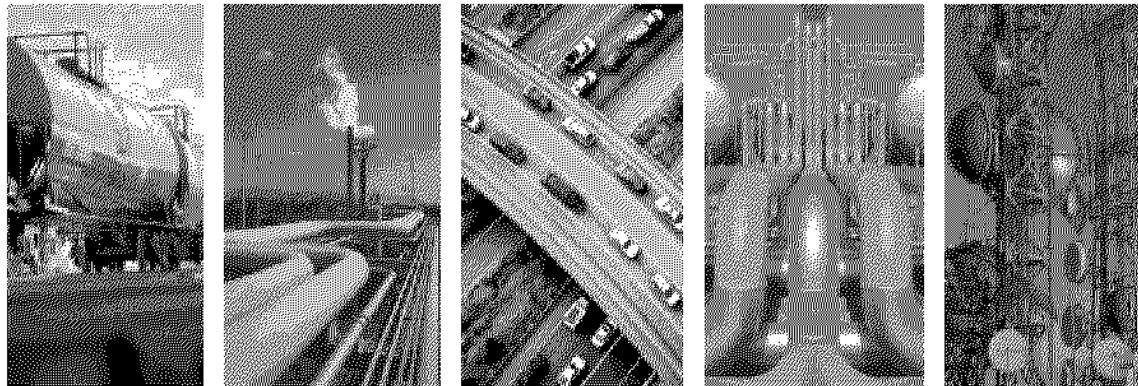


# Challenger Infrastructure Fund



1:3 Non-renounceable Entitlement Offer  
19 October 2005

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# Agenda








1. Executive Summary
2. Structure of the Entitlement Offer
3. Acquisition of Inexus
4. Detailed financial forecasts for CIF
5. Pipeline update
6. Timetable and contacts

# 1. Executive Summary

# Introduction

- On 1 September 2005, CIF announced it had successfully led a consortium in the acquisition of Inexus Group (Holdings) Limited ('Inexus') for an enterprise value of £464 million. CIF was the largest investor in the consortium with an interest of 80.4%.
- As a result of the acquisition, CIF is undertaking a non-renounceable fully underwritten entitlement offer of approximately 60 million new Class A Securities to raise approximately \$210 million, in two equal instalments.
- Proceeds of the entitlement offer will be used to repay a portion of the debt used to fund CIF's investment in Inexus.
- Under the entitlement offer, existing CIF holders will be able to subscribe for one new Class A Security for every three existing securities held at the Record Date (24 October 2005), at a price of \$3.50 per new Class A Security, partly-paid to \$1.75 on application. The second instalment of \$1.75 is due on 21 August 2006.

# Inexus meets all of CIF's investment criteria

Our investment criteria	Inexus	Commentary
Regulated industry or near monopoly market position		<ul style="list-style-type: none"> <li>* Certainty for 98% of revenue from connections existing at 31 May 2005 until 2018</li> <li>* Revenues for new connections benefit from a high degree of regulatory certainty until 2014 under the RPC regime</li> <li>* Market leader with 47% of existing IGT connections at 31 May 2005</li> </ul>
Strong cash generation and attractive targeted cash returns		<ul style="list-style-type: none"> <li>* Yield accretive</li> <li>* Highly cash generative and minimal Capex once connection built</li> </ul>
Long-term predictable cashflows		<ul style="list-style-type: none"> <li>* High level of regulatory certainty combined with asset lives well in excess of 50 years</li> </ul>
High barriers to entry		<ul style="list-style-type: none"> <li>* Monopoly once connection built</li> <li>* Significant scale-based cost advantages exist</li> </ul>
Capital growth		<ul style="list-style-type: none"> <li>* Track record of strong EBITDA growth</li> <li>* Strong order book</li> <li>* First and only IGT to market a dual-fuel offering</li> </ul>
First class management teams		<ul style="list-style-type: none"> <li>* Highly experienced team with significant equity investment</li> <li>* Management highly incentivised through Management Equity Incentive Plan</li> </ul>
Potential for board representation		<ul style="list-style-type: none"> <li>* Majority ownership and board control</li> </ul>

