

Challenger Wholesale Hybrid Property Fund

Product Disclosure Statement (PDS)
Dated 20 June 2007

Responsible Entity
Challenger Managed Investments Limited
(ABN 94 002 835 592)
(AFSL 234668)



About this Product Disclosure Statement (PDS)

This document provides information to help investors and their advisers assess the merits of investing in the Challenger Wholesale Hybrid Property Fund (ARSN 090 790 962) (**Fund**) and to compare the Fund with other investment opportunities on offer. We strongly encourage you to read this document in full before making an investment decision.

In preparing this PDS we did not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider whether investing in the Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice, particularly about such individual matters as taxation, retirement planning and investment risk tolerance.

Updated information

The information in this PDS is up to date at the time of preparation. However, some information and terms (see below) can change from time to time. If a change is considered materially adverse we will issue a supplementary or replacement PDS.

For updated or other information about the Fund (such as performance), please consult your financial planner, call our Investor Services team on 13 35 66 or visit our website, www.challenger.com.au. We will send you a copy of the updated information free of charge upon request.

Important notices

This PDS relating to the Fund is dated 20 June 2007 and is issued by Challenger Managed Investments Limited (ABN 94 002 835 592) (AFSL 234668) (**CMIL**).

The Fund is managed by CMIL, who is the responsible entity of the Fund and issuer of this PDS and whose ultimate parent is Challenger Financial Services Group Limited (ABN 85 106 842 371) (**Challenger** or the **Challenger Group**).

Neither CMIL nor any other member of the Challenger Group of companies guarantees the repayment of your capital or the performance of your investment.

By investing in the Fund you confirm you have received a copy of the current PDS to which this investment relates, that you have read it and agree to the terms contained in it, and that you agree to be bound by the terms of the relevant current PDS and current constitution (each as amended from time to time).

The offer or invitation to subscribe for units in the Fund under this PDS is only available to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS. CMIL reserves the right to change these terms and conditions with, in the case of an increase in fees, 30 days notice, otherwise notice will be provided before or as soon as practicable after the change occurs. We reserve the right to withdraw the offer or invitation to subscribe for units and withdraw this PDS.

All fees quoted in this PDS, unless otherwise stated are quoted inclusive of any Goods and Services Tax (**GST**) and reduced input tax credits of 75% of GST paid, which effectively reduces the GST payable from 10% to 2.5%.

Consent

Challenger Management Services Limited (**CMSL**) has given its consent to the statements about them in the form and context in which they are included.

CMSL was not involved in the preparation and distribution of this PDS and it is not responsible for the issue of this PDS nor is it responsible for any particular part of it, other than those parts that refer to it. CMSL has not withdrawn its consent before the date of this PDS.

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Glossary

In this PDS we refer to

As

Challenger Wholesale Hybrid Property Fund	the Fund
Challenger Premier Hybrid Property Fund ARSN 089 988 536	the underlying fund
Challenger Financial Services Group	Challenger or the Challenger Group
Challenger Managed Investments Limited	we, us, our, CMIL or the responsible entity

About the Challenger Group



Listed on the Australian Stock Exchange, the Challenger Group is an established player in Australian financial services. We are dedicated to providing smarter solutions to financial intermediaries and their clients, offering a broad spectrum of financial products and services.

We are one of Australia's largest non-bank mortgage lenders, funding commercial loans as well as a range of residential mortgage products offered by a network of preferred lenders under their own brands.

Through our annuity products, Challenger has built a strong reputation in the retirement market. This reputation also extends to the other investment products and wealth management services that we offer. As new opportunities arise, we will continue to expand our range of listed and unlisted products for both institutional and retail clients.

We are highly regarded as a quality investment manager in our own right. And we also act as a gateway to other expert investment managers. This means that we can offer a range of funds to help meet your investment needs, across not only a variety of asset classes, but also across different investment styles.

Our commitment to quality ensures we provide our clients with outstanding access to top level solutions, an ethos that is also carried into our range of financial planning services.

Challenger is always striving to challenge the status quo and deliver a smarter way forward. To find out more about how Challenger can help you, talk to your financial planner or call Challenger's Investor Services team on 13 35 66.

Features at a glance

		See section
Minimum transaction and balance requirements¹		'Making, withdrawing and monitoring your investment' on page 15.
Initial investment	\$50,000	
Additional investment	\$5,000	
Regular savings plan	\$500 per month	
Minimum withdrawal	\$5,000	
Minimum balance	\$50,000	
Fees and other costs²		'Fees and other costs' on pages 10 to 14.
Contribution fee	Nil	
Withdrawal fee	Nil	
Management fee	0.768% p.a. of the Fund's net asset value.	
Normal operating expenses	In addition to the management fee, we may recover certain Fund-related expenses as allowed by the Fund's constitution from the Fund. At the date of this PDS, estimated normal operating expenses is 0.082% p.a. of the Fund's net asset value. This does not include any abnormal expenses.	
Transaction costs – buy/sell spread	+0.87% on entry and –0.87% on exit. These amounts may change if the estimate of the underlying transaction costs change.	
Making and withdrawing your investment		'Making, withdrawing and monitoring your investment' on page 15.
Investing and withdrawing	Generally, you can invest or withdraw at any time.	
Transaction cut-off times	Valid transaction requests must be received prior to 3pm Sydney time to be processed as at that day and withdrawal requests will usually be paid within five business days (see page 18 for further information on transaction cut-off times).	
Distribution payments		'Distributions' on page 19.
Frequency	Quarterly, as at 31 March, 30 June, 30 September and 31 December. However, there may be periods in which no distributions are made.	
Payment methods	Reinvested into the Fund as additional units or paid to your nominated accessible account with an Australian financial institution.	
Valuations and pricing		'Unit prices' on page 19.
Valuing the Fund's assets	The Fund's assets are usually valued each NSW business day.	
Unit pricing	Unit prices are usually calculated each NSW business day.	
Investor reporting		'Monitoring your investment' on page 18.
Transaction confirmations	We generally send transaction confirmations for investments and withdrawals.	
Regular reporting	We send quarterly periodic statements as at 31 March, 30 June, 30 September and 31 December.	
Annual tax reporting	We send consolidated annual tax statements.	
Annual fund reporting	We send an annual report for the Fund. You may elect not to receive the annual report.	

¹We may at our discretion accept lower minimum transaction and balance amounts.

²For certain Wholesale clients (as defined in the Corporations Act) we may, at our discretion, negotiate, rebate or waive all or part of our fees.

About the Fund

Suggested investment timeframe	At least five years.
Investment manager	Challenger Managed Investments Limited
Benchmark	A 50% weighting to Mercers Australian Unlisted Property Index and a 50% weighting to S&P/ASX 300 Property Accumulation Index. ¹
Investment objective	The Fund aims to outperform its Benchmark over rolling three year periods, while providing capital growth and some income over the medium to long-term (at least five years).
Investment strategy	Our investment strategy is to identify the major trends in the economy, and look at how these trends will influence financial and property markets. By analysing both global and domestic economic prospects, we aim to position investment portfolios to take advantage of future economic developments.
Investment approach	<p>The Fund uses an investment mix of direct property and listed property securities. Macroeconomic analysis assists in determining the weighting of the portfolio to listed property securities and direct property. It also assists in identifying sectors that have the potential to deliver superior performance. For property securities we employ a 'top-down' macroeconomic and 'bottom-up' company specific research and analysis approach.</p> <p>We may also participate in property related transactions which may involve secured lending and underwriting, and may also acquire interests in unlisted investment vehicles which have exposure to geared and ungeared property assets in Australia or overseas. The Fund may also purchase property for a short term with a view to onselling.</p>
Investment universe	<p>The Fund maintains an approximately equal exposure to direct property and listed property related investments.</p> <p>The direct property investments generally have the following characteristics:</p> <ul style="list-style-type: none"> • provide an income stream; • potential for capital growth; • have an identified and realistic exit strategy; • are of a size and category that can find a ready market while not being too large; and • fall within any of the portfolio sectors (industrial, commercial, residential and retail). <p>The direct property investments will generally be interests in real properties held directly by the underlying fund but may also include exposures through other unlisted property trusts in Australia and overseas.</p> <p>The listed property related investments are comprised of listed property trusts and/or companies listed on the Australian Stock Exchange (ASX) engaged in property investment, property development, construction or property related activities. Through these investments the Fund is exposed to properties located within and outside Australia. The Fund may also have a small exposure to investments listed on overseas stock exchanges.</p>

¹ For the period to 1 July 2007 the Benchmark for the Fund was the InTech Property Composite Index with a 50% weighting to InTech Weighted Direct Property Index and a 50% weighting to the S&P/ASX 200 Property Trust Accumulation Index.

