

21 August 2008

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Dear Business Colleague

Challenger Wholesale Hybrid Property Fund (ARSN: 090 790 962)
Challenger Hybrid Property Fund (ARSN: 090 850 294)

Challenger Managed Investments Limited, as responsible entity of the Challenger Wholesale Hybrid Property Fund and Challenger Hybrid Property Fund (Funds), wish to advise that effective from 5.30 PM (Eastern Standard Time) on 20 August 2008, the Funds have been temporarily closed for withdrawals and investments, including the reinvestment of distributions. Despite this change however, the Funds will continue to pay distributions.

We believe that the closure is the best course of action to preserve unitholder value given the evidence of market dislocation in the direct property market. Once the market has stabilised, we expect to be able to re-open the Funds for future investments and withdrawals.

Please refer to the paragraph headed "What does this mean for investors?" over the page for more information on how the closure of the Funds affects investors in the Funds. Alternatively please call our Adviser Services team on 1800 621 009, during Sydney business hours.

Fund update

The fund into which this Funds invests ("the Underlying Fund") generally aims to maintain an equal allocation to direct property and listed property securities, with our portfolio managers able to re-allocate assets within set parameters in order to add value to the portfolio. However over the course of the last 12 months, two main factors have caused the asset allocation to vary significantly from this neutral positioning:

- The deterioration in the listed property securities market, which has further increased the Funds' relative overweight position in direct property; and
- The absence of willing buyers in the direct property market, which has made it difficult to sell properties, in spite of an active marketing campaign for the Underlying Fund's major assets, at values that we consider to reflect fair value.

In normal market conditions, direct properties can be sold within several months to enable us to rebalance the portfolio within a reasonable period. The current market conditions are clearly not 'normal' with a large number of natural buyers of direct properties becoming sellers as they seek to manage their own liquidity and debt positions.

Despite the delay in successfully completing transactions in the direct property sector, the Fund's portfolio itself remains robust. The Funds have exposure to a quality suite of direct property assets predominantly within the commercial and retail sectors with an average occupancy rate of 95%.

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What does this mean for investors?

Effective from 5.30 PM (Eastern Standard Time) on 20 August 2008 investors will be unable to invest any further money into the Funds (including one-off additional investments, regular savings plan investments and reinvestment of distributions) or make withdrawals.

If investors' distributions are being reinvested in the Funds and they wish to have their distribution paid to their financial institution account they can complete a "Change of details" form available on our website, www.challenger.com.au, or they can call our Investor Services team on 13 35 66, during Sydney business hours. Please note that if we do not receive an investor's bank account details before the 30 September 2008 distribution is paid we will automatically update their account details so that the 30 September 2008 and future distributions are paid to them by cheque.

We trust that the decision to close the Fund does not cause investors unnecessary inconvenience. We firmly believe that this decision will serve to preserve unitholder value where possible during an uncertain and volatile investment environment.

Further information

We will continue to send investors quarterly statements and keep them informed of any developments as they occur.

Yours sincerely



Matt Gaden
General Manager
Distribution - Funds Management
Challenger