# Summary impact on CIF of Acquisition and Entitlement Offer



Diversification of CIF's investment portfolio



Increased forecast cash Distributions and targeted return



Increased tax deferred proportion of Distributions



CIF's portfolio to deliver reliable cashflow



Continued flexibility to pursue robust pipeline of investment opportunities



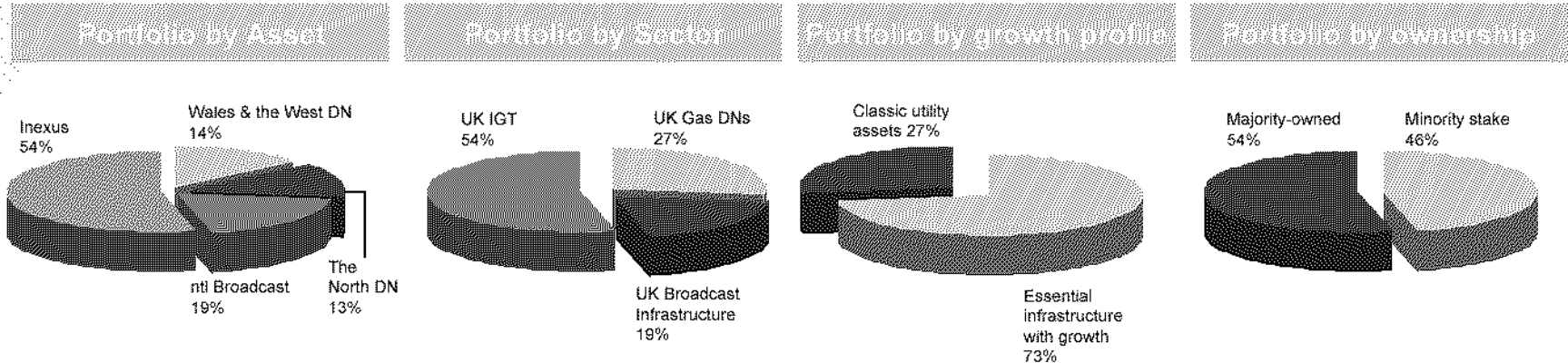
Increased size, scale and potentially trading liquidity of CIF



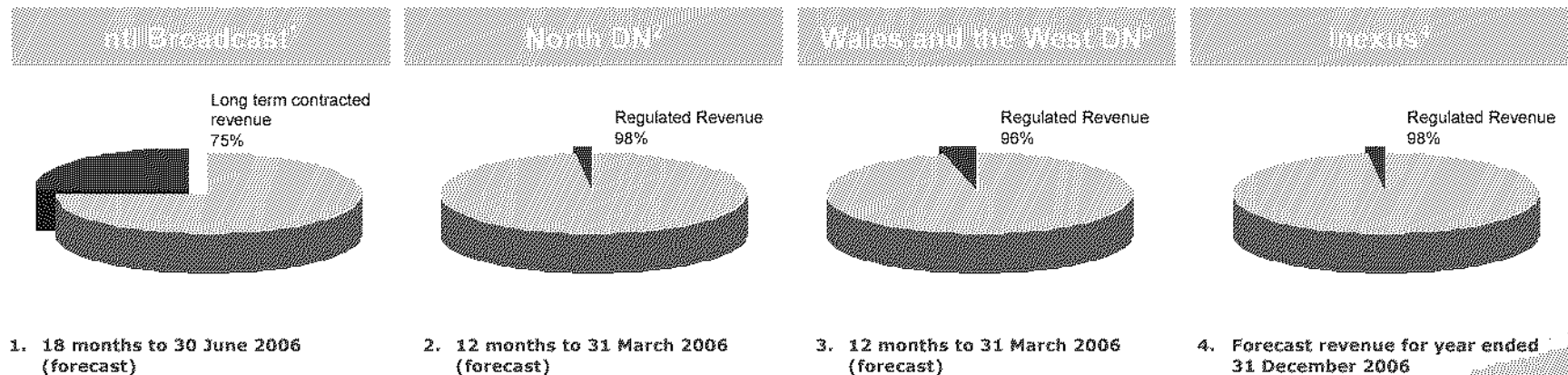
Clearly demonstrated pipeline and greatly reduced uninvested component of Second Instalment

