

Challenger Index Plus

FOR INSTITUTIONAL CLIENTS ONLY

What is Index Plus?

Challenger Index Plus (Index Plus) offers institutional investors guaranteed alpha over an agreed index, with zero management fees. It is available as a daily liquid (pooled with other investors) or fixed term (custom wholly owned mandate) option.

Index Plus can be used either as an effective substitute for traditional passive funds, or as a complementary solution to active management in your portfolio.

By offering guaranteed alpha over an index, this strategy can have a substantial impact on realised total returns.

It can also assist institutional investors in reducing total management fees.

The guaranteed alpha is determined by two key factors: index selection, and term of investment. This solution offers significant index flexibility providing exposure to:

- equity markets;
- fixed income; and
- cash.

What is the objective of the strategy?

The investment objective of the strategy is to provide investors with exposure to the performance of an agreed index plus a guaranteed excess return above the index for zero management fees.

Key features:



Guaranteed alpha above a specified benchmark.



Zero management fees.



Zero tracking error.



Flexibility on term and index selection and the option for scheduled windows of liquidity.

Who is the solution suitable for?

Institutional investors and insurers seeking:

- Stable and consistent alpha - provides certainty of benchmark outperformance
- To reduce management fees - helps lower investment costs for better outcomes
- Effective liability immunisation strategies - assisting DB schemes to remove risks
- Capital efficient return enhancement - with no additional asset risk charge

How does the solution work?

The Fund achieves the investment objective by entering into a Total Return Swap (TRS) with Challenger Life Company Limited (Challenger Life) whereby Challenger Life agrees to pay the Fund returns equal to the performance of the specific index plus the agreed margin and the Fund agrees to pay Challenger Life the returns generated from the underlying eligible assets. Under an Investment Management Agreement (IMA), Challenger Life in its capacity as Investment Manager will manage the underlying eligible assets of the Fund. If the performance of the specific index plus the agreed margin exceeds the performance of the underlying eligible assets, Challenger Life will pay the excess amount. If the performance of the underlying eligible assets exceeds the performance of the specific index plus the agreed margin, Challenger Life will receive the outperformance amount.

The TRS between Challenger Life and the Fund will seek to ensure that each unit class is able to achieve the returns of the agreed index plus the excess margin, regardless of the performance of the underlying portfolio of assets of the Fund. Importantly, the TRS net settles on a daily basis and the TRS settlement amounts are paid in cash normally within 2 business days, which limits any Challenger Life exposure.

Index Plus at a glance

Fund type	Challenger Index Plus Fund:	Index Plus - Enhanced Mandate Fund:
	Pooled unit trust Registered managed investment scheme	Fund of one unit trust Unregistered managed investment scheme
Responsible entity	Fidante Partners Services Limited	
Investment manager	Challenger Life	
Index return	Equal to selected index (zero tracking error)	
Excess margin above the index	Excess margins above the referable index. Excess margins above the index will depend on the term of the investment and chosen index.	
Management fees	Nil	
Costs (including contribution/ withdrawal fee)	Contribution fee: Nil / withdrawal fee: up to 0.12%	Zero if held to maturity
Eligible assets of Fund	Cash, Challenger Life term annuities and investment grade fixed income	
Liquidity	Daily	Customised liquidity windows can be tailored to investor requirements
Flexibility	Index selection and switching, investment term, excess margin, index selection and switching, investment term, index selection and switching can be tailored to investor requirements.	

For more information please contact the Challenger Institutional Client Solutions team:

Simon Brinsmead

General Manager, Institutional Client Solutions
0477 776 841
sbrinsmead@challenger.com.au

Meher Edibam

Director, Institutional Client Solutions
0421 747 309
medibam@challenger.com.au

Stephan Richartz

Director, Institutional Client Solutions
0428 659 780
srichartz@challenger.com.au

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