companies in statutory reporting and compliance with relevant legislation and regulatory requirements.

This screening process results in an overall ranking of each company. The portfolio will include only those companies that meet a minimum ranking.

### Portfolio construction

The Fund generally invests in between 25 and 45 stocks.

Overall, the Fund aims to invest in companies that are analysed as having superior investment characteristics, and have satisfied socially responsive screening.

Stock selection decisions are ultimately guided by the investment criteria. If a company is at the time considered to have poor investment characteristics, the Fund will not invest in it, regardless of its ranking in the socially responsive sustainability analysis/positive screening.

To ensure that the financial and social analysis and screening are efficiently and appropriately combined, we and the external adviser maintain ongoing communication and monitoring of information sources.

### Ongoing monitoring

There is ongoing monitoring of the investment and SRI merits of companies contained in the portfolio to assist in maintaining a portfolio that reflects attractive investment opportunities that meet the socially responsive screening criteria. If a company in the portfolio no longer meets the investment and SRI criteria, it will be sold from the portfolio in an orderly manner so as not to unduly affect the interests of unitholders adversely. The review and monitoring of the portfolio and the companies held takes place actively by a team of investment specialists. The SRI company rating, including the negative and positive screens, are reviewed monthly by Corporate Monitor.

Furthermore, we continually monitor the macroeconomic climate to identify emerging global and domestic trends for potential Fund impacts and opportunities.

This forms part of the decision as to which stocks are included in the portfolio, the Fund's exposure to industries and the overall characteristics of the Fund.

# About the investment managers

## Challenger

Challenger provides quality investment products for institutional, wholesale and retail investors across multiple asset sectors including Australian shares, property, fixed interest, mortgage investments and infrastructure.

Our team of specialist investment professionals has earned Challenger an emerging reputation as a leading Australian investment manager.

## Investment alliances

Challenger has formed an alliance with HSBC Halbis for the Challenger Asian Share Fund and Challenger China Share Fund.

### **About HSBC Halbis**

HSBC Halbis is part of HSBC Group Investment Businesses, a core global investment management business of the HSBC Group. With a network of investment and client relationship teams worldwide, HSBC Group Investment Businesses have strong global investment capabilities.

For the Challenger Asian Share Fund and Challenger China Share Fund, investments are made by HSBC Halbis' specialists in Hong Kong and Singapore. These offices have a close affinity with the region, resulting in strong understanding of political, economic and investor cultures.

## Multi-manager portfolios

QIC has been appointed as our investment consultant to provide manager research and selection services for the Challenger's range of multi-manager portfolios. QIC together with Challenger seek to identify and blend the best specialist investment managers. We will give investors written notice of any change in the investment consultant.

### **About QIC**

QIC has been operating multi-manager portfolios since 1991, which makes them one of the most established and experienced multi-manager consultants in Australia. QIC has extensive research capabilities with 17 investment professionals dedicated to multi-manager research across all major asset classes in Australia and overseas.

# Understanding asset classes

Before you invest it is important to understand the different asset classes. Each of the Funds make investments in one or a number of asset classes.

The term 'security' is used throughout this PDS to refer to investments in shares (including hybrids), property, fixed interest and derivatives. Some of these terms are defined below.

## Shares

Shares (also known as equities) represent a part ownership in a company. Shareholders may be entitled to some of the company's profits if the company distributes income (dividends). Shareholders may also expect some capital growth if the share price rises, capital losses may also occur if the share price falls.

## Property

Investments in property may involve investing in direct property, buying into listed or unlisted property trusts or purchasing property related securities. Property investments can be across a range of sectors including retail, commercial, industrial and residential. Property investments can earn income (often through rental return) and capital growth as the value of the investment rises.

## Fixed interest

Investing in fixed interest securities represents loans to government, banks and corporate organisations. In return for the loan the borrower generally pays a set rate of interest for an agreed length of time. Once the term of the loan has expired the security can usually be redeemed for cash. Fixed interest securities generally provide stable, regular income with the potential for capital growth on the original capital invested.

## Cash

Cash and short-term securities include cash, deposits and short-term bank bills (those expected to mature in less than 12 months). Cash traditionally produces a stable investment return (through the payment of interest) but has the lowest potential for return over the long term.

## Alternative assets

Alternative assets refer to those investments that do not fit into one of the above asset classes. They may include hedge funds, absolute return funds as well as private equities such as venture capital. They may also include investment techniques such as gearing and short selling.

## Derivatives

The term 'derivative' is used to describe any financial product that has a value that is derived from another security, liability or index. However, as permitted by each Fund's constitution the Funds may at times invest in or obtain exposure to derivatives, such as futures and options.

For information on the way in which the Funds may use derivatives, please refer to 'investment universe' in the Fund profiles on pages 5 to 9.

Derivatives can be used to implement strategic investment decisions, including hedging and as a risk management tool. We do not intend to gear the Funds through use of derivatives.

The use of derivatives may expose the investment to certain risks, please refer to 'Derivative risk' on page 17.

## Investment techniques

### Short selling

The Challenger High Yield Fund and the Challenger MTM International Share Fund have the ability to participate in short selling in order to meet their investment objectives.

Short selling is a strategy in which an investment manager will sell a security that it does not own in order to profit from a falling market. To do this, they must first borrow the security from a securities lender and then sell it on the share market. At a later date, the investment manager buys the same security on the market and returns it to the securities lender. The Fund will benefit if the price of the security has fallen because the security was initially sold at a higher price than the price at which it was later purchased.

Please see 'Short position risk' on page 17 for information on the risks associated with short selling.

### Cash borrowings

The Funds' constitutions allow for borrowing. Unless otherwise stated, we will generally not borrow on behalf of the Funds, except from time to time to cover short-term cash flows or if emergency or extraordinary situations arise.

# Understanding the risks of investing

## What are the risks of investing?

A degree of risk applies to all types of investments – including investments in the Funds.

As investing in the Funds involves exposing your investment to a range of risks it is important you understand:

- the risks involved in investing in the Funds;
- how these risks compare with the risks of other investments;
- how comfortable you are in exposing your investment to risk; and
- the extent to which the Funds fit into your overall financial plan.

Risk can mean different things to different people. It can mean the risk that your investment may fail to achieve the returns that you expect. This includes situations in which your investment may suffer substantial declines in value. It also includes situations in which your investment goals will not be met because the type of investments you chose did not provide the potential for adequate returns.

Risk is also often defined to mean investment volatility. That means the extent to which an investment varies in value over a given period. Often investments offering higher levels of return also exhibit higher levels of short-term volatility.

When making your investment decision, you should consider that investments in growth assets, such as shares and property, provide the potential for higher returns in the long term than investments in income-producing assets such as fixed interest and cash. However, growth types of investments tend to produce more variability of returns in the short term.

Diversifying your investments across different asset classes can help you to smooth your returns. Ensuring you select an investment that matches your investment timeframe can also help you manage risk. Your financial planner can help you with these considerations and in understanding and managing the risks of investing.

## Types of risk

To help you consider the risks of investing, the following list describes the significant risks associated with investing in the Funds.

**Please note** that the Funds are subject to some or all of the risks. We aim to manage the risks through constantly monitoring the Funds. You should consult your financial planner before making a decision to invest.

### Market risk

Investment returns are influenced by market factors. These factors include changes in the economic (e.g. changes in interest rates), legislative and political environment, as well as changes in investor sentiment.

### Equity risk

The risk that shares will fall in value over short or extended periods of time. Historically, shares have outperformed other traditional asset classes over the long term. Share markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time.

Investments into securities in less developed countries, commonly referred to as emerging markets, are riskier due to the more volatile nature of their economic, legislative and political environment.

### **Investment manager risk**

The investment style of an investment manager can have a substantial impact on the investment returns of a fund. No single investment style performs better than all other investment styles in all market conditions. Investment performance will also depend on the skill of the investment manager in selecting, combining and implementing investment decisions. Changes in the personnel of the investment manager may also have an impact on investment returns of a fund.

### **Company risk**

When a security in a company is purchased, the investor is exposed to many of the risks to which the individual company is itself exposed. These risks may impact the value of a security in the company. They include such factors as changes in management, actions of competitors and regulators in regard to the company, changes in technology and market trends.

### **Sector risk**

Companies in the same or similar industries are said to be in the same market 'sector'. The values of securities in the same market sector may be similarly affected by market or economic events.

### **Liquidity risk**

If a security is not actively traded it may not be readily bought or sold without some adverse impact on the price paid or obtained.

### **Fund risk**

Specific risks associated with each Fund, including termination and a change in fees and expenses. There is also a risk that investing in the Funds may give different results from holding the underlying assets directly because of:

- income or capital gains accrued in the Funds at the time of investing; and
- the consequences of investment and withdrawal decisions made by other investors in the Fund, for example, a large level of withdrawals from a Fund may lead to the need to sell underlying assets which would potentially realise capital gains.

### **Currency risk**

If the Fund invests in other countries, and if their currencies change in value relative to the Australian dollar, the value of the investment can change. For example, a rise in the Australian dollar relative to other currencies may negatively impact investment value or returns. Conversely, a decline in the Australian dollar relative to other currencies may positively impact investment value or returns.

### **Regulatory risk**

The risk that the value of some investments may be adversely affected by changes in government policies, regulations and laws.

### **Derivative risk**

Risks associated with using derivatives might include the value of the derivative failing to move in line with that of the underlying asset, potential illiquidity of the derivative, the Funds may not be able to meet payment obligations as they arise and counterparty risk (where the counterparty to the derivative contract cannot meet its obligations under the contract).

