Challenger Infrastructure Fund

2007 interim results presentation

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Challenger Infrastructure Fund

14 February 2007

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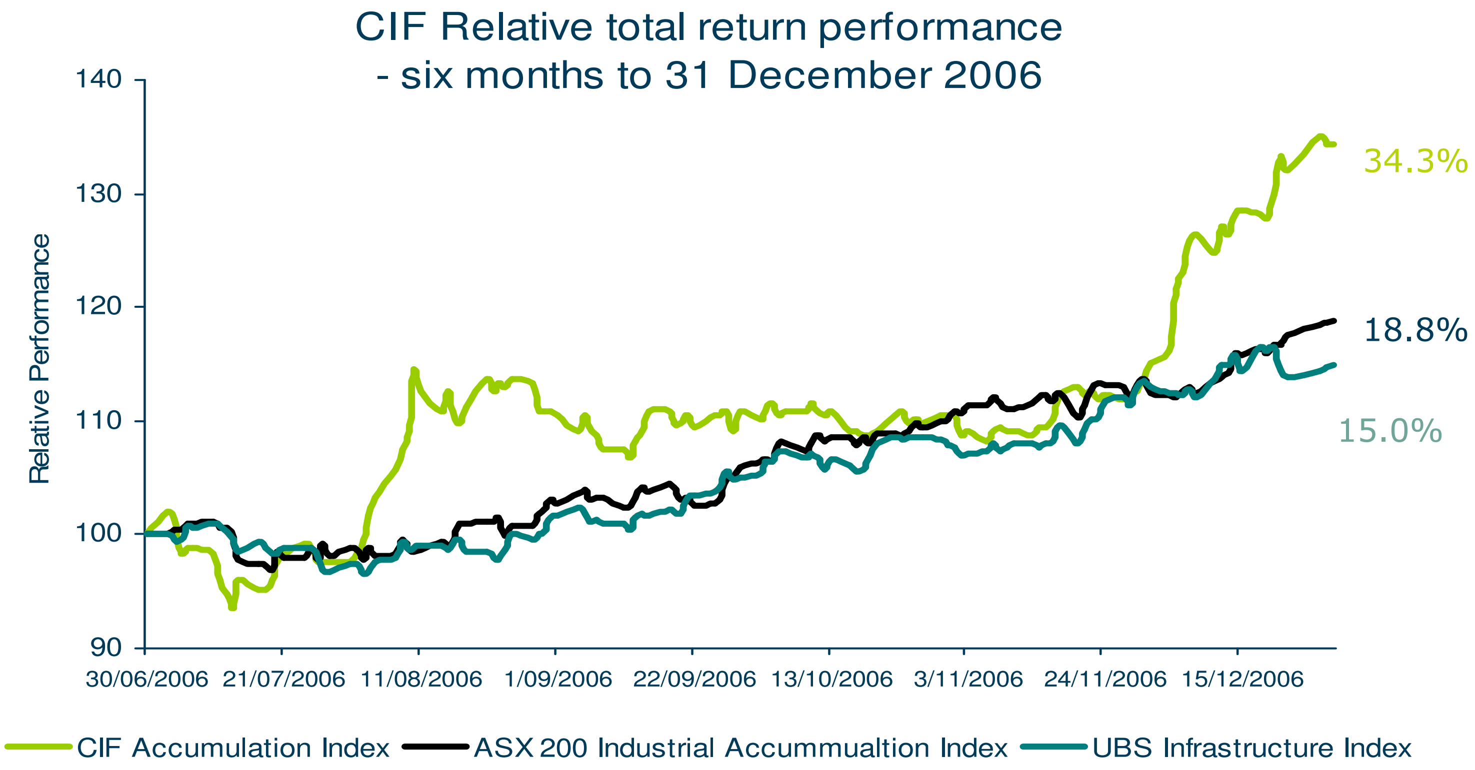
Highlights