# Improved portfolio diversification towards growth assets

## CIF's asset mix

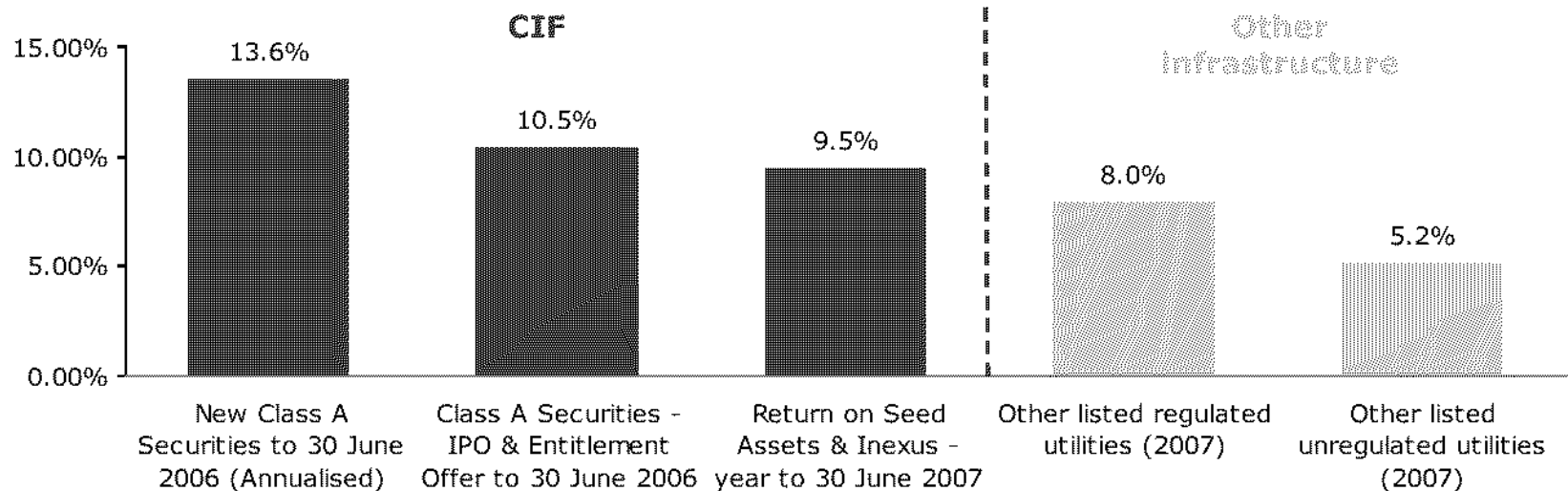


## Reliable cashflow



# Returns being generated by CIF are attractive

- **Indicative annualised cash return :**
  - On New Class A Securities from Final Allotment Date to 30 June 2006: **13.6% p.a.**
  - On Class A Securities from IPO and Entitlement Offer to 30 June 2006: **10.5% p.a.**
  - Forecast distributions from Seed Assets and Inexus in 2007: **9.5% p.a.**
- **Approximately 85% tax deferred in 2006 and 2007**



Note: Regulated utilities represents the average of the cash yields of Australian Pipeline Trust, DUET, Envestra, GasNet, BBI and HDUF, being predominantly regulated companies. Unregulated utilities represents the average of the cash yields of Alinta, AGL, Origin Energy and Alinta Infrastructure Holdings, being predominantly unregulated or integrated companies. All comparables based on IBES consensus distribution estimates and share prices as at 18 October 2005, calendarised to 30 June.

## 2. Structure of the Entitlement Offer

# Overview of Entitlement Offer

## Offer size and eligibility

- Issue of approximately 60 million New Class A Securities
- Approximately \$210 million, fully paid
- Offer open to Eligible Holders (at Record Date) in Australia and New Zealand

## Structure

- 1:3 pro rata Entitlement Offer, underwritten by JPMorgan
- Fixed Entitlement Offer Price of \$3.50, fully-paid (equal to IPO price)
- First Instalment of \$1.75 and equal Second Instalment of \$1.75
- Discount of 3.2% to VWAP since Inexus Acquisition announced on 1 September 2005
- Accelerated Institutional Offer
- New Class A Securities issued under the Entitlement Offer will be entitled to the full distributions for the year ending 30 June 2006, including the expected interim distribution for the period ended 31 December 2005

## Oversubscriptions

- Eligible Holders can apply for more than their Entitlement
- Oversubscriptions can only be allocated if other Holders do not take up their Entitlements

## Challenger Life intention

- Challenger Life has committed to take up its full Entitlement of approximately 30 million New Class A Securities
- However, Challenger Life intends to make its New Class A Securities available for purchase by institutional investors and retail broker firms
- The ultimate amount of New Class A Securities Challenger Life disposes of, if any, will be determined via a bookbuild process to be conducted by JPMorgan

# 3. Acquisition of Inexus

# Quality essential infrastructure asset with growth

## Market leadership

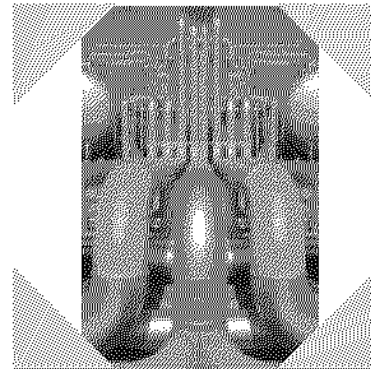
- Almost twice the connections of nearest competitor
- 47% IGT market share and complete national coverage

## Aligned & highly experienced management team

- CIF has retained and incentivised existing management team via Management Equity Incentive Plan
- Management have invested £12.6m in the business

## Highly cash-generative

- Capex only committed after order book contracts have been secured and once built, EBTIDA margin approx. 70% with low opex spend
- Largely fixed and scalable cost base
- Minimal counter-party credit risk



## Robust growth opportunities

- Strong order book visibility with 142,000 gas connections contracted
- Large and growing target market estimated at 110,000 p.a.
- First mover advantage in electricity and dual-fuel market

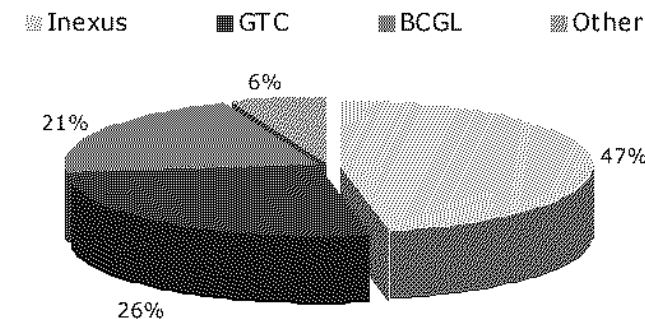
## Highly favourable regulatory regime

- Well developed and transparent regime providing revenue certainty until 2018 for legacy connections
- New connections enjoy a floor/ceiling around initial tariff for a minimum of ten years but potentially to 2023