Portfolio construction	In selecting listed and unlisted property securities, we believe that a combination of 'top-down' macroeconomic and 'bottom-up' company specific research and analysis is required. To actively manage the Fund's direct property portfolio, we use the services of Challenger Management Services Limited.				
Strategic asset allocation ranges	<table border="0"> <tr> <td>Listed property trusts</td> <td>30%-100%</td> </tr> <tr> <td>Direct property</td> <td>0%-70%</td> </tr> </table> <p>The actual asset allocation can move within these ranges according to our view of matters such as the outlook for the property investment markets and any impact or potential impact (including any stamp duty implications) arising from the acquisition or sale of direct property assets. Direct property assets may but generally will not comprise more than 60% of the underlying portfolio.</p>	Listed property trusts	30%-100%	Direct property	0%-70%
Listed property trusts	30%-100%				
Direct property	0%-70%				
Risks of investing in the Fund	See 'Understanding the risks of investing' on pages 7 to 9.				

Fund performance, actual asset allocation and Fund size

You can obtain up-to-date information for the Fund by contacting your financial planner or visiting our website, www.challenger.com.au. A paper copy of updated information will be given to you without charge on your request by calling our Investor Services team on 13 35 66.

How the Fund's investments are managed

The Fund may make investments directly, or indirectly by investing in other funds (including funds related to or managed by a member of the Challenger Group) that have investment objectives and authorised investments that are consistent with the Fund. This structure helps to minimise transaction costs and can enhance diversification.

Currently the Fund gains its exposure to listed property securities and direct property by investing through the underlying fund which we also manage.

Accordingly in this PDS, where we refer to the Fund's investments or investment exposure we generally do so on a 'look-through' basis; that is, we are referring to the underlying assets that the Fund is exposed to through its investment in the underlying fund.

Labour standards or environmental, social or ethical considerations

We do not take into account labour standards or environmental, social or ethical considerations when buying, retaining or selling underlying investments. However, to the extent that we believe those matters may affect the value or performance of an underlying investment they may be considered. We do not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration as these will be determined on a case-by-case basis.

Borrowings

Borrowing may occur to gear investment exposure and to manage liquidity. Borrowing may also occur on a day-to-day basis to cover short-term cash flows or if emergency or extraordinary situations occur. Access to borrowings for these purposes is regarded by us as prudent for funds that invest directly in property. The Fund's constitution limits its borrowing to 40% of its net asset value and the constitution of the underlying fund limits its borrowings to 66% of its net asset value. We do not, however, anticipate borrowings by either the Fund or the underlying fund will exceed 30% of their respective net asset values.

Borrowing facilities are presently in place with a major financial institution. These facilities are used from time to time as we regard appropriate. Loan facility establishment fees were paid to obtain the current borrowing facilities and an annual commitment fee is paid to maintain each facility. Interest at the rate agreed with the lender is payable on any amounts borrowed. These costs are expenses of the fund to which the borrowing facility relates. The terms of each borrowing facility were negotiated on an arm's length basis and the interest rate payable is a market rate.

Challenger may change the financial institution from time to time and may also seek to vary the terms of the borrowing facility where it believes this is in the best interest of members. In this case borrowings may be from a variety of sources, including companies associated with the Challenger Group. Where funds are borrowed from companies associated with the Challenger Group, the terms are set on a commercial basis.

Derivatives

The term 'derivative' is used to describe any financial product that has a value that is derived from another security, liability or index. We do not make extensive use of derivatives within the Fund. The Fund's constitution permits it to use derivatives, such as futures or options, to reduce risk or gain exposure to other types of investments. We do not intend to gear the Fund through the use of derivatives.

Changes to investment policy

The Fund's constitution permits a wide range of investments and gives us as responsible entity, broad investment powers.

We may vary the investment objectives, strategies and processes of the Fund set out in this PDS. We will give unitholders written notice of any material variations we believe they would not have reasonably expected.

Understanding the risks of investing

What are the risks of investing?

A degree of risk applies to all types of investments – including investments in the Fund.

As investing in the Fund involves exposing your investment to a range of risks it is important you understand:

- the risks involved in investing in the Fund;
- how these risks compare with the risks of other investments;
- how comfortable you are in exposing your investment to risk; and
- the extent to which the Fund fits into your overall financial plan.

Risk can mean different things to different people. It can mean the risk that your investment may fail to achieve the returns that you expect. This includes situations in which your investment may suffer substantial declines in value. It also includes situations in which your investment goals will not be met because the type of investments you chose did not provide the potential for adequate returns.

Risk is also often defined to mean investment volatility. That means the extent to which an investment varies in value over a given period. Often investments offering higher levels of return also exhibit higher levels of short-term volatility.

When making your investment decision, you should consider that investments in growth assets, such as shares and property, provide the potential for higher returns in the long term than investments in income-producing assets such as fixed interest and cash. However, growth assets tend to produce more variability of returns in the short-term.

Diversifying your investments across different asset classes can help you to smooth your returns. Ensuring you select an investment that matches your investment timeframe can also help you manage risk. Your financial planner can help you with these considerations and in understanding and managing the risks of investing.

Types of risk

To help you consider the risks of investing in the Fund, the following list describes the significant risks associated with investing in the Fund.

You should consult your financial planner before making a decision to invest.

Property related risk

Property is affected by the general risks outlined in this section. There are other particular external factors that also impact property including liquidity, interest rates, the quality of properties, proximity of competing properties, current and expected income, capital expenditure, developments and other economic conditions that may affect supply and demand and construction/refurbishment costs. Further, due to world events in recent years it may not always be possible to obtain terrorism insurance for direct property assets.

Market risk

Investment returns are influenced by market factors. These factors include changes in the economic (e.g. changes in interest rates and exchange rates), legislative and political environment, as well as changes in investor sentiment.

Withdrawal risk

Where a fund invests either directly or indirectly in direct property assets there is a risk that it may not be possible to withdraw within the generally applicable timeframes. This is because direct property assets may, in order to obtain an acceptable price, take longer to sell. As a result withdrawals from the Fund may take longer than the normal five business day period. The Fund currently gains exposure to its investment portfolio by investing in the underlying fund. Currently we can only withdraw from the underlying fund pursuant to withdrawal offers made by Challenger (in its capacity as responsible entity of the underlying fund) at its discretion. Under the Fund's constitution we have 180 days for meeting withdrawal requests. This period reflects the nature of the investment portfolio.

We may also suspend withdrawal requests for up to 30 days. In the unlikely event that we could not meet withdrawal requests within the 180 day period, the Fund would be regarded as illiquid under the Corporations Act 2001 (Cth) (Act). In this case you could only withdraw from the Fund pursuant to a withdrawal offer made in accordance with the Act by the responsible entity of the Fund in its absolute discretion. We aim to manage this risk by closely monitoring the cash reserves of the Fund and by carefully considering withdrawal offers made by the underlying fund. For further information on withdrawals, please refer to pages 16 and 17 of this PDS.

Portfolio risk

The Fund will be invested in a diversified portfolio that seeks to generate income and the potential for medium to long-term capital growth. We aim to achieve a lower level of volatility over the Fund's investment timeframe than the Fund's benchmark by limiting the Fund's exposure to any one asset and by permitting the Fund to invest in derivatives.

Investment manager risk

The investment style of an investment manager can have a substantial impact on the investment returns of a fund. No single investment style performs better than all other investment styles in all market conditions. Investment performance will also depend on the skill of the investment manager in selecting, combining and implementing investment decisions. Changes in the personnel of the investment manager may also have an impact on investment returns of a fund.

Entity risk

When a security in a company or other entity is purchased, the investor is exposed to many of the risks to which the individual entity is itself exposed. These risks may impact the value of a security. They include such factors as changes in management, actions of competitors and regulators, changes in technology and market trends.

Liquidity risk

If a security or asset, such as direct property, is not actively traded it may not be readily bought or sold without some adverse impact on the price paid or obtained. For example, in order to obtain an acceptable price, it may take a significant time to sell direct property assets depending on economic and market factors affecting the relevant direct

property market. We aim to manage liquidity risk through our investment process and by carefully managing the sale and purchase of the Fund's assets.

Currency risk

If the Fund invests in other countries, and if their currencies change in value relative to the Australian dollar, the value of the investment can change. For example, a rise in the Australian dollar relative to other currencies may negatively impact investment value or returns. Conversely, a decline in the Australian dollar relative to other currencies may positively impact investment value or returns.

Gearing risk

Borrowing to gear investment exposure can magnify the potential gains and losses from investments and increase the volatility of a fund's return. Therefore, a geared fund is considered to have a higher investment risk than a comparable ungeared fund and investors should be prepared for larger variations in returns (both positive and negative) in the geared fund. The returns of a geared fund depend on not only the type of investments in the geared fund but also the level of gearing and the costs of borrowing, including interest rates. A geared fund will underperform a comparable ungeared fund when the cost of borrowing is greater than the return on the ungeared investment.