- 14.4 cpu interim FY07 distribution
- FY07 distribution guidance upgraded to 32.1 cpu from 28.8 cpu
- 34.3% total return for 6 months ended 31 December 2006
- Inexus performing ahead of expectations
- Arqiva continues to find strategic growth opportunities
- Gas distribution networks preparing for 5 year regulatory review
- NAV upgraded to $3.90, up 6.8%

Investment performance

For six months ended 31 December 2006 , CIF delivered

- 29.3% price return
- 34.3% total return



Source: IRESS. Base: 1 July 2006 = 100

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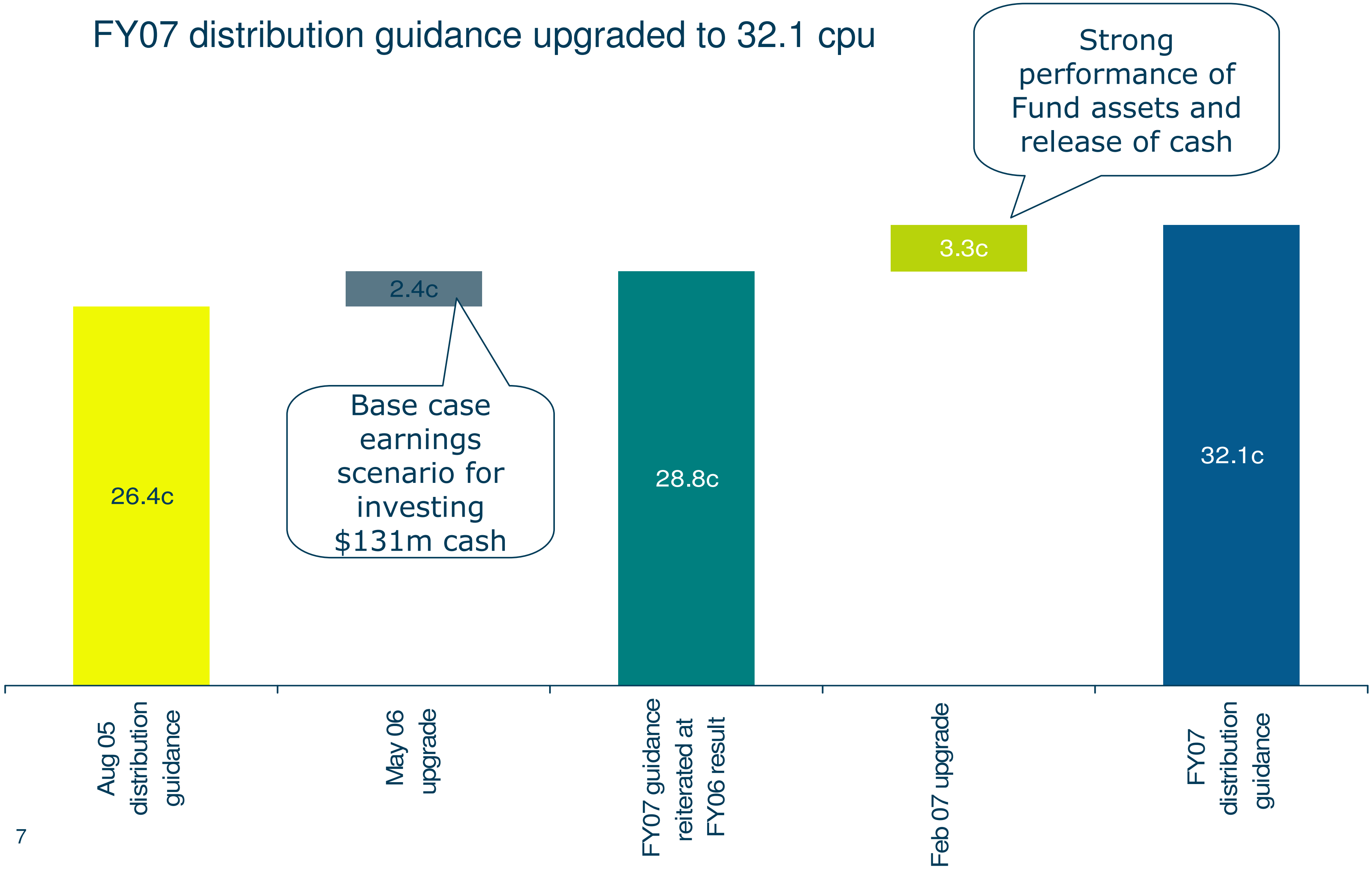
Financial results