# Inexus is the clear market leader in the UK IGT market

- 47% estimated market share of existing IGT connections at 31 May 2005, nearly twofold its nearest competitor
- 464,000 gas connections built and contracted as at 31 August 2005
  - 322,000 existing
  - 142,000 contracted
- Nationwide coverage
- Highly diversified geographically with approx. 6,600 individual gas networks across England, Wales & Scotland
- 175 full-time equivalent employees at 31 August 2005

Estimated market share of total IGT domestic new build connections (31 May 2005)



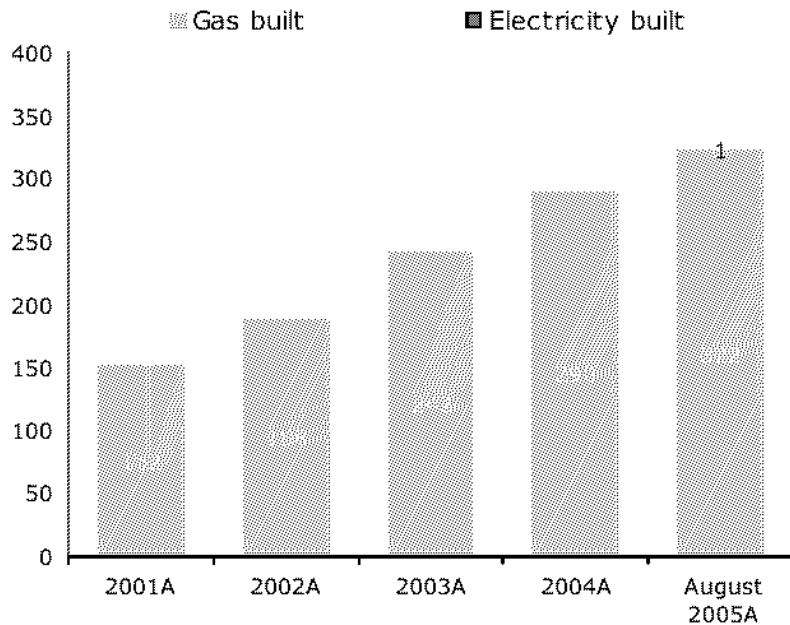
Diversified, nationwide coverage



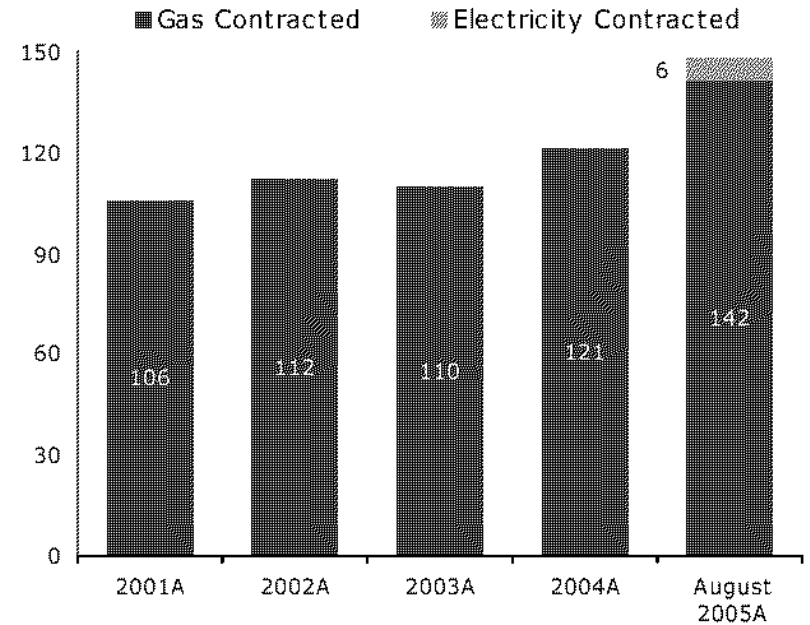
# Inexus' growth prospects are robust

- 17% CAGR in connections in the three years to 31 December 2004
- Stable forward order book, with 75% expected to be built in next three years

Gas & electricity built connections (000s)