The gearing level for a fund may change daily due to factors such as market movements, applications, withdrawals or changes to the amount borrowed.

Please refer to 'Borrowings' on pages 5 and 6 for information on how the Fund uses gearing.

Regulatory risk

The risk that the value of some investments may be adversely affected by changes in government policies, regulations and laws.

Derivative risk

Risks associated with using derivatives might include the value of the derivative failing to move in line with that of the underlying asset, potential illiquidity of the derivative, the Fund may not be able to meet payment obligations as they arise and counterparty risk (where the counterparty to the derivative contract cannot meet its obligations under the contract).

The Fund aims to keep derivative risk to a minimum by constantly monitoring the use of derivatives, by making sure the Fund can meet all its obligations with respect to its derivative contracts and by entering into derivative contracts with reputable counterparties.

Fund risk

Risks particular to the Fund include that it could terminate and the fees and expenses could change. We could close the Fund to further investments if we consider it appropriate given the investment objective and investment strategy of the Fund. We may terminate the Fund by notice to unitholders. Your investment is governed by the terms of the constitution and PDS each as amended from time to time. There is also a risk that investing in the Fund may give different results from holding the underlying assets directly because of:

- income or capital gains accrued in the Fund at the time of investing; and
- the consequences of investment and withdrawal decisions made by other investors in the Fund, for example, a large level of withdrawals from the Fund may lead to the need to sell underlying assets which would potentially realise capital gains.

We aim to manage these risks by monitoring the Fund and acting in investors' interests.

Fees and other costs

Consumer advisory warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in 'Taxation considerations' on page 20.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the fund		
Establishment fee The fee to open your investment.	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment.	Nil	Not applicable
Termination fee The fee to close your investment.	Nil	Not applicable
Management costs		
Management costs The fees and costs for managing your investment. ¹	0.850% p.a. ¹	The management costs include your management fee and estimated normal operating expenses, expressed as a percentage of the total average net assets of the Fund. This amount does not include any abnormal expenses. The management fee is deducted from the Fund's assets, accrued daily and paid monthly in arrears.
Service fees²		
Investment switching fee The fee for changing investment options.	Nil	Not applicable

¹ For certain Wholesale clients (as defined in the Corporations Act) we may, at our discretion, negotiate, rebate or waive all or part of our fees.

Please see 'Can fees be different for different investors?' on page 12 for more information.

² Please also see 'Additional adviser fees' on page 13.

Additional explanation of fees and costs

Management costs

Management costs comprise the additional fees or costs that an investor incurs by investing in the Fund rather than investing directly in the underlying assets.

Management costs include the management fee, normal operating expenses, abnormal expenses and investment expenses. A further explanation on each is detailed below. Management costs do not include transaction costs or other costs that an investor would ordinarily incur when investing directly in the underlying assets.

Management costs are payable from the Fund's assets and are not paid directly from your account. The management costs for the Fund are based on current financial information. For details of the maximum fees permitted under the constitution see 'Can fees change?' on page 13.

Management fee – this is the fee we charge for managing the investments, overseeing of the Fund's operations and providing access to the Fund. The management fee is 0.768% p.a. of the Fund's net asset value.

Normal operating expenses – we will recover normal operating expenses from the Fund, provided that such recovery is not prohibited by the Corporations Act and the Fund's constitution.

As at the date of this PDS, the estimated normal operating expenses are 0.082% p.a. of the Fund's net asset value.

The constitution of the Fund allows for the normal operating expenses (such as registry, audit, taxation advice, investment management and offer documents) to be paid directly from the Fund. The constitution does not place any limit on the amount of the normal operating expenses that can be paid from the Fund.

Abnormal expenses – we may recover abnormal expenses (such as costs of unitholder meetings, changes to the constitution and defending or pursuing legal proceedings) from the Fund. The management costs set out in the table of fees and costs does not include any abnormal expenses. Whilst it is not possible to estimate such expenses with certainty, we anticipate that the events that give rise to such expenses will rarely occur.

In circumstances where such events do occur, we may decide not to recover these abnormal expenses from the Fund.

Investment expenses – we currently pay the standard ongoing investment management expenses of the Fund from our management fee.

Management costs components

Total management costs (% p.a.)	Management fee (% p.a.)	Estimated normal operating expenses ¹ (% p.a.)
0.850	0.768	0.082

¹This is the estimated amount as at the date of this PDS and is based on normal operating expenses for the 12 month period ending 31 December 2006.

Other fees and expenses

Challenger Management Services Limited (a related body corporate) provides property and advisory services¹ to the underlying fund.

Fees for these property and advisory services are payable to Challenger Management Services Limited and are regarded as a normal operating expense an investor would incur if they were directly invested in direct property assets of the kind held by the underlying fund. They are, therefore, not included in the management costs shown on page 10. They are, however, indirectly borne by investors in the Fund because they are paid from the assets of the underlying fund. The unit price and investment return from the underlying fund will reflect this fee and any other fees and expenses paid or payable in the underlying fund. These fees are indirectly borne by unitholders in the Fund.

An incentive fee in respect of the direct property assets of the underlying fund is also payable to Challenger Management Services Limited for the provision of property investment services. This incentive fee is only payable when the investment performance of the direct property assets exceed the relevant benchmark (currently the Mercers Australian Unlisted Property Index) over a financial year. This incentive fee cannot exceed an amount equal to 1% p.a. of that period's average net asset value of the direct property component of that trust. This fee is paid from the management fee of the underlying fund and is indirectly borne by unitholders in the Fund, and, if payable would result in an increase in management costs.

The unit price and investment return from the underlying fund will reflect any incentive fees paid and/or payable under this arrangement. Other charges may be payable to related and unrelated third parties who perform services for the Fund's underlying fund.

Transaction costs – buy/sell spread

The buy/sell spread in the Fund is stated as a percentage of the net asset value of the Fund. Investment prices and withdrawal prices currently reflect a spread (adjustment) of +0.87% (for the investment price) and –0.87% (for the withdrawal price) around the unit price of the Fund. The buy/sell spread reflects our estimate of the transaction costs expected to be incurred in buying and selling the securities as a result of investments, withdrawals and switches made by investors. A different buy/sell spread may apply if we change our estimate.

We will notify you if the buy/sell spread increases. Types of transaction costs can include brokerage, stamp duty and other government taxes or charges. The purpose of the buy/sell spread is to ensure that only those investors transacting in the Fund's units at a particular time bear the Fund's costs of buying and selling the Fund's assets as a consequence of their transaction.

Our estimate of transaction costs may take into account factors such as (but not limited to) historical transaction costs and anticipated levels of investments and withdrawals. It is expected that brokerage will make up the vast majority of transaction costs.

Please note that the buy/sell spread is not a fee paid to us. It is paid to the Fund and is reflected in the unit price. The buy/sell spread, however, is an additional cost to you.

Transaction costs example: If you invested or withdrew \$50,000 in the Fund, a buy/sell spread of +0.87%/–0.87% is included in the unit price which is equal to a transaction cost of \$435.

Investing in underlying funds

The Fund may invest in other funds or investment companies including those managed by us or our associates. Where we invest in an unlisted fund managed by us, full management fees will not be received by us

from both funds. Instead, adjustments will be made so that our management fee will be no greater than the fee we have elected to take under the Fund's constitution at the relevant time.

Costs incurred directly by the Fund

Borrowing costs are the costs associated with borrowing money or securities such as interest, establishment fees and government charges. Borrowing costs are not included in the management costs set out on page 10 and are paid by the Fund or the underlying fund (as applicable).

Units in lieu

We may elect to receive units in lieu of all or part of any management fee (plus any applicable GST) for the Fund.

Can fees be different for different investors?

Yes, we may negotiate, rebate or waive fees for Wholesale clients (as defined by the Corporations Act). We do not negotiate fees with retail clients.

Government charges and GST

Government taxes such as stamp duty and GST may be applied as appropriate. Please refer to the section on 'Taxation considerations' on page 20.

Adviser remuneration

We may pay fees or provide other financial assistance (for seminars, client mailings, co-operative advertising, postage, etc) to financial services intermediaries. These may be a fixed dollar amount or a percentage of funds invested. If we do, we will make these payments from our own resources, so that they are not an additional cost to the Fund or its investors.

We maintain a register (in compliance with Industry Code of Practice on Alternative Forms of Remuneration) summarising alternative forms of remuneration that are paid or provided to certain advisers. If you would like to review this register please contact us.

Commissions and other payments

We may pay fees from our resources to some investor-directed portfolio service (IDPS) operators if they offer the Fund on their investment menus.

These fees may be rebated to investors who invest through an IDPS operator or retained by the IDPS operator and include:

- product access payments of up to \$5,500 p.a. per IDPS operator; and
- fund manager payments of up to 0.55% p.a. of the amount invested by the IDPS operator in the Fund.

