



Challenger Wine Trust

Half-year Update 31 December 2009

Challenger Wine Trust
ARSN 092 960 060

Responsible Entity
Challenger Listed Investments Limited
ABN 94 055 293 644
AFSL 236887



Table of contents

Key points	1
Fund Manager's report	1
Portfolio summary	6
Unitholder information	8
Directory	IBC

Important notice

Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) (CLIL) is the Responsible Entity of Challenger Wine Trust (ARSN 092 960 060) (CWT).

CLIL, as the Responsible Entity of CWT, has prepared this Half-year Update (Update) based on information available to it. The information in this Update should be regarded as general information only. Nothing contained in this Update constitutes investment, legal, tax or other advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Recipients should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision.

Any investment in CWT is subject to investment risk and other risks, including possible loss of income and principal invested. None of CLIL, Challenger Management Services Limited (ABN 29 092 382 842) (AFSL 234678) (CMSL), Challenger Financial Services Group Limited (ABN 85 106 842 371) (Challenger) or any other member of the Challenger Group gives any guarantee or assurance as to the performance of CWT or the repayment of capital.

Nothing in this Update should be considered a solicitation, offer or invitation to buy, subscribe for or sell any, or a recommendation of, financial products.

All reasonable care has been taken to ensure that the facts stated and opinions given in this Update are fair and accurate. To the maximum extent permitted by law, the recipient releases CLIL, each member of the Challenger Group, their directors, officers, employees, representatives and advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any recipient relying on anything contained in or omitted from this Update.

Any forward looking statements included in this Update involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CLIL. In particular, they speak only as of the date of these materials, they assume the success of CWT's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Given these uncertainties, recipients are cautioned not to place undue reliance on such forward looking statements.

Any past performance information provided in this Update is not a reliable indication of future performance.

CLIL does not receive any specific remuneration for any general advice which may be provided to you in this Update. However, CLIL and CMSL receive trustee and management fees as Responsible Entity and Manager of CWT, respectively. For more details on fees, please refer to the CWT 2009 Annual Report and additional information on the Australian Securities Exchange (ASX) website www.asx.com.au. Financial advisers (including some Challenger Group companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in a Challenger product (including CWT). CLIL and its associates may have an interest in the financial products referred to in this Update and may earn fees or other benefits as a result of transactions in any such financial products.

Members of the Challenger Group and their officers and directors may hold securities in CWT from time to time.

Key points

from results for the 6 months to 31 December 2009 (1H10)


- Net property income in 1H10 \$15.5 million; Operating profit after tax of \$7.3 million
- Post DRP gearing reduced to 52.3% following debt repayment of \$9.9 million since June 2009
- Ongoing focus on capital management initiatives to further reduce gearing
- Eleven of 22 properties revalued (39% of portfolio by value) at 31 December 2009, resulting in 2.1% decrement across the whole portfolio
- All properties revalued during the 2009 calendar year
- Sound property portfolio metrics continue – occupancy: 99.2% and WALE: 4.6 years
- Net Independent Value (NIV) 61 cents per unit, post DRP
- Operating within all bank covenants
- Interim distribution of 3.25 cents per unit for 1H10 payable 9 February 2010
- Full year (FY10) distribution guidance of 7.00 cents per unit (cpu)¹

Fund Manager's report

The Australian wine industry faces three key challenges in the short term; wine stock over supply, excess vineyard capacity and a strong Australian dollar impacting exports particularly into USA and UK, all leading to lower grapes prices.

The industry in Australia has begun to address the significant imbalance in the supply of grapes and sales of wine. It is expected that while this transformation occurs the financial conditions for growers will remain challenging. Grape contracts have been cancelled or notice given to cancel, vines have been removed, grape prices have fallen and growers are leaving grapes unharvested. While difficult for growers these are all necessary moves to restore a future sustainable supply/demand balance.

¹ Assumes underwritten DRP



The industry is suggesting circa 30,000 hectares of the estimated 157,000 hectares under vine are now surplus to current market requirements. It is expected uncontracted vines and some smaller less efficient vineyards will be removed over the next two to three years as wine companies buy less grapes. It will be these comprehensive actions which will restore the supply balance to ensure a thriving wine industry.

The New Zealand industry has been impacted by similar circumstances to Australia, an over supply of sauvignon blanc grapes, despite the considerable export success globally, in particular into Australia. Wine companies where possible are combating the issue by enforcing reduced yields on grape growers, thereby lifting quality and reducing excess bulk wine sales. Grape prices have reduced as much as 20%, which in combination with lower grape yields and less contracts, has placed pressure on the vineyard sector particularly in the Marlborough region.

