

Withdrawal offers update – Challenger high yield funds

16 October 2009

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 market conditions remain difficult, we continue to actively manage the Funds to improve the blend of securities, whilst seeking liquidity where appropriate. We remain very mindful of credit risk and we continue to investigate ways that we can increase the amounts available for withdrawal by unitholders while managing the Funds to their investment objectives. Cash levels in the Funds have increased to a level where a meaningful withdrawal offer can now be made.

We are opening our next withdrawal offers for the Funds from **Friday 16 October 2009 to 3pm (Sydney time) on Friday 13 November 2009**. In response to feedback from investors we have changed the withdrawal offers method in order to provide more immediate certainty about the amount available for withdrawal for each investor.

Challenger high yield funds withdrawal offers

We will make withdrawal offers to investors in each of the following funds which will be open from Friday 16 October 2009 until 3pm (Sydney time) Friday 13 November 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

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 13 November 2009** if you wish to participate in these withdrawal offers.

Withdrawal offers dates

The offers will open on Friday 16 October 2009 and will close on **Friday 13 November 2009 (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 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. If all investors take up these offers, we will pay out the following amounts to investors:

Fund	Max. withdrawal	Max. amount to be paid out
Challenger High Yield Fund	5%	\$1.8 million
Challenger Wholesale High Yield Fund	5%	\$30.4 million
Challenger Professional High Yield Fund	5%	\$3.9 million
Challenger Premier High Yield Fund	5%	\$0.2 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 13 November 2009, with redemptions paid 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 13 November 2009**.

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.

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 redemptions 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 did you change the withdrawal offer process?

We have moved to a withdrawal amount of 5% in order to provide immediate certainty to investors regarding the amount of money they may receive from the offers. Under the previous process investors were not able to find out in advance how much they would be able to withdraw, therefore we have changed the offers to provide you with certainty about the amount of money you will receive should you wish to participate in the withdrawal offers.

Why can I only access 5% 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 which allows us to manage the portfolio effectively, pay out distributions and enhance our ability to make future withdrawal offers.

When will the next withdrawal offers open?

Our ability to make future withdrawal offers depends principally on the available liquidity within the Funds. If you require access to your money over the short term we suggest you talk to your financial adviser about whether you should participate in the withdrawal offer opening on 16 October 2009.

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.

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 payable to the Estate by cheque.

By 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 13 November 2009**.

What happens if my form is late?

We cannot accept any withdrawal requests after **3pm (Sydney time) on Friday 13 November 2009**. Any requests received after this time will be returned to you.

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 13 November 2009. 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.

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 16 October 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 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 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 Fund. 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.