If we do pay fees, we will pay them from our own resources so that they are not an additional cost to the Fund or its investors. These amounts are current at the issue date of this PDS.

Additional adviser fees

Although this is not paid from the Fund, you and your financial planner may agree that you will pay your financial planner an additional fee. The adviser service fee may be an amount of up to 1.1% p.a. of your account balance, negotiated with your financial planner and to be calculated and paid on a monthly basis. You and your financial planner may agree to this fee to be deducted from your account for the provision of ongoing services in relation to your investment. Where you agree to pay your financial planner an adviser service fee, you also authorise us to withdraw units you hold in the Fund to pay this fee to your financial planner.

There may be capital gains or capital losses consequences on the withdrawal.

If the deduction of the adviser service fee will cause your balance in the Fund to fall below the minimum balance, we will not deduct the adviser service fee.

Adviser service fee example: If your account balance was \$50,000 and you pay a maximum adviser service fee of 1.1% p.a., this equates to \$45.83 per month. You or your financial planner may cancel the adviser service fee at any time. If you wish to cancel the adviser service fee you must notify us in writing. In addition to the adviser service fee you may also agree other fee arrangements directly with your financial planner.

Can fees change?

All fees can change. Reasons for this might include changing economic conditions and changes in regulation.

We will give you 30 days written notice of any proposed increase. We cannot charge more than the Fund's constitution allows. If we wished to raise fees above the amounts allowed for in the Fund's constitution, we would need the approval of unitholders.

The constitution for the Fund allows for the operating expenses (such as registry, audit, taxation, advice, investment management and offer documents) to be paid directly from the Fund. The constitution does not place any limit on the amount of operating expenses that can be paid from the Fund.

The current fees are set out on page 10. Under the constitution of the Fund we are presently entitled to charge the following maximum fees (GST can be added to all these fees if applicable).

Fee	Maximum amount
Contribution fee (currently not charged)	8.00% of the contribution.
Management fee	0.75% p.a. of the Fund's net asset value.
Trusteeship fee (currently not charged)	0.10% of the Fund's net asset value.
Payment order fee (currently not charged)	\$1.00 per payment order.

Example of annual fees and costs for the Fund

This table gives an example of how fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment funds.

Example	Amount	Balance of \$50,000 with a contribution of \$5,000 during year
Contribution fees	0%	For every \$5,000 you put in, you will be charged \$0.
Plus Management costs	0.85%	And , for every \$50,000 you have in the Fund you will be charged \$425 each year.
Equals Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees from: \$425 to \$467.50¹. What it costs you will depend on which Fund you choose to invest in and the fees you negotiate with your financial adviser.

¹ An allowance for transaction costs will also apply for contributions and withdrawals from the Fund (please see 'Transaction costs – buy/sell spread' on page 12).

Please note that this is just an example. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Fund, which also fluctuates daily.

Making, withdrawing and monitoring your investment

Making an investment

Initial investments

The minimum initial investment amount is \$50,000.

To make your initial investment please send us your cheque together with a signed, completed application form from a current PDS.

All individual or joint investors in the Fund must be at least 18 years of age.

Cheques should be made payable to '**CMIL Wholesale Applications Account <insert the name of investor(s)>**'.

Additional investments

The minimum additional investment amount is \$5,000.

How to make an additional investment

You can make additional investments by sending your cheque together with a completed application form from a current PDS. The instructions to make an additional investment must be signed by the investor(s).

If you wish to make additional investments to the Fund, please keep a copy of this PDS, and any information that updates it, for future reference. A copy of the current PDS and any supplementary PDS is available free of charge on our website or by calling our Investor Services team on 13 35 66.

Regular savings plan

After your initial investment, you can make additional regular investments through the regular savings plan.

The regular savings plan enables you to invest in the Fund on a regular basis by monthly deduction straight from your accessible account with an Australian financial institution.

You can start the regular savings plan by electing to make monthly contributions of \$500 or more into the Fund via the electronic funds transfer system. To do so, simply

complete the relevant sections of the application form at the back of this PDS. Your nominated account will be debited on or around the next business day after the 14th day of each month for the specified amount. Please note that you should ensure we receive your written instructions regarding commencing, cancelling, amending or changing your regular savings plan at least three business days before the 14th day of the month in which you wish your instructions to take effect. To commence a regular savings plan, please ensure you complete the relevant sections of the application form. If you wish to have your regular savings plan payments deducted from a third party account or a different account to what we have on file, you will also need to complete a direct debit authority form.

You can also amend the amount, suspend or cancel your regular savings plan by fax.

Participation can be renewed annually by continuing to make contributions.

Units will be issued on the terms contained in the PDS current at the time the contributions are made. Should an updated PDS or supplementary PDS be issued, a copy will be forwarded to you if you continue to participate in the regular savings plan. Your financial planner can provide you with more information on the benefits of saving this way.

If two consecutive debits dishonour due to insufficient funds we will suspend your regular savings plan.

You should keep a copy of the current PDS and any information that updates the PDS for future reference. We will also provide you with a copy of the current PDS, free of charge, upon request.

Incomplete or rejected application forms

To ensure your applications are processed efficiently it is important that you complete all sections of the application form (refer to the application form checklist on page 24).

If all information is not complete we may not be able to proceed with your request until the required information is received. In these situations we may:

- attempt to contact you and/or your adviser (if applicable); or
- hold your application monies in a non-interest bearing account until we receive the required information.

Monies are held for a maximum period of 30 days (in a non-interest bearing account) commencing on the day we receive the funds. After this period your funds will be returned to the source of payment via cheque.

Once we receive your completed application the monies held will be divided by the next determined investment unit price to calculate the number of units allocated to you.

Under the constitution of the Fund, we can accept or reject any application for units and are not required to give any reason or grounds for such a refusal.

Restrictions on investments

We can vary the minimum investment amounts for the Fund and have the right to refuse or suspend the processing of applications for any reason. We can also change the application cut-off time.

Where we consider it to be in the best interests of unitholders (such as an inability to value a Fund), we may suspend application requests. Any application requests received during the period of suspension, or for which a unit price has not been calculated or confirmed prior to the commencement of a period of suspension, will be deemed to have been received immediately after the end of the suspension period. In addition, under the constitution we can refuse applications for any reason.

Cooling-off right

By law, certain investors (those not defined as Wholesale clients in the Corporations Act), have a cooling-off right whereby they can change their mind about their investment in the Fund and ask for their money to be repaid.

The cooling-off right must be exercised within 14 days from the earlier of:

- when you receive confirmation of your investment; or

- the end of the fifth business day after the day on which your units were issued or sold to you.

The cooling-off right terminates immediately if you exercise certain other investor rights, such as withdrawing part of your investment. The cooling-off right does not apply to reinvested distributions or certain additional investments.

To exercise the cooling-off right we must receive your written instructions in our office before the expiry of the 14-day cooling-off period. The repayment of your investment under the cooling-off right is subject to an adjustment for market movements (both positive and negative) during the period the investment has been held. We may also deduct a reasonable charge for our administration costs.

These cooling-off rights do not apply to Wholesale clients (as defined in the Corporations Act). Please note that as an investor in the Fund you will not necessarily be a Wholesale client for the purposes of the Corporations Act. If you have any questions about cooling-off rights, please contact your financial planner or our Investor Services team on 13 35 66.

Withdrawing your investment

Generally, you can withdraw some or all of your investment at any time, subject to the minimum withdrawal and balance amounts set out on page 3.

If your withdrawal would cause your balance to fall below the current minimum balance amount, we can treat it as a request for a full withdrawal.

We can make withdrawal payments by direct credit to an accessible account with an Australian financial institution or by cheque.

You agree that if the type of payment you request results in bank fees being charged, we may deduct those fees from your withdrawal proceeds before remitting the net amount to you.

How to make a withdrawal

You can request a withdrawal by letter, or subject to certain restrictions, you can provide us with withdrawal instructions by telephone or fax. (Please see 'Telephone and fax terms and conditions' on page 22).

If you make your withdrawal request by telephone or fax we can make the payment either:

- to your previously nominated accessible account with an Australian financial institution; or
- by a cheque in your investment account name that is posted to the address we have on file.

If you provide us with an appropriately signed, original written request, then in addition to the payment methods set out above we can also make payments by cheque in favour of third parties or direct credit to accounts that are not already on file with us.

We will require the following information when you make your withdrawal request:

- your account number;
- the full name(s) in which your investment account is held;
- the amount (dollar or units) you wish to withdraw;
- the Fund from which you wish to make your withdrawal;
- how and to whom you would like us to make the payment; and
- a daytime telephone number.

Please ensure that the appropriate signatories sign all written withdrawal instructions, including those forwarded by fax.

Withdrawals are normally processed within five business days of receiving a request from you.

