Challenger Howard Mortgage Fund
Challenger Howard Wholesale Mortgage Fund
Challenger Mortgage Plus Trust

Benchmark Report – 31 March 2009

This Benchmark Report provides specific information in relation to the following funds issued by Challenger Managed Investments Limited (ABN 94 002 835 595) (AFSL 234668):

- Challenger Howard Mortgage Fund (ARSN 090 464 074)
- Challenger Howard Wholesale Mortgage Fund (ARSN 093 720 159)
- Challenger Mortgage Plus Trust (ARSN 091 029 248)

(collectively the Funds).

We recommend that you read this Benchmark Report in conjunction with the relevant Product Disclosure Statement (PDS) for each Fund (if applicable[1]) before making an investment decision. The information contained in this Benchmark Report is as at 31 March 2009 and will be updated periodically (usually quarterly). A paper copy of any updated Benchmark Report will be given to you, without charge, on request by calling our Investor Services team. There have been no material changes to the information provided by the Funds against each benchmark since the Benchmark Report for the previous quarter dated 31 December 2008.

Challenger Howard Wholesale Mortgage Fund and Challenger Mortgage Plus Trust

The Challenger Howard Wholesale Mortgage Fund (Howard Wholesale) and the Challenger Mortgage Plus Trust (Mortgage Plus) gain their exposure to their investments by investing in the Challenger Howard Mortgage Fund.

Unless otherwise specified, the information contained in this report relates to the Challenger Howard Mortgage Fund, but will also apply on a 'look-through' basis to both Howard Wholesale and Mortgage Plus.

ASIC Benchmarks

Some features of unlisted mortgage funds can create risks for investors. The Australian Securities and Investments Commission (**ASIC**) has introduced eight benchmarks for mortgage funds to disclose against. These benchmarks are aimed at assisting investors understand the risks of investing and determining whether such investments are suitable for them.

The benchmarks and relevant information covered in this Report are as follows:

[1] The Challenger Mortgage Plus Trust is closed to new investors and therefore a PDS is not available for this Fund.

Benchmark 1: Liquidity

This Benchmark addresses the Fund's ability to satisfy withdrawal requests and other operational commitments.

Currently, investors are only able to withdraw from the Fund if we make an offer of withdrawal. Whilst there is no obligation for us to make a withdrawal offer, our current intention is to make withdrawal offers on a quarterly basis.

The Fund meets certain aspects of Benchmark 1 as outlined below. In terms of the Fund's current ability to meet future cash flow over the next three months, as at the issue date of this Benchmark Report, the Fund does not meet Benchmark 1. Refer to 'Fund's current ability to meet future cash flow needs' for further information.

Maintaining estimates of future cash flow needs

We maintain estimates of future cash flows in and out of the Funds over three month periods. When determining the Funds' estimated future cash flows we use the following information relating to cash inflows and outflows over the preceding three months as a guide for the following three months:

- net applications and redemptions from investors;
- levels of Fund distributions that are re-invested;
- distributions that have been paid;
- amounts of new loans written;
- amounts of undrawn loan commitments;
- amounts expected to be received from maturing loans;
- amounts expected to be received from mortgage discharges;
- interest payments to be made on loans (including penalty interest where payments are in arrears); and
- returns expected to be generated on non-loan assets of the Fund.

We periodically stress test these assumptions.

Balancing maturity of assets and liabilities

During normal market conditions the Fund aims to maintain a cash balance to meet future cash needs including withdrawal needs. The Fund maintains the cash balance by managing prudent exposures to cash and other short-term investments, managing cash flows from distributions reinvested, applications into the Fund and mortgage discharges.

Fund's current ability to meet future cash flow needs

During recent times the Fund has experienced constraints on its liquidity. The uncertainty of financial markets has resulted in investors reducing their exposure to managed funds, and in particular mortgage funds. In such an environment, we have sought to manage liquidity in the Fund through prudent management of mortgage maturities.

However, immediately following the Federal Government's announcement of its decision to guarantee bank deposits in October 2008, withdrawal requests increased to a level that we were unable to meet out of normal sources of liquidity. The bank deposit guarantee appears to have created concerns amongst some investors about the security of income investments not covered by the guarantee.

