

**Challenger High Yield Fund (ARSN 099 212 647)
December 2008**

Amended withdrawal process

Background

Challenger Managed Investments Limited (**Challenger**), as responsible entity of the Challenger High Yield Fund (**Fund**), decided on 17 October 2008 that it was appropriate for the withdrawal process for the Fund to be amended. As a result, withdrawals from the Fund can only be made after Challenger makes an offer of withdrawal.

While there is no obligation for Challenger to make a withdrawal offer, we expect that we will be able to offer withdrawals from the Fund once market conditions return to a more normal state and provide greater liquidity for the Fund’s investments. We will determine the amount available for withdrawals based on our estimate of the available liquidity in the Fund and market conditions that prevail at the time.

At the time of making such an offer, we will write to investors to explain the process for submitting a withdrawal request and to inform them of the total amount available for withdrawals. If withdrawal requests submitted exceed the amount available for a particular offer, then requests will be satisfied proportionally in accordance with the Corporations Act. That is, withdrawal payments will be scaled back by taking the individual’s withdrawal request (which may be up to 100% of a unitholder’s account balance) divided by the total amount requested by all unitholders, multiplied by the total sum made available for withdrawal for the period (please see example below).

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

Amended withdrawal process information

The amended 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.
- That the offer specifies the method for dealing with withdrawal requests where the total requested withdrawals exceed the amount made available by the Fund.

The method for dealing with oversubscribed withdrawal requests is required under the Corporations Act to be determined as follows:

$$\text{Amount of money available} \times \frac{\text{Amount requested by unitholder}}{\text{Total of all monies requested}}$$

Example of how withdrawal amounts are calculated. Assume:

- The Fund makes a withdrawal offer of \$100,000 in total to investors.
- A single investor requests a withdrawal of \$10,000.
- The total of all requested withdrawals is \$500,000.

In this example the investor who has requested the \$10,000 withdrawal would receive:

$$\$100,000 \times \frac{\$10,000}{\$500,000} = \$2,000$$

Note: This purely illustrative example is not indicative of, and is not a forecast or guarantee of, the amount of any withdrawal offer or the amount received on acceptance of any withdrawal offer (if made). The actual amount an investor will receive from any withdrawal offer made will depend on the amount made available by us and the total amount sought to be withdrawn by all investors.

When the Fund's withdrawal process was amended in October 2008, we anticipated being able to make withdrawal offers on a quarterly basis commencing from January 2009. Credit and fixed interest markets in which the Fund invests remain generally illiquid and dislocated. Attempting to realise assets in these conditions has proved extremely difficult and we believe that forced sales in these market conditions would not generate the best outcome for unitholders. At this stage, we do not anticipate having sufficient cash in the Fund to make a meaningful withdrawal offer in January 2009, and we will advise investors if this situation changes. In the future, we will determine the amount available for withdrawals based on our estimate of the available liquidity in the Fund and market conditions that prevail at the time.

The information contained in this update is current as at 22 October 2008 and is provided by Challenger Managed Investments Limited ABN 94 002 835 592, AFSL 234 668 (Challenger). It should be regarded as general information only, rather than as advice. It has been prepared without taking any person's objectives, financial situation or needs into account. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation or needs. Challenger is the issuer of interests in the Fund. Offers of interests in the Challenger High Yield Fund are contained in the relevant current product disclosure statement (PDS) issued by Challenger. Investors should consider the PDS before making an investment decision about the Fund. The PDS is available on our website: www.challenger.com.au or by calling our Investor Services team on 13 35 66.

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