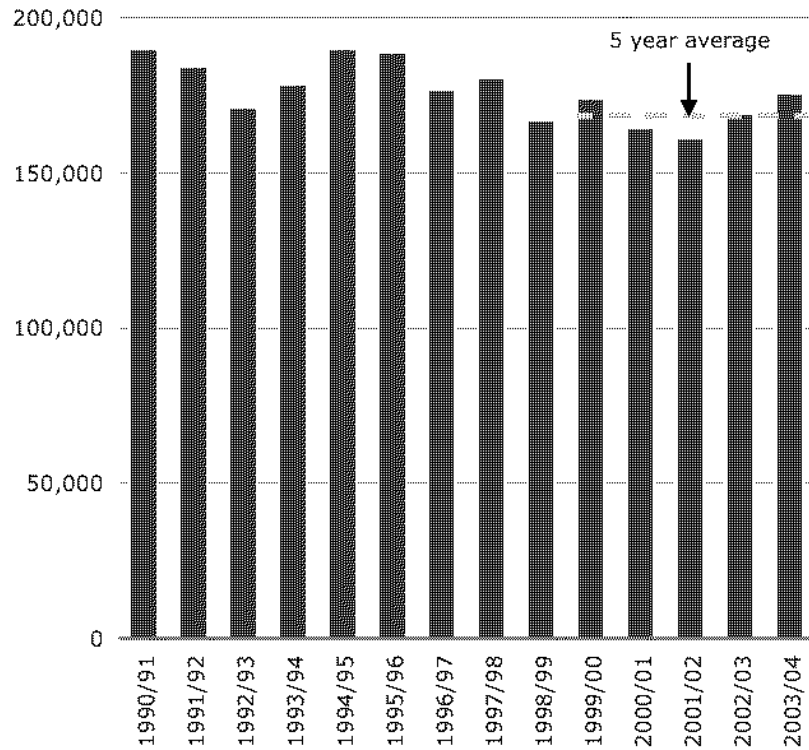


Growth in annual forward order book (000s)



# Inexus' growth prospects are robust (cont'd)

Dwellings completed in Great Britain



Source: Office of the Deputy Prime Minister website, Housing Statistics, Table 203

- UK new build housing forecast to grow beyond 169,000 p.a. (last 5 years average)
  - Meet housing shortages, particularly in the South of England
- Inexus' estimated target market is approx. 110,000 gas connections p.a.
- Inexus' market share forecast to be constant over short term due to significant scale and service advantages
  - Lower construction and overhead costs per connection
  - Nationwide coverage
  - First mover advantage with dual fuel offering

# Inexus' growth prospects are robust (cont'd)

- New business opportunity in electricity connections
  - Electricity sales twice that of gas business at same stage of development
- Inexus is first to market with dual fuel offering
  - Inexus is the only active IGT in the UK licensed to provide a one-stop solution for both gas and electricity connections for its nationwide customer base of developers and contractors
  - Low incremental cost to installing gas only and same client base of housing developers (strong customer relationships in place)
- Early signs encouraging
  - 11% of connections sold in eight months to August 2005 were electricity
  - Secured sales of 5,861 of new electricity connections for eight months ending 31 August 2005
- Other growth opportunities in commercial gas and electricity connections

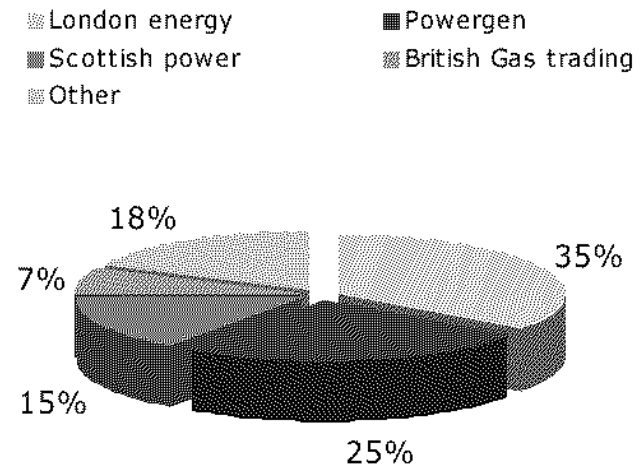
# Highly favourable regulatory regime

- 98% of gas revenues and 90% of contracted gas revenues from connections as at 31 May 2005 are fixed in real terms until 31 December 2018 (contracts signed prior to 1 January 2004)
  - Thereafter, the revenues migrate to Relative Price Control (“RPC”) and benefit from a known RPI-linked floor and ceiling until December 2023
- Remainder of revenues governed by RPC under which revenues broadly track Transco’s charges over the asset life
  - RPC real revenues are subject to a narrow (+/-5%), RPI-linked floor and ceiling until 2023 with the first possible review in 2014
  - This regulatory regime compares favourably with the five-year RPI-X regime for UK gas distribution networks