- 1H07 representative of the first full six month interim period for CIF
- Performance was in line with Manager’s expectation

For period ended 31 December 2006	
Total revenue	$58.2m
EBITDA & unrealised gains/(losses) on financial instruments	$46.4m
Distributions to security holders	$34.7m
Interim distribution per security	14.4cpu

FY07 distribution – guidance upgraded

FY07 distribution guidance upgraded to 32.1 cpu

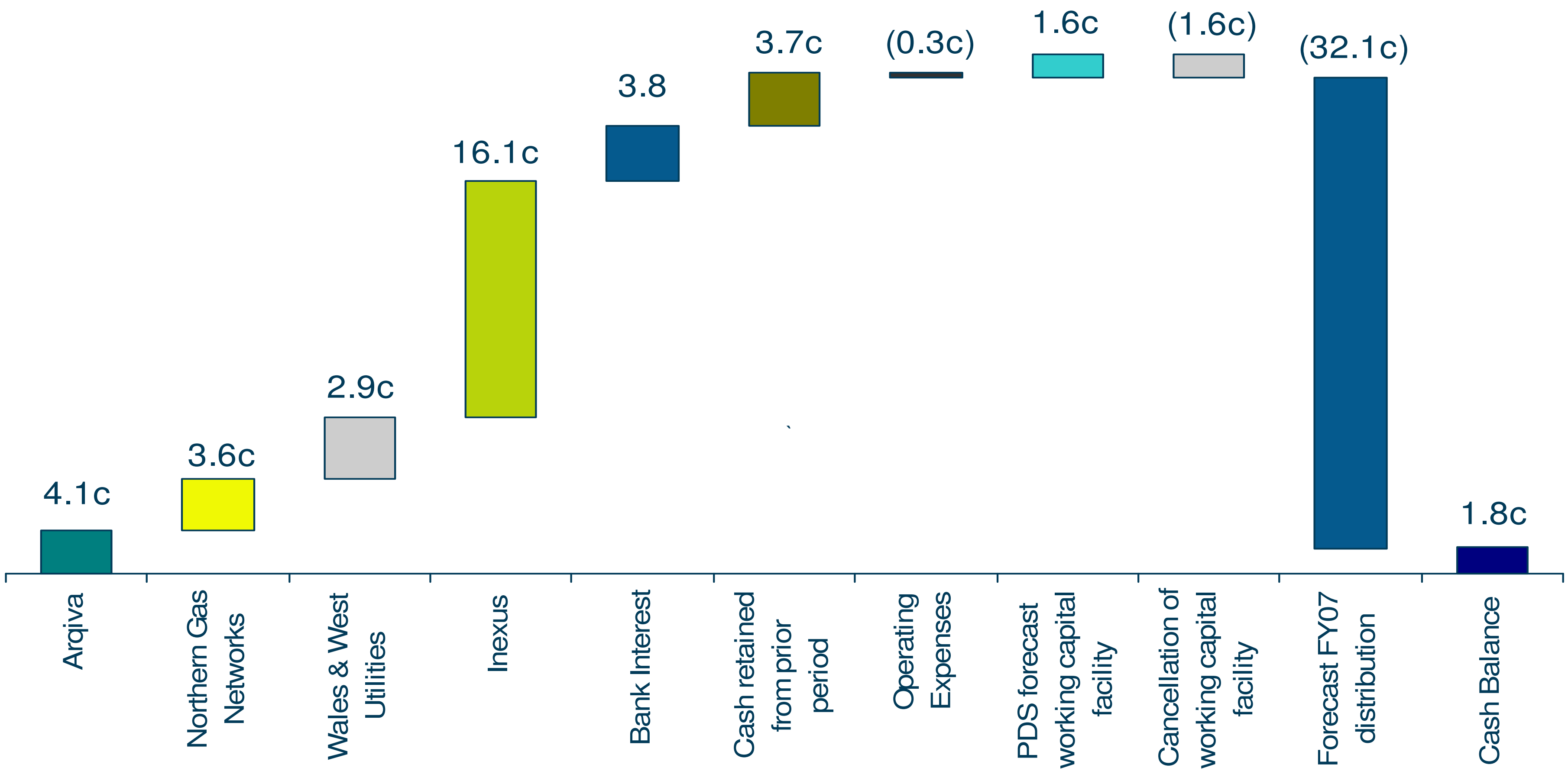


FY07 distribution guidance – key variances

Source		Revised guidance vs ($m)	Prior guidance ($m)	Reflecting
Inexus	↑	$38.9	$34.4	Stronger sales in both gas and electricity
Northern Gas Networks	↑	$8.6	$6.5	Moved to semi annual distributions
Bank interest	↑	$9.2	$6.1	Higher than forecast bank interest
Wales & West Utilities	↓	$7.1	$10.0	Warmer weather impacted volumes* and one off opex

* Majority of impact expected to be recovered under regulatory regime

FY07 forecast distribution – sources



Capital structure

- 21 August 2006 - second instalment raised $420m
  - $289m repaid bridge facility taking Fund gearing to zero
  - $131m cash on balance sheet
  - Balance sheet in strong position to fund asset acquisitions

- 1 January 2007 – market cap increased to $730m* from $563m*
  - Class B securities released from escrow
  - 50% of Class B securities converted to Class A securities
  - Challenger Group remains committed substantial investor

- 1 July 2008 – Class A and Class B securities convert to ordinary units

CIF Securities	% Issued Capital	Challenger Group holding
Class A	81.3%	19.0%
Class B	18.7%	18.7%
Total	100.0%	37.7%