We aim to keep derivative risk to a minimum by constantly monitoring the Fund's use of derivatives, by making sure the Funds can meet all its obligations with respect to use of derivative contracts and by entering into derivative contracts with reputable counterparties.

### **Short position risk**

Establishing a short position in a security involves a higher level of risk than investing in a security. This is because when investing in a security the maximum loss is generally limited to the amount invested. With short positions, there is no limit on the maximum loss because the loss will continue to increase as the share price rises. A further risk is that the securities lender may recall a security that has been borrowed at anytime. This means the Funds will have to find another securities lender willing to lend the security or buy the security on the share market within a short period of time. This may force the Funds to buy the security at an unfavourable price.

### **Concentration risk**

The risk associated with any fund that concentrates its investments in a small number of securities. The value of the fund tends to be more volatile than the value of a more diversified fund because a concentrated fund's value is affected to a greater extent by the performance of those particular assets. Concentration risk is managed by ensuring that the investments are spread across a diversified range of industries and companies.

### **Credit risk**

The risk that a security's issuer may not meet its obligations in full and/or on time to pay interest and repay capital or other financial obligations.

### **Conversion risk**

The risk that hybrid securities that convert to ordinary shares cannot be readily converted into an equivalent value of cash.

### **Diversification risk**

The risk that assets may not be sufficiently diversified across geographic regions and asset classes.

## **Additional Fund specific risks**

### **Property related risk for Challenger Property Securities Fund**

Although the Fund does not invest in direct property, through its investments in property securities and property related securities, the Fund may be exposed to some of the property related risks included in this section.

Property is affected by general risks outlined in this section. Particular external factors impacting property also include liquidity, interest rates, the quality of properties, proximity of competing properties, current and expected income, capital expenditure, developments and other economic conditions that may affect supply and demand and construction/refurbishment costs. Further, due to world events in recent years it may not always be possible to obtain terrorism insurance for direct property assets.

### **Smaller companies risk for the Challenger Smaller Companies Fund and the Challenger Socially Responsive Share Fund**

In general, smaller or microcap companies are more likely than larger companies to have limited markets, product lines, or financial resources and they may depend heavily on key personnel. Shares in smaller companies or microcap companies may trade less frequently and in smaller volumes and they may fluctuate more sharply in price than larger companies.

For the Challenger Socially Responsive Share Fund the screening of companies through SRI filters reduces the number of companies available for investment and therefore may also tend to increase the number of smaller companies in the portfolio.

# Fees and other costs

## Consumer advisory warning

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole. Taxes are set out in 'Taxation considerations' on page 32.

You should read all the information about fees and costs because it is important to understand the impact on your investment.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the fund</b> <b>Establishment fee</b> The fee to open your investment.	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment.	Up to 4.0% <sup>1</sup>	This fee is the percentage that will be deducted from each contribution to the Fund.  You may negotiate a reduced fee with your adviser. See 'Adviser remuneration' on page 23 for more information.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment.	Nil	Not applicable
<b>Termination fee</b> The fee to close your investment.	Nil	Not applicable
<b>Management costs</b> The fees and costs for managing your investment. <ul style="list-style-type: none"> <li>• Management fee</li> <li>• Estimated performance fee</li> <li>• Total estimated management costs</li> </ul>	1.50% – 2.30% depending on the Fund. <sup>2</sup>  Challenger High Yield Fund only. <sup>3</sup>  See 'Management costs' on page 21.	The management cost is your management fee and performance fee (if applicable), expressed as a percentage of the total net assets of the Funds.  The management fee is deducted from the Fund's assets, accrued daily and paid monthly in arrears.  The performance fee for the Challenger High Yield Fund is calculated daily and paid quarterly in arrears (if applicable). See page 20 for more information.
<b>Service fees</b> <b>Investment switching fee</b> The fee for changing investment options.	Nil	Not applicable

<sup>1</sup> We may allow investors in Challenger Group funds to switch into the Funds offered in this PDS without paying a contribution fee.

<sup>2</sup> For certain Wholesale clients (as defined in the Corporations Act) we may, at our discretion, negotiate, rebate or waive all or part of our fees. See page 21 for the management fees that apply in relation to the Funds.

<sup>3</sup> See 'Additional explanation of fees and costs' for more information on the performance fee.

## Additional explanation of fees and costs

### Management costs

Management costs comprise the additional fees or costs that an investor incurs by investing in each Fund rather than investing directly in the underlying assets. Management costs are payable from the relevant Fund's assets and are not paid directly from your account.

For details of the maximum fees permitted under the constitution see 'Can fees change?' on page 24.

Management costs include the management fee, normal operating expenses, abnormal expenses, investment expenses and performance fee (if applicable). A further explanation on each is explained below. They do not include transaction costs or other costs that an investor would ordinarily incur when investing directly in the underlying assets.

The management costs for each Fund are based on current financial information.

**Management fee** – this is the fee we charge for managing the investments, the overseeing of the Funds' operations and providing access to the Funds.

**Normal operating expenses** – we generally pay the normal operating expenses of the Funds from our management fee and do not recover these from the Funds.

For the Challenger Asian Share Fund and the Challenger MTM International Share Fund:

*Until 31 July 2006, we will recover normal fund related expenses from the Fund.*

*From 1 August 2006, we will pay the normal fund related expenses of the Fund from our management fee and will not recover these from the Fund.*

**Abnormal expenses** – we may recover abnormal expenses (such as costs of unitholder meetings, changes to constitutions or pursuing legal proceedings) from the Funds. Whilst it is not possible to estimate such expenses with certainty, we anticipate that the events that give rise to such expenses will not occur regularly. In circumstances where such events do occur, we may decide not to recover these abnormal expenses from the Funds.

**Investment expenses** – for all Funds we currently pay the standard ongoing investment management cost of the Fund from our management fee.

Should an investment manager be appointed to Challenger MTM International Share Fund who is eligible to receive performance based remuneration then this may be recovered from the Fund or flow through the unit price of an underlying fund. We may agree to such an arrangement with an investment manager where we believe it is in the best interests of the Funds. Any performance based remuneration that is paid would be included in the total management costs reported in the Fund's annual report made available to investors at the end of the financial year.

In this scenario, it is not possible to estimate performance based investment manager remuneration, it is payable as and when it arises. It is accrued in the unit price at the point that we become reasonably certain the expense will be incurred.

**Performance fee** – In addition to the management fee a performance fee may also be payable on the Challenger High Yield Fund.

### What is the performance fee and how is it calculated?

If the Fund exceeds its defined benchmark, a performance fee is payable to the manager.

Each business day, the performance fee is calculated as 20% of the difference between the Fund's gross return (before fees and expenses) and the performance benchmark. The Fund's gross return must exceed the performance benchmark in order for the performance fee to be paid.

The performance benchmark is the daily return of the UBSA Composite (All Maturities) Bond Index plus the current management fee (i.e. 1.50% p.a.).

As the performance benchmark includes the Fund's current management fee the performance fee is effectively charged where the Fund's net management fee return exceeds the benchmark.

### When is the performance fee calculated and paid?

The performance fee is calculated on each business day based on the daily return of the Fund compared to the relative benchmark. The daily performance fee can be a positive or negative amount depending on whether or not the performance benchmark has been exceeded.

The performance fee on any given business day is the aggregate of the daily performance fees since a performance fee was last paid from the Fund. If the aggregate of the performance fees is a positive amount, then this performance fee amount will be incorporated into the unit price.

If the aggregate of the performance fees over the period is negative then no performance fee amount will be reflected in the unit price, but the negative amount will generally need to be offset by future positive performance fees before any performance fee becomes payable.

The performance fee is payable from the Fund for quarterly periods, ending 31 March, 30 June, 30 September and 31 December, where:

- the aggregate of the daily performance fee amounts for your class of units is positive; and

- the gross return is also positive.

If the aggregate performance fee is positive but the Fund's gross return is negative, the performance fee is carried forward to the next quarter.

If the aggregate performance fee is negative, the amount is carried forward.

Every three years we may determine not to carry forward this amount. We may determine this is appropriate if, for example, we appoint a new investment manager or change the investment approach. Should we decide this is appropriate we will provide you with prior notice. If the negative performance fee is not carried forward then a performance fee may be earned after the determination even though the Fund has not made up the negative performance fee.

### Management costs

The following table sets out the actual or estimated (where an estimated performance fee is included in relation to the Fund) management cost for each Fund. The management costs are expressed as a percentage of the total net assets of the Fund (unless otherwise stated).

Fund	Management fee (%) p.a.	Estimated performance fee (%) p.a.*	Management costs (%) p.a.
Challenger High Yield Fund	1.50	0.90 <sup>1</sup>	2.40
Challenger Property Securities Fund	1.70 <sup>2</sup>	Nil	1.70
Challenger Australian Share Fund	1.85	Nil	1.85
Challenger Select Australian Share Fund	1.85	Nil	1.85
Challenger Australian Share Income Fund	2.00	Nil	2.00
Challenger Socially Responsive Share Fund	2.10	Nil	2.10
Challenger Smaller Companies Fund	2.00	Nil	2.00
Challenger Asian Share Fund	2.25 <sup>3</sup>	Nil	2.25
Challenger China Share Fund	2.30	Nil	2.30
Challenger MTM International Share Fund <sup>4</sup>	2.00 <sup>5</sup>	Nil	2.00

\*The estimated performance fee is based on assumptions and is not an indication or guarantee of future performance. The actual performance fee and therefore the management cost will vary, depending on the Fund's return.