As responsible entity for the Fund, we gave careful consideration to the most prudent way to protect the interests of all investors. In light of these circumstances, we decided to temporarily amend the withdrawal process for the Fund with effect from 21 October 2008 such that withdrawals are only permitted if and when we make an offer of withdrawal. As such, until we make a withdrawal offer, the Fund can not accurately predict the future cash flow needs for withdrawals.

The temporary change in withdrawal policy has been designed to protect the interests of all investors and to ensure that investors are treated equally. Further information about the amended withdrawal procedures is outlined below in Benchmark 8: Withdrawal arrangements.

Benchmark 2: Scheme borrowing

This Benchmark addresses the Fund's policy on borrowing.

The Fund meets Benchmark 2: Scheme borrowing with the following procedures.

The Fund's use of borrowings

The Fund's constitution allows for borrowing. We will generally not borrow on behalf of the Fund, except from time to time to cover short-term cash flow needs or if emergency or extraordinary situations arise, and in such circumstances borrowings may be used to partially fund withdrawals. The Fund may utilise borrowings in these circumstances if we consider it to be in the best interests of investors to do so. Borrowings will not be used to pay distributions or to fund new loans.

The Fund had a $500 million borrowing facility in place with a major financial institution. This facility was terminated on 17 December 2008 on the basis that it was considered in the best interest of members to do so.

If we decide to enter into a borrowing facility in the future, at the relevant point in time, the availability and terms of such borrowings would be subject to the market for borrowings (including market conditions in debt and other markets) and as such borrowings may not always be available. Lenders may refuse to provide borrowings, renew an existing borrowing facility or refuse to renew the facility on terms which are commercially acceptable to us. This may be for reasons specific to the Fund or due to market-wide events. Borrowings may be from a variety of sources, including companies associated with the Challenger Group. Where funds are borrowed from companies associated with the Challenger Group, the terms are set on a commercial and arm's length basis.

Benchmark 3: Portfolio diversification

This Benchmark addresses the Fund's lending practices and portfolio risk.

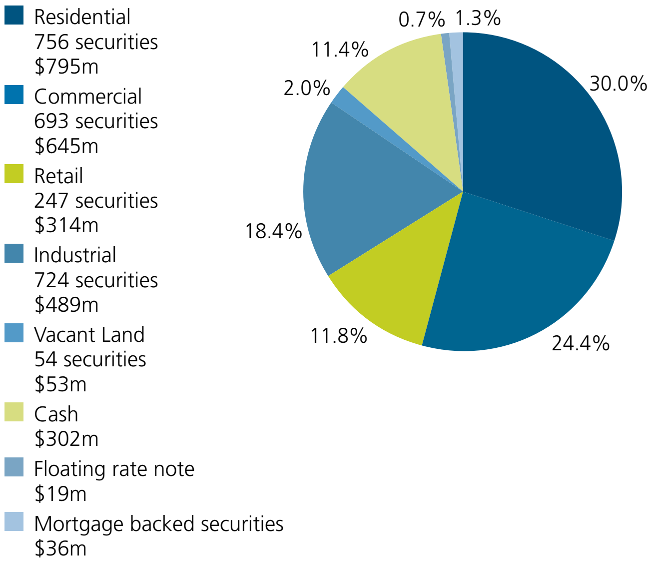
The Fund meets Benchmark 3: Portfolio diversification with the following information:

a. The Fund's assets.

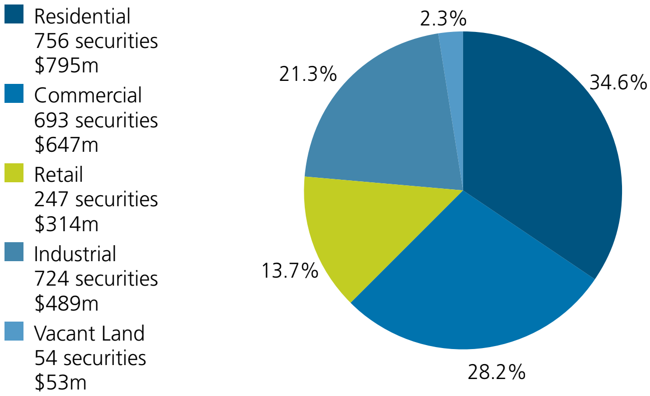
b. The Fund's lending policy.

