

Challenger Infrastructure Fund

UBS Australian Infrastructure and Utilities Conference 2008

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Chief Executive
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Agenda

1. Credit Markets
2. CIF's Assets

Appendices

1. Credit Markets

Credit Markets

- Subprime contagion caused banks to lose a significant amount of capital
- Banks' own funding has been a challenge with a substantial increase in funding cost and relative shortage of long term liquidity
- Banks are now in a de-leveraging cycle which affects the volume, price and terms upon which they are prepared to lend
- Capital and funding pressures have meant that lending has, and will continue to be, more selective
- Relationship-based lending is the dominant feature of the credit landscape
- High quality infrastructure assets still see strong demand, but terms reflect the higher cost of funding and the de-leveraging cycle

Credit Markets and Infrastructure

- Long term cash flows of infrastructure assets means that refinance impacts in the short term can be mitigated by refinance in the longer term
- Shift in influence from equity financiers towards debt financiers
- Banks minimising underwriting risks by moving to 'club based' financing
- Higher cost and tighter covenants
- Refinancing existing debt is no longer taken for granted with active management plans regularly communicated to the market

Snapshot of CIF's credit

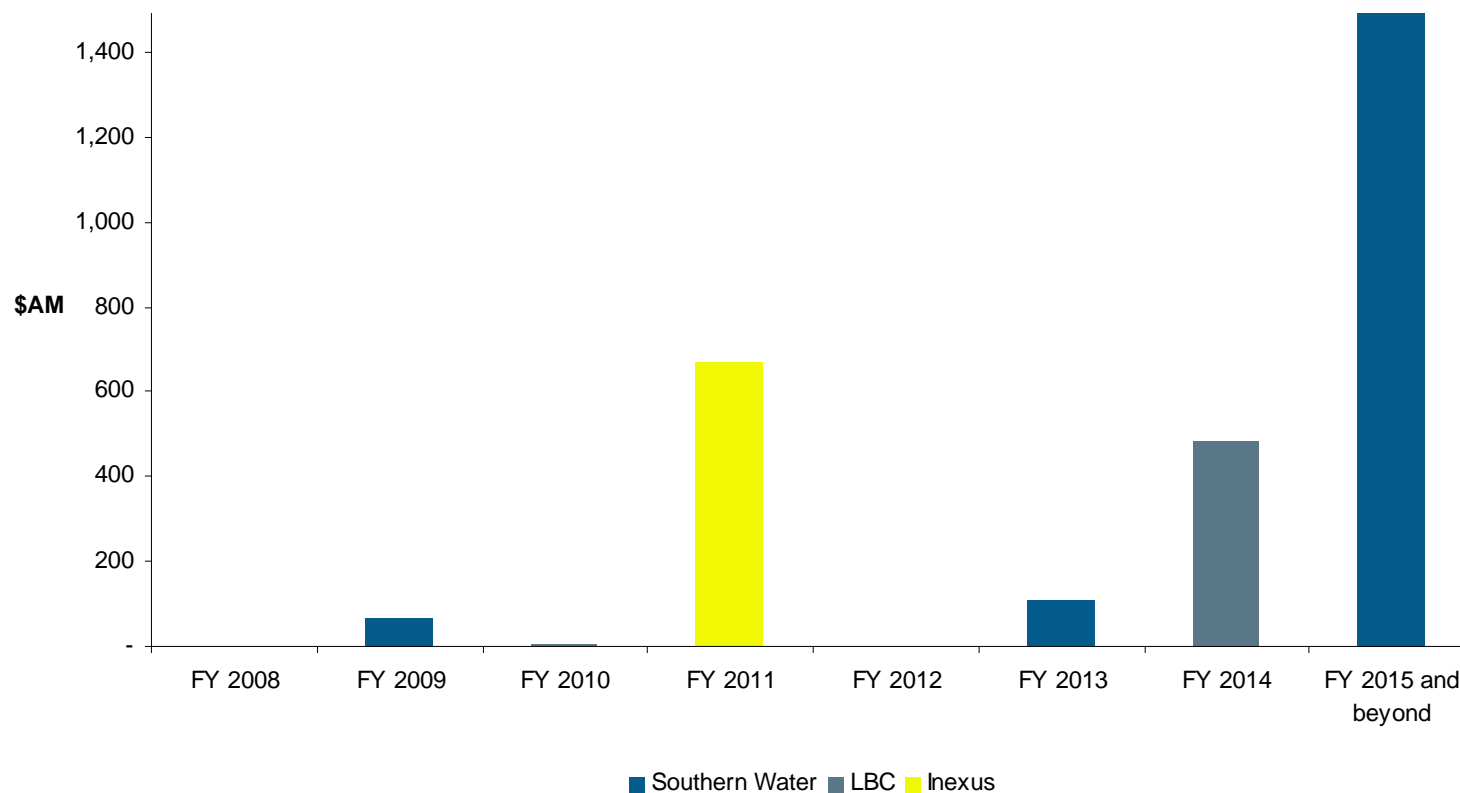
- No near term refinance
- Undrawn acquisition facility
- Proportional consolidated gearing of 63%¹
- Fund level gearing² reduced from 23.4% in December 2007 to nil in September 2008 (based on assets under management)
- Removed debt funding of distribution for FY2009 freeing up debt capacity within Inexus to fund start up businesses

¹ Proportional consolidated gearing has been calculated using 31 March 2008 asset gearing levels.

