

MARKET RELEASE

Challenger Life offer to acquire 100% of units in the Challenger High Yield Fund

24 January 2011, Sydney – Challenger Limited (ASX:CGF) today announced that Challenger Life Company Limited (CLC) has offered to acquire 100% of the units in the Challenger High Yield Fund (HYF).

In return existing HYF unitholders would receive a combination of cash and units in a new fund called the Challenger Guaranteed Income Fund (Guaranteed Income Fund). The Guaranteed Income Fund is a registered managed investment scheme that will invest in an annuity to be issued by Challenger Life. The cash component of the Proposal will be 20% of the total redemption amount, with the Guaranteed Income Fund component equalling 80% of the total redemption amount. More information can be found in the Explanatory Memorandum on Challenger's website at: <http://www.challenger.com.au/mf/ChallengerHYF.asp>.

The offer, if approved by unitholders, is not expected to be material in respect of Challenger's FY11 earnings.

Challenger will release its 1H11 financial results to market on Monday 21 February 2011.

Ends