<sup>1</sup> Based on the one-year after management fee return of the Fund to 31 May 2006 of approximately 4.5% above the benchmark.

<sup>2</sup> Until 31 July 2006, we will charge an effective management fee of 1.70% p.a. (this fee is comprised of a management fee of 1.50% and an expense recovery fee of 0.20%). From 1 August 2006, we will charge an all inclusive management fee of 1.70% p.a. and will no longer charge an expense recovery fee. We will continue to pay the normal fund related expenses from the management fee.

<sup>3</sup> Until 31 July 2006, the management fee will be 1.534% and we will recover normal fund related expenses from the Fund. The estimated management cost is 2.25%.

<sup>4</sup> In addition to the management cost shown, there may also be costs associated with any performance based remuneration payable to an appointed investment manager or payable within an underlying fund. Please refer to page 20 for more details.

<sup>5</sup> Until 31 July 2006, the management fee will be 1.534% and we will recover normal fund related expenses from the Fund. The estimated management cost is 2.04%.

## Transaction costs – buy/sell spread

The buy/sell spread in the Funds is stated as a percentage of the net asset value of each Fund and is the difference between the investment price and the withdrawal price of units. It reflects our estimate of the transaction costs expected to be incurred in buying and selling the securities as a result of investments, withdrawals and switches made by investors. A different buy/sell spread may apply if we change our estimate.

We will notify you if the buy/sell spread increases. Types of transaction costs can include brokerage, stamp duty and other government taxes or charges. The purpose of the buy/sell spread is to ensure that only those investors transacting in the Fund's units at a particular time bear the Fund's costs of buying and selling the Fund's assets as a consequence of their transaction. Our estimate of transaction costs may take into account factors such as (but not limited to) historical transaction costs and anticipated levels of investments and withdrawals. It is expected that brokerage will make up the vast majority of transaction costs.

**Please note** that the buy/sell spread is not a fee paid to us. It is paid to the Fund and is reflected in the unit price. The buy/sell spread, however, is an additional cost to you.

**Transaction costs example:** If you invested or withdrew \$50,000 in the Challenger Property Securities Fund, a buy/sell spread of +0.20%/–0.20% is included in the unit price which is equal to a transaction cost of \$100.

## Units in lieu

For all Funds, we may elect to receive units in lieu of all or part of any management fee and performance fee (if applicable) (plus any applicable GST) for the Fund. Any such units will be issued at the applicable withdrawal price.

## Can fees be different for different investors?

Yes, we may negotiate, rebate or waive fees for Wholesale clients (as defined by the Corporations Act).

We do not negotiate fees with retail investors.

## Government charges and GST

Government taxes such as stamp duty and GST may be applied as appropriate. Please refer to the section on 'Taxation considerations' on page 32.

## Where we invest in underlying funds

The Fund may gain investment exposure through other unlisted funds operated by Challenger or entities outside the Challenger Group. The management costs in this section also include the management costs in any underlying funds through which the Funds invest.

Fund	Current buy/sell spread (%)
Challenger High Yield Fund	+0.20/–0.20
Challenger Property Securities Fund	+0.20/–0.20
Challenger Australian Share Fund	+0.30/–0.30
Challenger Select Australian Share Fund	+0.30/–0.30
Challenger Australian Share Income Fund	+0.30/–0.30
Challenger Socially Responsive Share Fund	+0.30/–0.30
Challenger Smaller Companies Fund	+0.40/–0.40
Challenger Asian Share Fund	+0.43/–0.43
Challenger China Share Fund	+0.36/–0.36
Challenger MTM International Share Fund	+0.30/–0.30

## Adviser remuneration

### Direct remuneration

We can pay upfront commission (from contribution fees received) of up to 4.4% to advisers and authorised intermediaries. We pay these commissions at our sole discretion from the contribution fees we receive. They are not an additional cost to you.

For all Funds we are entitled to charge a contribution fee (see table on page 24 for the maximum amounts that can be charged). We intend to charge a contribution fee of 4.0% unless you agree with your financial planner to reduce your contribution fee to an amount of up to 4.0% on each amount contributed to the Fund. Where we do charge a contribution fee, your financial planner will be entitled to this amount as upfront commission. To the extent your financial planner reduces their upfront commission the amount (not including the GST component) will be applied to buy additional units in the relevant Fund on your behalf.

We can also pay a trailing commission of up to 0.55% for investments in the Funds.

### Upfront commission

All funds	up to 4.4%
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### Trail commission

Challenger Property Securities Fund	0.55%
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Challenger Asian Share Fund	
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Challenger China Share Fund	
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Challenger MTM International Share Fund	
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Challenger High Yield Fund	0.44%
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Challenger Australian Share Income Fund	
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Challenger Australian Share Fund	
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Challenger Select Australian Share Fund	
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Challenger Socially Responsive Share Fund	
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Challenger Smaller Companies Fund	
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### Indirect (or alternative form) remuneration

We may pay fees or provide other financial assistance (for seminars, client mailings, co-operative advertising, postage, etc) to financial services intermediaries. These may be a fixed dollar amount or a percentage of funds invested. If we do, we will make these payments from our own resources, so that they are not an additional cost to the Fund or its investors.

We maintain a register (in compliance with Industry Code of Practice on Alternative Forms of Remuneration) summarising alternative forms of remuneration that are paid or provided to certain advisers. If you would like to review this register please contact us.

### Additional adviser fees

Although this is not paid from the Fund, you and your financial planner may agree that you will pay your financial planner an additional fee. The adviser service fee may be an amount of up to 1.1% p.a. of your account balance, negotiated with your adviser and to be calculated and paid on a monthly basis. You and your financial adviser may agree to this fee to be deducted from your account for the provision of ongoing services in relation to your investment. Where you agree to pay your financial adviser an adviser service fee, you also authorise us to withdraw units you hold in the Funds to pay this fee to your adviser. There may be capital gains or capital losses consequences on the withdrawal. You may nominate the Fund which this fee will be deducted from. If the deduction of the adviser service fee will cause the balance in the Fund to fall below the minimum balance, then we will attempt to deduct the fee from the next Fund in which you are invested, according to the order of funds listed on the inside back cover of this PDS. However, if you only have an investment in one Fund offered in this PDS and the deduction of the adviser service fee will cause the balance in the Fund to fall below the minimum balance, we will not deduct the adviser service fee.

Where you hold units in more than one Fund and you do not nominate the Fund from which the fee will be deducted, units will be redeemed from the first Fund you hold in the order listed on the inside back cover of this PDS.

**Adviser service fee example:** If your account balance was \$50,000 you will pay a maximum adviser service fee of 1.1% p.a., which equates to \$45.83 per month. You or your adviser may cancel the adviser service fee at any time. If you wish to cancel the adviser service fee you must notify us in writing. In addition to the adviser service fee you may also agree other fee arrangements directly with your financial adviser.

## Can fees change?

All fees can change. Reasons for this might include changing economic conditions and changes in regulation.

We will give you 30 days written notice of any proposed increase. We cannot charge more than the Funds' constitutions allow. If we wished to raise fees above the amounts allowed for in the Fund's constitution, we would need the approval of unitholders.

The constitution for each Fund allows for the normal operating expenses (such as registry, audit, taxation, advice, investment management and offer documents) to be paid directly from the Funds. The constitutions do not place any limit on the amount of normal operating expenses that can be paid from the Funds.

The current fees are set out below. Under the constitution of each Fund we are presently entitled to charge the following maximum fees (GST can be added to all these fees if applicable).

### Maximum fees

Not all Funds have the power under the constitution to charge all fees. Where there is a reference to 'Not applicable' this means the Funds constitution does not have any power to charge this fee.

Fund name	Maximum contribution fee	Maximum withdrawal fee (not currently charged)	Maximum management fee p.a. of net asset value <sup>1</sup>	Maximum switching fee (not currently charged)	Maximum performance fee
Challenger High Yield Fund	5.00%	Not applicable	1.50%	Not applicable	Up to 20% of the Fund's gross return above its benchmark (UBSA Composite (All Maturities Bond Index) return
Challenger Property Securities Fund	5.00%	Not applicable	2.10% <sup>2</sup>	Not applicable	Not applicable
Challenger Australian Share Fund	6.00%	Not applicable	3.00%	Contribution fee plus \$50 (CPI adjusted each year) for each switch	Not applicable
Challenger Select Australian Share Fund	6.00%	Not applicable	3.00%	Contribution fee plus \$50 (CPI adjusted each year) for each switch	Not applicable
Challenger Australian Share Income Fund	6.00%	Not applicable	2.12%	Contribution fee plus \$50 (CPI adjusted each year) for each switch	Not applicable
Challenger Socially Responsive Share Fund	6.00%	Not applicable	2.10%	Contribution fee plus \$50 (CPI adjusted each year) for each switch	Not applicable
Challenger Smaller Companies Fund	5.00%	5.00%	5.00%	Contribution fee plus \$50 (CPI adjusted each year) for each switch	Not applicable
Challenger Asian Share Fund	5.00%	Not applicable	2.25%	Not applicable	Not applicable
Challenger China Share Fund	5.00%	Not applicable	3.00%	Not applicable	Not applicable
Challenger MTM International Share Fund	5.00%	Not applicable	2.00%	Not applicable	Not applicable

<sup>1</sup> For the Challenger MTM International Share Fund the constitution allows for the management fee to be calculated on the gross asset value.