a. The Fund's assets

Asset allocation (including non-loan assets)*
(number, value and %)



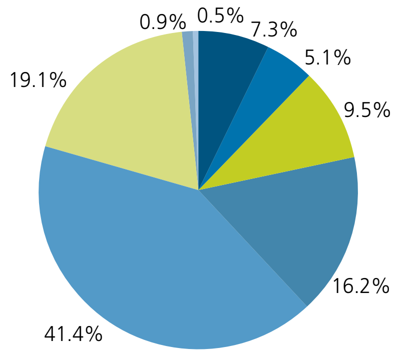
Loans by class of activity*
(number, value and %)



*May not total 100% due to rounding.

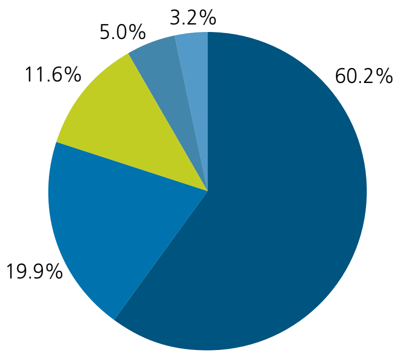
Loans to value ratios*
(number, value and %)

- 0–50%
  362 securities
  $167m
- 50–55%
  136 securities
  $118m
- 55–60%
  160 securities
  $218m
- 60–65%
  271 securities
  $371m
- 65–70%
  1,072 securities
  $952m
- 70–75%
  444 securities
  $439m
- 75–80%
  19 securities
  $21m
- 80–100%
  10 securities
  $11m



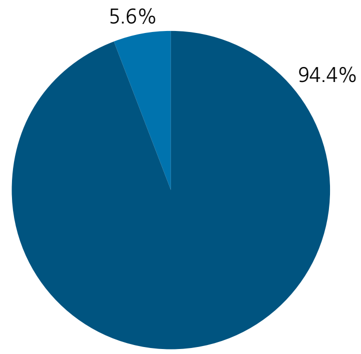
Security properties by geographic region*
(number, value and %)

- NSW
  1,307 securities
  $1,384m
- VIC
  636 securities
  $457m
- QLD
  250 securities
  $268m
- WA
  109 securities
  $116m
- SA, NT, ACT & TAS
  172 securities
  $73m



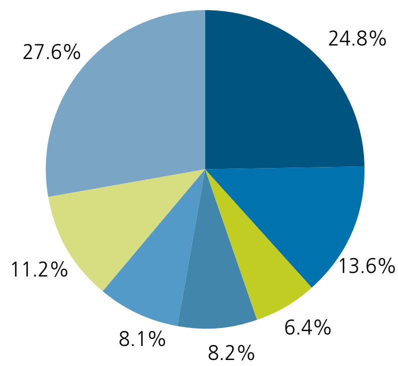
Fixed/variable interest rate split*
(number, value and %)

- Variable
  2,426 securities
  $2,169m
- Fixed
  48 securities
  $129m



Maturity profile of loans*
(number, value and %)

- 0–6 months
  415 securities
  $571m
- 6–12 months
  264 securities
  $312m
- 12–18 months
  193 securities
  $148m
- 18–24 months
  240 securities
  $188m
- 24–30 months
  214 securities
  $187m
- 30–36 months
  356 securities
  $258m
- 36+ months
  792 securities
  $634m



Investments	Value
Cash	$302m
Mortgage backed securities	$36m
Floating rate notes	$19m
Mortgage loans	$2,298m
Net asset value of the Fund	$2,654m

Mortgage Portfolio information	Number (if applicable)	% of portfolio (if applicable)	Value (if applicable)
Number of mortgages	2,474	n/a	n/a
Number of mortgagors	2,361	n/a	n/a
Average loan to value ratio	n/a	62%	n/a
Average loan size	n/a	n/a	$0.9m
Largest loan size	n/a	2.20%	$58m
Undrawn loan commitments[1]	n/a	n/a	$40m
Average term to maturity	21.1 months	n/a	n/a

[1] Undrawn loan commitments are taken into consideration when we are estimating our future cash flow needs (refer to Benchmark 1: Liquidity).

