

MARKET RELEASE

SOUTHERN WATER UPDATE

30 March 2009, Sydney - Challenger Infrastructure Fund (CIF) owns 15.6% of Southern Water, a regulated UK water and wastewater company.

Southern Water is regulated in real price terms with revenues and Regulated Capital Value (RCV) indexed by the Retail Price Index (RPI). RCV is indexed using the March 2009 RPI spot rate (forecast to be negative) whilst the majority of Southern Water's index linked debt¹ is indexed using July 2008 RPI (+5%), an 8 month lag. This leads to a timing difference in the indexation of Southern Water's debt and its RCV.

Due to the decline in RPI and in order to ensure Southern Water has sufficient headroom under the terms of its debt facilities at 31 March 2009, the Southern Water shareholders have agreed to contribute approximately £85 million in temporary shareholder loans to Southern Water. CIF's contribution will be A\$ funded and will be in the amount of \$26.2 million. The shareholder loan will be contributed on or before 31 March 2009.

CIF expects that the timing difference will reverse over the next calculation period and expects the majority of the loan will be repaid before 30 June 2009. The loan will not be injected into the operating company. The credit worthiness and covenant positions of the operating company of Southern Water remain secure.

CIF currently has \$94 million of cash available on its balance sheet. This cash will be utilised to fund the \$26.2 million temporary Southern Water shareholder loans.

The loan will not impact CIF's ability to continue its on market buy-back (of up to 10% of its securities) at current trading levels.

Southern Water remains in compliance with its debt covenants.

ENDS

¹ Southern Water has approximately 52% of its debt in the form of index linked bonds or hedged using RPI swaps.



About Challenger Infrastructure Fund (CIF):

CIF is an Australian publicly listed global diversified infrastructure fund that invests in regulated and contracted monopoly-like assets. CIF has a portfolio of assets which are diversified by sector and also geographical location and focuses on countries with relatively stable political and regulatory environments. CIF takes a disciplined approach to the types of assets in which it invests in order to provide security holders with exposure to assets with long term predictable cash flows. CIF's portfolio is diversified across 3 key assets: Inexus, Southern Water and LBC. For further information please visit our website: www.challenger.com.au/cif

Important notice:

Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Challenger and/or CIF, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based.

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