# Once built, connections are highly cash generative . . .

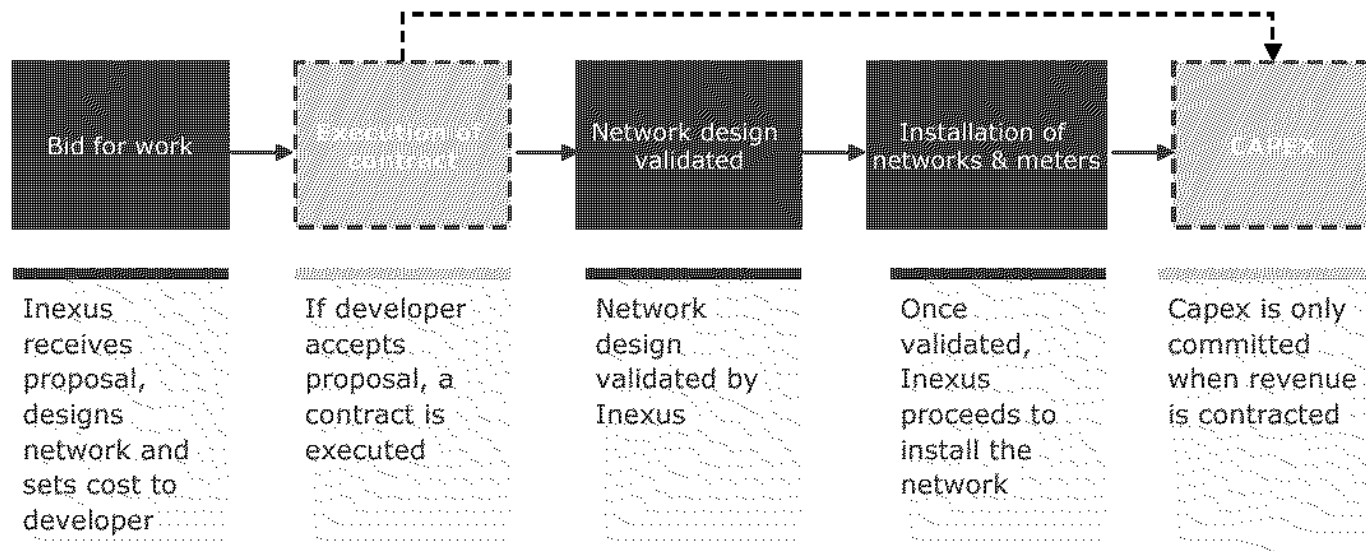
- Excellent customer profile consisting of large UK gas shippers
- Historically, strong EBITDA margins
- Majority of the cost base is comprised of overheads which are either fixed or semi-variable
- Opportunities to drive economies of scale and efficiencies with growing order book
- Networks have a useful life of > 50 years and most are less than 5 years old

Premium customer base (2004)



# ... with capex only committed after contract is secured

- Capex is discretionary and revenue driven
- Capex is only committed on an order once a contract is executed with the developer
- The developer is typically responsible for excavation
- Completion rate has been historically very high at 99.5%



# Detailed historical and projected financials for Inexus

## Inexus pro forma financial summary (£'000)

Year end 31 December	2002	2003	2004	2005F
Asset ownership transportation income	14,163	17,631	21,445	24,906
Other trading income	1,419	1,539	1,467	1,426
<b>Total revenue</b>	<b>15,582</b>	<b>19,170</b>	<b>22,912</b>	<b>26,332</b>
<b>Cost of sales</b>	<b>(3,016)</b>	<b>(2,628)</b>	<b>(3,113)</b>	<b>(3,088)</b>
<b>Overheads</b>	<b>(2,783)</b>	<b>(3,122)</b>	<b>(4,927)</b>	<b>(5,349)</b>
Other items	64	149	1,327	(10)
<b>EBITDA<sup>1</sup></b>	<b>9,847</b>	<b>13,499</b>	<b>14,919</b>	<b>17,885</b>

## Inexus connections growth ('000)

Year end 31 December	2002	2003	2004	2005F
<b>Connections built</b>				
Opening balance	152	188	242	290
Order book build-out	36	54	48	49
Closing balance	188	242	290	339
<b>Connections contracted</b>				
Opening balance	106	112	110	121
Order book build-out	(36)	(54)	(48)	(49)
New contracts won	42	52	59	73
Closing balance	112	110	121	145

<sup>1</sup> EBITDA numbers have been normalised and exclude one-offs and management bonuses. They include approximately £1.3m of electricity expenses over 2003 and 2004 previously considered one-offs.

Note: The summary numbers above have been prepared by Inexus management in accordance with UK GAAP. Under AIFRS, these numbers may be subject to change

# 3. Detailed financial forecasts for CIF

# Sources and applications of Entitlement Offer proceeds

Sources	Amount (A\$m)	Applications	Amount (A\$m)
First Instalment	105.0	Payment of interest on bridging loans	1.0
Second Instalment	105.0	Repayment of Challenger bridging loan	69.2
		Part repayment of CBA and Calyon bridging loans	28.2
		Estimated Entitlement Offer costs	6.6
		<b>Application of First Instalment</b>	<b>105.0</b>
		Repayment of interest on CBA and Calyon bridging loans	19.1
		Further part repayment of CBA and Calyon Bridging loan	85.9
		<b>Application of Second Instalment</b>	<b>105.0</b>
<b>Total sources</b>	<b>210.0</b>	<b>Total applications</b>	<b>210.0</b>

