

# Special Withdrawal Offer update – Challenger Howard Wholesale Mortgage Fund

To participate in the Special Withdrawal Offer, your completed withdrawal form must be received by Challenger by 3.00pm (Sydney time) on Tuesday 30 November 2010.

This document contains useful information about the Special Withdrawal Offer for the Challenger Howard Wholesale Mortgage Fund (the Fund) 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 Fund, you do not need to take any further action.

## Special Withdrawal Offer

### How the Special Withdrawal Offer will work

The Challenger Howard Mortgage Fund (the fund in which the Fund invests) intends to make available on or around 1 November 2010 approximately \$850 million of its net assets (which is approximately 39% of its total value) for its unitholders seeking to withdraw.

1. Firstly, the Challenger Howard Mortgage Fund has made available on 1 November 2010 at least \$700 million of its net assets (which is at least 32% of its total value) for its unitholders seeking to withdraw. As the Fund invests in the Challenger Howard Mortgage Fund it will participate on behalf of unitholders in the Special Withdrawal Offer. The Fund intends to make a withdrawal request to the Challenger Howard Mortgage Fund to reflect any withdrawal requests received from unitholders in relation to the Fund's Special Withdrawal Offer. This means that unitholders will be able to withdraw at least 32% of the withdrawal amount requested, as determined below:
  - If all such withdrawal requests received by the Challenger Howard Mortgage Fund (including those received from the Fund) in aggregate do not exceed the \$700 million, then all of these withdrawal requests will be satisfied in full. In this scenario the Fund's unitholders would also have their withdrawal requests satisfied in full.
  - If all such withdrawal requests received by the Challenger Howard Mortgage Fund (including those received from the Fund) in aggregate exceed the \$700 million, then all of these withdrawal requests will be satisfied on a pro rata basis. In this scenario the Fund's unitholders would also have their withdrawal requests satisfied on a pro

rata basis consistent with that applied to the Challenger Howard Mortgage Fund, with unitholders receiving at least 32% of the withdrawal amount requested.

2. Secondly, the Challenger Howard Mortgage Fund has made available an additional amount on 1 November 2010 of approximately \$150 million of its net assets to provide an opportunity for its direct and indirect unitholders who hold (or notionally indirectly hold) an account balance of \$10,000 or less, to redeem in full if requested. As the Fund invests in the Challenger Howard Mortgage Fund it will be able to participate on behalf of direct and indirect unitholders of the Fund who hold (or notionally indirectly hold) an account balance of \$10,000 or less (Small Balance Unitholders) in this offer.

Please refer to the Fund's product disclosure statement and the Fund's Notice of Meeting of Unitholders and Explanatory Memorandum dated 15 September 2010 for more information on the Special Withdrawal Offer.

### How to make a withdrawal request for the Special Withdrawal Offer

For a withdrawal request to be valid, we must receive the enclosed form, correctly completed, by **3.00pm (Sydney time) on Tuesday 30 November 2010**. Please return the completed form in the enclosed reply paid envelope to:

Challenger  
Reply Paid 3698  
Sydney NSW 2001

### Examples on how the Special Withdrawal Offer will work

The examples below are illustrative and aim to show unitholders how the Special Withdrawal Offer works. The figures quoted are based on the assumptions provided and have been rounded.

#### Example 1

A unitholder requests \$50,000 in the Special Withdrawal Offer, and if all Special Withdrawal Offer requests received

by the Challenger Howard Mortgage Fund (including those received from the Fund) in aggregate total:

- a. \$700 million, this unitholder receives the withdrawal amount requested of \$50,000.
- b. \$1.4 billion, this unitholder receives 50% (\$700 million/\$1.4 billion) of the withdrawal amount requested which is \$25,000.
- c. \$500 million, this unitholder receives the withdrawal amount requested of \$50,000.

### **Example 2**

A unitholder requests a 'Full withdrawal' and their balance is \$100,000, and if all Special Withdrawal Offer requests received by the Challenger Howard Mortgage Fund (including those received from the Fund) in aggregate total:

- a. \$700 million, this unitholder receives the withdrawal amount requested of \$100,000.
- b. \$1.4 billion, this unitholder receives 50% (\$700 million/\$1.4 billion) of the withdrawal amount requested which is \$50,000.
- c. \$500 million, this unitholder receives the withdrawal amount requested of \$100,000.

### **Example 3**

A Small Balance Unitholder requests a 'Full withdrawal', the unitholder should receive their full balance. This is because an amount has been set aside. In the unlikely event that Small Balance Unitholder withdrawal requests received by the Challenger Howard Mortgage Fund (including those received by the Challenger Howard Mortgage Fund from the Fund) in aggregate exceed \$150 million, then these withdrawal requests will be satisfied on a pro rata basis.

Any unitholder who wishes to maximise the amount they will receive under any withdrawal facility should put in a request to withdraw their full balance.

## **Commonly asked questions**

### **Do I need to make a withdrawal request for the Special Withdrawal Offer?**

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.

### **What are the tax consequences of withdrawing money from the Fund?**

We recommend you seek taxation advice regarding any taxation consequences of any withdrawal proceeds.

### **What happens if my form is late?**

We cannot accept any withdrawal requests after **3.00pm (Sydney time) on Tuesday 30 November 2010**. Any requests received after this time are invalid.

### **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 1300 794 935 prior to 3.00pm (Sydney time) on 30 November 2010. Once the Special Withdrawal Offer has closed, we will send you a confirmation withdrawal advice.

### **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.

### **When will I be able to withdraw more of my investment in the Fund?**

The first Ongoing Withdrawal Facility opens on 1 January 2011 and closes on Thursday 31 March 2011 at 3.00pm (Sydney time). Unitholders will be able to lodge their valid withdrawal requests on any business day during the quarter. All withdrawal requests received prior to 3.00pm (Sydney time) on the last business day of the relevant quarter will be processed effective the first business day of the following quarter and will be usually paid within 10 business days of that date. Please refer to the current product disclosure statement for the Fund for more information on how you can withdraw.

### **When will you offer the Periodic Small Balance Withdrawal Facility?**

Commencing from 1 July 2011 we intend, but are not obliged, to provide, on at least an annual basis, direct and indirect unitholders of the Fund who hold (or notionally indirectly hold) an account balance of less than a specified amount with an opportunity to withdraw their account balance in full. The specified amount will be determined by Challenger, based on the level of the Fund's liquidity and likely demand, but the specified amount will not be more than \$10,000. We will communicate to unitholders the terms of the Periodic Small Balance Withdrawal Facility when we offer the opportunity.

### **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 1300 794 935.

### **Disclaimer**

The information contained in this document is current as at 1 November 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 Wholesale Mortgage Fund (ARSN 093 720 159). 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 information, 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 Fund are contained in the current Product Disclosure Statement (PDS) which is available on our website [www.challenger.com.au](http://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. If you acquire or hold one of our products, 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 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.