Against this back drop, the first half of fiscal 2010 saw Challenger Wine Trust (CWT) produce a solid result despite the challenging industry conditions. Profit from operating activities after tax was \$7.3 million in 1H10, down 13% on 1H09 prior corresponding period (pcp). Net property income of \$15.5 million was down 6.9% from pcp. Operating costs remained steady. Net profit after tax of \$2.4 million was down from \$2.9 million (pcp), after allowing for an unrealised property revaluation decrement of \$5.3 million.

CWT's cash flow remains healthy and pleasingly the net liability of \$21.7 million reported this time last year arising from a steep fall in interest rates during the last quarter of calendar year 2008 has reduced significantly, by 72% to \$6 million.

CWT has prudently managed its balance sheet through these uncertain times using a range of capital management initiatives. Consequently, CWT is now in a position to give full year 2010 distribution guidance of 7.00 cpu² to unit holders.

Financial performance

Profit from operating activities after tax was \$7.3 million for the six months ended 31 December 2009. Net property income of \$15.5 million was down 6.9% from pcp, due to the impact of a rent rebate granted to a major tenant combined with the decrease in income from property sales. Net profit after tax of \$2.4 million was down from \$2.9 million (pcp), after allowing for an unrealised property revaluation decrement of \$5.3 million. Operating costs remained steady.

² ibid

Portfolio and property valuations

CWT's properties are geographically diversified across Australia (75%) and New Zealand (25%) and cover both warm (49%) and cool climate (51%) grape growing regions. Around 94% are greater than 50 hectares, substantially greater than the average vineyard size and provide tenants with the opportunity to generate significant economies of scale and greater grape consistency across large tonnage.

In the 12 months to 31 December 2009, all of the 22 properties were revalued. Eleven of these were revalued as at 31 December 2009 (39% of the portfolio by value). The combined impact of these valuations was a decrement to fair value of \$5.3 million or 2.1% across the entire portfolio. CWT's portfolio metrics remain sound with occupancy at 99.2% and a weighted average lease expiry (WALE) of 4.6 years.

During 1H10 the sales of Dalswinton vineyard in the Hunter Valley and Bethany Creek and Vine Vale vineyards in the Barossa Valley were settled, with gross proceeds of \$2.1 million.

Tenants

CWT owns and manages a portfolio of 22 vineyards. The asset base includes the land, vines, infrastructure and water rights on the individual properties. The properties are leased primarily to wine companies who are responsible for the running of the vineyard and entitled to the grape production. As a result, while industry conditions are important for CWT's tenants, CWT's property income exposure to fluctuations in grape supply, prices and growing conditions is indirect in nature.

Approximately 95% of CWT's vineyards are leased to wine companies, who supply both domestic and global markets, with the balance leased to contract grape growers. The majority of these wine companies are stock exchange listed (or subsidiaries of) and include Australian Vintage (AVL), Delegat's Group, Pernod Ricard Pacific and Foster's Group.

CWT's largest tenant is ASX-listed Australian Vintage Ltd with its leases accounting for circa 35% of portfolio value. AVL is one of Australia's largest listed wine companies and has been a core tenant of CWT's over the past decade. As announced in December 2009, CWT has agreed to provide a rent rebate to AVL of \$1.36 million in FY10 for three vineyards³ where rental increases had exceeded market rents, in exchange for certain improved lessor terms. The rent rebate represents approximately 11% of AVL's total annual rent payable to CWT.

³ Schubert's, Waikerie and Whitton vineyards

Capital management

On 30 November 2009 CWT announced an underwritten Dividend Reinvestment Plan (DRP) for the 1H10 distribution. CWT's largest unit holder, Challenger Financial Services Group which owns 27.7% of CWT units, committed to participate in the DRP for the whole of its holding and stockbroker Bell Potter underwrote the balance.

The participation in the DRP was 43% and combined with the underwriting raised \$5.5 million. Capital raised was used to strengthen CWT's balance sheet. Combined with the proceeds of asset sales and surplus cash, \$9.9 million of debt has been repaid since 30 June 2009, reducing gearing to 52.3%. CWT has now reduced debt for two consecutive periods, total debt is down circa \$19 million from \$159 million in December 2008. CWT's total drawn borrowings as at February 2010 are now \$140 million. The weighted average cost of borrowings (including margins) was flat for the period at 8.04%. CWT will continue to pay down debt, strengthening its balance sheet, by pursuing various capital management initiatives going forward.

Asset value per unit

Net Independent Value (NIV) represents the Net Assets of the fund plus the fair value increment of water rights as assessed by independent valuers. Management believes NIV represents the intrinsic value of CWT, the price a purchaser would pay for the assets of the business net of liabilities. As at 31 December 2009 Net Independent Value NIV was unchanged from 30 June 2009 at 66 cpu. As a result of the new units issued for the DRP the NIV will reduce to 61 cpu as at 9 February 2010.

