

Withdrawal offers update – Challenger hybrid property funds

This document contains useful information about the withdrawal offers for the Challenger Hybrid Property Fund and Challenger Wholesale Hybrid Property Fund (collectively 'the Funds') and any action you may need to take. To participate in a withdrawal offer, your completed withdrawal form must be received by Challenger by 3.00pm (Sydney time) on Friday 30 March 2012. It's important to note that if you do not wish to make a withdrawal from your investment in the Fund, you do not need to take any further action.

Overview

In the period since the withdrawal procedure of the Funds was amended, we have actively managed the underlying assets of the Funds to preserve unitholder value given the evidence of dislocation in the direct property market.

The direct property market has stabilised and we are pleased to confirm that the underlying fund that the Funds invest in recently sold the Kings Cross – Commercial Property for a total price of \$9.15 million.

As a consequence of this sale and a distribution of cash from the underlying fund, the Funds are now in a position to make available the withdrawal offers detailed below.

If either of the withdrawal offers is undersubscribed any residual cash will be invested in Australian property securities, consistent with the Funds' investment objective and strategy. The Funds will continue to opportunistically invest in direct property assets where Challenger believes that it is in the best interest of unitholders to do so.

Please refer to the opposite column for details on what happens if a withdrawal offer is oversubscribed.

Challenger hybrid property funds withdrawal offers

The amount of money that is expected to be available from each Fund is outlined below:

Fund	Amount available
Challenger Hybrid Property Fund	\$2 million
Challenger Wholesale Hybrid Property Fund	\$10 million

Withdrawal offers opening and closing dates

The offers will open on Tuesday 31 January 2012 and will close on Friday 30 March 2012 (at 3.00pm, Sydney time).

Withdrawal requests which are incomplete or received after 3.00pm (Sydney time) 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.

If a withdrawal offer is oversubscribed

The amount of withdrawal requests from investors may exceed the withdrawal offer amounts available, and therefore the offers may be oversubscribed. In this event, we will reduce the requested withdrawal amounts on a pro-rata basis, consistent with the requirements of the Corporations Act 2001.

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 the Challenger Wholesale Hybrid Property Fund

- The Fund makes a withdrawal offer of \$10 million
- An investor requests a withdrawal of \$45,000
- The total of all withdrawal requests is \$15 million
- The investor would receive:

$$\$10 \text{ million} \times \frac{\$45,000}{\$15 \text{ million}} = \$30,000$$

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 offers 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. The withdrawal will be calculated effective 30 March 2012.

How to make a withdrawal request

For a withdrawal request to be valid, we must receive the enclosed form, correctly completed, by **3.00pm (Sydney time) on Friday 30 March 2012**.

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

Challenger, Reply Paid 3698, Sydney NSW 2001

Commonly asked questions

Do I need to make a withdrawal request for the withdrawal offers?

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 adviser.

What happens if my form is late?

We cannot accept any withdrawal requests after **3.00pm (Sydney time) on Friday 30 March 2012**. Any requests received after this time are invalid.

How will I know if my form has been received?

If you decide to request a withdrawal and wish to confirm that your request has been received, please contact our Investor Services team on 13 35 66 prior to 3.00pm (Sydney time) on 30 March 2012. Once the withdrawal offers have closed and your payment processed, we will send you a withdrawal confirmation advising the amount you 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 business days of the closing date of the offers.

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. Your proportionate holding in the Fund may also change. As such, we recommend you seek taxation advice regarding any taxation consequences of any withdrawal proceeds.

When will the next withdrawal offers open?

Our ability to make withdrawal offers depends principally on the liquidity available within the relevant Fund. If you require access to your money 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 about whether or not to request a withdrawal for all or part of your investment, we recommend that you speak with your financial adviser. If you have any further questions regarding the withdrawal offers, please contact our Investor Services team on 13 35 66 or visit www.challenger.com.au.

Disclaimer

The information contained in this document is current as at 17 January 2012 unless otherwise specified and is provided by Challenger Managed Investments Limited (ABN 94 002 835 592) (AFSL 234668) (Challenger), the issuer of interests in the Challenger Hybrid Property Fund (ARSN 090 850 294) and Challenger Wholesale Hybrid Property Fund (ARSN 090 790 962) (collectively known as 'the Funds', or individually 'the Fund'). 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 their 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 funds carry some investment risk. Past performance is not a reliable indicator of future performance. The Challenger Hybrid Property Fund and the Challenger Wholesale Hybrid Property Fund are closed to new investors. Accordingly there is no current Product Disclosure Statement (PDS) for either Fund. If you acquire or hold one of our products, we will receive fees and other benefits. 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 Limited group of companies and their directors may benefit from fees, commissions and other benefits received by another group company.