Unit price used $3.73 - closing price on 29 December 2006

Asset valuations – Inexus up 12%

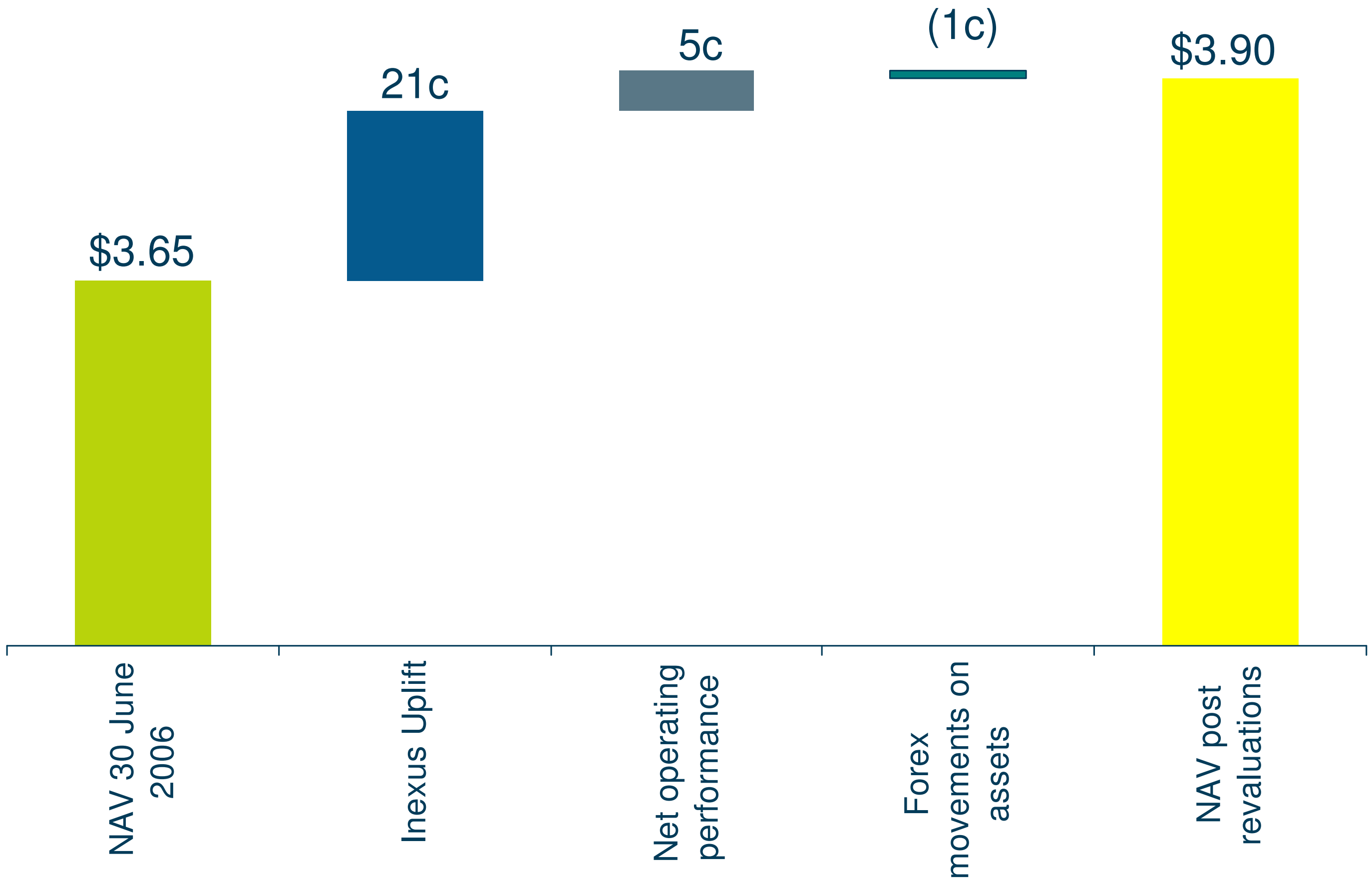
- Half year Management asset valuations
- Inexus uplift reflects - actual performance to date for gas and electricity business
  - increased confidence in future electricity sales

Asset	30 June 2006 Asset Values ($m)	31 Dec 06 Asset Values ($m) *6 month currency impact*	Uplift in management valuation 31 Dec 2006 ($m)	Management Valuation 31 Dec 2006 ($m)	Increase in Fair Value
Inexus	424.5	423.4	50.6	474.0	12%
Arqiva	127.5	127.1	Unchanged	127.1	0%
Wales & West Utilities	96.6	96.3	Unchanged	96.3	0%
Northern Gas Networks	96.8	96.6	Unchanged	96.6	0%
TOTAL	745.4	743.4	50.6	794.0	6.8%

**Asset values converted at $A = £0.402727 spot rate as at 31 December 2006 (vs £0.401692 spot at 30 June 2006)*

NAV revaluation uplift of 25 cents per unit

Post management asset revaluation NAV per security $3.90



Notes:
1. Net asset value per security is calculated as the total value of all CIF investments (including goodwill in Inexus), and foreign exchange movements, divided by the number of securities on issue at 31 December 2006
2. Asset values converted at $A = £0.402727 (vs £0.401692 spot at 30 June 2006)

Inexus – maintains market leading position

- Maintains market leading position in new gas connections market in UK
  - Estimated gas connections market share 60%
    (total market estimate at 120,000 new gas connections p.a.)*
- Only active independent provider of new electricity connections in UK
  - Building on first mover advantage