² Excludes Redeemable Preference Securities.

Debt Maturity Profile¹ (proportional consolidation)

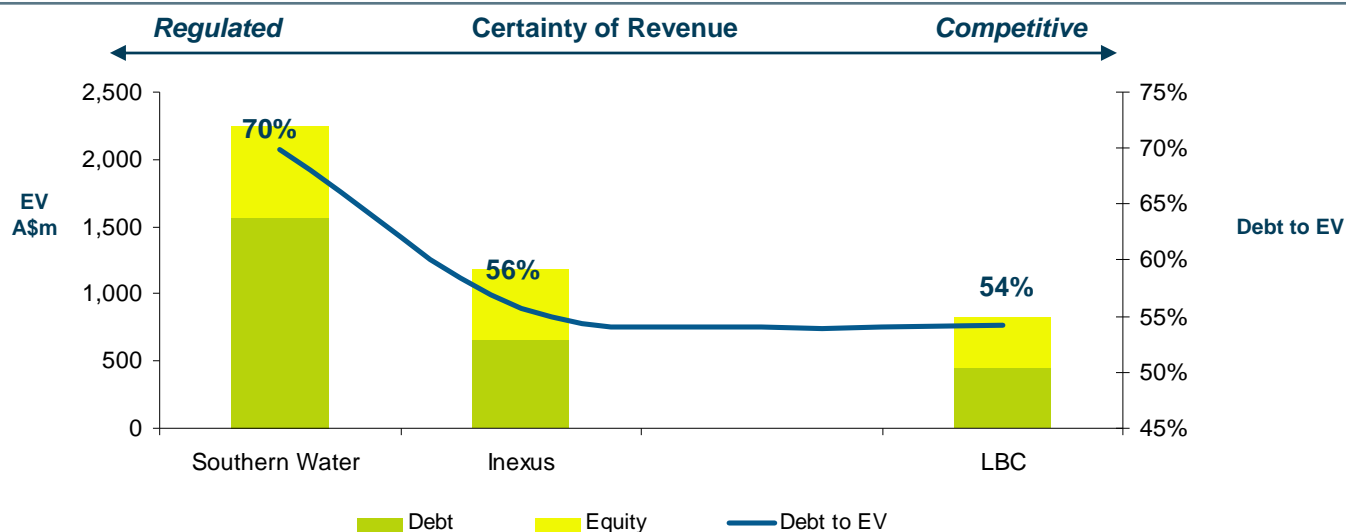
- Proportional weighted average maturity of approximately 15-16 years
- Next major refinance point – August 2010 Inexus Refinance



¹ Assumes repayment of CIF Acquisition facility by 30 September 2008 with receipt of Arqiva and Wales & West Utilities proceeds.

Gearing at the Asset Level

	Pro-forma March 2008 ¹ \$m	Dec 2007 \$m	June 2007 \$m
Asset level proportional net total debt	2,679.1	3,271.5	1,680.8
Fund level net senior debt ²	-	488.9	218.0
Total proportional net debt	2,679.1	3,760.4	1,898.8
CIF Assets under Management ³	1,580.8	2,087.1	1,351.0
Total proportional net debt to EV ⁴	63%	64%	58%



¹ Reports 31 March 2008 proportionate consolidated look through net debt balances, pro-forma adjusted to include the impacts of the divestments of Arqiva, Wales & West Utilities and Northern Gas Networks and subsequent repayment of Fund level senior debt (expected to occur by 30 September 2008, with the divestment proceeds). The sales of Wales & West Utilities and Arqiva are pursuant to their respective Shareholders Agreements.

² Excludes £98million redeemable preference securities.

³ Pro-forma CIF Assets under Management based on director's valuations at 31 December 2007 adjusted for the divestment of Northern Gas Networks, Wales & West Utilities and Arqiva, converted to AUD at 31 March FX rates.

⁴ Enterprise Value (EV) is calculated as CIF Assets under Management (refer footnote 3 for basis of calculation) plus proportionate consolidated look through net debt balances.

