

MEDIA RELEASE

27 June 2005

HSBC ASSET MANAGEMENT SMALL COMPANIES TEAM TO BECOME KINETIC

27 June 2005, Sydney – Challenger Financial Services Group Limited (CGF) today announced it has signed a Heads of Agreement with Richard Sharp and Jonathan Findlay, the former HSBC Asset Management (Australia) Limited small companies team, to establish a new boutique investment management company - Kinetic Investment Partners Limited.

Under the proposed arrangements, Kinetic will manage individual mandates for institutional clients seeking exposure to the Australian small companies sector. Both Mr Sharp and Mr Findlay, Kinetic's principals, have strong performance track records and experience in this sector.

It is also proposed that the company will continue to manage the assets of the Challenger FM Premier Small Companies Fund (formerly known as the HSBC Premier Australian Small Companies Fund) although this fund will shortly be closed to new investors. In addition, the company may explore opportunities with Challenger to establish a product targeted at sophisticated investors.

Subject to completion of the transaction, Challenger will hold a minority stake in the company and sole distribution rights for Kinetic products. Kinetic Executives, Jonathan Findlay and Richard Sharp, will hold the remaining equity in the company.

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