# Expected return from Seed Assets and Inexus

All amounts in \$ million, unless otherwise stated

	10 months to 30 June 2006	12 months to 30 June 2007
<b>Distributions from Seed Assets</b>		
Arqiva	16.8	9.3
North DN	1.8	6.0
Wales & the West DN	7.8	10.3
	26.4	25.6
<b>Distribution from Inexus</b>		
Distribution from Inexus	9.2	34.4
Prior period distributions	-	0.8
Drawdowns on Working Capital Facility	-	3.9
Less: cash operating expenses	(0.7)	(0.9)
Cash available for distribution	34.9	63.8
Distributions from CIF	(34.1)	(63.8)
Distributions available for distribution in future periods	0.8	-
<b>Forecast nature of distribution</b>		
Taxable (\$ per Security)	0.018	0.031
Tax deferred (\$ per Security)	0.125	0.232
<b>Total Seed Asset distribution (\$ per Security)</b>	<b>0.142</b>	<b>0.264</b>
<b>Average % tax deferred on Class A Securities (%)</b>	<b>87.60</b>	<b>88.20</b>
<b>Annualised cash return on Inexus and the Seed Assets – New Class A Securities</b>	<b>13.60%</b>	<b>9.50%</b>

Refer to the product disclosure statement for complete financial statements, assumptions underlying the forecasts and the risks of investing in CIF

# CIF forecast pro forma balance sheet

As at 1 September 2005

All amounts in \$ million	Seed Assets	Inexus	Consolidated
<b>Assets</b>			
Cash	8.1	17.9	26.0
Receivables	316.3	119.3	435.6
Work in progress	-	9.7	9.7
Fixed Assets	-	232.1	232.1
Available for sale financial assets	293.5	-	293.5
Goodwill	-	992.5	992.5
<b>Total Assets</b>	<b>617.9</b>	<b>1,371.5</b>	<b>1,989.4</b>
<b>Liabilities</b>			
Payables and other liabilities	-	94.9	94.9
Preference shares	-	74.0	74.0
Provisions	-	1.2	1.2
Debt	-	998.0	998.0
<b>Total Liabilities</b>	<b>-</b>	<b>1,168.1</b>	<b>1,168.1</b>
<b>Net Assets</b>	<b>617.9</b>	<b>203.4</b>	<b>821.3</b>
<b>Holdings' equity</b>			
Holdings' funds	617.9	203.4	821.3
Retained earnings	-	-	-
Outside equity interest	-	-	-
<b>Total Holdings' Equity</b>	<b>617.9</b>	<b>203.4</b>	<b>821.3</b>

Refer to the product disclosure statement for complete financial statements, assumptions underlying the forecasts and the risks of investing in CIF

# CIF forecast income statement

Directors' forecast for the 10 months ending  
30 June 2006

All amounts in \$ million	Seed Assets	Inexus	Consolidated
<b>Revenue</b>			
Investment revenue			
- Arqiva	5.4	-	5.4
- North DN	1.7	-	1.7
- Wales & the West DN	7.8	-	7.8
<b>Total Investment revenue</b>	<b>14.9</b>	<b>-</b>	<b>14.9</b>
Transportation income*	-	56.7	56.7
<b>Total Revenue</b>	<b>14.9</b>	<b>56.7</b>	<b>71.6</b>
Cost of sales	-	(7.2)	(7.2)
Gross profit	14.9	49.5	64.4
Management fees	(2.8)	(0.6)	(3.4)
Operating expenses	(0.5)	(13.9)	(14.4)
Realised foreign exchange gains	0.3	-	0.3
<b>EBITDA</b>	<b>11.9</b>	<b>35.0</b>	<b>46.9</b>

