

MEDIA RELEASE

CHALLENGER EXPANDS BOUTIQUE PARTNERSHIP CAPABILITIES

21 August 2008, Sydney – Challenger Financial Services Group Limited today announced a number of partnerships to expand its interests in the boutique segment of the funds management market.

Challenger will be taking a 30 per cent holding in a new fixed interest boutique to be launched in late 2008 and run by Ben Alexander, former Head of Fixed Interest at Credit Suisse Asset Management Australia. Joining Ben in establishing the new boutique will be Andrew Bartlett, Tamar Hamlyn and Stephen Clout, each of whom joins this new venture having been part of Ben Alexander's fixed income team at Credit Suisse Asset Management Australia.

This new boutique will be initially focused on managing Australian Fixed Interest and Inflation Linked Bond portfolios. In time, the team will also be establishing other strategies in the Fixed Interest, Currency and Cash space.

Ben Alexander, founder of the new boutique said: "I am extremely excited about the opportunity to create a new boutique funds management firm focused on delivering quality fixed income solutions for investors. We were attracted to the partnership with Challenger because of the quality of their business platform for boutique investment companies and their clear understanding of the needs of a fixed interest boutique business."

Challenger will also be taking a 27.5% holding in an established Australian Equities Hedge Fund boutique business, WaveStone Capital. WaveStone was established in September 2006 by Ian Harding, Graeme Burke and Catherine Allfrey, who had previously worked together at Colonial First State. Challenger will be providing seeding to Wavestone to establish a new offshore Absolute Return Fund based in the Cayman Islands. This new fund will add to Wavestone's current product range, and takes the business to over \$100 million in contracted funds under management.

Ian Harding, co-founder of WaveStone said: "We are delighted to team up with Challenger to assist Wavestone with our growth plans. Support from select Private Wealth Groups since our inception has been very gratifying which we will now look to accelerate and leverage via the Challenger distribution model.



“Our flagship Absolute Return Fund has strongly outperformed versus the ASX/S&P300 Index over the near 2 years since inception. The proven flexibility of the long/short equity investment approach has added materially to returns particularly over the more recent tough market conditions. ”

Challenger’s Chief Executive, Funds Management Rob Adams said: “Boutique partnerships play an important role in Challenger’s Fund Management business and we are delighted to bring on board two new partnerships. We now have six boutique partnerships in place and are pleased to be able to support these high quality investment professionals.”

“We believe that our ability to assist these high quality investment professionals to create the optimal structure in which they can operate, in conjunction with our full service distribution model, are the key differentiators in Challenger’s offering to our boutique partners. We look forward to delivering to Ben and Ian and their respective teams and helping them to grow over time.”

Additionally, Challenger has entered into a strategic partnership with SkyBridge Capital, LLC, a New York based group which provides strategic capital to new and early-stage hedge funds. The partnership will represent the first truly global institutional hedge fund seeding platform and builds on Challenger’s success in seeding boutique funds in Australia.

Under the partnership Challenger will support SkyBridge in not only raising capital from the Australasian region, but also sourcing talented hedge fund managers. Challenger Life No 2 Ltd has committed to invest in a SkyBridge managed fund.

Challenger’s Richard Howes, Principal Executive officer, Balance Sheet Asset Management, will become a member of the SkyBridge Investment Committee. Commenting on the relationship, Mr Howes said: “SkyBridge has created a unique, differentiated platform both in terms of their ability to select new managers and to raise capital for the funds they seed. This combination not only presents an attractive investment opportunity for Challenger’s Life Company but also serves to expand and enhance the strategic seeding platform that Challenger has founded in Australia.”

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About Wavestone Capital

Established in September 2006, Wavestone Capital is an Australian Equities Boutique Fund Management firm. They currently manage two strategies within their business; an Absolute Return Fund and a Long Only mandate. The three principals previously worked together at Colonial First State, where Mr Harding held the role of Head of Australian Equities.

About SkyBridge Capital

SkyBridge Capital is a private investment partnership that provides strategic capital to talented managers who are developed new or early-stage hedge funds. The Firm's team of experienced professionals coordinates a global network of partners in sourcing hedge fund managers and providing business-building and investment-support services from its headquarters in New York. To date, SkyBridge Capital has made strategic investments in seven funds. In aggregate, SkyBridge Capital and its underlying managers currently have approximately US \$1.8 billion under management.