<sup>2</sup> Until 31 July 2006 we are entitled to charge a management fee of 1.50% p.a., an expense recovery fee of 0.50% p.a. and a trusteeship fee of 0.10% p.a. From 1 August 2006 the maximum management fee will be 2.10% p.a. and the expense recovery and trusteeship fee will be removed.

### Example of annual fees and costs for the Challenger Property Securities Fund

This table gives an example of how fees and costs in the Challenger Property Securities Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

<b>Example – Challenger Property Securities Fund</b>	<b>Amount</b>	<b>Balance of \$50,000 with a contribution of \$5,000 during year</b>
Contribution fees	0 – 4.0%	For every \$5,000 you put in, you will be charged between <b>\$0 and \$200</b> .
Plus Management costs	1.70%	<b>And</b> , for every \$50,000 you have in the Fund you will be charged <b>\$850</b> each year.
<b>Equals Cost of the Fund</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of from: <b>\$850 to \$1,135<sup>1</sup></b> .  <b>What it costs you will depend on which Fund you choose to invest in and the fees you negotiate with your financial adviser.</b>

<sup>1</sup> An allowance for transaction costs will apply for contributions and withdrawals from the Fund (please see 'Transaction costs – buy/sell spread' on page 22).

**Please note** that this is just an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates daily.

## Example of annual fees and costs for the Challenger High Yield Fund with a performance fee

This table gives an example of how fees and costs in the Challenger High Yield Fund with a performance fee can affect your investment over a one-year period. You should use this table to compare this product with other managed investment funds.

<b>Example – Challenger High Yield Fund</b>	<b>Amount</b>	<b>Balance of \$50,000 with a contribution of \$5,000 during year</b>
Contribution fees	0 – 4.0%	For every \$5,000 you put in, you will be charged between <b>\$0 and \$200</b> .
<b>Plus</b> Management Costs		
Management fee	1.50%	<b>And</b> , for every \$50,000 you have in the Fund you will be charged <b>\$750</b> .
<b>Plus</b> Performance fee	0.90%	<b>And</b> , for every \$50,000 you have in the Fund you will be charged a performance fee of <b>\$450</b> each year.
<b>Equals</b> Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of from: <b>\$1,200 to \$1,520<sup>1</sup></b> .  <b>What it costs you will depend on which Fund you choose to invest in and the fees you negotiate with your financial adviser.</b>

<sup>1</sup> An allowance for transaction costs will apply for contributions and withdrawals from the Fund (please see 'Transaction costs – buy/sell spread' on page 22).

**Please note** that this is just an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates daily.

The estimated performance fee is based on one year performance to 31 May 2006 and is not an indication or guarantee of future performance. The actual performance fee and therefore the management cost will vary, depending on the Fund's return.

# Making, withdrawing and monitoring your investment

## Making an investment

### Initial investments

The minimum initial investment amount is \$5,000 per Fund.

To make your initial investment please send us your cheque together with a signed completed application form from a current PDS.

All individual or joint investors in the Funds must be at least 18 years of age.

Cheques should be made payable to '**CMIL Application Account <insert the name of investor(s)>**'.

### Additional investments

The minimum additional investment amount is \$1,000 per Fund.

### How to make an additional investment

You can make additional investments by sending your cheque together with a completed application form from a current PDS. The instructions to make an additional investment must be signed by the investor(s).

If you wish to make additional investments to the Funds, please keep a copy of this PDS, and any information that updates it, for future reference. A copy of the current PDS and any supplementary PDS is available free of charge, by calling our Investor Services team on 13 35 66.

### Regular savings plan

After your initial investment, you can make additional regular investments through the regular savings plan.

The regular savings plan enables you to invest in the Funds on a regular basis by monthly deduction straight from your accessible account with an Australian financial institution.

You can start the regular savings plan by electing to make monthly contributions of \$100 or more per Fund via the electronic funds transfer system. To do so, simply complete the relevant sections of the application form and if you choose a third party account, the direct debit authority form at the back of this PDS. Your nominated account will be debited on or around the next business day after the 14th day of each month for the specified amount. Please note that you should ensure that we receive your written instructions regarding commencing (application form and if you choose a third party account, the direct debit authority form required), cancelling, amending or changing your regular savings plan at least three business days before the 14th day of the month in which you wish your instructions to take effect.

You can also amend, suspend or cancel your regular savings plan by fax.

Participation can be renewed annually by continuing to make contributions. Units will be issued on the information contained in the PDS at the time the contributions are made. Should an updated PDS or supplementary PDS be issued, a copy will be forwarded to you if you continue to participate in the regular savings plan. Your financial planner can provide you with more information on the benefits of saving this way.

If two consecutive debits dishonour due to insufficient funds we will suspend your regular savings plan.

You should keep a copy of the current PDS and any information that updates the PDS for future reference. We will also provide you with a copy of the current PDS, free of charge, upon request.

### Incomplete or rejected application forms

To ensure your applications are processed efficiently it is important that you complete all sections of the application form (refer to the application form checklist on page 38).

If all information is not complete we may not be able to proceed with your request until the required information is received. In these situations we may:

- attempt to contact you and/or your adviser (if applicable); or
- hold your application monies in a non-interest bearing account until we receive the required information.

Monies are held for a maximum period of 30 days (in a non-interest bearing account) commencing on the day we receive the funds. After this period your funds will be returned to the source of payment via cheque.

Once we receive your completed application the monies held will be divided by the next determined unit price to calculate the number of units allocated to you.

## Restrictions on investments

We can vary the minimum investment amounts for the Funds.

We can also change the application cut-off time.

Where we consider it to be in the best interests of unitholders (such as an inability to value a Fund), we may suspend application requests. Any application requests received during the period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period. In addition, under the constitution we can refuse applications for any reason.

## Cooling-off right

By law, certain investors (those not defined as Wholesale clients in the Corporations Act), have a cooling-off right whereby they can change their mind about their investment in the Fund and ask for their money to be repaid.

The cooling-off right must be exercised within 14 days from the earlier of:

- when you receive confirmation of your investment; or
- the end of the fifth business day after the day on which your units were issued or sold to you.

The cooling-off right terminates immediately if you exercise certain other investor rights, such as withdrawing part of your investment. The cooling-off right does not apply to reinvested distributions or additional investments.

To exercise the cooling-off right we must receive your written instructions in our office before the expiry of the 14-day cooling-off period. The repayment of your investment under the cooling-off right is subject to an adjustment for market movements (both positive and negative) during the period the investment has been held. We may also deduct a reasonable charge for our administration costs.

These cooling-off rights do not apply to Wholesale clients (as defined in the Corporations Act). If you have any questions about cooling-off rights, please contact your financial planner or our Investor Services team on 13 35 66.

## Switching

You can switch some or all of your investment in any one or more of the Funds at any time, subject to the minimum switching and balance amounts set out on page 3. We will process your switch as a withdrawal from one Fund and an investment into other Fund(s) contained in this PDS.

We do not currently charge a contribution fee to switch to a new Fund, however, transaction costs may apply on both the withdrawal from one Fund and the investment into another Fund.

If a switch would cause your balance in the originating Fund to fall below the minimum balance amount, we can treat it as a full switch. If you switch the total investment amount in a Fund (i.e. you withdraw your entire unitholding) and you are participating in the regular savings plan for that Fund, your participation will be cancelled. However, if you switch only a part of your investment, your participation in the regular savings plan for the Fund you are switching from will continue, as long as the minimum investment amount is maintained in that Fund.

If you wish to join the regular savings plan for the Fund(s) you are switching to, you will need to complete the regular savings plan section on the switch form and return it to us.

## How to switch?

You can request a switch by completing the switch form at the back of this PDS, or subject to certain restrictions, you can provide us with switching instructions by telephone or fax (see terms and conditions on page 34). The switch form can also be obtained from our website, [www.challenger.com.au](http://www.challenger.com.au) or by calling our Investor Services team on 13 35 66.

**Please note:** A PDS for the Funds may be updated or replaced from time to time. When switching between the Funds, it is important you have a copy of an up-to-date PDS for the Funds you are switching into. You can obtain a free copy of the PDS at any time by contacting us or visiting our website, [www.challenger.com.au](http://www.challenger.com.au). We will send you a copy of a new PDS or supplementary PDS when we are required to do so by law.

## Withdrawing

### Withdrawing your investment

Generally, you can withdraw some or all of your investment at any time, subject to the minimum withdrawal and balance amounts set out on page 3.

If your withdrawal would cause your balance to fall below the current minimum balance amount, we can treat it as a request for a full withdrawal.

We can make withdrawal payments by direct credit to an accessible account with an Australian financial institution or by cheque.

You agree that if the type of payment you request results in bank fees being charged, we may deduct those fees from your withdrawal proceeds before remitting the net amount to you.

### How to make a withdrawal?

You can request a withdrawal by letter, or subject to certain restrictions, you can provide us with withdrawal instructions by telephone or fax (see terms and conditions on page 34).

If you make your withdrawal request by telephone or fax we can make the payment either:

- to your previously nominated accessible account with an Australian financial institution; or

- by a cheque in your investment account name that is posted to the address we have on file.

If you provide us with an appropriately signed, original written request, then in addition to the payment methods set out above we can also make payments by cheque in favour of third parties or direct credit to accounts that are not already on file with us.

We will require the following information when you make your withdrawal request:

- your account number;
- the full name(s) in which your investment account is held;
- the amount (dollar or units) you wish to withdraw;
- the Fund from which you wish to make your withdrawal;
- how and to whom you would like us to make the payment; and
- include a daytime telephone number.