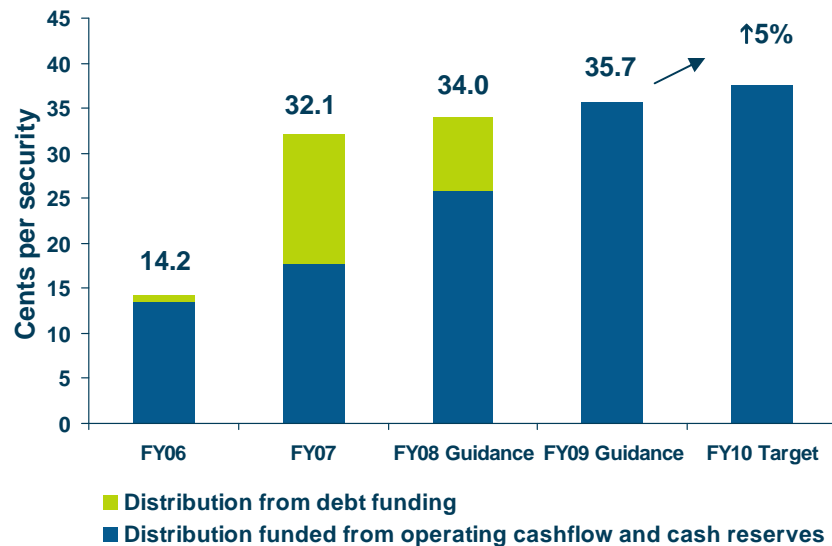
Distributions

Distributions

- 2008FY guidance of 34c per security and forecast to be approximately 25% tax deferred
- 2009FY guidance of 35.7c per security, 5% increase from FY2008
- 2009FY distribution will be:
 - More than 90% funded from operating cashflow
 - Balance from retained cash balances held by the Fund and its assets
- FY2008 distribution CAGR since listing of 9.3%¹
- 5% distribution growth until FY2010

¹ Assumes 2006 normalised fully paid distribution of 28.4 cents per stapled security.

Distribution Profile



2. CIF's Assets

Inexus

Description	<ul style="list-style-type: none"> - Leading UK independent last mile gas and electricity connections business - Inexus constructs and owns connections
CIF Ownership	<ul style="list-style-type: none"> - 80.4% - Purchased September 2005



Debt Snapshot as at 31 March 2008	
Senior Debt outstanding (£m)	346.8
Junior debt outstanding (£m)	35.0
Total debt outstanding (£m)	381.8
Undrawn facilities (£m)	93.2
Maturity	September 2010

Key Highlights

- Long term stable cash flows from 464,000¹ in the ground gas and electricity connections
- Forward order book of 229,000¹ further supporting future long term stable cash flows
- RPI based funding to hedge RPI based revenue streams

¹ Connections data as at 31 December 2007.

LBC

Description	<ul style="list-style-type: none">- Second largest independent bulk chemical storage terminals company globally- 2.3 million m³ of capacity- 14 terminals in USA, Europe and Asia
CIF Ownership	<ul style="list-style-type: none">- 66.2%- Purchased June 2007



Debt Snapshot as at 31 March 2008

Senior Debt outstanding (€m)	343.7
Junior debt outstanding (€m)	47.8
Total debt outstanding (€m)	391.5
Undrawn facilities (€m)	104.7
Maturity (majority)	June 2014

Key Highlights

- Stable cashflows underpinned by take-or-pay contracts, indexed to inflation with credit worthy counterparties
- Undrawn Capex facilities of €51 million available to fund brownfield expansion opportunities
- Contracted brownfield expansion securing growth in cash flows
- Multi-currency debt financing

Southern Water

Description	<ul style="list-style-type: none"> - Water and Waste Water Utility located in south-east of England - Fastest growing UK water and wastewater company
CIF Ownership	<ul style="list-style-type: none"> - 23.4% - Purchased in October 2007



Debt Snapshot as at 31 March 2008	
Senior Debt outstanding (£m)	3,072
Junior debt outstanding (£m)	229
Total debt outstanding (£m)	3,301
Undrawn facilities (£m)	50
Maturity (majority)	Beyond 2015

Key Highlights
<ul style="list-style-type: none"> - 99% of EBITDA regulated cashflows until March 2010 - ~80% of total debt is securitised - ~60% of securitised debt is wrapped by MBI and FSA under securitisation program <ul style="list-style-type: none"> - no impact on pricing for insurer downgrade - first tranche of wrapped debt refinancing in 2018 - Average debt maturity of ~27 years; 90% matures beyond 2015 - Capex funding provided by strong operating cashflow generating and cash on hand and undrawn capex facilities (£50 million)

Outlook

- High quality infrastructure assets still see strong demand, but terms reflect the higher cost of funding and de-leveraging cycle
- Long term cash flows of infrastructure assets means that refinance impacts in the short term can be mitigated by refinance in the longer term
- No near term refinance
- Fund level gearing² reduced from 23.4% in December 2007 to nil in September 2008 (based on assets under management)

² Excludes Redeemable Preference Securities.

Questions

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Appendix

CIF Strategy

- A diversified global portfolio of high quality infrastructure and utility assets
- Investment criteria to identify high quality assets that have long-term, predictable cash-flows with the potential for capital growth
- Investment goal to deliver a combination of attractive and growing distributions alongside increasing asset values
- Acquisition - a disciplined approach combined with its investment criteria supports the maximisation of long term value for security holders
- Optimal capital management to maximise the value of security holder returns