

MEDIA RELEASE

CHALLENGER FORMS ALLIANCE WITH GLOBAL REIT SPECIALIST HEITMAN

13 October 2006, Sydney – Challenger Financial Services Group Limited today announced it has formed a strategic alliance with Heitman, a multi-national real estate investment management firm headquartered in the United States.

Heitman will work in conjunction with Challenger's co-heads of real estate securities, John Longo and John White, to create a global real estate investment product.

Challenger's Chief Executive, Funds Management, Rob Adams said: "The global alliance with Heitman will provide a strategic complement to Challenger's already well-regarded domestic property securities offering.

"The Australian listed property trust market is mature by world standards and we continue to see investor demand for property securities funds with exposure to both domestic and international markets. Through the alliance with Heitman, Challenger is able to meet that demand head on and provide Australian institutional and retail investors with access to a range of high quality global real estate investments."

As part of the alliance, Heitman will manage the North American and European components of the portfolio, while Challenger will manage the Australia and Asian components. The team is already managing an initial investment mandate of over US\$75million.

Heitman President and Chief Executive Officer, Maury Tognarelli said: "The alliance brings together an experienced, well matched global portfolio management team. We look forward to working alongside Challenger, offering our clients investment solutions that address their portfolios' real estate objectives."

ENDS

Note to Editors:

Heitman, founded in 1966, is one of the largest real estate investment management firms in the United States and Europe. With headquarters in Chicago, Heitman manages over \$15 billion in assets invested directly and indirectly in real estate in the US, Europe and Asia. The firm's clients include U.S. and international institutions, pension plans, endowments and foundations, and individual investors.