**Please ensure that the appropriate signatories sign all written withdrawal instructions, including those forwarded by fax.**

Withdrawals are normally processed within five business days of receiving a request from you.

We may determine that some or all of the withdrawal amount consists of income (which may include net capital gains), rather than capital of the Fund. We are required to advise you of any such determination as soon as practicable after the end of the financial year in which the withdrawal occurred. We can provide you with a full transaction history of your account for this purpose.

We have the discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) for the proceeds of your withdrawal request, less any costs involved in the transfer.

We can also change the withdrawal cut-off time. A withdrawal request, either in whole or in part, once received by us may not be withdrawn without our agreement. Where we give 30 days notice to affected unitholders we can compulsorily redeem investor units.

Generally, if the payment for your withdrawal is returned to us and remains outstanding for one month, we may reinvest the proceeds in the Fund. If your withdrawal cheque remains un-presented for three months, we may stop the cheque and reinvest the proceeds in the Fund.

Any reinvestment will be processed using the investment unit price current at the time of the reinvestment transaction.

### **Suspending withdrawal requests**

We may suspend withdrawal requests for up to 60 days where we consider it impracticable for us to calculate the net asset value (and hence unit prices), where we estimate that we must sell 5% or more of the Fund's assets to meet withdrawals, where we believe that the size of withdrawal requests is such that it would require us to realise a significant amount of the Fund rapidly and this may either place a disproportionate capital gains tax burden on remaining investors or impact negatively on the price we could achieve in selling Fund assets, where we reasonably consider it is in the interests of investors to do so, or where the law otherwise permits.

Any withdrawal requests received during a period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

### **Transaction cut-off times**

Generally, if your valid transaction request is received in our Sydney office before 3 pm Sydney time on a New South Wales business day (the transaction cut-off time), it will usually be processed using the unit price determined as at the close of business on that day.

If your payment and application are received after the investment cut-off time, or on a non-business day, your application will usually be processed using the investment unit price calculated as at the close of business on the next business day.

We will provide notice if we are to change the cut-off time.

### **If a Fund becomes illiquid**

If a Fund becomes illiquid (as defined by the Corporations Act), you will only be able to withdraw from the Fund if we make an offer of withdrawal. If we do make such an offer,

you may only be able to withdraw part of your investment. There is no obligation for us to make such an offer.

Under the Corporations Act, a Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of that Fund. Liquid assets generally include money in an account or on deposit with a bank, bank-accepted bills, marketable securities and property of the kind prescribed under the Corporations Act. We do not expect any of the Funds to become illiquid.

### **Monitoring your investment**

We will send you regular information about your investment, including:

- confirmation of the acceptance of an initial or additional investment (including switches and excluding investments made via the regular savings plan). This confirmation will provide details of the units issued;
- confirmation that we have processed a withdrawal request. This confirmation will provide details of the unit and dollar values withdrawn;
- a quarterly periodic statement;
- a consolidated annual taxation statement to assist you in completing your taxation return; and
- each Fund's annual report. You may notify us in writing if you do not wish to receive the Fund's annual report.

You may also at any time request a transaction statement that can show either all transactions since your last regular statement or all transactions for a specific period.

We recommend that you check all statements and transaction confirmations carefully. If there are any discrepancies, please contact our Investor Services team on 13 35 66.

If the Fund is a 'disclosing entity' under the Corporations Act 2001, it will be subject to regular reporting and disclosure obligations. You may obtain from, or inspect at ASIC, copies of documents lodged by the Fund. You can also ask us for a copy of the Fund's most recent annual financial report lodged with ASIC, any subsequent continuous disclosure notices given before the date of this PDS and any half-yearly financial report lodged with ASIC before the date of this PDS.

# Additional information

## Unit prices

The calculation of both the investment unit price and the withdrawal unit price is based on the Net Asset Value (NAV) adjusted by the buy/sell spread (see page 22 for details). For investment and withdrawal unit prices the NAV is the value of all the Fund's assets attributed to the wholesale class of units less the value of all the Fund's liabilities attributed to the wholesale class of units at the valuation time. When calculating the NAV we must use the most recent valuations of the Fund's assets and the most recent determination of its liabilities. Generally, listed securities are valued using the last sale price quoted on the relevant exchange and liabilities are valued at cost. Other assets are generally valued at the recoverable value.

Where we receive your transaction request before the relevant cut-off time, then the unit price will be generally determined at the next valuation time after that cut-off time.

We have a Unit Pricing Permitted Discretions Policy. The policy sets out how we will exercise any discretions in relation to unit pricing (such as, for example, how often we determine unit prices and valuation methodology). You can obtain a copy of this policy free of charge by calling our Investor Services team.

## Distributions

Distributions will generally be paid as soon as possible after the end of the distribution accrual periods. There may be periods in which no distributions are made or we may make interim distributions.

You may choose to have your distributions:

- reinvested in additional units in the Fund; or
- paid directly to a nominated accessible account with an Australian financial institution.

Unless you indicate otherwise on the application form, we will reinvest your income. Please mail us an original written request, signed by the appropriate signatories, if you wish to change your distribution payment instructions.

The price of units issued on reinvestment of distributions is the investment price for units next determined after the close of business on the last day of the distribution period. There is no transaction costs on this investment price.

The amount of each distribution may vary. Your share of any distribution depends on how many units are held at the end of the accrual period as a proportion of the total number of relevant class units on issue at that time and the amount of net income of the Fund referable to those investors.

The amount of income distributed each period will be generally based on our estimate of the income received by the Fund (excluding net capital gains) in that distribution period.

In addition, the 30 June distribution will generally include any net realised capital gains, however, we may also include net realised capital gains in other distributions.

For the Challenger Australian Share Income Fund, the amount of income distributed each quarter will be generally based on our ongoing estimate of the income of the Fund for the year (this may include net capital gains), allocated proportionately between the quarters.

As distributable amounts are a component of the unit price, unit prices normally fall by the distribution amount following a distribution. If you invest just prior to a distribution, you may receive some of your investment back immediately as income. Conversely, if you withdraw from the Fund just before a distribution, you might turn income into a capital gain or reduce your capital losses.

We have the discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) for a distribution amount.

Generally, if any distribution payments are returned to us and remain outstanding for a period of one month, we may reinvest those distributions and amend your future distribution method to reinvest. If your distribution cheque remains unrepresented for three months, we may

stop the cheque and reinvest the proceeds in the Fund and amend your future distribution method to reinvest.

Any reinvestment will be processed using the investment unit price current at the time of the reinvestment transaction.

Under each Fund's constitution we have the power to make reinvestment of distributions compulsory. At the date of this PDS, we have no current intention of introducing compulsory distribution reinvestment.

## Taxation considerations

Any investment can have a substantial impact on your tax position from year to year.

The following information is a general summary of current legislation. We recommend that you obtain your own professional advice regarding your position as tax and social security laws are complex and subject to change, and investors' individual circumstances vary.

The Funds will generally not be liable for income tax as the income is distributed to investors. Australian residents will have to include in their taxable income for the year the share of investment income of the Fund (including net capital gains) distributed, even if they reinvest distributions or if payment is not received in that year. In the case of non-residents, Australian tax may be deducted from distributions.

There are other relevant tax considerations that may be applicable to the Fund's investments and your tax position. For example, the foreign investment funds regime, entitlement to franking credits, tax deferred income, capital gains tax and taxation of foreign source income.

The operative provisions of the Foreign Investment Fund (FIF) legislation may require the Challenger MTM International Share Fund to include in its net income, unrealised gains derived in respect of interests held in foreign investments. It is our intention that the Fund should qualify for certain exemptions and therefore the operative provisions of the FIF legislation will not apply to the foreign investments held.

Some of the income distributed to investors may be classified as tax deferred income. Generally, tax deferred income is not taxable in the year it is received, but may increase the capital gain or reduce the capital loss upon the disposal of an investor's units.

Where foreign tax has been paid by the Fund in respect of overseas investments, the Fund will generally pass on to investors the corresponding foreign tax credits. Investors may be able to utilise these credits to offset against the Australian tax payable on the foreign component of their distributions. In order to claim the foreign tax credits, investors must first include the amount of the credits in their assessable income. We will advise each investor of their share of foreign tax credits.

The disposal of units (for instance by redemption or transfer) may give rise to a capital gains tax liability or a capital loss. For some investors, if units are held for more than 12 months, they may be entitled to a capital gains tax discount. For non-resident investors, recent tax law changes may give rise to certain implications for their capital gains realised on the disposal of units and/or distributions of net capital gains from the Fund when certain conditions are satisfied. However, non-resident investors should seek their own professional tax advice.

GST is not payable on the issue, withdrawal or transfer of units in the Fund, as these are input-taxed financial supplies for GST purposes. However, GST will generally be incurred on various acquisitions made by the Fund, including the investment management services supplied by the responsible entity. In specified circumstances, the Fund may be entitled to RITCs of 75% of GST paid, which effectively reduces the GST payable from 10% to 2.5%.

## Tax File Number (TFN)

On your application form you may provide us with your TFN, or otherwise your TFN exemption. Alternatively, if you are investing in the Fund in the course of an enterprise, you may quote an Australian Business Number (ABN). It is not compulsory for you to quote a TFN, exemption or ABN, but if you do not then we are required to deduct tax from any income distribution payable to you at the highest marginal tax rate plus Medicare levy. The collection of TFNs is authorised, and their use is strictly regulated by tax and privacy laws. Non-residents are generally exempt from providing a TFN.