Investment performance

The Real Estate Investment Trust (REIT) sector has experienced significant price volatility over the past two years, driven by negative market sentiment during the Global Financial Crisis. Over the course of 2009 the ASX 300 Property Accumulation Index gained 9.6% versus a gain of 12.1% in CWT over the same time.

Summary

The over supply of grapes has made for a challenging environment in the wine sector over the course of the year. The movement towards sustainable supply and demand for the wine industry has commenced, with experts predicting this process to last several years. Once supply has stabilised we can expect to see a more vibrant wine sector in which CWT will continue to be a key participant providing valuable vineyard resources to the major wine-producing companies. Our cautiously optimistic outlook has enabled CWT to give a full year guidance of 7.00⁴ cents for 2010.

Unit holders are encouraged to register for news alerts on CWT's website www.challenger.com.au/cwt, by doing so you will receive an email notification of all market updates and other news from CWT.

I look forward to providing a full update on the 2009/10 financial year in August 2010.

Yours sincerely,



Nick Gill

Fund Manager

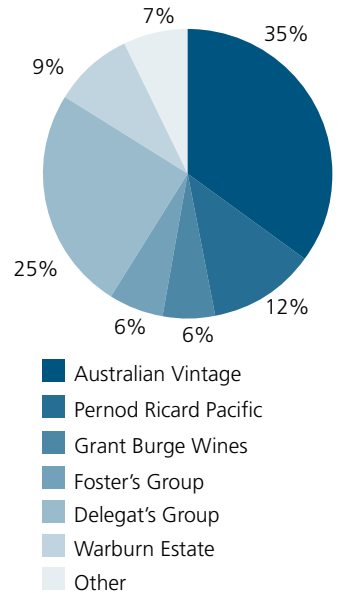
⁴ Assumes underwritten DRP

Portfolio summary

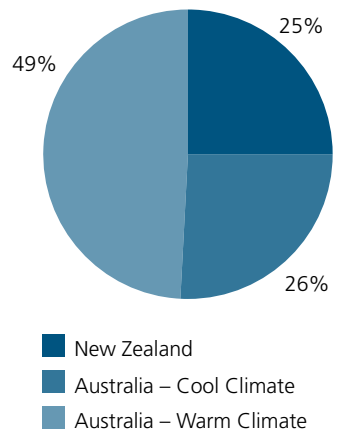
Property	Location	Tenant	Total area (ha)	Planted area (ha)	Occupancy by income at 31-12-09 (%)
Australian portfolio					
Cool climate vineyards					
Chapel Vineyard	Coonawarra, SA	National Viticulture Fund of Australia Pty Ltd	36.98	29.32	100
Corryton Park Vineyard	Eden Valley, SA	Burge Corp Pty Ltd	53.90	41.82	100
Miamba Vineyards	Barossa Valley, SA	Grant Burge Wines Pty Ltd and Burge Corp Pty Ltd	204.39	124.55	100
Richmond Grove and Lawsons Vineyards	Padthaway, SA	Pernod Ricard Pacific Pty Ltd	573.05	483.96	100
Schuberts Vineyard	Adelaide Hills, SA	Australian Vintage Limited	108.80	74.17	100
Summers Hill Vineyard	Eden Valley, SA	Burge Corp Pty Ltd	27.52	17.35	100
Cowra Station Vineyard	Cowra, NSW	N/A	68.21	58.41	0
Hermitage Road Winery	Hunter Valley, NSW	The Hunter Resort Pty Ltd	40.00	1.00	26
Poole's Rock Vineyard and Winery	Hunter Valley, NSW	PRW Leasing Pty Ltd	20.75	9.50	100
Sirens Estate Vineyard	Margaret River, WA	Foster's Australia Limited	66.09	44.01	100
Cool climate vineyards total			1,199.69	884.09	97.1
Warm climate vineyards					
Qualco East Vineyard	Riverland, SA	Australian Vintage Limited	214.00	173.68	100
Waikerie Vineyard	Riverland, SA	Australian Vintage Limited	42.50	38.95	100
Balranald Vineyard	Riverina, NSW	Australian Vintage Limited	547.31	463.13	100
Cocoparra and Woods Vineyards	Riverina, NSW	Foster's Australia Limited	560.82	257.00	100
Gundagai Vineyard	Gundagai, NSW	Greenvalley Properties Pty Ltd	330.94	236.44	100
Stephendale Vineyard	Riverina, NSW	Warburn Estate (Aust) Pty Ltd	665.62	631.34	100
Whitton Vineyard	Riverina, NSW	Australian Vintage Limited	102.26	96.64	100
Del Rios Vineyard	Sunraysia, VIC	Australian Vintage Limited	1,047.97	904.75	100
Warm climate vineyards total			3,511.42	2,801.93	100
Australian portfolio total			4,711.11	3,686.02	99.0
New Zealand portfolio					
Crownthorpe Vineyard	Hawkes Bay, NZ	Delegat's Wine Estate Limited	360.80	291.03	100
Dashwood Vineyard	Marlborough, NZ	Delegat's Wine Estate Limited	200.52	167.92	100
Gimblett Gravels Vineyards	Hawkes Bay, NZ	Delegat's Wine Estate Limited	43.58	38.67	100
Rarangi Vineyard	Marlborough, NZ	Delegat's Wine Estate Limited	142.10	129.26	100
New Zealand portfolio total			747.00	626.88	100
Total			5,458.11	4,312.90	99.2

