

Withdrawal offers – Challenger high yield funds

January 2009

We will make a withdrawal offer to investors in each of the following Funds which will be open from 23 January 2009 until 20 February 2009:

- Challenger High Yield Fund¹
- Challenger Wholesale High Yield Fund¹
- Challenger Professional High Yield Fund¹
- Challenger Premier High Yield Fund¹

(each a 'Fund' and together referred to as the 'Funds')¹.

This document contains useful information about the offers 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 relevant Fund, you do not need to take any further action.

If you would like to request a withdrawal for part or all of your investment, please read the following information, complete the enclosed withdrawal offer request form and return the form to Challenger as indicated below. **We must receive your withdrawal request by 3pm (Sydney time) on 20 February 2009 if you wish to participate in this withdrawal offer.**

Withdrawal offer dates

The offers will open on 23 January 2009 and will close on 20 February 2009 (at 3pm Sydney time).

Withdrawal requests which are incomplete or received after 3pm on the closing date will not be accepted. If your requested withdrawal amount is greater than your account balance on the date of receipt, we will treat your request as a request for a full withdrawal. We reserve the right to cancel the withdrawal offer, close the offer early or extend the period of the offer.

Amount available for withdrawal

Since October 2008, when the withdrawal procedure of the Funds was amended, we have actively managed the assets of the Funds to provide enough cash to support withdrawal offers for investors. The amount of money that is expected to be available for withdrawals from each Fund is outlined below:

Fund	Expected withdrawal offer amount
Challenger High Yield Fund	\$1.257 million
Challenger Wholesale High Yield Fund	\$20.904 million
Challenger Professional High Yield Fund	\$2.681 million
Challenger Premier High Yield Fund	\$157,000

These amounts have been calculated on a proportional basis equal to the underlying assets attributable to each Fund. Those amounts other than for the Premier Fund have been rounded to the nearest thousand dollars.

¹ The Challenger High Yield Fund, Challenger Wholesale High Yield Fund, Challenger Professional High Yield Fund and Challenger Premier High Yield Fund represent the retail, wholesale, professional and premier unit classes (respectively) issued in the Challenger High Yield Fund ARSN 099 212 647. Separate withdrawal offers are to be made to each unit class in the Challenger High Yield Fund.

If the withdrawal offer is oversubscribed

We expect that the amount of withdrawal requests from investors will exceed the amounts outlined above. In this event, we will reduce the requested withdrawal amounts on a pro rata basis, consistent with the requirements of the Corporations Act.

The amount paid to investors in each Fund would be calculated as follows:

$$\text{Money available for the relevant fund} \times \frac{\text{Amount requested by unitholder}}{\text{Total of all monies requested}}$$

Example using Challenger Wholesale High Yield Fund

- The Fund makes a withdrawal offer of \$20.904 million.
- An investor requests a withdrawal of \$10,000.
- The total of all withdrawal requests is \$104.52 million.
- The investor would receive:

$$\frac{\$20.904 \text{ million} \times \$10,000}{\$104.52 \text{ million}} = \$2,000$$

Note: The above example is purely illustrative and not indicative of, and is not a forecast or guarantee of, the amount of any future withdrawal offer or the amount received on acceptance of any withdrawal offer. 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.

Please note that if Challenger was to receive full redemptions from all investors, we would reduce the amount paid to approximately 3.4% of all withdrawal requests. The responsible entity of each Fund expects to receive greater withdrawal requests from unitholders than the withdrawal offer amount and therefore a substantial reduction of withdrawal requests is likely.

The withdrawal will be calculated effective 20 February 2009, the closing date of the offers.

How to make a withdrawal request

For a withdrawal request to be valid, we must receive the enclosed withdrawal offer request form correctly completed by **3pm** (Sydney time) on **20 February 2009**.

Please return the completed form in the enclosed reply paid envelope to:

Challenger, Reply Paid 3698
Sydney NSW 2001

Commonly asked questions

Why did Challenger amend the withdrawal procedure for the Funds?

As has been widely reported, the past 12 months has been a difficult time for investment markets. In the latter part of 2008, many investors reduced their exposure to managed funds (including credit and high yielding funds) and as a result redemptions increased to a level that we were unable to meet through the Fund's available sources of liquidity.

As a result of these conditions, Challenger, as responsible entity for the Funds, temporarily amended the withdrawal process for the Funds in order to protect the interests of all unitholders and to ensure that all unitholders are treated equally.

By when must my withdrawal form be received?

To be considered in this withdrawal offer, your completed withdrawal offer request form must be received by Challenger by **3pm (Sydney time) on Friday, 20 February 2009**.

What happens if my form is late?

We cannot accept any withdrawal requests after 3pm on Friday 20 February 2009. Any requests received after this time will be returned to you. You may wish to send in a request when the next withdrawal window opens.

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 13 35 66 prior to 3pm on 20 February 2009. Once the withdrawal offer has closed, we will send a confirmation letter to all investors who have requested a withdrawal advising the amount they will receive.

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.

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

Withdrawal amounts may include a capital component and an income component. As such, we recommend you seek taxation advice regarding any withdrawal proceeds.

When will the next withdrawal offer open?

Our ability to make a withdrawal offer depends principally on the available liquidity within the Fund.

If you require access to your money over the next few months we suggest you talk to your financial adviser about whether you should consider making a withdrawal request this time.

For more information

Before making a decision to maintain your investment or to request a withdrawal for part or all of your investment, we recommend that you speak with your financial adviser. If you have any further questions regarding the withdrawal offer, please contact our Investor Services team on 13 35 66.

Disclaimer

The information contained in this document is current as at 13 January 2009 unless otherwise specified and is provided by Challenger Managed Investments Limited ABN 94 002 835 592 AFSL 234668 (Challenger), the issuer of the Challenger High Yield Fund ARSN 099 212 647. It is general information rather than advice. Any information provided or conclusions made, whether express or implied, do not take into account the investment objectives, financial situation and particular needs of an investor. Because of that, an investor should, before acting on this information, consider the appropriateness of the advice, having regard to that person's objectives, financial situation and needs. Challenger is not licensed or authorised to provide tax or social security advice. The information in this document is not and should not be construed as a recommendation, solicitation or an offer to buy or sell any securities mentioned herein or otherwise. Past performance is not a reliable indicator of future performance. Offers of interests in the products referred to in this document are contained in the relevant current Product Disclosure Statement which is available on our website www.challenger.com.au and should be considered (including to determine whether or not a product is appropriate for a person) before making any decision about the relevant product, including whether to acquire, dispose or continue to hold an investment. If you acquire or hold one of our products, we will receive fees and other benefits, which are disclosed in the PDS for the product. We and our employees do not receive any specific remuneration for any advice provided to you. However, financial advisers may receive fees or commissions if they provide advice to you or arrange for you to invest with us. Some or all of the Challenger group companies and their directors may benefit from fees, commissions and other benefits received by another group company.