



A winning formula

Challenger Australian Share Fund



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The Challenger Australian Share Fund transcends 'style' and is designed to outperform over an entire business cycle.

The Challenger Australian Share Fund is a 'style neutral' portfolio of Australian companies that we believe are either **undervalued** (and will be re-rated to their true valuation) or have above-average **growth potential**.

Investment approach

Challenger is an active manager. We believe we can add value and outperform the market by using fundamental research to identify companies that have been mispriced or overlooked by the market.

Companies can be mispriced as a result of a number of factors, including:

- incomplete knowledge about a company;
- a lag between company announcements (e.g. revised earnings or profit) and revaluations;
- structural factors and market trends; and
- investor sentiment (both short-term and long-term) which can drive share prices away from their true value.

We look beyond these and other short-term influences that might obscure a company's longer-term outlook and true fundamental value, and identify companies that we expect to outperform the market.

Investment style

The Challenger Australian Share Fund is a '**style neutral**' investment. This distinguishes it from managers with pronounced investment styles – like 'growth' managers or 'value' managers – that tend to outperform and underperform the market at different points in the market cycle. We have seen this in past years when, after long periods of underperformance by 'value' managers, changes in market dynamics began to favour 'value' investing again and 'growth' managers started to struggle.

But it's difficult for any investor to accurately predict exactly when these style swings will occur. A 'style neutral' approach is designed to reduce the 'style-specific risk' extremes and moderate the cyclical swings experienced by markets.

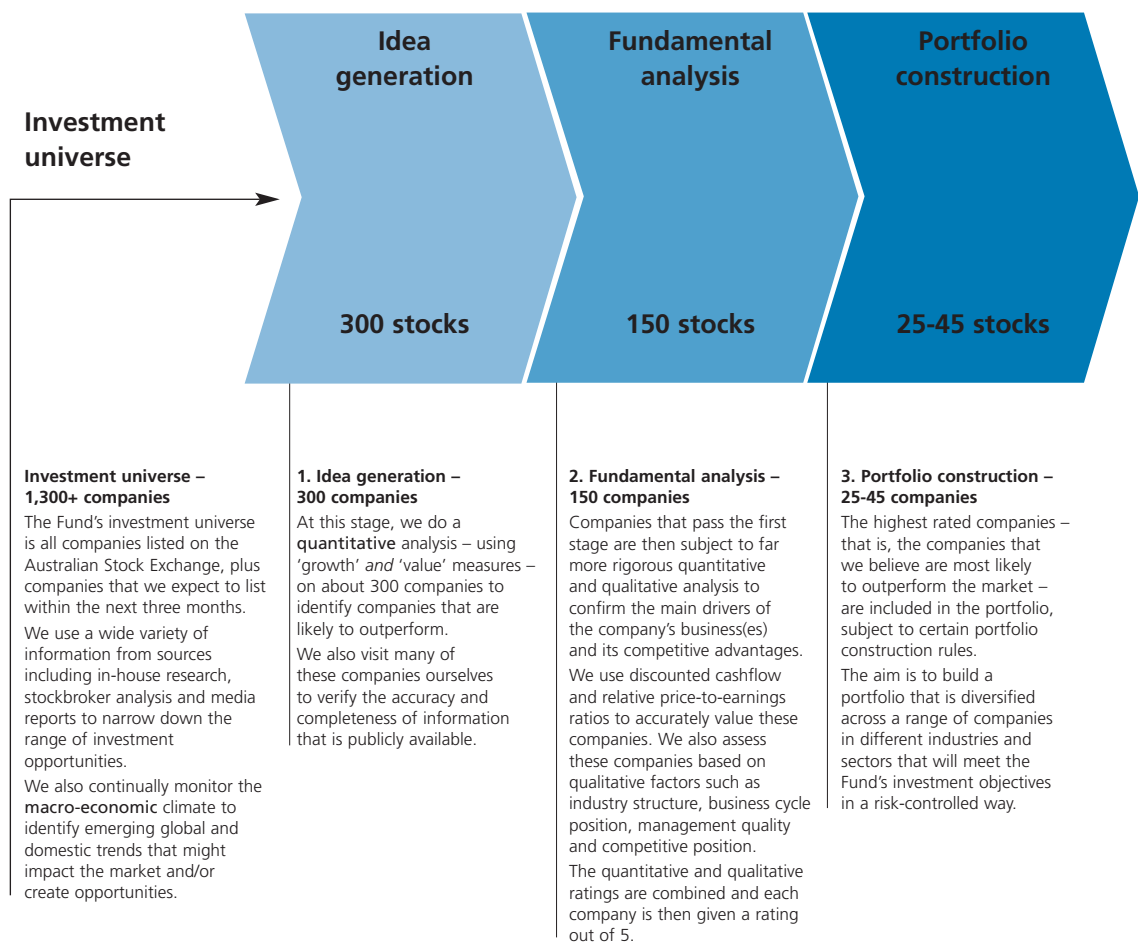
Style neutrality is important because it means the Fund can form the core of an investor's Australian shares portfolio and may outperform over the entire business cycle.