### Transferring ownership

You can transfer some or all of your investment to another person in such a manner and subject to such conditions as required by law and that we, from time to time, prescribe. We are not obliged to register a transfer that does not meet these criteria, or where there is an amount payable to us by the transferee in respect of the units being transferred. Please note that stamp duty may be payable to the NSW Office of State Revenue on transfers of units. Please contact our Investor Services team on 13 35 66 for further information about transferring units.

### Complaints

Please notify us of complaints in writing or by calling our Investor Services team on 13 35 66. Our policy is to acknowledge any complaint within two business days of receiving it and investigate, properly consider and decide what action (if any) to take and to communicate our decision to you within 45 days.

If you are not happy with how the complaint has been handled, you may contact the Financial Industry Complaints Service, of which we are a member. This is an independent body and is approved by ASIC to consider complaints. Its contact details are:

Financial Industry Complaints Service Ltd  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Tel: 1300 780 808  
[www.fics.asn.au](http://www.fics.asn.au)

### Privacy and personal information

You can access, correct or update any personal information we hold about you by contacting our Investor Services team on 13 35 66. A copy of our privacy policy is available by visiting our website [www.challenger.com.au](http://www.challenger.com.au) or on request from our Investor Services team.

We collect information primarily for the following purposes:

- to process your application; and
- to administer your investment and provide you with reports.

We also ask you for some personal details so that we and our related companies can keep in touch with you and tell you about our other products and services that might be useful to you. Please inform us in writing if you do not want us to send you marketing materials.

### Disclosing your information

We will disclose your information to your financial planner if their name or stamp appears on the application form. In addition, we may disclose information we hold about you in the following circumstances:

- where you consent to the disclosure;
- to companies that provide services on our behalf, for example, to companies that print and dispatch the statements or notices which we send to you or to the custodian of the Funds; or
- if the disclosure is required or authorised by law.

### What happens if you choose not to disclose the information?

Depending on the type of information, the following may apply.

- TFN, TFN exemption or ABN: we have to deduct tax at the highest marginal tax rate (plus Medicare levy) before we pay distributions to you (see the 'Taxation considerations' section on page 32 for more details).
- Account details: we will not be able to pay withdrawal proceeds or income distributions to you.
- Incomplete application: we will not be able to process your requested investment.

### Keeping us informed

Our records about you are important. Please inform us in writing of any change to the personal details that you have given us. This may be a new postal address, a change of name or new account details for distribution or redemption payments.

When requesting a change of personal details please:

- quote your account number;
- state the full name in which your investment is held;
- clearly set out the change(s) you are requesting;
- provide us with a contact name and daytime telephone number; and
- ensure the appropriate signatories sign the request.

Some changes also require additional documentation (such as a change of name request).

Please note that we will only change your nominated accessible account with an Australian financial institution if we receive an original, signed written request.

We will send you written confirmation of any changes we make to your personal details.

## Telephone and fax terms and conditions

You should understand that a person without your authority could telephone us or send us a fax and, by pretending to be you, switch or withdraw funds from your account for their own benefit.

In using the phone and/or fax facility, you agree that we are not responsible to you for any fraudulently completed communications and that we will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify us against any liabilities whatsoever arising from our acting on any communication received by fax in respect of your investment.

We will only act on completed communications. In the case of a fax, a transmission certificate from your fax machine is not sufficient evidence that your fax was received. We will not be liable for any loss or delay resulting from the non-receipt of any transmission.

These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

In the case of joint holdings, superannuation funds, trusts and companies, any investor or director may request a telephone withdrawal.

If the details of the accessible Australian financial institution details quoted at the time of making a telephone or fax withdrawal do not match those previously given to us, the withdrawal will not proceed. You must advise us in writing via an original letter (not a fax) if you wish to change any of your Australian financial institution account details.

Should you not wish to use these facilities, we must receive an original written request to cancel them. Cancellation will be effective from the end of the second business day after receipt of this request.

We may cancel or vary the terms of the phone and/or fax services by giving 14 days written notice to you. By sending us a fax/making a phone withdrawal you signify your acceptance of these conditions.

## Legal relationships

The Funds are managed investment schemes that are unlisted Australian unit trusts and are governed by constitutions.

Interests in unit trusts, which are called units, represent a share in the trust's collective asset pool. Certain rights are attached to the units and these rights are exercisable by the investors who own these units (who are referred to as unitholders).

Subject to the law, the Funds' constitutions and the terms on which units are held investors can apply or redeem their units at any time.

Each Fund's constitution together with the Corporations Act and some other laws govern the way in which each Fund operates and the rights and responsibilities and duties of the responsible entity and unitholders.

Each constitution contains the rules relating to a number of issues including:

- your rights as a unitholder;
- the process by which units are issued and redeemed;
- the calculation and distribution of income;
- the investment powers of the responsible entity;
- the responsible entity's right to claim indemnity from the Fund and charge fees and expenses to the Fund; and
- the termination of the Fund.

It is generally thought that unitholders' liabilities are limited to the value of their holding in the Fund. It is not expected that a unitholder would be under any obligation if a deficiency in the value of the Fund were to occur. However, this view has not been fully tested at law.

You can inspect a copy of the constitution at our head office or we will provide you with a copy free of charge.

We may alter the constitution if we reasonably consider the amendments will not adversely affect unitholders' rights. Otherwise (subject to any exemption under the law) we must obtain unitholder approval at a meeting of unitholders. We may retire or be required to retire as responsible entity (if unitholders vote for our removal).

### **Termination**

Each constitution of the Funds, together with the Corporations Act, governs how and when a Fund may be terminated. We may terminate a Fund at any time by written notice to unitholders. On termination a unitholder is entitled to a share of the net proceeds of our realisation of the assets in proportion to the number of units they hold in that class.

### **Unitholder meetings**

The conduct of unitholder meetings and unitholders' rights to requisition, attend and vote at those meetings are subject to the Corporations Act and (to the extent applicable) the Fund's constitution.

### **Compliance plan and compliance committee**

We have lodged a compliance plan for each Fund with ASIC and established a compliance committee for each Fund with a majority of external members. The Fund's compliance plan sets out how we will ensure compliance with both the Corporations Act and the Fund's constitution.

The compliance committee's role is to monitor compliance with the compliance plan. It must also regularly assess the adequacy of the compliance plan and report any breaches of the Corporations Act or the Fund's constitution to us. If we do not take appropriate action to deal with the breach, the compliance committee must report the breach to ASIC.

### **Audit**

The Fund and the compliance plan are required to be audited annually.

### **Other parties**

We have engaged an independent custodian to hold the assets of each Fund. The custodian has no independent discretion with respect to the holding of assets and is subject to performance standards.

Each Fund has a registered company auditor. The auditor's role is to provide an audit of the financial statements of the Fund each year as well as performing a half-yearly review (if required), and to provide an opinion on the financial statements.

### **Related parties**

We or the investment manager/consultant may enter into transactions with, and use the services of, any member of the Challenger group of companies. Such arrangements will be based on arm's length commercial terms. We or any member of the Challenger group of companies or any director or officer of any of them may invest in the Fund.

# Completing the application form

## Completing and lodging the application form

The following information is provided to assist you in completing and lodging the application form contained in this PDS.

To make an investment, please complete all sections of the application form and sign it.

Attach your cheque to the application form and ensure your cheque is crossed 'not negotiable' and made payable to '**CMIL Application Account <insert the name of the investor(s)>**'.

## Signing the application

Please read the declaration section carefully before signing the application form. Each signatory to the investment account must sign the application form personally.

If signing under a power of attorney, you must attach a certified copy of the power of attorney document (unless already held by us) and a specimen signature of the attorney.

## Quoting a Tax File Number (TFN)

You can decide whether you wish to quote your TFN on your application form. If we do not receive your TFN, ABN, or appropriate exemption information, we will withhold tax at the highest marginal tax rate (plus the Medicare levy) from income distributions made to you.

## Investing on behalf of a superannuation fund

If you indicate that an investment is made on behalf of a superannuation fund, we will consider the superannuation fund to be a complying fund under the Superannuation Industry (Supervision) Act.

## Lodging the application form

To lodge your completed application form and cheque, mail them to:

**Challenger Managed Investments Limited  
Reply Paid 3698  
Sydney NSW 2001  
(No stamp required if posted in Australia)**

Alternatively, you can lodge the application form and cheque through your financial planner.

## Incomplete or rejected application forms

If your application form is incomplete, the application money will be retained in a non-interest-bearing bank account until we receive the required information.

Funds may be held for up to 30 days, commencing from when the money was received. After this time, the funds will be returned to the original source of payment.

Under the constitution of this Fund, we can accept or reject any application for units and are not required to give any reason or grounds for such a refusal.

The table below provides some guidance for completing and signing the application form.