	Budget sales for 12 months Jan-Dec 06	Actual sales for 12 months Jan-Dec 06	Budgeted sales FY07	Sales for 6 months July – Dec 06
Gas	65,000	76,498	65,000	41,596
Electricity	20,000	27,567	23,000	17,078
Total**	85,000	104,065	88,000	58,674

** Inexus Management forecast*

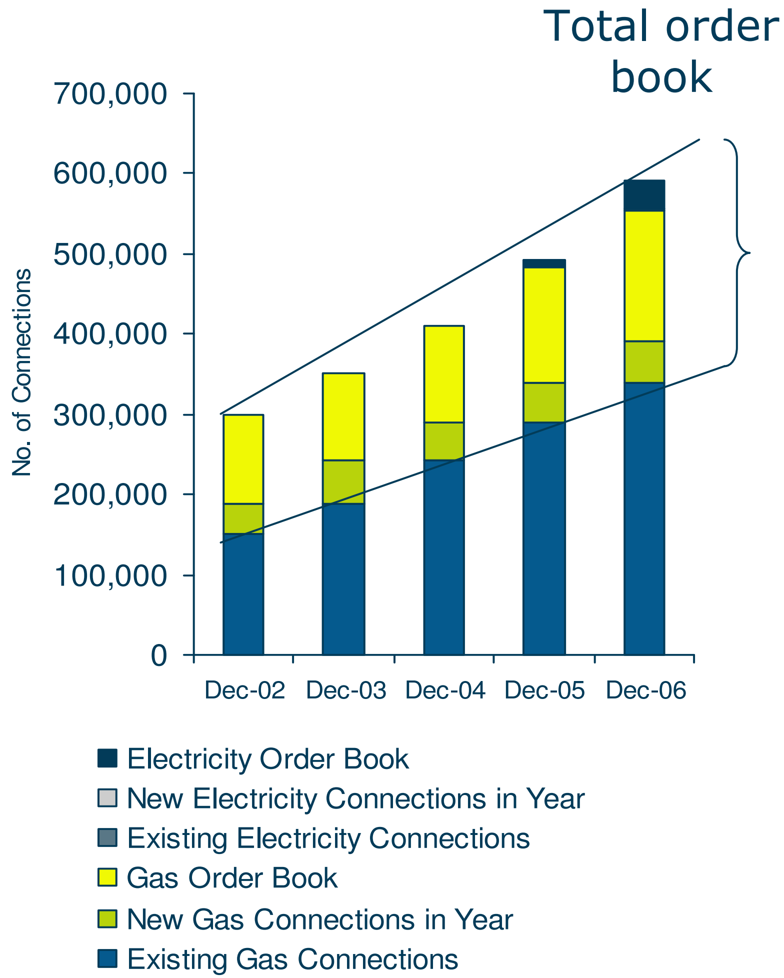
*** For complete update on Inexus' order book and connections base see Appendix 2*

Inexus – growth in order book doubled

- Connection growth in order book doubled the proceeding year

	2004	2005	2006
Total Sales p.a.	56,380	76,048	104,065
Total connections installed p.a.	46,408	49,872	52,714
Growth in order book	9,972	26,176	51,351

- Ongoing discussion with regulator to lock down electricity pricing
  - Expect resolution during 2007



Arqiva – Strategic Opportunities

- Arqiva continues to deliver a mix of income and growth

- Achieved a range of strategic outcomes in 1H07

  - The leading provider of digital terrestrial operations
    – Signed BBC digital contract – displaced incumbent to win

  - Extended geographic reach
    – Acquired BT Satellite Services*, £25 million – extends presence into France and USA

  - Expanding product offering
    – Successful mobile data trial with Metropolitan Police
    – Developing integrated technology for shared systems (2G, 3G, CCTV, WiFi)

