



# Investing for a better future

## Challenger Socially Responsive Share Fund



CERTIFIED BY RIAA



Investments, Mortgages, Possibilities.

# Challenger Socially Responsive Share Fund

In recent years, an increasing number of Australians have voiced the desire to bring their investments in line with their ethics. The Challenger Socially Responsive Share Fund has answered the challenge by offering investors access to Challenger's proven investment expertise, providing the potential for strong financial returns while also supporting socially responsible companies.

## What is SRI?

Socially responsible investing (SRI) seeks to avoid investment in products or industries deemed to be morally irresponsible such as gambling, alcohol, tobacco products or arms manufacture. SRI, also commonly referred to as ethical investing, generally refers to a style of investing that aims to ensure an individual's investments are in line with their ethics.

On a broader level, SRI funds may also invest in companies that promote sustainable development with respect to the environment as well as issues of social responsibility.

The popularity of ethical investment has risen substantially around the globe. At the end of the 2006 calendar year, SRI funds in Australia had reached \$7 billion, doubling in size over the previous 12 months. Internationally, this growth has been considerably higher. Figures from the United States indicate around \$1 in every \$8 currently invested is screened from an ethical or social perspective. These figures are expected to keep increasing in the future with the growing recognition that funds can be invested in a socially responsible manner whilst maintaining a strong focus on returns to investors.

There is little doubt ethical investing can be profitable for investors and that the demand for these types of products in the Australian market is poised for a period of rapid growth. Having said this, the quality and returns of SRI managers does vary considerably and it is important to choose a manager with a proven investment capability.

Challenger's Socially Responsive Share Fund provides an investment process that may more closely align with investors' ethical consideration without compromising on the rigour and investment expertise that underpins underlying stock selection.

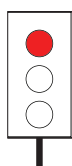
## Different approaches to SRI classification

Determining exactly what constitutes an SRI is quite difficult as views differ considerably regarding what is ethical and what is not. The challenge for investors and fund managers alike is to determine whether or not particular investments are satisfactory on ethical and social grounds.

There are two main approaches a manager can take to determine SRIs. These involve the use of negative and positive screens to identify those securities that meet socially responsible criteria. Managers using negative screens exclude those investments they deem morally irresponsible such as gambling, alcohol or tobacco products and arms dealing. Positive screens on the other hand lead to higher weightings in a portfolio for companies that invest in environmentally and socially responsible initiatives such as green and sustainable technologies.

Challenger uses both positive and negative screens in our SRI investment process.

## Negative socially responsible screening



Under Challenger's negative socially responsible screening, companies will be excluded from the investment universe if they are generating operating revenue from certain environmental and ethical activities.

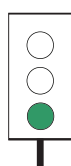
### Environmental

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

### Ethical

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

## Positive socially responsible screening



Companies are further analysed with respect to strategy and policies implemented or intended in the future, systems and resources currently employed, and past record for the following sustainable criteria:

- environmental considerations
- labour standards and practices
- social and ethical consideration analysis
- corporate governance analysis
- regulatory compliance

Challenger aims to immediately exclude all companies directly involved in breaching these socially responsible negative screens. We may also, on a case by case basis, exclude companies indirectly involved in these activities.

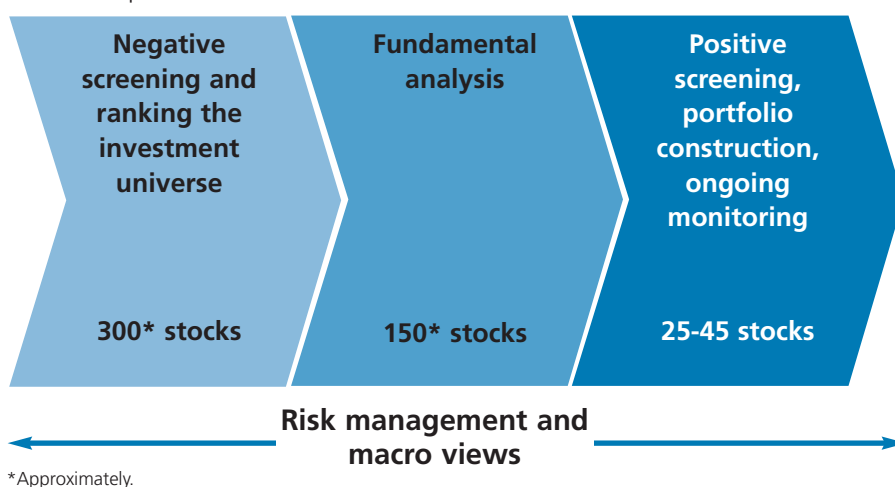
If a company in the portfolio no longer meets the investment and SRI criteria, it will be sold from the portfolio.

## Investment process

The Fund is managed by Challenger's highly respected and successful Australian Equities team. The team has an impressive breadth of knowledge and significant industry experience.

The Fund has the same investment philosophy as the core Challenger Australian Share Fund, with an SRI overlay. It is a style neutral fund which aims to outperform over the full cycle.

Challenger currently partners with an external research provider, Corporate Monitor, who specialises in socially responsible analysis. This partnership provides the experience and expertise we believe is necessary to successfully monitor the social and environmental characteristics of listed Australian companies.



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

As a style neutral manager, Challenger invests in companies that exhibit both value and growth characteristics. Challenger focuses on identifying companies that are undervalued and we believe will be re-rated by the market. This investment approach moderates the cyclical swings from growth and value investing and can outperform over the full business cycle.

# Why invest in the Challenger Socially Responsible Share Fund

- SRI funds have proved beneficial for investors
- Stock selection is ultimately guided by the investment criteria
- Combination of positive and negative socially responsible screens
- Highly experienced and dedicated team
- True to label SRI fund
- Certified by the Responsible Investment Association Australasia

## Challenger Socially Responsible Share Fund

Portfolio construction and management summary

Market sector	Australian shares.
Investment universe	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.
Benchmark	The Fund aims to outperform the S&P/ASX 300 Accumulation Index <sup>1</sup> over rolling three-year periods.
Stock selection criteria	Investment decisions are based on qualitative and quantitative factors using fundamental research.
Investment timeframe	At least five years.

1. This index is not directly comparable to the Fund performance because it does not take into account SRI principles.

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

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The information in this publication is correct as at 26 October 2007 unless otherwise specified and is provided by Challenger Managed Investments Limited ABN 94 002 835 592 AFSL 234 668, the issuer of the Challenger Socially Responsible Share Fund ARSN 093 245 124. It is general information rather than advice. It has been prepared without taking account of any particular investment objective or financial needs and an investor should consider its appropriateness before making an investment decision. Each person should obtain and consider the Product Disclosure Statement (PDS) relating to the Fund and consider whether or not the Fund is appropriate for them before deciding whether to acquire, or continue to hold or dispose units in the Fund. A copy of the PDS can be obtained by contacting your financial planner, or Challenger on 13 35 66, or on our website [www.challenger.com.au](http://www.challenger.com.au)

The SRI Symbol signifies that Challenger has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for details.



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