

MEDIA RELEASE

Challenger establishes new Australian equities boutique

5 July 2010 - Challenger Financial Services Group (ASX:CGF) has expanded its boutique funds management business with the establishment of a new Australian equities boutique, Alphinity Investment Management.

Alphinity Investment Management will be headed by former AllianceBernstein Director of Australian Equities, Johan Carlberg, who will commence with the business in August. The five person investment team will include Johan's former AllianceBernstein colleagues Andrew Martin, Stephane Andre and Bruce Smith.

Challenger's Joint Chief Executive, Funds Management, Rob Adams said: "The creation of Alphinity marks the ongoing evolution of Challenger's multi-boutique model. The boutique structure provides investors and investment professionals with a stronger alignment of interests and reduces the key person risks and capacity constraints typical of traditional institutional investment models. We are pleased to welcome another exceptional investment team to the fold".

The Alphinity team expects to commence managing money on behalf of investors from 12 July, including assuming responsibility for managing three Australian equity funds offered by Challenger.

Alphinity Investment Management Principal Andrew Martin said: "The Australian equity market continues to offer attractive opportunities for experienced active managers. This new boutique partnership will allow us to focus on successfully executing our distinctive investment strategies while benefiting from Challenger's scale and proven capabilities in administration and distribution".

Notes:

Andrew Martin, Stephane Andre and Bruce Smith will commence at Alphinity Investment Management today. Johan Carlberg will commence in August 2010.

Alphinity Investment Management is the ninth of Challenger's boutique funds, joining Ardea Investment Management, Bentham Asset Management, Five Oceans Asset Management, Greencape Capital, Kapstream Capital, Kinetic Investment Partners, Merlon Capital and WaveStone Capital.

Challenger Financial Services Group Limited (Challenger) is an ASX-listed investment management firm with assets under management in excess of \$22 billion. Challenger commenced its boutique strategy in 2005. Funds under management from Challenger's boutique partners grew 300% to reach \$4.5 billion in the 12 months to 31 March 2010. Since then, the creation of Merlon Capital Partners in May and Bentham Asset Management in June has added an additional \$2.2 billion in FUM. Challenger provides administrative and distribution assistance to its boutique partners, including investment services, marketing and compliance support.

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