*May not total 100% due to rounding.

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Loans in arrears[1] and defaults[2]			
Loans in arrears	**Number**	**$ value**	**% of portfolio**
60-90 days	28	$72.6m	2.7%
Loans in default	**Number**	**$ value**	**% of portfolio**
90+ days	104	$158.9m	6.0%

[1] Loans in arrears include those loans where interest payments are outstanding for periods of 60 to 90 days.

[2] Loans in default include those loans where interest payments are outstanding for periods greater than 90 days.

Mortgage split by interest rate			
Interest rate %	**Number**	**$ value**	**% of portfolio**
< 5.50	214	$551m	23.98%
5.51-6.00	8	$25m	1.10%
6.01-6.50	4	$18m	0.78%
6.51-7.00	27	$102m	4.44%
7.01-7.50	234	$443m	19.27%
7.51-8.00	1,360	$719m	31.29%
8.01-8.50	351	$234m	10.20%
8.51-9.00	227	$169m	7.37%
9.01-9.50	38	$32m	1.38%
> 9.51	11	$4m	0.19%

Portion of mortgage portfolio lent to largest borrowers			
Borrowers	**Number**	**$ value**	**% of portfolio**
Largest borrower	n/a	$58m	2.2%
10 largest borrowers	n/a	$295m	11.1%

b. The Fund's lending policy

Requirements under the Fund's lending policy

Mortgage loans are only made or acquired where they meet requirements under our lending policy, which include (but are not limited to):

- the maximum loan amount for any one borrower is 2.5% of the total value of funds under management at the date of the loan approval;
- in addition, the maximum loan amount for a Lite Verified Loan (see below) is $2m. The Fund's lending policy for those loans is set out below. We have no current intention of accepting further Lite Verified Loans within the portfolio however we have a current exposure of approximately 5% of the total fund to loans of this type;
- the pool of loans is diversified to ensure it comprises a broad range of loan sizes, rather than a small number of large loan sizes. For example, the total of loans between $20m and $50m at any time cannot exceed 10% of the total value of funds under management;
- in accordance with our documented credit policy, each loan is assessed on the basis of the borrower's capacity to meet the loan repayments. For example, when assessing most borrowers' ability to service a loan we take into account factors including:
  - History of employment, salary and residential stability (applicable to individual applicants), as advised by the applicant.
  - Details of assets and liabilities (applicable to individuals, companies and directors of companies acting as guarantors), as advised by the applicant.
  - Details of earnings and outgoings (applicable to companies and self-employed borrowers), as advised by the applicant.
  - Acceptable conduct of a loan account with another financial institution, where applicable, for a minimum period of six months.
  - Acceptable credit report.
  - In some cases (Lite Verified Loans), a self-employed borrower may not be able to provide financial statements or taxation returns at the time of their loan application. In those cases, the Fund would have accepted the borrower's declaration of financial position and income, supported by their accountant's declaration as to whether the information in the borrower's declaration is correct. Also, the Fund reviewed the applicant's conduct of another loan account (if applicable) and a credit report on the applicant. The Fund imposed lower loan amount limits and loan to value ratios (LVRs) for security properties in respect of Lite Verified Loans.

A calculation must be completed to demonstrate that the borrower will have sufficient free cash flow available to meet the scheduled loan repayments. Generally, it will be necessary to demonstrate that the borrower has capacity to meet 120% of the expected periodic repayments. However, this requirement may be varied where repayments will be subject to planned special circumstances, such as interest paid in advance, or a lump-sum repayment from the sale proceeds of another identified asset. In the case of loans with an LVR in excess of 70%, and for Lite Verified Loans, we require that the borrower be able to demonstrate its capacity to meet 150% of the expected periodic repayments.

