

## MARKET RELEASE

---

### ASSETS & LOANS UNDER MANAGEMENT / ADMINISTRATION 31 MARCH 2007

24 April 2007, Sydney – Challenger Financial Services Group Limited (ASX: CGF) today announced that at 31 March 2007 its assets and loans under management/administration and advice totalled \$47.8 billion representing growth of \$1.5 billion (3.1 per cent) for the third quarter of financial year 2007 and \$7.3 billion (18 per cent) for the 12 months to 31 March 2007.

Funds under management increased during the quarter to \$16.2 billion, up \$0.7 billion (4.4 per cent) over the quarter, and \$3.6 billion (29 per cent) for the twelve months to 31 March 2007. While institutional fund flow was down for the quarter this is a timing issue as several material new mandates are expected to fund at the beginning of the current quarter.

Challenger's mortgage loan book totalled \$22.0 billion at 31 March 2007. Residential mortgages grew by \$310 million (1.7 per cent) for the quarter and by \$1.4 billion (8.1 per cent) in the 12 months to 31 March 2007. New loan volumes strengthened during the latter part of the quarter, resulting in March's residential loan book growth being an annualised 10 per cent.

Asset Management's assets under management grew to \$5.4 billion, up \$137 million (2.6 per cent) over the quarter and by \$1.7 billion (46 per cent) in the 12 months to 31 March 2007.

Current asset allocation for Asset Management to property is 28 per cent (28 per cent at December 2006). Infrastructure is now 19 per cent (17 per cent at December 2006) and fixed interest is 51 per cent (52 per cent at September). As indicated to the market following the announcement of the transfer of the MetLife annuity portfolio on 28 February 2007 (targeted to complete by 30 June 2007) Challenger is undertaking a review of its current asset allocation strategy post the transfer, including reviews of new asset classes and will provide a further update to the market on progress on 26 June 2007.

Total annuity sales of the Asset Management business were \$77 million for the quarter ended 31 March 2007 (\$84 million for the September quarter).

## Assets and Loans under Management, Administration or Advice as at 31 March 2007

	31 Mar 07	31 Dec 06	30 Sep 06	30 Jun 06
	\$m	\$m	\$m	\$m
<b>Total Group Assets under Management, Administration or Advice</b>	<b>47,835</b>	<b>46,375</b>	<b>43,086</b>	<b>41,487</b>

Represented by:

### Challenger Funds Management

**Managed investments where Challenger acts as Responsible Entity, Approved Trustee or Investment Mandate Manager**  
(includes 5Di funds, Custom Choice funds and market linked life policies) (interfunding eliminated)

#### Market linked funds

Australian equities funds/mandates	6,284	5,683	4,700	4,296
International equities funds	318	304	283	282
Real estate securities (including hybrid property) funds/mandates	2,902	2,995	2,635	2,518
Fixed interest funds	2,139	1,966	1,862	1,773
Multi sector funds	398	456	468	469
<b>Total market linked funds under management</b>	<b>12,041</b>	<b>11,404</b>	<b>9,948</b>	<b>9,338</b>

#### Other funds

Cash funds	51	49	57	54
Mortgage funds	3,506	3,511	3,516	3,476
Boutique partnership mandates <sup>(a)</sup>	574	523	148	–
<b>Total other funds under management</b>	<b>4,131</b>	<b>4,083</b>	<b>3,721</b>	<b>3,530</b>

<b>Total funds under management</b>	<b>16,172</b>	<b>15,487</b>	<b>13,669</b>	<b>12,868</b>
-------------------------------------	---------------	---------------	---------------	---------------

Comprising:

Retail funds	9,827	9,237	8,609	8,338
Institutional funds	6,345	6,250	5,060	4,530
<b>Total</b>	<b>16,172</b>	<b>15,487</b>	<b>13,669</b>	<b>12,868</b>

<sup>(a)</sup> Boutique partnership mandates represent segregated institutional mandates and do not include the registered schemes.

