

Special Withdrawal Offer update – Challenger Howard Mortgage Fund

To participate in the Special Withdrawal Offer, your completed withdrawal form must be received by Challenger by 3.00pm (Sydney time) on Tuesday 30 November 2010.

This document contains useful information about the Special Withdrawal Offer for the Challenger Howard Mortgage Fund (**the Fund**) and any action you may need to take. It's important to note that if you do not wish to make a withdrawal from your investment in the Fund, you do not need to take any further action.

Special Withdrawal Offer

How the Special Withdrawal Offer will work

Effective 1 November 2010 approximately \$850 million of the Fund's net assets (which is approximately 39% of the total value of the Fund) will be available for unitholders seeking to withdraw.

1. Firstly, the Fund has made available on 1 November 2010 an amount of at least \$700 million of the Fund's net assets (which is at least 32% of the total value of the Fund) for unitholders seeking to withdraw.
2. Secondly, the Fund has also made available on 1 November 2010 an amount of approximately \$150 million of the Fund's net assets to provide a withdrawal opportunity for direct and indirect unitholders of the Fund who hold (or notionally indirectly hold) an account balance of \$10,000 or less (Small Balance Unitholders) to redeem in full if requested.

If all Special Withdrawal Offer requests in aggregate do not exceed the \$700 million, then all of these withdrawal requests will be satisfied in full. If all Special Withdrawal Offer requests in aggregate exceed the \$700 million, then all of these withdrawal requests will be satisfied on a pro rata basis.

Please refer to the Fund's product disclosure statement and the Fund's Notice of Meeting of Unitholders and Explanatory Memorandum dated 15 September 2010 for more information on the Special Withdrawal Offer.

Examples on how the Special Withdrawal Offer will work

The examples below are illustrative and aim to show unitholders how the Special Withdrawal Offer works. The figures quoted are based on the assumptions provided and have been rounded.

Example 1

A unitholder requests \$50,000 in the Special Withdrawal Offer, and if all Special Withdrawal Offer requests received by the Fund in aggregate total:

- a. \$700 million, this unitholder receives the withdrawal amount requested of \$50,000.
- b. \$1.4 billion, this unitholder receives 50% (\$700 million/\$1.4 billion) of the withdrawal amount requested which is \$25,000.
- c. \$500 million, this unitholder receives the withdrawal amount requested of \$50,000.

Example 2

A unitholder requests a 'Full withdrawal' and their balance is \$100,000, and if all Special Withdrawal Offer requests received by the Fund in aggregate total:

- a. \$700 million, this unitholder receives the withdrawal amount requested of \$100,000.
- b. \$1.4 billion, this unitholder receives 50% (\$700 million/\$1.4 billion) of the withdrawal amount requested which is \$50,000.
- c. \$500 million, this unitholder receives the withdrawal amount requested of \$100,000.

Example 3

A Small Balance Unitholder requests a 'Full withdrawal', the unitholder should receive their full balance. This is because an amount has been set aside. In the unlikely event that Small Balance Unitholder withdrawal requests received by the Challenger Howard Mortgage Fund (including those received by the Challenger Howard Mortgage Fund from indirect investors) in aggregate exceed \$150 million, then these withdrawal requests will be satisfied on a pro rata basis.

Any unitholder who wishes to maximise the amount they will receive under any withdrawal facility should put in a request to withdraw their full balance.

How to make a withdrawal request for the Special Withdrawal Offer

For a withdrawal request to be valid, we must receive the enclosed form, correctly completed, by 3.00pm (Sydney time) on Tuesday 30 November 2010. Please return the completed form in the enclosed reply paid envelope to:

Challenger
Reply Paid 3698
Sydney NSW 2001

Commonly asked questions

Do I need to make a withdrawal request for the Special Withdrawal Offer?

No, there is no obligation for you to lodge a withdrawal request. If you do not lodge a withdrawal request, no activity will occur on your account and your unit balance will remain the same. If you are unsure about whether or not to make a withdrawal request, we recommend you seek advice from your financial planner.

What are the tax consequences of withdrawing money from the Fund?

We recommend you seek taxation advice regarding any taxation consequences of any withdrawal proceeds.

What happens if my form is late?

We cannot accept any withdrawal requests after 3.00pm (Sydney time) on Tuesday 30 November 2010. Any requests received after this time are invalid.

How will I know if my form has been received?

We will send you a letter acknowledging our receipt of your withdrawal request. If you do not receive a letter from us, please

contact us on 1300 794 935 prior to 3.00pm (Sydney time) on 30 November 2010. Once the Special Withdrawal Offer has closed, we will send you a confirmation withdrawal advice.

When will I receive the proceeds from my withdrawal?

We expect that your withdrawal payment will be paid to your nominated bank account within 10 days of the closing date of the offer.

When will I be able to withdraw more of my investment in the Fund?

The first Ongoing Withdrawal Facility opens on 1 January 2011 and closes on Thursday 31 March 2011 at 3.00pm (Sydney time). Unitholders will be able to lodge their valid withdrawal requests on any business day during the quarter. All withdrawal requests received prior to 3.00pm (Sydney time) on the last business day of the relevant quarter will be processed effective the first business day of the following quarter and will be usually paid within 10 business days of that date. Please refer to the current product disclosure statement for the Fund for more information on how you can withdraw.

When will you offer the Periodic Small Balance Withdrawal Facility?

Commencing from 1 July 2011 we intend, but are not obliged, to provide, on at least an annual basis, direct and indirect unitholders of the Fund who hold (or notionally indirectly hold) an account balance of less than a specified amount with an opportunity to withdraw their account balance in full. The specified amount will be determined by Challenger, based on the level of the Fund's liquidity and likely demand, but the specified amount will not be more than \$10,000. We will communicate to unitholders the terms of the Periodic Small Balance Withdrawal Facility when we offer the opportunity.

For more information

Before making a decision about whether or not to request a withdrawal for all or part of your investment, we recommend that you speak with your financial planner. If you have any further questions regarding the withdrawal offer, please contact our Investor Services team on 1300 794 935.

Disclaimer

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