We may determine that some or all of the withdrawal amount consists of income (which may include net capital gains), rather than capital of the Fund. We are required to advise you of any such determination as soon as practicable after the end of the financial year in which the withdrawal occurred. We can provide you with a full transaction history of your account for this purpose.

We have the discretion to transfer assets of the Fund to you (instead of cash) in payment (partly or fully) for the proceeds of your withdrawal request, less any costs involved in the transfer.

We can also change the withdrawal cut-off time. A withdrawal request, either in whole or in part, once received by us may not be withdrawn without our agreement.

Where a unitholder's balance falls below the minimum balance amount we can compulsorily redeem their units by giving them 30 days notice.

If the payment for your withdrawal is returned to us and remains outstanding for one month, we may reinvest the proceeds in the Fund. If your withdrawal cheque remains unrepresented for six months, we may stop the cheque and reinvest the proceeds in the Fund.

Any reinvestment will be processed using the investment unit price current at the time of the reinvestment transaction.

Suspending withdrawal requests

Withdrawals are normally processed within five business days of receiving a request, however due to the type of investments held by the Fund, we can in some cases take up to 180 days to make a payment to satisfy a withdrawal.

In limited circumstances, such as when for any reason the value of any asset cannot in our opinion, be promptly, fairly or accurately determined, we may suspend withdrawal requests for up to 30 days and payment in those circumstances may take up to 60 days. Any withdrawal requests received during a period of suspension, will be deemed to have been received immediately after the end of the suspension period.

Spreading withdrawal requests

Where we receive in any one business day withdrawal requests for a total of 10% or more of the number of units on issue or where in one withdrawal request, an investor requests to withdraw units that have an aggregate value of 5% or more of the number of units on issue, then the Fund's constitution permits us to determine that the request is to be deemed as four separate requests, each received for a quarter of the total number of units in the original request on the 1st, 8th, 15th and 22nd days following the date of the original request. The withdrawal prices payable are those applicable to those days respectively.

Transaction cut-off times

Generally, if your valid transaction request is received in our Sydney office before 3pm Sydney time on a New South Wales business day (the transaction cut-off time), it will usually be processed using the unit price determined as at the close of business on that day.

If your valid transaction request is received after the transaction cut-off time, or on a non-business day, it will usually be processed using the unit price calculated as at the close of business on the next business day.

We will provide notice if we are to change the cut-off time.

If the Fund becomes illiquid

If a Fund becomes illiquid (as defined by the Corporations Act), you will only be able to withdraw from the Fund if we make an offer of withdrawal. If we do make such an offer, you may only be able to withdraw part of your investment. There is no obligation for us to make such an offer.

Under the Corporations Act, a Fund is regarded as liquid if liquid assets account for at least 80% of the value of the assets of that Fund. Liquid assets generally include money in an account or on deposit with a bank, bank-accepted bills, marketable securities and property of the kind prescribed under the Corporations Act. We do not expect the Fund to become illiquid.

The Fund invests into the underlying fund. We can only withdraw from the underlying fund to fund payments from the Fund pursuant to withdrawal offers made by the manager of the underlying fund at its discretion.

Monitoring your investment

We will send you regular information about your investment, including:

- confirmation of the acceptance of an initial or additional investment (excluding investments made via the regular savings plan). This confirmation will provide details of the units issued;
- confirmation that we have processed a withdrawal request. This confirmation will provide details of the unit and dollar values withdrawn;
- a quarterly periodic statement;
- an annual taxation statement to assist you in completing your taxation return; and
- the Fund's annual report. You may notify us in writing if you do not wish to receive the Fund's annual report.

You may also at any time request a transaction statement that can show either all transactions since your last regular statement or all transactions for a specific period.

We recommend that you check all statements and transaction confirmations carefully. If there are any discrepancies, please contact our Investor Services team on 13 35 66.

If the Fund is a 'disclosing entity' under the Corporations Act 2001, it will be subject to regular reporting and disclosure obligations. In this case you may obtain from, or inspect at ASIC, copies of documents lodged by the Fund. You can also ask us for a copy of the Fund's most recent annual financial report lodged with ASIC, any subsequent continuous disclosure notices given before the date of this PDS and any half-yearly financial report lodged with ASIC before the date of this PDS.

Additional information

Unit prices

The calculation of both the investment unit price and the withdrawal unit price is based on the Net Asset Value (NAV) adjusted by the buy/sell spread (see page 12 for details). For investment and withdrawal unit prices the NAV is the value of all the Fund's assets less the value of all the Fund's liabilities at the valuation time. When calculating the NAV we must use the most recent valuations of the Fund's assets and the most recent determination of its liabilities. Generally, listed securities are valued using the last available sale price quoted on the relevant exchange and liabilities are valued at cost. Other assets are generally valued at the recoverable value.

Where we receive your valid transaction request before the relevant cut-off time (see page 18 for details), then the unit price will be generally determined at the next valuation time after that cut-off time.

The Fund's assets are usually valued and unit prices calculated each NSW business day.

We have a Unit Pricing Permitted Discretions Policy. The policy sets out how we will exercise any discretions in relation to unit pricing (such as, for example, how often we determine unit prices and valuation methodology). You can obtain a copy of this policy free of charge by calling our Investor Services team on 13 35 66.

Distributions

Distributions will generally be paid as soon as practicable after the end of the distribution periods. There may be periods in which no distributions are made or we may make interim distributions from the Fund. However, we do not guarantee any particular level of distributions.

You may choose to have your distributions:

- reinvested in additional units in the Fund; or
- paid directly to a nominated accessible account with an Australian financial institution.

Unless you indicate otherwise on the application form, we will reinvest your distributions. Please mail us an original written request, signed by the appropriate signatories, if you wish to change your distribution payment instructions.

The price of units issued on reinvestment of distributions is the investment unit price for units next determined after the close of business on the last day of the distribution period. There is no buy/sell spread on this investment unit price.

The amount of each distribution may vary. Your share of any distribution depends on how many units are held at the end of the accrual period as a proportion of the total number of units on issue at that time and the amount of net income of the Fund referable to those investors.

The amount of income distributed each period will be generally based on our estimate of the income received by the Fund (excluding net capital gains) in that distribution period. In addition, the 30 June distribution will generally include any net realised capital gains, however we may also include realised net capital gains in other distributions.

As distributable amounts are a component of the unit price, unit prices normally fall by the distribution amount following a distribution. If you invest just prior to a distribution, you may receive some of your investment back immediately as income. Conversely, if you withdraw from the Fund just before a distribution, you might turn income into a capital gain or reduce your capital losses.

We have the discretion to transfer assets of the Fund to unitholders (instead of cash) in payment (partly or fully) of a distribution amount.

We have procedures in place for reinvestment after specific periods of time where distribution payments are returned to us or cheques remain unrepresented. Please contact us if you would like further information. Under the constitution we may make interim distributions at any time. There may be periods in which no distributions are made.

Taxation considerations

Any investment can have a substantial impact on your tax position from year to year.

The following information is a general summary of current legislation. We recommend that you obtain your own professional advice regarding your position as tax and social security laws are complex and subject to change, and investors' individual circumstances vary.

The Fund will generally not be liable for income tax as the income is distributed to investors. Australian residents will have to include in their taxable income for the year the share of net income of the Fund (including net capital gains) distributed, even if they reinvest distributions or if payment is not received in that year. In the case of non-residents, Australian tax may be deducted from distributions.

There are other relevant tax considerations that may be applicable to the Fund's investments and your tax position. For example, the foreign investment funds regime, entitlement to franking credits, tax deferred income, capital gains tax and taxation of foreign source income.

The operative provisions of the Foreign Investment Fund (FIF) legislation may require those Funds which have a foreign investment exposure to include in their net income, unrealised gains derived in respect of interests held in foreign investments. It is our intention that the Fund's should qualify for certain exemptions and therefore the operative provisions of the FIF legislation will not apply to the foreign investments held.

Some of the income distributed to investors may be classified as tax-deferred income. Generally, tax deferred income is not taxable in the year it is received, but may increase the capital gain or reduce the capital loss upon the disposal of an investor's units.

Where foreign tax has been paid by the Fund in respect of overseas investments, the Fund will generally pass on to investors the corresponding foreign tax credits. Investors may be able to utilise these credits to offset against the Australian tax payable on the foreign component of their distributions. In order to claim the foreign tax credits, investors must first include the amount of the credits in their assessable income. We will advise each investor of their share of foreign tax credits.

The disposal of units (for instance by redemption or transfer) may give rise to a capital gains tax liability or a capital loss. For some investors, if units are held for more than 12 months, they may be entitled to a capital gains tax discount. For non-resident investors, recent tax law changes may give rise to certain implications for their capital gains realised on the disposal of units and/or distributions of net capital gains from the Fund when certain conditions are satisfied. However, non-resident investors should seek their own professional tax advice.