### Challenger Mortgage Management

#### Mortgage loan book

Commercial lending	2,879	2,820	2,698	2,643
Residential lending	19,085	18,775	18,586	18,258
<b>Total loans under management</b>	<b>21,964</b>	<b>21,595</b>	<b>21,285</b>	<b>20,901</b>

### Challenger Asset Management

#### Assets managed for the Life company

Property <sup>(b)</sup>	925	916	1,509	1,515
Debt investments (including hybrids) and cash	1,687	1,729	874	1,055
Infrastructure assets	637	569	645	409
Equity and other assets	82	100	95	97
<b>Total assets managed for the Life company</b>	<b>3,331</b>	<b>3,314</b>	<b>3,123</b>	<b>3,076</b>

#### Specialised funds

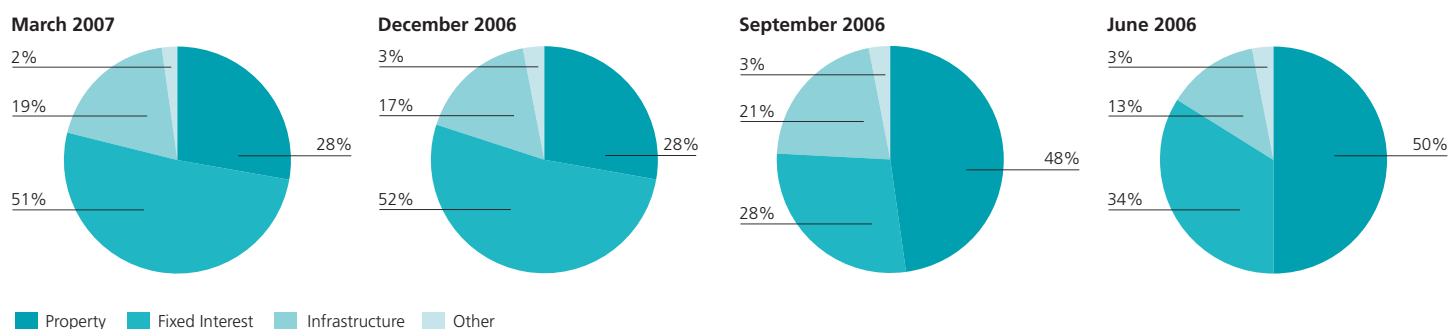
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	849	756	634	294
Challenger Diversified Property Group (ASX:CDI) (gross assets)	671	650	–	–
Challenger Wine Trust (ASX:CWT) (gross assets)	307	306	302	295
Unlisted Funds	279	274	247	–
<b>Total assets</b>	<b>2,106</b>	<b>1,986</b>	<b>1,183</b>	<b>589</b>
<b>Total assets under management</b>	<b>5,437</b>	<b>5,300</b>	<b>4,306</b>	<b>3,665</b>

<sup>(b)</sup> Property is reported net of senior debt of \$476m (Dec 2006 \$480m). Property includes direct and indirect holdings.

## Challenger Financial Planning

	31 Mar 07	31 Dec 06	30 Sep 06	30 Jun 06
Funds under administration	2,151	2,093	1,952	1,914
Funds under advice	5,884	5,582	5,230	4,940
<b>Total funds under administration and advice</b>	<b>8,035</b>	<b>7,675</b>	<b>7,182</b>	<b>6,854</b>

## Life company asset allocation split



## Analysis of Flows

### Challenger Funds Management

Funds under management net flows for the quarter comprise:	31 Mar 07	31 Dec 06	30 Sep 06	30 Jun 06
	\$m	\$m	\$m	\$m
Retail funds	274	187	214	37
Institutional funds	36	576	239	424
Net inflows	310	763	453	461

### Challenger Asset Management

#### Annuity sales for the quarter comprise:

– Retail	77	84	124	81
– Wholesale	–	–	–	50
Total Annuity sales	77	84	124	131

Policyholder liability	–	2,150	–	2,138
------------------------	---	-------	---	-------

## Reconciliation of Total Group Assets under Management, Administration or Advice

	31 Mar 07	31 Dec 06	30 Sep 06	30 Jun 06
	\$m	\$m	\$m	\$m
Funds under management	16,172	15,487	13,669	12,868
Funds under administration and advice	8,035	7,675	7,182	6,854
Loans under management	21,964	21,595	21,285	20,901
Assets under management	5,437	5,300	4,306	3,665
Total before adjustments	51,608	50,057	46,442	44,288
<b>Adjustments to remove double counting of cross holdings:</b>				
Commercial lending	(2,879)	(2,820)	(2,698)	(2,643)
Life company investment in Specialised Funds	(615)	(588)	(411)	(158)
Asset Management Unlisted Funds	(279)	(274)	(247)	–
<b>Total Group Assets under Management, Administration or Advice</b>	<b>47,835</b>	<b>46,375</b>	<b>43,086</b>	<b>41,487</b>