

Withdrawal offer update – Challenger mortgage funds

23 April 2010

This document contains useful information about the withdrawal offers for the Challenger mortgage 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.

Overview

The past 12 to 18 months has presented a difficult environment for the mortgage fund sector. Whilst the sector continues to face liquidity challenges, domestic economic conditions are improving and the property market has shown signs of stabilising. The Funds are not investing in new loans at present, however current market conditions are shifting in favour of commercial lenders (i.e. the Funds) by way of higher interest rates and tighter borrowing terms and conditions for new deals. We are in the final stages of developing a proposal to unitholders to improve certainty and liquidity, and subject to various approvals, we expect to be able to provide further information on the future of the Funds by the end of June 2010. In the interim, we continue to manage the Funds to their investment objectives, whilst making available liquidity for withdrawal offers where market conditions permit.

Challenger mortgage funds withdrawal offers

We are opening our next withdrawal offers to investors in each of the following funds from **Friday 23 April 2010 until 3pm (Sydney time) Friday 21 May 2010**:

- Challenger Howard Mortgage Fund
- Challenger Howard Wholesale Mortgage Fund
- Challenger Mortgage Plus Trust¹
- Challenger Professional Mortgage Plus Trust¹

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

We are offering an amount of money for withdrawal that is comparable with previous withdrawal offers. The method of making a request for withdrawal is the same as for the January 2010 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 21 May 2010** if you wish to participate in these withdrawal offers.

Withdrawal offers opening and closing dates

The offers will open on **Friday 23 April 2010** and will close on **Friday 21 May 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 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	Maximum withdrawal	Maximum dollar amount ²
Challenger Howard Mortgage Fund	5%	\$117.7 million
Challenger Howard Wholesale Mortgage Fund	5%	\$63.8 million ³
Challenger Mortgage Plus Trust	5%	\$0.9 million ³
Challenger Professional Mortgage Plus Trust	5%	\$0.8 million ³

The withdrawal will be calculated effective the closing date of the offer, which is Friday 21 May 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 21 May 2010**.

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

Challenger
Reply Paid 3698
Sydney NSW 2001.

¹ References to the Challenger Mortgage Plus Trust and Challenger Professional Mortgage Plus Trust are to the retail and professional unit classes (respectively) issued in the Challenger Mortgage Plus Trust (ARSN 091 029 248). Separate withdrawal offers are to be made to each unit class in the Challenger Mortgage Plus Trust.

² The dollar amounts quoted are based on funds under management as at 31 March 2010 and have been rounded.

³ These Funds invest in the Challenger Howard Mortgage Fund, therefore the amounts provided here are included in the total of \$117.7 million being offered by the Challenger Howard Mortgage Fund. The maximum amount to be made available for all Funds is \$117.7 million (funded from cash reserves).

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 mortgage funds) and combined with the Federal Government's announcement, in mid October 2008, to guarantee bank deposits, withdrawals from the Funds 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 5% of my investment?

Liquidity in the commercial mortgage sector continues to be significantly lower than has historically been the case. We have made available a withdrawal amount that will ensure that subsequent to the withdrawal payments, the Funds will continue to retain sufficient liquidity 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?

Based on the current liquidity in the Funds, and expected future loan discharges, we expect to make withdrawal offers of at least 5% of investors' unit holdings every quarter until June 2010. Our ability to make such offers however, will depend on the liquidity within the Funds at the time of each offer. We will provide more information prior to the next withdrawal offer.

Please note that future withdrawal offers are not guaranteed and/or the process for any future withdrawal offer could be subject to change.

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 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 21 May 2010**.

What happens if my form is late?

We cannot accept any withdrawal requests after **3pm (Sydney time) on Friday 21 May 2010**. 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 21 May 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 Fund?

Depending on the Fund you are invested in, withdrawal amounts will include a capital component and in certain cases an income component. As such, we recommend you seek taxation advice regarding any withdrawal proceeds.

What happens to the other 95% 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 pool of around 1,800 mortgages. The Funds are being actively managed in accordance with their investment objectives in order to deliver regular income and capital stability. In addition, Challenger continues to investigate options to increase liquidity within the Funds.

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 document is current as at 23 April 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 Howard Mortgage Fund (ARSN 090 464 074), Challenger Howard Wholesale Mortgage Fund (ARSN 093 720 159), Challenger Mortgage Plus Trust and Challenger Professional Mortgage Plus Trust. 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. All mortgage funds carry some investment risk. They are not bank deposits. Past performance is not a reliable indicator of future performance. Offers of interests in the Challenger Howard Mortgage Fund and Challenger Howard Wholesale Mortgage Fund 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 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. The Challenger Mortgage Plus Trust and Challenger Professional Mortgage Plus Trust are closed to new investors. If you acquire or hold one of our products, 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.