GST is not payable on the issue, withdrawal or transfer of units in the Fund, as these are input-taxed financial supplies for GST purposes. However, GST will generally be incurred on various acquisitions made by the Fund, including the investment management services supplied by the responsible entity. In specified circumstances, the Fund may be entitled to reduced input tax credits of 75% of GST paid, which effectively reduces the GST payable from 10% to 2.5%.

Tax File Number (TFN)

On your application form you may provide us with your TFN, or otherwise your TFN exemption. Alternatively, if you are investing in the Fund in the course of an enterprise, you may quote an Australian Business Number (ABN). It is not compulsory for you to quote a TFN, exemption or ABN, but if you do not then we are required to deduct tax from any income distribution payable to you at the highest marginal tax rate plus Medicare levy. The collection of TFNs is authorised, and their use is strictly regulated by tax and privacy laws. Non-residents are generally exempt from providing a TFN.

Transferring ownership

You can transfer some or all of your investment to another person in such a manner and subject to such conditions as required by law and that we, from time to time, prescribe. We are not obliged to register a transfer that does not meet these criteria, or where there is an amount payable to us by the transferor or transferee in respect of the units being transferred. Please note that stamp duty may be payable to the NSW Office of State Revenue on transfers of units. Please contact our Investor Services team on 13 35 66 for further information about transferring units.

Complaints

Please notify us of complaints in writing or by calling our Investor Services team on 13 35 66. Our policy is to acknowledge any complaint within two business days of receiving it and investigate, properly consider and decide what action (if any) to take and to communicate our decision to you within 45 days.

If you are not happy with how the complaint has been handled, you may contact the Financial Industry Complaints Service, of which we are a member. This is an independent body and is approved by ASIC to consider complaints. Its contact details are:

Financial Industry Complaints Service Ltd
PO Box 579
Collins Street West
Melbourne VIC 8007
Tel: 1300 780 808
www.fics.asn.au

Privacy and personal information

You can access, correct or update any personal information we hold about you by contacting our Investor Services team on 13 35 66. A copy of our privacy policy is available by visiting our website www.challenger.com.au or on request from our Investor Services team.

We collect information primarily for the following purposes:

- to process your application; and
- to administer your investment and provide you with reports.

We also ask you for some personal details so that we and our related companies can keep in touch with you and tell you about our other products and services that might be useful to you. Please inform us in writing if you do not want us to send you marketing materials.

Disclosing your information

We will disclose your information to your financial planner if their name or stamp appears on the application form. In addition, we may disclose information we hold about you in the following circumstances:

- where you consent to the disclosure;
- to companies that provide services on our behalf, for example, to companies that print and dispatch the statements or notices which we send to you or to the custodian of the Fund; or
- if the disclosure is required or authorised by law.

What happens if you choose not to disclose the information?

Depending on the type of information, the following may apply:

- TFN, TFN exemption or ABN: we have to deduct tax at the highest marginal tax rate (plus Medicare levy) before we pay distributions to you (see 'Taxation considerations' on page 20 for more details).
- Account details: we will not be able to pay withdrawal proceeds or income distributions to you.
- Incomplete application: we will not be able to process your requested investment.

Keeping us informed

Our records about you are important. Please inform us in writing of any change to the personal details that you have given us. This may be a new postal address, a change of name or new account details for distribution or withdrawal payments.

When requesting a change of personal details please:

- quote your account number;
- state the full name in which your investment is held;
- clearly set out the change(s) you are requesting;
- provide us with a contact name and daytime telephone number; and
- ensure the appropriate signatories sign the request.

Some changes also require additional documentation (such as a change of name request).

Please note that we will only change your nominated accessible account with an Australian financial institution if we receive an original, signed written request.

We will send you written confirmation of any changes we make to your personal details.

Telephone and fax terms and conditions

You should understand that a person without your authority could telephone us or send us a fax and, by pretending to be you, withdraw funds from your account for their own benefit.

In using the telephone and/or fax facility, you agree that we are not responsible to you for any fraudulently completed communications and that we will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify us against any liabilities whatsoever arising from our acting on any communication received by telephone or fax in respect of, or purportedly in respect of, your investment.

We will only act on completed communications. In the case of a fax, a transmission certificate from your fax machine is not sufficient evidence that your fax was received. We will not be liable for any loss or delay resulting from the non-receipt of any transmission.

These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

In the case of joint holdings, superannuation funds, trusts and companies, any investor or director may request a telephone withdrawal.

If the details of the accessible Australian financial institution details quoted at the time of making a telephone or fax withdrawal do not match those previously given to us, the withdrawal will not proceed. You must advise us in writing via an original letter (not a fax) if you wish to change any of your Australian financial institution account details.

Should you not wish to use these facilities, we must receive an original written request to cancel them.

Cancellation will be effective from the end of the second business day after receipt of this request.

We may cancel or vary the terms of the telephone and/or fax services by giving 14 days written notice to you. By sending us a fax/making a telephone withdrawal you signify your acceptance of these conditions.

Legal relationships

The Fund is a managed investment scheme that is an unlisted Australian unit trust and is governed by a constitution.

Interests in unit trusts, which are called units, represent a share in the trust's collective asset pool. Certain rights are attached to the units and these rights are exercisable by the investors who own these units (who are referred to as unitholders).

Subject to the law, the Fund's constitutions and the terms on which units are held, unitholders can invest in or withdraw their units at any time.

The Fund's constitution together with the Corporations Act and some other laws govern the way in which the Fund operates and the rights and responsibilities and duties of the responsible entity and unitholders.

The constitution contains the rules relating to a number of issues including:

- your rights as a unitholder;
- the process by which units are issued and redeemed;
- the calculation and distribution of income;
- the investment powers of the responsible entity;
- the responsible entity's right to claim indemnity from the Fund and charge fees and expenses to the Fund; and
- the termination of the Fund.

It is generally thought that unitholders' liabilities are limited to the value of their holding in the Fund. It is not expected that a unitholder would be under any obligation if a deficiency in the value of the Fund were to occur. However, this view has not been fully tested at law.

You can inspect a copy of the constitution at our head office or we will provide you with a copy free of charge.

We may alter the constitution if we reasonably consider the amendments will not adversely affect unitholders' rights. Otherwise (subject to any exemption under the law) we must obtain unitholder approval at a meeting of unitholders.

We may retire or be required to retire as responsible entity (if unitholders vote for our removal).

Termination

The constitution of the Fund, together with the Corporations Act, governs how and when the Fund may be terminated. We may terminate the Fund at any time by written notice to unitholders. On termination a unitholder is entitled to a share of the net proceeds of our realisation of the assets in proportion to the number of units they hold in that class.

Unitholder meetings

The conduct of unitholder meetings and unitholders' rights to requisition, attend and vote at those meetings are subject to the Corporations Act and (to the extent applicable) the Fund's constitution.

Compliance plan and compliance committee

We have lodged a compliance plan for the Fund with ASIC and established a compliance committee for the Fund with a majority of external members. The Fund's compliance plan sets out how we will ensure compliance with both the Corporations Act and the Fund's constitution.

The compliance committee's role is to monitor compliance with the compliance plan. It must also regularly assess the adequacy of the compliance plan and report any breaches of the Corporations Act or the Fund's constitution to us. If we do not take appropriate action to deal with the breach, the compliance committee must report the breach to ASIC.

Audit

The Fund and its compliance plan are required to be audited annually.

Other parties

We have engaged an independent custodian to hold the assets of the Fund. The custodian has no independent discretion with respect to the holding of assets and is subject to performance standards.

The Fund has a registered company auditor. The auditor's role is to provide an audit of the financial statements of the Fund each year as well as performing a half-yearly review (if required), and to provide an opinion on the financial statements.

Related parties

We may enter into transactions with, or use the services of, any member of the Challenger Group. It is our policy to ensure that such arrangements are on arm's length commercial terms. We or any member of the Challenger Group or any director or officer of any of them may invest in the Fund. The Fund currently gains exposure to direct property and listed property securities through investing in the underlying fund. We are the responsible entity of the underlying fund. Currently Challenger Management Services Limited ABN 29 092 382 842, a related body corporate, provides property and advisory services in connection with the direct property investments of the underlying fund pursuant to a property advisory and services agreement. We have a conflict resolution procedure in place in the unlikely event that a conflict of interest arises.

Application form checklist

Send your completed application form and cheque to Challenger Managed Investments Limited, Reply Paid 3698 Sydney NSW 2001. Please ensure cheque is crossed 'not negotiable' and made payable to 'CMIL Wholesale Application Account <insert the name of the investor(s)>'.