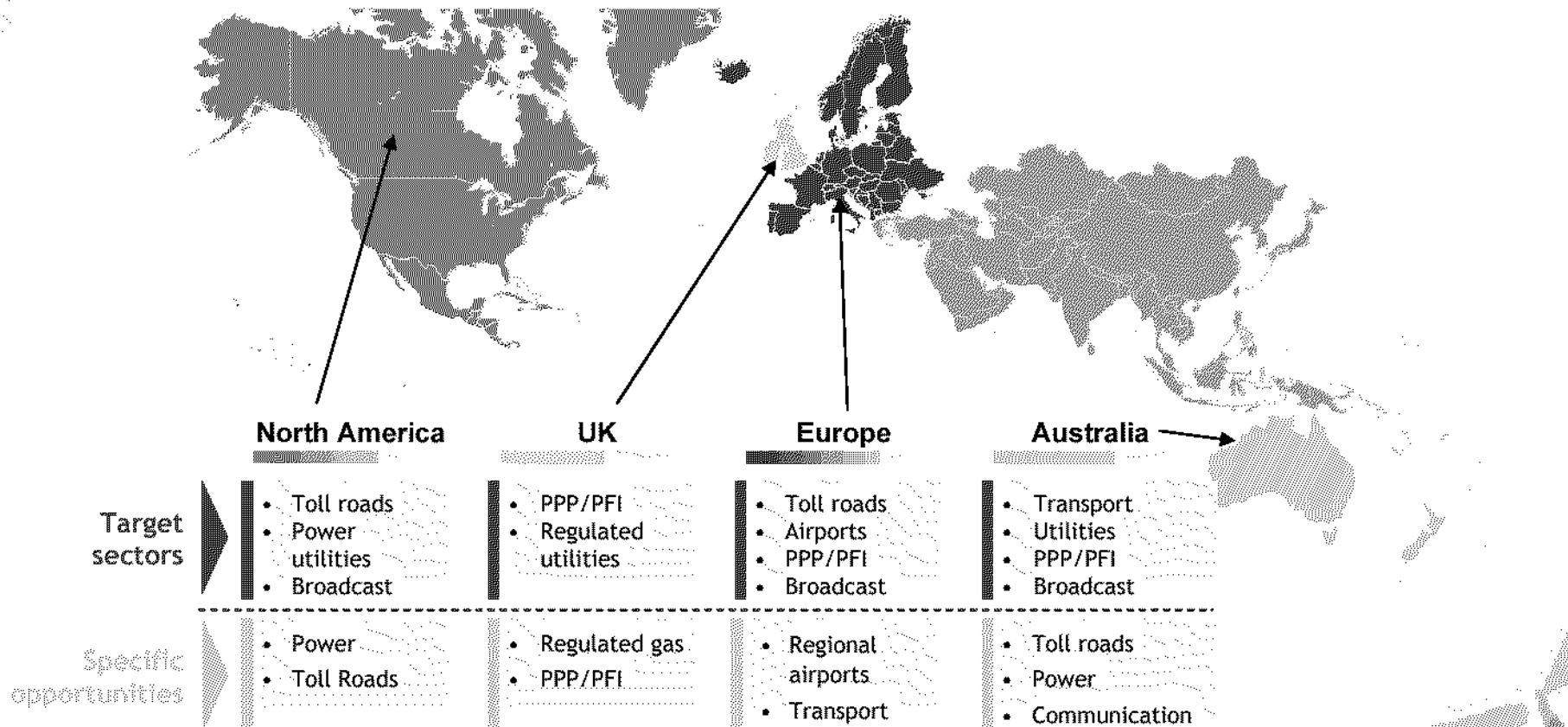
\* Inexus revenue

Refer to the product disclosure statement for complete financial statements, assumptions underlying the forecasts and the risks of investing in CIF

# 4. Pipeline update

# Global pipeline of investment opportunities remain robust

- Challenger has identified significant investment opportunities



# 5. Timetable & key contacts

# Important dates

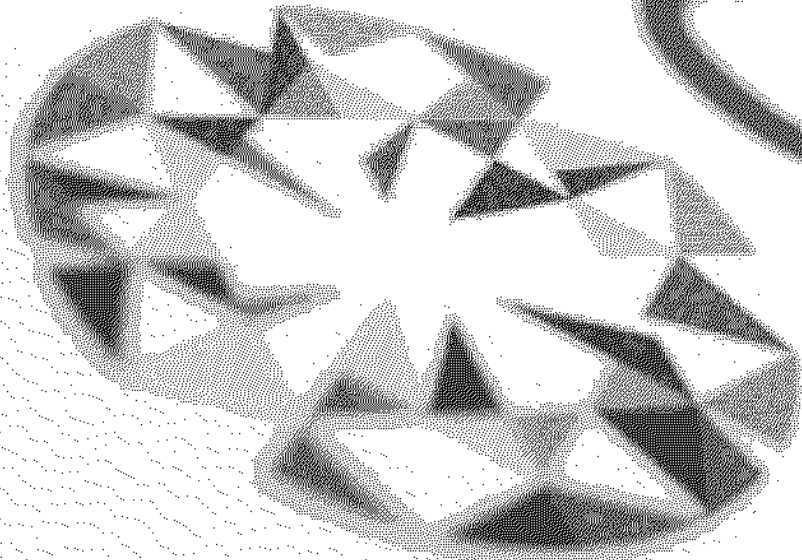
## Offer timetable

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PDS lodged	19 October 2005
Institutional Entitlement Offer opens	19 October 2005
Institutional Entitlement Offer closes	20 October 2005
Record date for Entitlement Offer	7.00pm on 24 October 2005
Retail Entitlement Offer opens	25 October 2005
Early Retail Acceptance Date (to participate in Initial Allotment)	5.00pm on 1 November 2005
Settlement of New Class A Securities issued under the Initial Allotment	4 November 2005
Initial Allotment	7 November 2005
New Class A Securities issued under the Initial Allotment commence trading on ASX	7 November 2005
Final Retail Closing Date	5.00pm on 16 November 2005
Final Allotment	24 November 2005
New Class A Securities issued under the Final Allotment commence trading on ASX	28 November 2005
Second Instalment Payment Date	21 August 2006

These dates are indicative only. The Responsible Entity, in consultation with the Lead Manager, reserves the right to vary the dates (with the exception of the Second Instalment Date)

# Contact information



**Challenger Infrastructure Fund**  
**Steve Bickerton**  
**Chief Executive**  
**Tel: 612 9994 7327**

**JPMorgan Australia Limited**  
**Paul Ryan**  
**Tel: 612 9220 3158**