

Challenger Listed Investments Limited

ABN 94 055 293 644 AFSL 236887

As Responsible Entity for:

Challenger Kenedix Japan Trust

ARSN 124 068 971

SCHEME MEETING 28 JANUARY 2010**ADDRESS BY INDEPENDENT DIRECTOR AND CHAIR, BRENDA SHANAHAN**

In April 2007 Challenger Kenedix Japan Trust (CKT) listed on the Australian Securities Exchange.

Since listing, the operating performance of CKT's property portfolio has been sound with high levels of occupancy and stable cash flows.

However, despite outperforming the benchmark S&P/ASX 300 A-REIT Index, CKT's unit price has generally traded at large discounts to reported net tangible assets.

In light of this unit price performance, the Board of Challenger Listed Investments Limited (CLIL), the responsible entity of CKT, undertook a detailed strategic review to address the longer-term issues confronting CKT.

These issues included:

- The difficult conditions in the Japanese real estate market, with declining asset values, and limited transactional activity;
- A relatively high Portfolio Level Gearing of 61% as at 30 November 2009 creating pressure on gearing covenants in CKT's debt facilities. The Board recognised that refinancing existing debt facilities on similar commercial terms would be difficult;
- CKT's exposure to AUD/JPY exchange rate volatility; and
- CKT's reduced attractiveness to investors driven by a lack of scale, relatively illiquid Unit trading and limited growth prospects.

To address these issues, the Board considered a range of strategic alternatives for CKT. These alternatives, covered in detail in the Explanatory Memorandum mailed to unitholders earlier this month, include:

- Maintaining the status quo;
- Recapitalising through an equity raising;
- Targeted asset sales;
- An orderly wind up;
- A merger with another REIT; and
- Encouraging proposals to acquire CKT (privatisation).

The Proposal from Challenger Life Company

On 9 December 2009 CLIL announced that it had entered into a Scheme Implementation Agreement with Challenger Life. Under this agreement, CLIL agreed to propose a trust scheme to CKT unitholders which, if approved and implemented, will result in the Challenger Life Group owning all of the units in CKT and unitholders receiving scheme consideration of \$1.00 per unit.

CLIL was pleased to subsequently announce on 20 January 2010 that Challenger Life had increased the scheme consideration from \$1.00 to \$1.05 per unit (Revised Proposal).

The revised scheme consideration of \$1.05 cash per unit represents a:

- 56.4% premium to the last adjusted closing price of \$0.67¹ (being the last trading day before the Proposal was announced on 8 December 2009)²; and
- 92.0% premium to the adjusted six month VWAP up to 8 December 2009 of \$0.55¹.

The Independent Directors of CLIL continue to unanimously recommend that unitholders vote in favour of the resolutions to approve the Revised Proposal, in the absence of a superior proposal.

The Independent Expert has reaffirmed its conclusion that, in the absence of a superior proposal, the Revised Proposal is not fair but reasonable. The Independent Expert has also reaffirmed its conclusion that the Scheme is in the best interests of Non-Associated Unitholders, in the absence of a superior proposal.

The Revised Proposal provides an attractive opportunity for unitholders to realise certain value for their investment in CKT. Assuming the Revised Proposal is approved today, unitholders can expect to receive the scheme consideration within 2 weeks.

In the event that the resolutions to approve the Revised Proposal are not passed today, CKT will remain listed on ASX. If so, the Board believes that it will need to take pro-active measures to mitigate the impact of any further property revaluations and to place CKT in a better position to successfully negotiate refinancing of its existing debt arrangements which mature in 2012.

These measures could include a recapitalisation and targeted asset sales.

Further, the Board believes that the unit price of CKT may fall and trade at materially less than the revised scheme consideration of \$1.05 per unit, as was the case prior to announcement of the proposal on 9 December 2009.

END

¹ Trading values have been adjusted proportionately for the Estimated Distribution of \$0.03 per unit for the six months ending 31 December 2009.

² CKT closing price on 8 December 2009 of \$0.70 before adjustment for the Estimated Distribution.

Challenger Kenedix Japan Trust

Chair's address to Scheme Meeting

28 January 2010



Issues confronting CKT

- Difficult Japanese real estate market conditions
- Relatively high portfolio level gearing
- Exchange rate volatility
- Investor perception of CKT
 - Lack of scale
 - Relatively illiquid unit trading
 - Limited growth prospects

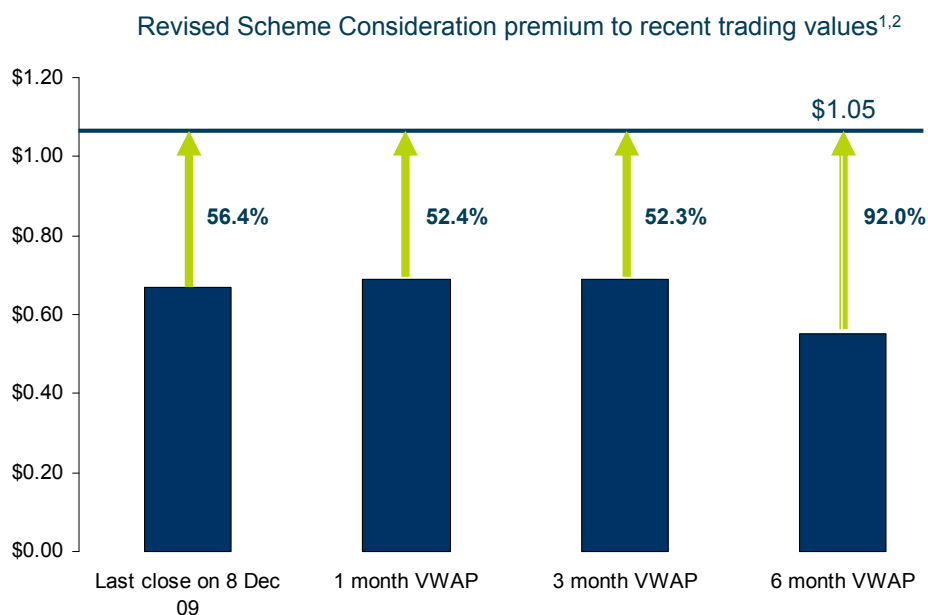
Strategic alternatives

- Maintain the status quo
- Recapitalise via an equity raising
- Targeted asset sales
- An orderly wind up
- Merger with another REIT
- Encourage proposals to acquire CKT (privatisation)

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Revised scheme consideration of \$1.05



Notes:

1 Trading values have been adjusted proportionately for the estimated distribution of \$0.03 per unit for the 6 months ended 31 December 2009

2 CKT closing price on 8 December 2009 of \$0.70 before adjustment for the estimated distribution.

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