To ensure that we are able to process your application quickly and efficiently, please ✓ check that you have completed the following:

- Section 1 Investment details** – nominated to open a new account or to invest additional funds to an existing account
- Section 2 Investor details** – provided your full name and date of birth
- Section 3 Contact details** – provided your contact details
- Section 4 Tax File Number (TFN)** – provided your TFN, ABN, TFN exemption or country of residence for non-residents. You can decide whether you wish to quote your TFN on your application form. If we do not receive your TFN, ABN, or appropriate exemption information, we will withhold tax at the highest marginal tax rate (plus the Medicare levy) from distributions made to you.
- Section 5 Income distribution** – selected your distribution payment method
- Section 6 Investment allocation** – indicated the amount you wish to invest in the Fund
- Section 7 Account details** – provided bank/financial institution account details for transacting
- Section 8 Annual report** – indicated if you do not wish to be mailed the annual report for the Fund each year.
- Section 9 Adviser service fee nomination** – provided adviser service fee details

Section 10 Declaration and applicant signature(s)

- Individual investor** – provided your signature and dated the form
- Joint applicants** – provided both applicants' signatures and dated the form
- Power of Attorney** – provided your signature and dated the form. Attached an original certified copy of the Power of Attorney. Each page of the Power of Attorney document must be certified by a Justice of the Peace, Solicitor or Notary Public. In the case that the Power of Attorney document does not contain a sample of the Attorney's signature, please provide a certified copy of identification documents for the Attorney, containing a sample of their signature, e.g. Driver's Licence, Passport, etc.
- Superannuation funds** – If you indicate that an investment is made on behalf of a superannuation fund, we will consider the superannuation fund to be a complying fund under the Superannuation Industry (Supervision) Act.

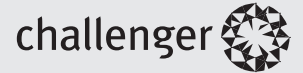
The table below provides some guidance for completing and signing the application form.

Type of investor	Correct	Incorrect	Signature(s) required	TFN(s) required
Individual and joint holdings Use given names in full, not initials.	Michael John Smith or Michael John Smith and Barbara May Smith	M.J. Smith or M.J. Smith and B.M. Smith	The individual and all joint applicants	Each applicant's
Partnership Use the partners' personal names, not the name of the partnership.	Michael John Smith & Michael Smith Jnr	Michael Smith & Son	All partners	The partnership's
Company Use the company title, not abbreviations.	XYZ Pty Ltd	XYZ P/L XYZ Co.	Two directors; or a director and a company secretary; or if there is a single director, by that director	The company's
Superannuation fund or trust Use the name of the trustee(s), not the name of the super fund or the trust.	Michael Smith Pty Ltd (ATF Michael Smith Pty Ltd Super Fund) or Barbara May Smith (ATF Barbara Smith Family Trust)	Michael Smith Pty Ltd Superannuation Fund Barbara Smith Family Trust	The Trustee(s), 'as trustee(s) for...'	The superannuation fund's or trust's
Minor (a person under the age of 18 years) Use the name of the responsible adult, not the minor, as the investor.	Michael John Smith	Michael Smith Jnr	All adults investing on behalf of the minor	All adults'

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Challenger Wholesale Hybrid Property Fund Application Form (dated 20 June 2007)



PLEASE USE BLOCK LETTERS AND BLACK INK TO COMPLETE THIS APPLICATION FORM

1. Investment details

Do you have an existing Challenger account?

Office use only

Yes ► Existing account name

Existing account number

Go to section 5 (please note if you provide any information in sections 2 to 4, this will override any previous information provided).

No ► Go to section 2 and complete all details.

2. Investor details

Investor type Individual Joint Company Partnership Trust Superannuation fund

A. Investor 1

Surname

Given name(s)

Title (Mr/Mrs/Miss/Ms)

Date of birth

B. Investor 2

Surname

Given name(s)

Title (Mr/Mrs/Miss/Ms)

Date of birth

C. Company/trust/superannuation fund

Company/trust/superannuation fund name

Contact name

D. Minor – on whose behalf the investment is made

Name of the minor

3. Contact details (must be completed)

C/- (if applicable)

Unit

Street number

PO Box

Street name

Suburb

State

Postcode

Country

Phone (after hours)

Phone (business hours)

Mobile

Facsimile

Email

The Challenger Wholesale Hybrid Property Fund PDS (PDS) dated 20 June 2007 gives information about purchasing units in the Challenger Wholesale Hybrid Property Fund (Fund). Any person who gives another person access to the application form must also give the person access to the Challenger Wholesale Hybrid Property Fund PDS and any supplementary documents. You should read the PDS before completing this application form.

Challenger Managed Investments Limited (CMIL) or a financial planner who has provided an electronic copy of the PDS will send you a paper copy of the PDS and any supplementary document and application form free of charge if you so request during the period of the offer specified in the PDS.



4. Tax File Number (TFN)

Please note that it is not against the law if you choose not to give your TFN or exemption reason, but if you do not, tax may be taken out of your distributions at the highest marginal tax rate (plus Medicare levy).

Investor 1

TFN

If you have a TFN exemption, please provide exemption details.

or exemption

Investor 2

TFN

If you have a TFN exemption, please provide exemption details.

or exemption

Company/trust/superannuation fund

TFN

ABN

If you have a TFN exemption, please provide exemption details.

or exemption

Non-residents

If you are an overseas investor, please indicate your country of residence for tax purposes.

5. Income distribution

A nomination in this section overrides any previous nominations. Distributions will be reinvested unless otherwise stated.

Cross (X) one box only.

How would you like your income distributions to be paid?

Reinvested in the Fund

Credit to my/our bank account

Make sure you also complete your bank account details in section 7

6. Investment allocation

Please indicate the amount you wish to invest in the Fund (Fund code: 107):

Investment amount \$

(minimum initial investment \$50,000)

(minimum additional investment \$5,000)

Make your cheque payable to 'CMIL Wholesale Application Account <insert the name of the investor>'.

Regular savings \$

(minimum additional investment \$500 per month)

Please ensure you have provided your bank account details in section 7. If you wish to nominate a different account or a third party account from which your regular savings plan payments are to be deducted, please complete the direct debit authority form on page 33.

Post your application form and cheque to:
(No stamp required)

Challenger Managed Investments Limited
Reply Paid 3698
Sydney NSW 2001

10. Declaration and applicant signature(s) – (must be completed)

I/We declare that:

- all details in this application are true and correct;
- I/we have received a copy of the current PDS to which this application applies and have read it and agree to the terms contained in it and to be bound by the provisions of the current PDS and relevant current constitution (each as amended from time to time);
- I/we have legal power to invest in accordance with this application;
- I/we have received and accepted this offer in Australia;
- the details of my/our investment can be provided to the adviser group or adviser by the means and in the format that they direct;
- in the case of joint applications, the joint applicants agree that unless otherwise expressly indicated on this application form, the units will be held as joint tenants and either investor is able to operate the account and bind the other investor for future transactions, including additional deposits and withdrawals, including withdrawals by telephone and fax;
- if this application is signed under Power of Attorney, the Attorney declares that he/she has not received notice of revocation of that power (a certified copy of the Power of Attorney should be submitted with this application unless we have already sighted it);
- sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company;
- if investing as trustee, on behalf of a superannuation fund or trust I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Supervision) Act;
- I/we have read and understood the terms and conditions for the use of telephone and fax and release and indemnify Challenger Managed Investments Limited (ABN 94 002 835 592 AFSL 234668) (CMIL) against any liabilities whatsoever arising out of it acting on any communications received by telephone and fax;
- I/we acknowledge that I/we have read the pages of the PDS containing the information under the heading 'Privacy and personal information'. I am/We are aware that until I/we inform Challenger Managed Investments Limited otherwise, I/we will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading;
- I/we understand that if I/we fail to provide any information requested in this application form or do not agree to any of the possible exchanges or uses detailed above, my/our application may not be accepted by Challenger Managed Investments Limited;
- I/we acknowledge that none of Challenger Managed Investments Limited, Challenger Financial Services Group Limited, or any other member of the Challenger Financial Services group of companies, or the Custodian, guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution;
- I/we agree to pay my/our financial planner an adviser service fee if I have indicated 'yes' in section 9. I/we authorise Challenger Managed Investments Limited to withdraw units I/we hold in the Fund to pay this fee to my/our financial planner.

Direct Debit Request Authorisation

- I/We authorise Challenger Managed Investments Limited (User ID No. 216558) to arrange for funds to be debited from my/our account at the financial institution identified in section 7 above and as prescribed through the Bulk Electronic Clearing System (BECS);
- I/we have read the 'Direct Debit Request Service Agreement' provided on page 35 of this PDS and agree with its terms and conditions;
- I/we request this arrangement to remain in force in accordance with details set out in section 7 and in compliance with the 'Direct Debit Request Service Agreement'.

