

Withdrawal offer update – Challenger high yield funds

22 January 2010

This document contains useful information about the withdrawal offers for the Challenger high yield funds 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.

Whilst credit market conditions remain difficult, the outlook has improved as liquidity and appeal for credit and high yielding assets has strengthened. We continue to actively manage the Funds to their investment objectives, whilst seeking to raise liquidity where appropriate. Cash levels in the Funds are currently at a level where a meaningful withdrawal offer can again be made.

Challenger high yield funds withdrawal offers

We are opening our next withdrawal offers to investors in each of the following funds from **Friday 22 January 2010 until 3pm (Sydney time) Friday 19 February 2010**:

- 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

We are offering an amount of money for withdrawals that is significantly greater than previous withdrawal offers due to generally improved conditions and the maturity of a significant holding in the Fund. The method of making a request for withdrawal is the same as for the October 2009 withdrawal offers.

If you would like to request a withdrawal, 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 before **3pm (Sydney time) on Friday 19 February 2010** if you wish to participate in these withdrawal offers.

Withdrawal offers opening and closing dates

The offers will open on **Friday 22 January 2010** and will close on **Friday 19 February 2010 (at 3pm Sydney time)**.

Withdrawal requests which are incomplete or received after 3pm on the closing date will not be accepted. We reserve the right to cancel the withdrawal offers, close the offers early or extend the period of the offers.

How the offers will work

We will make 10% of all investors' units in the Funds available for withdrawal. Therefore, investors who participate in the offer will receive a maximum of 10% of their unit holding paid out as a withdrawal, subject to a minimum withdrawal payment. If all investors take up these offers, we will pay out the following amounts to investors:

Fund	Maximum withdrawal	Maximum dollar amount ²
Challenger High Yield Fund	10%	\$3.7 million
Challenger Wholesale High Yield Fund	10%	\$59 million
Challenger Professional High Yield Fund	10%	\$7.7 million
Challenger Premier High Yield Fund	10%	\$0.5 million

These amounts have been calculated on a proportional basis equal to the underlying assets attributable to each Fund.

The withdrawal will be calculated effective the closing date of the offer, which is Friday 19 February 2010, with payments made within 10 business days of the closing date.

Minimum withdrawal payment

We will apply a minimum withdrawal amount such that all investors who participate in this offer receive a minimum payment of \$500 (or their full balance if it is less than \$500).

How to make a withdrawal request

For a withdrawal request to be valid, we must receive the enclosed form, correctly completed, by **3pm (Sydney time) on Friday 19 February 2010**.

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

Challenger
Reply Paid 3698
Sydney NSW 2001.

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 ARSN 099 212 647.

² The dollar amounts quoted are based on funds under management (FUM) as at 31 December 2009 and have been rounded.

Commonly asked questions

Why did Challenger amend the withdrawal procedure for the Funds?

As has been widely reported, the past 18 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 withdrawals increased to a level that we were unable to meet through the Funds' available sources of liquidity. As a result of these conditions, Challenger, as responsible entity for the Funds, 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.

Why can I only access 10% of my investment?

Liquidity in the high yield sector continues to be significantly lower than has historically been the case. We have made available a withdrawal amount that will ensure that the Funds will continue to retain sufficient liquidity subsequent to the withdrawal payment, to manage the portfolio effectively, pay out distributions and enhance our ability to make future withdrawal offers.

Will you be offering the same percentage for withdrawal every quarter?

Our ability to make future withdrawal offers depends principally on the available liquidity within the Funds which we continue to monitor. Future withdrawal offers, including the withdrawal percentage amount offered and the process for any future withdrawal offers are not guaranteed and are subject to change. If you require access to your money over the short-term we suggest you talk to your financial planner about whether you should participate in the withdrawal offer opening on 22 January 2010.

Do I need to make a withdrawal request?

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.

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 13 35 66.

Disclaimer

The information contained in this update is current as at 22 January 2010 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 update 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 Funds referred to in this update are contained in the relevant current Product Disclosure Statement (PDS) which is available on our website www.challenger.com.au and should be considered (including to determine whether or not a Fund is appropriate for a person) before making any decision about the relevant Fund, including whether to acquire or continue to hold an investment. If you acquire or hold one of our Funds, we will receive fees and other benefits, which are disclosed in the PDS for the relevant Fund. We and our employees do not receive any specific remuneration for any advice provided to you. However, financial planners 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.

Can I make a withdrawal on behalf of an Estate?

Yes. For Estate policies, the bank account provided must be in the name of the Estate, otherwise the payment will be made by cheque, payable to the Estate.

When must my withdrawal form be received?

To be considered in these withdrawal offers, your completed withdrawal form must be received by Challenger by **3pm (Sydney time) on Friday 19 February 2010**.

What happens if my form is late?

We cannot accept any withdrawal requests after **3pm (Sydney time) on Friday 19 February 2010**. Any requests received after this time will be returned to you and no payment will be made.

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 (Sydney time) on 19 February 2010. Once the withdrawal offer has closed, we will send a 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 Funds?

We recommend you seek taxation advice regarding any withdrawal proceeds.

What happens to the other 90% of my investment?

Challenger remains committed to the prudent management of the Funds. As such, your investment continues to be invested in a well diversified portfolio of high yielding, fixed interest and hybrid debt/equity investments with the Funds being actively managed in accordance with their investment objectives. In addition, we continue to monitor liquidity within the Funds.