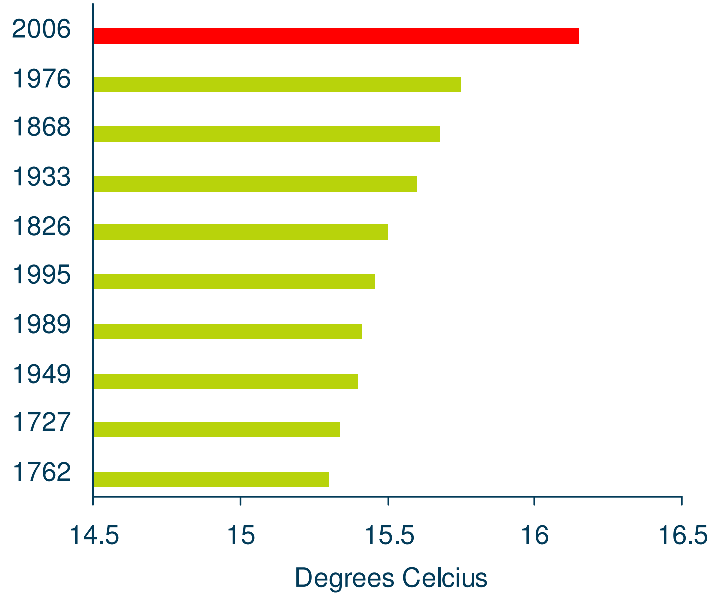
- Strategic opportunities continually arising as the move to digital technology across all platforms continues

* Subject to approval by Office of Fair Trading

Gas Distribution Networks

- Summer 2006 - hottest in 300 years
  - Resulted in lower volumes and revenue
  - Regulatory regime recovers significant proportion of weather impacted revenue
- December 2006 - Interim pricing review released. Key outcomes;
  - Incorporation of pension costs in RAV
  - Gas shrinkage price risk passed through
- 2007 - 5 year regulatory review
  - Expected December 2007
  - Working towards an "availability" type pricing structure

Average daily temperature for the 10 warmest and longest UK summers (May-Sept) 1659-2006*



* UK Met Office Press Centre 16 October 2006

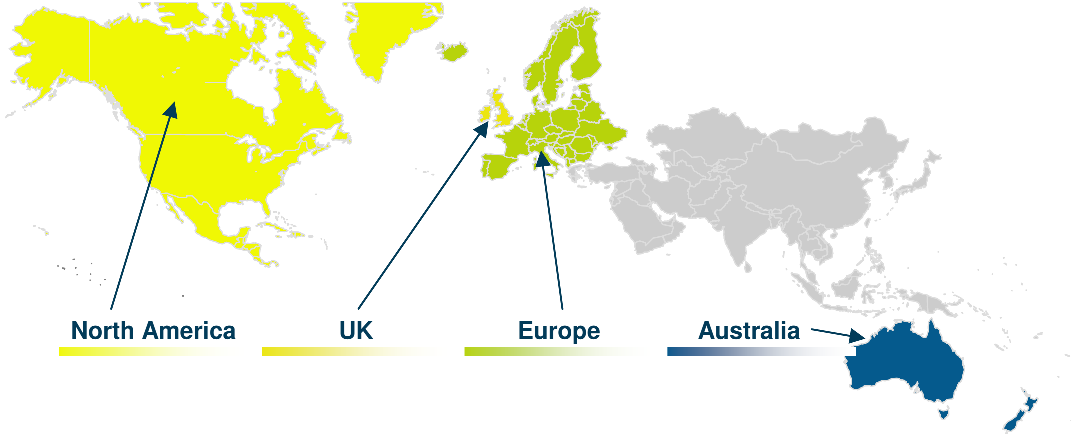
Investment strategy

What is a CIF Opportunity ?

