challenger
Financial Services Group

# MARKET RELEASE

## ASSETS & LOANS UNDER MANAGEMENT / ADMINISTRATION 31 DECEMBER 2005

27 February 2006, Sydney – Challenger Financial Services Group Limited (CGF) today announced that at 31 December 2005 its assets and loans under management/administration totalled $34.5 billion (30 September 2005 $33 billion).

Funds under management in managed investments increased during the quarter to $11.9 billion (30 September 2005 $11.3 billion). This reflected:

- Net inflows for the quarter, excluding the termination for two property syndicates, of $450 million (30 September 2005 quarter $538 million).
- Underlying organic growth of 6.7 per cent for the quarter. (This included organic growth in market linked funds under management of 7.2 per cent for the quarter).

Challenger's mortgage loan book totalled $19.7 billion at 31 December 2005 (30 September 2005 $19.1 billion). Residential mortgages grew at an annualised rate of 14.3 per cent for the half.

Annuity sales for the quarter ended 31 December 2005 were $78 million ($76 million for the September quarter). As previously announced Challenger expects annuity sales to return to levels of at least $300 million per annum in the current year.

*ENDS*

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# Assets and loans under management/administration

as at 31 December 2005

| | 31 Dec 05 $m | 30 Sep 05 $m |
|---|---|---|
| **Challenger Life** | | |
| **Net assets backing annuities (excludes market linked life policies)** | | |
| Property[1] | 1,422 | 1,340 |
| Fixed interest, including hybrids | 891 | 891 |
| Cash | 351 | 340 |
| Infrastructure assets | 301 | 220 |
| Other assets | 52 | 98 |
| **Total investments managed by the life company** | **3,017** | **2,889** |
| **Specialised funds** | | |
| Challenger Wine Trust (ASX:CWT) (gross assets) | 298 | 290 |
| Challenger Infrastructure Fund (ASX:CIFCA) (adjusted equity value)[2] | 378 | 327 |
| **Total specialised funds under management** | **676** | **617** |
| **Challenger Wealth Management** | | |
| **Managed investments where Challenger acts as Responsible Entity, Approved Trustee or Investment Mandate Manager** | | |
| (includes 5Di funds and market linked life policies) (interfunding eliminated) | | |
| Market linked funds | | |
| Australian equities funds/mandates | 3,526 | 3,312 |
| International equities funds | 273 | 236 |
| Direct property (via syndicates) | 109 | 224 |
| Real estate securities (including hybrid property) funds/mandates | 2,417 | 2,288 |
| Fixed interest funds/mandates | 1,476 | 1,309 |
| Multi sector funds | 519 | 515 |
| Total market linked funds under management | 8,320 | 7,884 |
| **Other funds** | | |
| Cash funds | 155 | 53 |
| Mortgage funds | 3,468 | 3,381 |
| Total other funds under management | 3,623 | 3,434 |
| **Total funds under management[3]** | **11,943** | **11,318** |
| **Funds under administration** | | |
| Synergy mastertrust | 1,728 | 1,691 |
| Galaxy wrap | 105 | 101 |
| | 1,833 | 1,792 |
| **Total funds under management/administration** | **13,776** | **13,110** |
| **Challenger Wholesale Finance** | | |
| **Mortgage loan book** | | |
| Commercial lending | 2,516 | 2,457 |
| Residential lending | 17,190 | 16,607 |
| **Total loans under management** | **19,706** | **19,064** |
| **Total Group assets under management/administration[4]** | **34,455** | **33,060** |

1 Property is now reported net of $357m senior debt ($341m at 30 Sept 05)

2 AEV includes 53.9% interest held by Challenger Life, which has been deducted when calculating Total Group assets under management/administration

3 Additional information for Funds Under Management as follows:

| | 31 Dec 05 $m | 30 Sep 05 $m |
|---|---|---|
| Retail funds | 8,030 | 7,734 |
| Institutional funds/mandates | 3,913 | 3,584 |
| | **11,943** | **11,318** |
| Net inflows for the quarter comprises: | | |
| Retail Funds | 315 | 284 |
| Institutional Funds | 135 | 254 |
| Net inflows | 450 | 538 |

The sale of management rights for two property syndicates during the quarter resulted in FUM of $123m exiting – excluded from figures above.

4 Excludes double counting of mortgages via the Challenger Howard Mortgage Fund and 53.9% assets held by Challenger Life in Challenger Infrastructure Fund.

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