The capacity test includes an outgoing to reflect the monthly repayment due on the loan, based on the full value of the facility being considered in the loan application. The repayment amount is calculated as the actual monthly repayment due, based on the actual interest rate to be charged, plus an additional uplift of 2.0% p.a. (i.e. current interest rate plus 2.0% p.a.). The purpose of the uplift is to add a hypothetical buffer, or in-built 'stress test' in assessing the borrower's loan servicing capacity.

- each loan is secured by a first registered mortgage over real property;
- at the time the loan is initially approved, the loan must not exceed 75% of the value of the mortgaged property or, in the case of Lite Verified loans, the loan must not exceed 70% of the value of the mortgaged property;
- a valuation for new loans is not more than three months old at the time the loan is settled;
- if a loan is being rolled over into a new loan, our revaluation process is met (refer to 'Revaluing mortgage property' under Benchmark 5 on page 8);
- all valuations are carried out by a qualified and independent valuer instructed by the servicer of the Fund's loan assets.

Additional information on lending practices

- Mortgages may be at either fixed or variable rates of interest, however, we expect that the majority will be at variable rates of interest.
- We do not require security properties to be income producing.
- We do not take security over specialised properties or development projects, nor do we write construction loans or have loans that are supported by second mortgages only.

Arrears and collection management policy

The Fund has a documented arrears and collections management policy that operates in the event that a borrower is in arrears in respect of their mortgage repayments or is in default for another reason. Under this policy a variety of measures may be employed in relation to accounts that are in arrears or default, including enforcing the mortgage and selling the mortgaged property. The Fund continuously monitors the level of mortgage loans that are in arrears or default.

Use of derivatives

The term 'derivative' is used to describe any financial product that has a value that is derived from another security, liability or index.

We do not use derivatives. However, the Fund's constitution permits it to use derivatives, such as futures, forwards or options. Derivatives can be used to implement investment decisions, including hedging and as a risk management tool. Derivatives can be used to gain exposure to assets and markets as part of implementing investment or asset allocation decisions. Derivatives may also be used to manage risk and the sensitivity of the Fund's value to changes in interest rates or credit risk. We do not intend to gear the Fund through use of derivatives.

The use of derivatives may expose the investment to certain risks. Please refer to 'Derivative risk' in the relevant PDS for more information.

Howard Wholesale and Mortgage Plus invest in the Challenger Howard Mortgage Fund which is managed in accordance with the ASIC Benchmarks outlined in this Report.

Benchmark 4: Transactions with related parties

This Benchmark addresses the risks associated with related party lending, investments and transactions.

The Fund meets Benchmark 4: Transactions with related parties with the following procedures.

The Fund does not extend loans to related parties.

We have appointed Challenger Commercial Lending Limited to administer and manage the Fund's loan portfolio, and to originate mortgages. For more information, refer to 'Other fees and expenses' and 'Related parties' in the relevant PDS. We have a policy in place to resolve conflicts in the unlikely event that a conflict of interest arises under these arrangements. This policy sets out our approach to the identification, assessment and evaluation, monitoring and review, and reporting of conflicts of interest. We also have a related party transaction policy which sets out protocols for negotiating and entering into transactions between a Challenger Group entity and a related party.

Benchmark 5: Valuation policy

This Benchmark, together with Benchmark 6: Lending principles, addresses the Fund's property related lending and valuation practices.

The Fund meets Benchmark 5: Valuation policy with the following procedures.

Properties are valued on an 'as is' basis (that is, on the basis of the property's current state without any further improvements). We have a panel of valuers who are registered or licensed as required by the jurisdiction in which they conduct business. We require all valuers to be members of the Australian Property Institute (API) and to comply with API guidelines. It is our policy that no one valuer conducts more than one third of the Fund's valuation work.

Valuations of mortgaged property

We have a documented policy that sets out the conditions under which property valuations must be obtained, the information required within valuations and information relating to maintaining our panel of valuers.

A valuation is required on proposed security properties for all new loan applications. A new valuation is required on a mortgaged property before the Fund approves an increase to an existing loan, unless the Fund already holds a valuation which is less than three months old at the date the new advance is to be made to the borrower.