Weighted average lease expiry ¹ (years)	Valuation date	Fair value 31-12-09 (\$m)	Carrying value 31-12-09 (\$m)	Passing Yield
2.0	Dec-09	1.27	1.27	
3.1	Jun-09	2.50	2.50	
5.6	Jun-09	11.40	11.40	
3.5	Dec-09	32.00	32.00	
1.5	Dec-09	5.35	5.35	
3.1	Dec-09	1.20	1.20	
-	Dec-09	0.74	0.74	
1.9	Jun-09	2.19	2.19	
4.9	Dec-09	7.00	7.00	
2.4	Jun-09	3.33	3.33	
3.6		66.97	66.97	13.1%
5.9	Jun-09	7.10	6.06	
3.3	Dec-09	1.44	1.13	
6.9	Jun-09	25.02	22.02	
3.3	Jun-09	12.03	10.54	
0.7	Jun-09	8.25	7.05	
7.7	Jun-09	24.00	24.00	
5.3	Dec-09	4.30	3.70	
6.5	Jun-09	46.60	43.48	
5.8		128.73	117.98	13.5%
5.1		195.70	184.95	13.3%
1.3	Dec-09	25.25	25.25	
2.8	Jun-09	19.90	19.90	
1.3	Dec-09	6.29	6.29	
4.7	Dec-09	15.13	15.13	
2.5		66.58	66.58	8.9%
4.6		262.28	251.53	12.2%

Tenant diversification (by value) as at 31 December 2009



Climate diversification (by fair value) as at 31 December 2009



Unitholder information

ASX listing

Challenger Wine Trust (CWT) is listed on the Australian Securities Exchange (ASX). The Trust's units trade under the code 'CWT'. Unit prices are published daily in major Australian metropolitan newspapers, and are also accessible from the CWT website.

The CWT website

The CWT website, www.challenger.com.au/cwt, contains important information about the Trust, including unit prices, announcements, annual reports and an overview of each property in the CWT portfolio.

Unitholder enquiries

If you have queries relating to your unitholding or wish to provide a change of address, Tax File Number, instructions for payment of distributions or annual report elections, please contact the Unit Registry, Link Market Services Limited, using the contact details located on the inside back cover.

If you have any questions relating to the management of CWT, please contact Challenger on +61 2 9994 7000, or send an email to cwt@challenger.com.au.

Distributions

CWT pays distributions semi annually for the periods ending 30 June and 31 December. Distributions are typically paid to unit holders six weeks after half year end.

Distribution payments can be paid by:

- Direct credit to a nominated financial institution account ; or
- A cheque mailed to you registered unitholding address.

An annual Taxation Statement is sent to unitholders in August each year. This statement includes important taxation information and should be retained by unitholders to assist in the completion of their taxation return.

Directory

Challenger Wine Trust

ARSN 092 960 060

Australian Securities Exchange (ASX) code

CWT

Responsible Entity

Challenger Listed Investments Limited

ABN 94 055 293 644

AFSL 236887

Directors of Responsible Entity

Brenda Shanahan (Chair)

Michael Cole

Ian Martens

Geoff McWilliam

Ian Moore

Brendan O'Connor

Robert Woods

Company Secretary

Christopher Robson

Suzie Koeppenkastrop

Manager

Challenger Management Services Limited

ABN 29 092 382 842

Address

Level 15

255 Pitt Street

Sydney NSW 2000

Telephone: +61 2 9994 7000

Facsimile: +61 2 9994 7777

Email: cwt@challenger.com.au

Website: www.challenger.com.au/cwt

Registry

Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

Telephone: 1800 830 977

Telephone (outside Australia): +61 2 8280 7492

Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Level 15
255 Pitt Street
Sydney NSW 2000
telephone 02 9994 7000
facsimile 02 9994 7777

www.challenger.com.au