<b>Type of investor</b>	<b>Correct</b>	<b>Incorrect</b>	<b>Signature(s) required</b>	<b>TFN(s) required</b>
<b>Individual and joint holdings</b> Use given names in full, not initials.	Michael John Smith or Michael John Smith and Barbara May Smith	M.J. Smith or M.J. Smith and B.M. Smith	The individual and all joint applicants	Each applicant's
<b>Partnership</b> Use the partners' personal names, not the name of the partnership.	Michael John Smith & Michael Smith Jnr	Michael Smith & Son	All partners	The partnership's
<b>Company</b> Use the company title, not abbreviations.	XYZ Pty Ltd	XYZ P/L XYZ Co.	Two directors; or a director and a company secretary; or if there is a single director, by that director	The company's
<b>Superannuation fund or trust</b> Use the name of the trustee(s), not the name of the super fund or the trust.	Michael Smith Pty Ltd (ATF Michael Smith Pty Ltd Super Fund) or Barbara May Smith (ATF Barbara Smith Family Trust)	Michael Smith Pty Ltd Superannuation Fund  Barbara Smith Family Trust	The Trustee(s), 'as trustee(s) for...'	The superannuation fund's or trust's
<b>Minor</b> (a person under the age of 18 years) Use the name of the responsible adult, not the minor, as the investor.	Michael John Smith	Michael Smith Jnr	All adults investing on behalf of the minor	All adults'

# Application form checklist

To ensure that we are able to process your application quickly and efficiently, please ✓ check that you have completed the following:

- Section 1 Investment details** – nominated to open a new account or to invest additional funds to an existing account
- Section 2 Investor details** – provided your full name and date of birth
- Section 3 Contact details** – provided your contact details
- Section 4 Tax File Number (TFN)** – provided your TFN, ABN, TFN exemption or country of residence for non-residents
- Section 5 Income distribution** – selected your distribution payment method
- Section 6 Investment allocation** – indicated the amount you wish to invest in the Fund(s)
- Section 7 Account details** – provided bank/financial institution account details for transacting
- Section 8 Adviser service fee nomination** – provided adviser service fee details
- Section 9 Declaration and applicant signature(s)**
  - Individual investor** – provided your signature and dated the form
  - Joint applicants** – provided both applicants' signatures and dated the form
  - Power of Attorney** – provided your signature and dated the form. Attached a certified copy of the Power of Attorney. Each page of the Power of Attorney document must be certified by a Justice of the Peace, Solicitor or Notary Public. In the case that the Power of Attorney document does not contain a sample of the Attorney's signature, please provide a certified copy of identification documents for the Attorney, containing a sample of their signature, e.g. Driver's Licence, Passport, etc.



# Challenger Investment Funds Application Form (dated 3 July 2006)



PLEASE USE BLOCK LETTERS AND BLACK INK TO COMPLETE THIS APPLICATION FORM

## 1. Investment details

Do you have an existing Challenger account?

Office use only

Yes ▶ Existing account name

Existing account number

Go to Section 5 (please note any information provided will override any previous information provided)

No ▶ Go to Section 2 and complete all details.

## 2. Investor details

Investor type  Individual  Joint  Company  Partnership  Trust  Superannuation fund

### A. Investor 1

Surname

Given name(s)

Title (Mr/Mrs/Miss/Ms)

Date of birth

### B. Investor 2

Surname

Given name(s)

Title (Mr/Mrs/Miss/Ms)

Date of birth

### C. Company/trust/superannuation fund

Company/trust/  
superannuation fund name

Contact name

### D. Minor – on whose behalf the investment is made

Name of the minor

## 3. Contact details (must be completed)

C/- (if applicable)

Unit

Street number

PO Box

Street name

Suburb

State

Postcode

Country

Phone (after hours)

Phone (business hours)

Mobile

Facsimile

Email

The Challenger Investment Funds PDS dated 3 July 2006 gives information about purchasing units in the Challenger Investment Funds. Any person who gives another person access to the application form must also give the person access to the Challenger Investment Funds PDS and any supplementary documents. You should read the PDS before completing this application form.

CMIL or a financial planner who has provided an electronic copy of the PDS will send you a paper copy of the PDS and any supplementary document and application form free of charge if you so request during the period of the offer specified in the PDS.





#### 4. Tax File Number (TFN)

Please note that it is not against the law if you choose not to give your TFN or exemption reason, but if you do not, tax may be taken out of your distributions at the highest marginal tax rate (plus Medicare levy).

##### Investor 1

TFN

If you have a TFN exemption, please provide exemption details.

or exemption

##### Investor 2

TFN

If you have a TFN exemption, please provide exemption details.

or exemption

##### Company/trust/superannuation fund

TFN

ABN

If you have a TFN exemption, please provide exemption details.

or exemption

##### Non-residents

If you are an overseas investor, please indicate your country of residence for tax purposes.

#### 5. Income distribution

**A nomination in this section overrides any previous nominations. Distributions will be reinvested unless otherwise stated.**

Cross (X) one box only.

How would you like your income distributions to be paid?

Reinvested in the Fund(s)

Credit to my/our bank account

Make sure you also complete your bank account details in Section 7







**9. Declaration and applicant signature(s) – (must be completed)**

I/We declare that:

- all details in this application are true and correct;
- I/we have received a copy of the current PDS to which this application applies and read it and agree to the terms contained in it and to be bound by the provisions of the current PDS and current constitution (each as amended from time to time);
- I/we have legal power to invest in accordance with this application;
- I/we have received and accepted this offer in Australia;
- the details of my/our investment can be provided to the adviser group or adviser by the means and in the format that they direct;
- in the case of joint applications, the joint applicants agree that unless otherwise expressly indicated on this application form, the units will be held as joint tenants and either investor is able to operate the account and bind the other investor for future transactions, including additional deposits and withdrawals, including withdrawals by fax;
- if this application is signed under Power of Attorney, the Power of Attorney declares that he/she has not received notice of revocation of that power (a certified copy of the Power of Attorney should be submitted with this application unless we have already sighted it);
- sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company;
- if investing as trustee, on behalf of a superannuation fund or trust I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Supervision) Act;
- I/we have read and understood the terms and conditions for the use of telephone and fax and release and indemnify Challenger Managed Investments Limited against any liabilities whatsoever arising out of it acting on any communications received by fax;
- I/we acknowledge that I/we have read the pages of the PDS containing the information under the heading 'Privacy and personal information'. I am/We are aware that until I/we inform Challenger Managed Investments Limited otherwise, I/we will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading;
- I/we understand that if I/we fail to provide any information requested in this application form or do not agree to any of the possible exchanges or uses detailed above, my/our application may not be accepted by Challenger Managed Investments Limited;
- I/we acknowledge that none of Challenger Managed Investments Limited, Challenger Financial Services Group Limited, or any other member of the Challenger Financial Services group of companies, or the Custodian, guarantees the performance of the Funds or the repayment of capital or any particular rate of return or any distribution;
- I/we agree to pay my/our financial adviser an adviser service fee. I/we authorise Challenger Managed Investments Limited to withdraw units I/we hold in the trust to pay this fee to my/our adviser.

**Direct Debit Request Authorisation**

- I/We authorise Challenger Managed Investments Limited (216558) to arrange for funds to be debited from my/our account at the financial institution identified in Section 7 above and as prescribed through the Bulk Electronic Clearing System (BECS);
- I/we have read the 'Direct Debit Request Service Agreement' provided on page 47 of this PDS and agree with its terms and conditions;
- I/we request this arrangement to remain in force in accordance with details set out in Section 7 and in compliance with the 'Direct Debit Request Service Agreement'.

**Investor 1**

Signature  Date  /  /

Surname

Given name(s)

Capacity  Sole Director  Director  Secretary (company investments only)

**Investor 2**

Signature  Date  /  /

Surname

Given name(s)

Capacity  Director  Secretary (company investments only)



**Important notes**

This application must not be handed to any person unless attached to this PDS dated 3 July 2006. CMIL may in its absolute discretion refuse any application for units. Persons external to Challenger or other entities who market Challenger products are not agents of Challenger but are independent investment advisers. Challenger will not be bound by representations or statements which are not contained in information disseminated by Challenger. Application monies paid by cheques from investment advisers will only be accepted if drawn from a trust account maintained in accordance with the Corporations Act. These Funds are offered by Challenger Managed Investments Limited (CMIL) (ABN 94 002 835 592) (AFSL 234668).



Adviser use only

Office name	
Surname	
Given name(s)	
Title (Mr/Mrs/Miss/Ms)	
Phone (business hours)	1300 55 98 69
Adviser group	Wealth Focus Pty Ltd 56 The Corso, Manly, NSW, 2095
Adviser group AFSL	314 872
Adviser signature	
Date	



InvestmentLink information

IL GN (Group)	
IL AN (Adviser)	
IL CN (Client)	

Contribution fee

Please nominate the contribution fee to be charged.

Initial and additional investments

0.00 % up to a maximum of 4.00%<sup>1</sup>

Regular savings plan

0.00 % up to a maximum of 4.00%

If no selection is made, the full contribution fee will be charged.

<sup>1</sup> Up until 31 August 2006 the maximum contribution fee that may be charged on the Challenger High Yield Fund; Challenger Australian Share Fund and the Challenger Smaller Companies Fund is 2.00%. From 1 September 2006 the maximum contribution fee that may be charged will be 4.00%.





# Challenger Investment Funds

## Direct Debit Authority Form for Regular Savings Plan only



Complete this form if you wish to nominate a bank/financial institution account that is held in different name(s), or to change your existing nomination. **This direct debit facility can not be used to make initial or additional investments, it is for Regular Savings Plan only.**

PLEASE USE BLOCK LETTERS AND BLACK INK TO COMPLETE THIS DIRECT DEBIT FORM

Account number (if known)

### Investor 1 (individual accounts)

Title

Mr  Mrs  Miss  Ms  Other

Given name(s)

Surname

Contact phone number

### Investor 2 (joint accounts)

Title

Mr  Mrs  Miss  Ms  Other

Given name(s)

Surname

Contact phone number

### Company/trust/superannuation fund

Name of company/trust/superannuation fund

### Schedule

Note: Direct debiting is not available on the full range of accounts. If in doubt, please refer to your financial institution.