Revaluations of mortgaged property during the loan term

Properties secured to support loans of greater than $15m are revalued informally each year. Properties secured to support loans of between $1m and $15m and on which the LVR is greater than 60% are revalued informally once each three years.

Properties secured to support loans of less than $1m and on which the LVR is greater than 60% are revalued informally once each five years. Also, each six months the Fund selects a number of mortgaged properties to be revalued informally.

Revaluing mortgaged property on rollover of a loan

Formal valuations of mortgaged property may be required if a loan is rolling over into a new loan at maturity.

For residential properties, a new valuation is required if the current valuation is five or more years old for properties within the metropolitan areas of capital cities; or three or more years old for other properties.

For non-residential property, a new valuation is required where the valuation is three or more years old for properties with a value of $2 million or greater; or five or more years old for properties with a value of less than $2 million.

Also, for non-residential properties, a new valuation is generally required where the valuation is between three and five years old and the property has a value of less than $2 million. We may not re-value those properties if each of the following is satisfied at the time the loan is due to roll over:

- the property is leased at arm's length to a third party we consider to be of high credit quality;
- the tenant has demonstrated an acceptable rent payment history over a period of at least 12 months; and
- the tenant is subject to a binding lease extending beyond the period of the proposed loan rollover term.

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Benchmark 6: Lending principles

This Benchmark, together with Benchmark 5: Valuation policy, addresses the Fund's property related lending and valuation practices. To meet Benchmark 6 the Fund needs to maintain a maximum loan-to-valuation ratio (LVR) of 80%.

2,464 loans have an LVR of less than 80% which represents 99.6% of the portfolio that meets Benchmark 6.

As at the date of this Benchmark Report, there are 10 loans with an LVR of greater than 80%. This represents 0.4% of the portfolio which does not meet Benchmark 6.

When the Fund approves a new loan, the LVR must not exceed 75% of the value of the security property or, in the case of Lite Verified loans, the loan does not exceed 70% of the value of the security property. The Fund does not take security over property developments.

During the life of the loans, revaluations may be required (for reasons such as defaults and re-financing). As such, there may be times when the portfolio holds loans with an LVR greater than 80%.

Please refer to 'The Funds lending policy' on page 6 for more detail regarding our process when making or acquiring mortgage loans.

Benchmark 7: Distribution practices

This Benchmark addresses the transparency of the Fund's distribution practices.

The Fund meets Benchmark 7: Distribution practices with the following procedures.

Distributions are paid out of the Fund's income which includes, for example, early repayment of loans, interest payments, penalty fees, early discharge fees, coupons from the fixed interest component of the Fund's investment portfolio and interest earnt on the cash component of the Fund's investment portfolio.

For information on how we calculate the Fund's income and how and when distributions are generally paid, refer to the 'Distributions' section in the PDS for the Challenger Howard Mortgage Fund or Challenger Wholesale Howard Mortgage Fund as applicable.

Benchmark 8: Withdrawal arrangements

This Benchmark addresses our approach to the withdrawal of investments.

The Fund meets Benchmark 8: Withdrawal arrangements with the following procedures.

Additional information on withdrawals is contained in the PDS for the Challenger Howard Mortgage Fund and the Challenger Wholesale Howard Mortgage Fund (as applicable).

Current withdrawal process

On 21 October 2008, the withdrawal process for the Fund was amended. As a result, currently, investors are only able to withdraw from the Fund if we make an offer of withdrawal.

While there is no obligation for us to make a withdrawal offer, our current intention is to make quarterly withdrawal offers, with the most recent withdrawal offered in late April 2009. We will determine the amount available for withdrawals based on our estimate of the available liquidity in the Fund and the market conditions that prevail at the time.

At the time of making an offer, we will write to investors to explain the terms of the offer and the process for submitting their withdrawal request and to inform them of the total amount available for withdrawals. We will make 5% of all investors' units in the Funds available for withdrawal. Therefore, investors who participate in the offer will receive a maximum of 5% of their unit holding paid out as a withdrawal subject to a minimum withdrawal payment.

We will notify investors as soon as our generally applicable withdrawal process recommences.

