

**CHALLENGER TEMPORARILY AMENDS WITHDRAWAL PROCESS
FOR THE CHALLENGER HOWARD MORTGAGE FUND**

21 October 2008, Sydney - Challenger today acknowledged that while the recent initiatives by the Federal Government are intended to provide stability in the financial system, the implementation of the unlimited bank deposit guarantee had created concerns amongst some investors about the security of income investments not covered by this guarantee.

Challenger has been monitoring the impact of the government initiative on its market leading and long standing mortgage fund, the Challenger Howard Mortgage Fund (the Fund), which has experienced an elevated number of inquiries and redemption requests following the Government announcement.

As a result the redemption policy for this Fund, along with Challenger's other mortgage funds¹, will be temporarily amended. This amendment will mean the volume of redemptions processed will be matched against the liquidity generated by maturing of the Fund's loan assets. The payment of monthly distributions is not affected by this decision.

Rob Adams, Chief Executive Funds Management, commenting on behalf of the Responsible Entity for the Fund said: "This decision is a necessary and prudent response to a material increase in redemption requests following the Government's announcements. This temporary change in redemption policy has been designed to protect the interests of all unit holders.

"Importantly, the quality of the Fund's assets remains sound and the portfolio continues to perform strongly, particularly when compared against similar investment vehicles. The Fund's assets remain invested in commercial mortgages secured by a diversified portfolio of quality properties. Mortgage investments in the Fund have been and continue to be selected based on conservative lending criteria."

Mr Adams said: "We believe we are seeing unintended consequences of the Government's initiative in relation to supporting the banking system. We will keep a close watch on the situation and review the policy when conditions normalise."

Challenger's associated commercial lending operations will continue by accessing other funding sources.

Ends

¹Challenger Howard Wholesale Mortgage Fund and Challenger Mortgage Plus Trust

Editors Note:

The Funds Management division of Challenger with total funds under management of \$13.1 billion¹, offers a broad spectrum of financial products and services, including the Challenger Howard Mortgage Fund.

Established in 1985, the Challenger Howard Mortgage Fund has built a reputation as one of Australia's most capable and reliable mortgage funds. The Fund's \$2.8 billion¹ in assets are invested in commercial mortgages which are secured by a diversified portfolio of quality properties. Mortgage investments for the Fund are selected using conservative lending criteria including:

- The Fund holds first mortgage security over all loans;
- The loans must not exceed 75% of the value of the property;
- Security is taken over existing property only, not property developments.

The Challenger Howard Mortgage Fund's security is complemented by strong performance, with the Fund delivering consistent returns since inception.

¹ As at 30 September 2008