Investor 1

Signature Date / /

Surname

Given name(s)

Capacity Sole Director Director Secretary (company investments only)

Investor 2

Signature Date / /

Surname

Given name(s)

Capacity Director Secretary (company investments only)



Important notes

This application must not be handed to any person unless attached to this PDS dated 20 June 2007. CMIL may in its absolute discretion refuse any application for units. Persons external to CMIL or other entities who market CMIL products are not agents of CMIL but are independent investment advisers. CMIL will not be bound by representations or statements which are not contained in information disseminated by CMIL. Application monies paid by cheques from investment advisers will only be accepted if drawn from a trust account maintained in accordance with the Corporations Act. The Fund is offered by CMIL ABN 94 002 835 592, AFSL 234668.

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Challenger Wholesale Hybrid Property Fund

Direct Debit Authority Form for regular savings plan only

Complete this form if you are participating in the regular savings plan and wish to nominate a bank/financial institution account that is held in different name(s), or to change your existing nomination. **Please note that initial or one-off additional investments can only be made via cheque.**

PLEASE USE BLOCK LETTERS AND BLACK INK TO COMPLETE THIS DIRECT DEBIT AUTHORITY FORM

Account number (if known)

Investor 1 (individual accounts)

Title

Mr Mrs Miss Ms Other

Given name(s)

Surname

Contact phone number

Investor 2 (joint accounts)

Title

Mr Mrs Miss Ms Other

Given name(s)

Surname

Contact phone number

Company/trust/superannuation fund

Name of company/trust/superannuation fund

Contact phone number

Schedule

Note: Direct debiting is not available on the full range of accounts. If in doubt, please refer to your financial institution.

**Account name
which is to be debited**

BSB number

—

Account number

**Name of
financial institution**

**Branch where
account is held**

Contact phone number

I/We request you until further notice in writing to debit my/our account described in the schedule above, any amounts which Challenger Managed Investments Limited (ABN 94 002 835 592) (Challenger) (User ID No. 216558) may direct debit or charge me/us through the Bulk Electronic Clearing System.

I/We understand and acknowledge that:

1. the bank/financial institution may, in its absolute discretion, determine the order of priority of payment by it of any monies pursuant to this request or any authority or mandate, and at any time by notice in writing to me/us, terminate this request as to future debits.
2. Challenger may, by prior arrangement and advice to me/us, vary the amount or frequency of future debits.
3. the bank/financial institution will provide to me/us upon request general descriptive information of the kind referred to in sections 6.1 and 6.2 of the Code of Banking Practice, concerning the operation of accounts, banking facilities and cheques.
4. the information which I/we have provided on this form is accurate and not misleading and I/we am/are aware that Challenger is relying on it.
5. this direct debit arrangement is governed by the terms of the Bulk Electronic Clearing System Procedures and the Direct Debit Service Agreement received from Challenger.





Investor 1

Signature *(please sign)*

Surname

Given name(s)

Capacity

Sole Director Director Secretary (company investments only)

Investor 2

Signature *(please sign)*

Date

Surname

Given name(s)

Capacity

Sole Director Director Secretary (company investments only)

COMPANY
SEAL

Mail completed form (no stamp required) to:

Challenger Managed Investments Limited
Reply Paid 3698
Sydney NSW 2001



Challenger Managed Investments Limited

Direct Debit Request Service Agreement

1. Debit arrangements

We will debit, through the Bulk Electronic Clearing System (BECS), payments in consideration for providing interests in the Fund to you. The Direct Debit Request details the terms of your debit arrangements including, among other things, the amount, the frequency, the expiry (if any) and the recipient of the funds. You should carefully read the Direct Debit Request to familiarise yourself with the details of your debit arrangements.

2. We advise you:

- a) that direct debiting through BECS is not available on all accounts (e.g. passbook savings and credit card accounts are generally not acceptable);
- b) to confirm the account details by checking a recent statement from your Financial Institution; and
- c) that your Direct Debit Request must be signed in the same way as the account signing instruction held by your Financial Institution. If you are uncertain about any of these items please check with your Financial Institution before completing your Direct Debit Request.

3. You are responsible for:

- a) checking with your Financial Institution prior to completing the Direct Debit Request, that direct debiting is available on that account;
- b) ensuring that the account you nominate has sufficient cleared funds available to pay each debit when it becomes due on the 15th of each month;
- c) ensuring that the authorisation on the Direct Debit Request is identical to the account signing instruction held by the Financial Institution of the nominated account;
- d) telling us if you close or change the account you nominated; and
- e) arranging a suitable alternate payment method, if the direct debit arrangements are stopped, either by you or your Financial Institution.

4. Direct debit of funds

- a) Debits may be effected any time on the due day and you must ensure that there are sufficient funds in your account to meet the direct debit.
- b) Where the due date falls on a non-business day, we will deduct the amount on the next business day. If you are uncertain when the direct debit will be processed to your account, you should contact your Financial Institution directly.

5. Alteration or cancellation

- a) You may terminate your Direct Debit Request, stop a drawing or request a change to the drawing amount and/or frequency at any time by giving written notice to us. Such notice should be received by us at least 10 business days prior to the due date, to process your request in time.
- b) If we vary any of the debit arrangements either set out in this agreement or in the Direct Debit Request or otherwise we will provide you with 14 days prior written notice.

6. Dispute resolution

We have a customer claims process in place with all Financial Institutions if you believe that a debit has not been correctly processed. You should contact us first on 13 35 66 if you have a complaint regarding the amount or timing of any of our drawings. We will respond to your request within seven business days.

7. Fees

- a) It is your responsibility to ensure you have a sufficient available balance in the nominated account to meet the direct debit on the due date. Should sufficient cleared funds not be available to meet the total debit, then we are authorised to direct debit an amount up to the available balance in the nominated bank account at that time. We are under no obligation to effect a reduced direct debit.
- b) If a direct debit is not effected due to insufficient funds or where we choose to effect a reduced direct debit then your account will be adjusted and any charges incurred by us may be debited from your account.

8. Privacy

- a) We will keep all information relating to your account private and confidential except to the extent that you consent to those details being disclosed or the law requires otherwise. You consent to us using or releasing your account information to investigate any possible incorrect debits with both your and our Financial Institutions.
- b) We will take reasonable steps to protect personal information held by us against loss, access, use, modification or disclosure that is unauthorised.

9. Indemnity

- a) You indemnify us against all losses, costs, damages and liability that we suffer as a result of you breaching this agreement or you providing us with an invalid, ineffective or non-binding Direct Debit Request addressed to us or if for any other reason the instructions contained in a Direct Debit Request provided by you are not or cannot be performed. This indemnity includes, without limitation, legal costs and expenses on a full indemnity basis. This indemnity is a continuing obligation, separate and independent from your other obligations and survives termination of this agreement. It is not necessary for us to incur expense or make payment before enforcing a right of indemnity conferred by this agreement. This indemnity does not apply as a result of our (or any of our delegates' or agents') fraud, negligence or breach of trust.
- b) You will pay us any sum due under this clause fully without deduction or set-off (and irrespective of any counterclaim) whatsoever.

10. Governing law

- a) This agreement and the transactions contemplated by this agreement are governed by the law in force in New South Wales.
- b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and the courts of appeal from them for determining any dispute concerning this agreement or the transactions contemplated by this agreement.

11. Interpretation and definitions

- a) The following terms have the meanings set out below:

Direct Debit Request means an authority and request to debit amounts from your specified account, given in writing by you to us.

Financial Institution means the financial institution that is the holder of your account, given in writing by you to us.

We or us means Challenger Managed Investments Limited (ABN 94 002 835 592), which is administering the direct debit system and its successors and assigns.

You means the person or persons (other than us) named in the Direct Debit Request and signatories to this agreement. If there are more than one, you means each of them jointly. You includes your successors and assigns.

- b) A reference to:

- this agreement, the BECS regulations and procedures or another instrument includes any variation or replacement of any of them;
- the singular includes the plural and vice versa;
- person includes a firm, body corporate, an unincorporated association or an authority and their executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns; and
- any thing includes the whole and each part of it and a reference to a group of persons includes all of them collectively, any two or more of them collectively and each of them individually.

- c) Headings are inserted for convenience and do not affect the interpretation of this agreement.

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Contact details

Website www.challenger.com.au

By Email info@challenger.com.au

By Telephone Investor Services team 13 35 66

Adviser Services team 1800 621 009

By Mail Challenger Managed Investments Limited

Reply Paid 3698

Sydney NSW 2001

By Fax 02 9994 7777

Level 15
255 Pitt Street
Sydney NSW 2000
telephone 02 9994 7000
facsimile 02 9994 7777

Level 10
101 Collins Street
Melbourne VIC 3000
telephone 03 8616 1000
facsimile 03 8616 1111

Level 9
175 Eagle Street
Brisbane QLD 4000
telephone 07 3218 8000
facsimile 07 3220 3132

Level 3
55 St Georges Terrace
Perth WA 6000
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Investor services
13 35 66

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1800 621 009

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