The current process for withdrawal offers in the Fund is governed by the Corporations Act and requires amongst other things:

- that any offer is made to all investors;
- that the withdrawal offer is open for at least 21 days after the offer is made;
- that the offer specifies the amount of money that will be available for withdrawal; and
- that the offer specifies the method for dealing with withdrawal requests where the total requested withdrawals exceeds the amount made available by the Fund.

Suspending withdrawal requests

We may suspend withdrawal requests for up to 60 days where:

- we consider it impracticable to calculate the net asset value;
- we estimate that we must sell 5% or more of the Fund's assets to meet withdrawals;
- 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 expense or capital gains tax burden on remaining investors or impact negatively on the price we would achieve in selling the Fund's assets;
- we reasonably consider it to be in the best interests of investors to do so; or
- 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.

Other important information on withdrawals

In extraordinary circumstances, withdrawals may be funded by borrowings. For information about borrowing facilities, refer to 'Benchmark 2: Scheme borrowing' on page 3.

Challenger Howard Mortgage Fund unit price

The withdrawal price of units in the Fund is $1.00. For a withdrawal from the Fund, you will receive $1.00 for each unit redeemed, adjusted by adding any accrued (but unpaid) income entitlement or deducting any accrued income deficiency, and less any applicable withdrawal fee (refer to page 11 of the Challenger Howard Mortgage Fund PDS dated 30 November 2008).

The income of the Fund, including additional interest, is shared among the unitholders in the same proportion as the number of units held by each of them bears to the total number of units on issue on that day. If, at the end of a distribution period, there is a negative balance of income entitlement (for example, if losses on the Fund's loans exceeded all interest and other income earned by the Fund over the relevant period), then each unitholder is to be treated as having withdrawn from the Fund (for nil consideration) the number of units corresponding to the number of dollars of the negative balance that is apportioned to that unitholding. In effect, if losses exceeded the Fund's income over the relevant period, unitholders could suffer a loss equivalent to the difference, as units would be treated as having been withdrawn for nil consideration in respect of the difference.

For more information on withdrawals, including transaction cut-off times and how to make a withdrawal request, refer to 'Withdrawing your investment' section of the PDS.

Challenger Mortgage Plus Trust unit price

For a withdrawal from the Fund, you will generally receive $1.00 for each unit redeemed, adjusted by adding any accrued (but unpaid) income entitlement. The withdrawal price of $1.00, prior to the adjustments mentioned above, could be less than $1.00 where the value of the Fund's assets fall. As the underlying investments of the Fund include long-term mortgages and fixed interest securities, short-term volatility in interest rates could cause losses if these investments are realised, or if in the case of a loan default, the value realised for a mortgaged property is less than the loan amount outstanding. All such capital losses, and/or capital gains, are deducted from or added to monthly income distributions but may also reduce the unit price if realised losses are significant.

The income of the Fund, including additional interest, is shared among the unitholders in the same proportion as the number of units held by each of them bears to the total number of units on issue on that day.

Challenger Howard Wholesale Mortgage Fund unit price

The Challenger Howard Wholesale Mortgage Fund does not have a fixed unit price of $1.00. The unit price for this Fund is based on the net asset value of the Fund. Please refer to the current Challenger Howard Wholesale Mortgage Fund PDS dated 30 November 2008 for further information on how the unit price for this Fund is calculated.

Additional information

Senior management of the Fund and Fund Servicer

Rob Stewart – Head of Howard Mortgage Fund

Rob has over 15 years' experience in the financial services industry where he has been responsible for risk control, asset allocation and rebalancing of portfolios. Rob is responsible for the overall strategy for the Fund, risk management and analysis, budget determination and pricing. As Head of the Challenger Howard Mortgage Fund the role also encompasses liaising with internal sales staff, researchers, industry bodies, advisers and investors.

Brian Witney – General Manager Risk Management

Brian joined Challenger Financial Services Group in July 2006 as General Manager Risk Management, where he is responsible for credit risk, operational risk, collections and recoveries for the Challenger Mortgage Management division. This position uses his 18 years' experience in financial services, specifically in the lending accountabilities and mortgage processing and collections area.

Issued by Challenger Managed Investments Limited (ABN 94 002 835 592) (AFSL 234668)

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