

MARKET RELEASE

29 October 2004

ASSETS & LOANS UNDER MANAGEMENT / ADMINISTRATION 30 SEPTEMBER 2004

29 October 2004, Sydney – Challenger Financial Services Group Limited (CGF) today announced its total assets under management / administration at 30 September 2004, were \$26.72 billion (30 June 2004 \$24.28 billion).

Net assets supporting annuities in the life company increased nine per cent to \$2.89 billion (30 June \$2.65 billion) as a result of record annuity sales in the quarter.

Changes to the Federal Government's retirement income policy on 20 September 2004 contributed to a higher than normal level of annuity sales of \$502 million for the period ending 30 September.

As previously reported, while sales of annuity products have slowed considerably since 20 September, sales for the full year are expected to be not less than those for 2004.

Challenger's mortgage loan book increased to \$16.73 billion (30 June 2004 \$16.22 billion).

Managed funds increased five per cent in the quarter to \$6.2 billion (30 June \$ 5.89 billion). Assets under administration were \$2.99 billion at 30 September compared with \$1.66 billion at the end of June and include the addition of Solar Wrap funds following the acquisition of Associated Planners in August.

Due to the sale of the margin lending business during the quarter, the margin loan book figures are no longer included in the quarterly summary.

ENDS

Assets and loans under management/administration

as at 30 September 2004

	30 Sep 04 \$m	30 Jun 04 \$m
Net assets backing annuity obligations		
Investments managed for the life company (excludes market linked life policies & business assets)		
Direct property ¹	1,765	2,512
Fixed interest, including hybrids	1,266	1,226
Cash ¹	873	530
Other assets	154	72
	4,058	4,340
Senior debt	(1,159)	(1,689)
	2,899	2,651
Managed investments where Challenger acts as Responsible Entity, Approved Trustee or Investment Mandate Manager (includes 5Di funds, Custom Choice funds and market linked life policies) (interfunding eliminated)		
Australian equities funds/mandates	1,755	1,570
International equities funds/mandates	81	81
Direct property (via syndicates)	166	175
Mortgage funds	3,227	3,177
Fixed interest funds	511	431
Cash funds	39	41
Multi sector funds ²	397	382
Alternative investment funds	31	34
	6,207	5,891
Beston Wine Industry Trust (gross assets)	255	253
Funds under administration		
Synergy mastertrust	1,565	1,593
Galaxy Wrap	81	75
Solar Wrap ³	1,347	–
	2,993	1,668
Margin lending book⁴	–	155
Mortgage loan book		
Mortgages via Howard Mortgage Trust (assets also included in the Mortgage Funds above) ⁵	2,364	2,407
Mortgages via Interstar including The Mortgage Alternative ('TMA')	14,370	13,822
	16,734	16,229
Total assets under management/administration⁶	26,724	24,285

¹ Movement is largely attributable to the settlement proceeds from the sale of offshore property assets (net of associated senior debt repayments).

² A portion of 5Di funds have been reclassified from multi sector funds to International and Australian equities.

³ The addition of Solar Wrap FUA reflects the acquisition of Associated Planners, which was completed on 13 August 2004.

⁴ As announced to the market the sale of the Margin Lending business was completed during September.

⁵ During the quarter \$85m of commercial mortgage backed securities, held by Challenger Commercial Lending, were sold to Challenger Life.

⁶ Excludes double counting of mortgages via the Howard Mortgage Trust.