**Account name  
which is to be debited**

**BSB Number**

—

**Account number**

**Name of  
financial institution**

**Branch where  
account is held**

request you until further notice in writing to debit my/our account described in the schedule above, any amounts which Challenger Managed Investments Limited (ABN 94 002 835 592) (Challenger) (User ID No. 216558) may direct debit or charge me/us through the Bulk Electronic Clearing System.

I/We understand and acknowledge that:

1. the bank/financial institution may, in its absolute discretion, determine the order of priority of payment by it of any monies pursuant to this request or any authority or mandate, and at any time by notice in writing to me/us, terminate this request as to future debits.
2. Challenger may, by prior arrangement and advice to me/us, vary the amount or frequency of future debits.
3. the bank/financial institution will provide to me/us upon request general descriptive information of the kind referred to in sections 6.1 and 6.2 of the Code of Banking Practice, concerning the operation of accounts, banking facilities and cheques.
4. the information which I/we have provided on this form is accurate and not misleading and I/we am/are aware that Challenger is relying on it.
5. this direct debit arrangement is governed by the terms of the Bulk Electronic Clearing System Procedures and the Direct Debit Service Agreement received from Challenger.





**Investor 1**

**Signature** *(please sign)*

**Date**

 /  / 

**Surname**

**Given name(s)**

**Investor 2**

**Signature** *(please sign)*

**Date**

 /  / 

**Surname**

**Given name(s)**

Send form to:

**Challenger Managed Investments Limited  
Reply Paid 3698  
Sydney NSW 2001**



# Challenger Managed Investments Limited

## Direct Debit Request Service Agreement

### 1. Debit arrangements

**We will debit, through the Bulk Electronic Clearing System (BECS), payments in consideration for providing interests in the Funds to you. The Direct Debit Request details the terms of your debit arrangements including, among other things, the amount, the frequency, the expiry (if any) and the recipient of the funds. You should carefully read the Direct Debit Request to familiarise yourself with the details of your debit arrangements.**

### 2. We advise you:

- that direct debiting through BECS is not available on all accounts (e.g. passbook savings and credit card accounts are generally not acceptable);
- to confirm the account details by checking a recent statement from your Financial Institution; and
- that your Direct Debit Request must be signed in the same way as the account signing instruction held by your Financial Institution. If you are uncertain about any of these items please check with your Financial Institution before completing your Direct Debit Request.

### 3. You are responsible for:

- checking with your Financial Institution prior to completing the Direct Debit Request, that direct debiting is available on that account;
- ensuring that the account you nominate has sufficient cleared funds available to pay each debit when it becomes due on the 15th of each month;
- ensuring that the authorisation on the Direct Debit Request is identical to the account signing instruction held by the Financial Institution of the nominated account;
- telling us if you close or change the account you nominated; and
- arranging a suitable alternate payment method, if the direct debit arrangements are stopped, either by you or your Financial Institution.

### 4. Direct debit of funds

- Debits may be effected any time on the due day and you must ensure that there are sufficient funds in your account to meet the direct debit.
- Where the due date falls on a non-business day, we will deduct the amount on the next business day. If you are uncertain when the direct debit will be processed to your account, you should contact your Financial Institution directly.

### 5. Alteration or cancellation

- You may terminate your Direct Debit Request, stop a drawing or request a change to the drawing amount and/or frequency at any time by giving written notice to us. Such notice should be received by us at least 10 business days prior to the due date, to process your request in time.
- If we vary any of the debit arrangements either set out in this agreement or in the Direct Debit Request or otherwise we will provide you with 14 days prior written notice.

### 6. Dispute resolution

We have a customer claims process in place with all Financial Institutions if you believe that a debit has not been correctly processed. You should contact us first on 13 35 66 if you have a complaint regarding the amount or timing of any of our drawings. We will respond to your request within seven business days.

### 7. Fees

- It is your responsibility to ensure you have a sufficient available balance in the nominated account to meet the direct debit on the due date. Should sufficient cleared funds not be available to meet the total debit, then we are authorised to direct debit an amount up to the available balance in the nominated bank account at that time. We are under no obligation to effect a reduced direct debit.
- If a direct debit is not effected due to insufficient funds or where we choose to effect a reduced direct debit then your account will be adjusted and any charges incurred by us may be debited from your account.

### 8. Privacy

- We will keep all information relating to your account private and confidential except to the extent that you consent to those details being disclosed or the law requires otherwise. You consent to us using or releasing your account information to investigate any possible incorrect debits with both your and our Financial Institutions.
- We will take reasonable steps to protect personal information held by us against loss, access, use, modification or disclosure that is unauthorised.

### 9. Indemnity

- You indemnify us against all losses, costs, damages and liability that we suffer as a result of you breaching this agreement or you providing us with an invalid, ineffective or non-binding Direct Debit Request addressed to us or if for any other reason the instructions contained in a Direct Debit Request provided by you are not or cannot be performed. This indemnity includes, without limitation, legal costs and expenses on a full indemnity basis. This indemnity is a continuing obligation, separate and independent from your other obligations and survives termination of this agreement. It is not necessary for us to incur expense or make payment before enforcing a right of indemnity conferred by this agreement. This indemnity does not apply as a result of our (or any of our delegates' or agents') fraud, negligence or breach of trust.
- You will pay us any sum due under this clause fully without deduction or set-off (and irrespective of any counterclaim) whatsoever.

### 10. Governing law

- This agreement and the transactions contemplated by this agreement are governed by the law in force in New South Wales.
- Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and the courts of appeal from them for determining any dispute concerning this agreement or the transactions contemplated by this agreement.

### 11. Interpretation and definitions

- The following terms have the meanings set out below:

**Direct Debit Request** means an authority and request to debit amounts from your specified account, given in writing by you to us.

**Financial Institution** means the financial institution that is the holder of your account, given in writing by you to us.

**We or us** means Challenger Managed Investments Limited (ABN 94 002 835 592), which is administering the direct debit system and its successors and assigns.

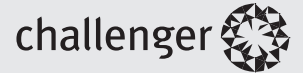
**You** means the person or persons (other than us) named in the Direct Debit Request and signatories to this agreement. If there are more than one, you means each of them jointly. You includes your successors and assigns.

- A reference to:
  - this agreement, the BECS regulations and procedures or another instrument includes any variation or replacement of any of them;
  - the singular includes the plural and vice versa;
  - person includes a firm, body corporate, an unincorporated association or an authority and their executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns; and
  - any thing includes the whole and each part of it and a reference to a group of persons includes all of them collectively, any two or more of them collectively and each of them individually.
- Headings are inserted for convenience and do not affect the interpretation of this agreement.

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# Challenger Investment Funds Switch Form



PLEASE USE BLOCK LETTERS AND BLACK INK TO COMPLETE THIS SWITCH FORM

## 1. Investor details

Account number (if known)

### Investor 1

Title

Mr  Mrs  Miss  Ms  Other

Given name(s)

Surname

### Investor 2

Title

Mr  Mrs  Miss  Ms  Other

Given name(s)

Surname

## Company/trust/superannuation fund

Name of company/trust/superannuation fund

## 2. Switch details

When switching you should clearly state:

- next to the Fund(s) name you wish to switch from – the amount or percentage you wish to switch out of your existing investment; and
- next to the Fund(s) name you wish to switch to – the amount or percentage you wish to switch into the new investment.

We will process your switch as a withdrawal from one Fund and an investment into other Fund(s) contained on this form.

Fund name	Fund code	From dollar amount (minimum switch amount \$1,000)	OR	From %	To dollar amount (minimum switch amount \$1,000)	OR	To %
Challenger High Yield Fund	049	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Property Securities Fund	097	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Australian Share Fund	045	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Select Australian Share Fund	053	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Australian Share Income Fund	054	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Socially Responsive Share Fund	047	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Smaller Companies Fund	046	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger Asian Share Fund	096	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger China Share Fund	101	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
Challenger MTM International Share Fund	095	\$ <input type="text"/>		<input type="text"/>	\$ <input type="text"/>		<input type="text"/>
							1 0 0





<b>Registered name</b>	<b>Australian Registered Scheme Number (ARSN)</b>	<b>Class of units</b>
Challenger High Yield Fund	099 212 647	retail
Challenger Property Securities Fund	090 790 873	retail
Challenger Australian Share Fund	092 999 301	retail
Challenger Select Australian Share Fund	089 715 659	retail
Challenger Australian Share Income Fund	089 715 926	retail
Challenger Socially Responsive Share Fund	093 245 124	retail
Challenger Smaller Companies Fund	094 601 475	retail
Challenger Asian Share Fund	090 850 418	retail
Challenger China Share Fund	110 771 474	retail
Challenger MTM International Share Fund	090 787 563	retail

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88 Phillip Street  
Sydney NSW 2000  
telephone 02 9994 7000  
facsimile 02 9994 7777

Level 10  
101 Collins Street  
Melbourne VIC 3000  
telephone 03 8616 1000  
facsimile 03 8616 1111

Level 9  
175 Eagle Street  
Brisbane QLD 4000  
telephone 07 3218 8000  
facsimile 07 3220 3132

Level 3  
55 St Georges Terrace  
Perth WA 6000  
telephone 08 9223 7800  
facsimile 08 9221 2499

Level 1  
212 Pirie Street  
Adelaide SA 5000  
telephone 08 8211 7777  
facsimile 08 8212 1661

**Investor services**  
13 35 66

**Adviser services**  
1800 621 009  
[www.challenger.com.au](http://www.challenger.com.au)