An experienced investment team

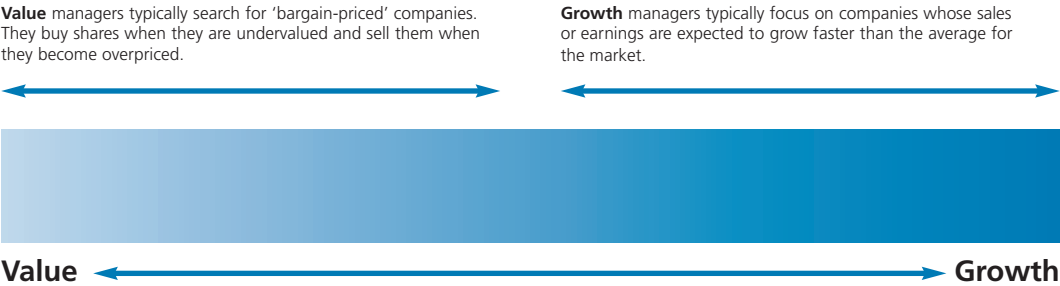
With a culture that encourages individual thought and opinion, Challenger's Australian equities team is a 'centre of excellence' in share market research and analysis.

Comprising some of Australia's leading share analysts and headed by Peter Greentree, considered one of Australia's foremost share market investors, Challenger is well placed to offer a comprehensive range of Australian equity products to suit all types of investors.

Investment process



The benefits of a style neutral investment approach



The Challenger Australian Share Fund is 'style neutral'. We look across the entire market for companies that we believe will outperform, and we take into account growth and value factors when assessing companies. And unlike growth and value styles that tend to underperform at points in the market cycle, a style neutral fund can sustain outperformance through the entire market cycle.

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Portfolio construction and management summary

Market segment	Australian shares and securities
Universe	All ASX-listed companies and other ASX-listed securities and those we expect will list within six months
Benchmark	S&P/ASX 300 Accumulation Index
Style	Style neutral
Stock selection criteria	Investment decisions are based on qualitative factors and quantitative valuation measures using fundamental research
Number of stocks	25-45
Portfolio turnover	Approximately 50% p.a.
Investment timeframe	At least five years

To find out more about how investing in the Challenger Australian Share Fund can add value to your portfolio, contact your financial planner, visit our website **www.challenger.com.au** or call the Challenger Investor Services team on **13 35 66**.

100PercentInvesting (Altitude Private Wealth Pty Ltd)

Phone: 03 8621 0900

Email:
enquiry@100percentinvesting.com.au

www.100percentinvesting.com.au

AFSL: 299536

Planner contact details

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Challenger Financial Services Group
Level 15
255 Pitt Street
Sydney NSW 2000
Telephone 13 35 66
Facsimile 02 9994 7777