Growth orientated utility and infrastructure assets with:

- Long-term predictable income streams

- Potential for capital growth



Market Position

- Regulated industry or near monopoly market position
- High barriers to entry

Financial Attraction

- Strong cash generation
- Long term predictable cashflows

Growth Potential

- Organic growth
- Consolidation
- Aggregation / Disaggregation

Ownership Level

- Full ownership
- Majority ownership
- Negative control
- Strategic stakes

Positive outlook

- Focus for 2007 :-
  - Inexus
    - Electricity – continued success in “dual fuel” offering
    - Water – license application with regulator
  - Arqiva
    - Increasing geographic reach with approval of BT satellite acquisition*
    - Development of opportunities and technology eg mobile technology
  - Gas Distribution Networks
    - 5 year regulatory review should advance pricing structure towards “availability” style structure

Summary

- 34.3% total return for 6 months ended 30 December 2006
- FY07 distribution guidance upgraded to 32.1 cpu from 28.8 cpu
- Inexus performing ahead of expectations
- NAV upgraded to $3.90, up 6.8%
- Maintain disciplined acquisition approach to continue to build a portfolio of quality assets

Questions

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Appendices

1. Non consolidated assets – financials
2. Inexus – connections snapshot
3. Portfolio – asset summary
4. Portfolio – hedging summary

Appendix 1

Assets – financials

	Revenue for six months ended Dec 2006 ($m)	EBITDA for six months ended Dec 2006 ($m)	Distribution to CIF for six months ended Dec 2006($m)
Inexus	38.5	23.6	34.4
Arqiva	407.3	150.9	3.3
Wales & West Utilities	388.6	53.1	0.9
Northern Gas Networks	290.0	79.2	6.5

Appendix 2

Inexus – Connections snapshot

	Dec-04	Dec-05	Dec-06
Growth in Connections	46,408	49,872	52,714
New Sales	56,380	76,048	104,065
Existing Gas Connections	243,618	290,026	339,567
New Gas Connections in Year	46,408	49,514	51,322
Gas Order Book	121,000	142,474	163,407
Existing Electricity Connections	0	0	331
New Electricity Connections in Year	0	331	1,392
Electricity Order Book	0	9,726	36,012
	411,026	492,098	592,031
Growth rate		19.7%	20.3%
Total Connections	290,026	339,898	392,612
Total Order Book	121,000	152,200	199,419
TOTAL	411,026	492,098	592,031

Appendix 3

Portfolio – asset summary

Asset	Nature of Regulation	UK Market position	Long term cash flow certainty	Ownership	Growth
Inexus	Price regulated	Leading gas and only active gas and electricity connections provider	Ongoing demand for gas	CIF majority stake aligned through co-ownership	Dual connections with potential to expand into other utilities
Arqiva	Regulated by site sharing agreement	1of 2 operators and high barriers to entry	Average contract length 12 years	Board representation	Participation in digital switchover, wireless growth and mobile TV
Gas Distribution Networks	Price regulated	Regional monopoly	Ongoing demand for gas	Board representation	Operating efficiency and capital management discipline

Appendix 4

Portfolio – Hedging summary

	Inflation	Interest rates	Foreign exchange*
Inexus	Direct regulated price adjustment	100% of borrowings hedged to 2030	100% of PDS forecast distributions hedged to August 2010 at £1 = A$2.4637
Arqiva	Contracted price adjustment	Greater than 95% of borrowings hedged to 2009 then 50% for a further 5 years	100% of PDS forecast distributions hedged to July 2010 at £1= A$2.4091
Wales & West Utilities	Regulated WACC	100% of borrowings hedged to 2008 then greater than 85% for a further 5 years	100% of PDS forecast distributions hedged to July 2010 at £1= A$2.4091
Northern Gas Networks	Regulated WACC	100% of borrowings hedged to 2008 then 55% till 2027	100% of PDS forecast distributions hedged to July 2010 at £1= A$2.4091

* *Forex contracts are struck on rolling 5 year basis*