

Challenger Wine Trust

Half Year Ended 31 December 2005

Presenter: Chris Atkins
February 2006

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Key Messages

- A diversified portfolio of Australian and New Zealand vineyard and wine property / infrastructure assets, by both region and lessee
- Average residual lease life of 8 years at 100% occupancy – successfully maintained over a period of years
- Negligible default history – high direct portfolio weighting to wine companies (90%) rather than contract growers
- Growth opportunities as major winemakers consider transactions to take assets off balance sheet
- All properties independently valued at 31 December 2005 – net revaluation increment of \$1.6m
- 10.82% pa cash yield for HY2006 based on ordinary unit price of 84 cents
- NTA of \$0.96 per unit as at 31 December 2005

Overview of Trust's Objectives

- To invest in quality vineyard and wine infrastructure assets
- To provide investors with a consistent stable income stream
 - Derived from rental incomes backed by long-term leases to lessees, predominantly 10 years with 5 + 5 + 5 year option to release
 - The Trust is not the operator of the vineyards or the owner of the grapes - rental streams are based on the value of the property
 - The Trust bears minimal agricultural risk
 - The tenant pays all outgoings

HY06 Result Highlights

Income Statement	HY2006	HY2005	Mvt
	\$'000	\$'000	%
Revenue	14,034	12,403	+13.2
Distributable Income	6,474	5,925	+9.3
Net Operating Profit*	8,102	8,353	-3.0
	¢	¢	
Basic EPU	5.72	5.81	-1.6
DPU	4.56	4.59	-0.7

- Results in line with expectations
- Revenue growth reflects full contribution from properties acquired in FY04
- Distribution was not effected by A-IFRS

* Preferred Indexed Convertible Equity (PICE) distribution treatment under AIFRS has changed in 2005/6. 2004 net operating profit of \$7,505m on a like for like basis (+8%)

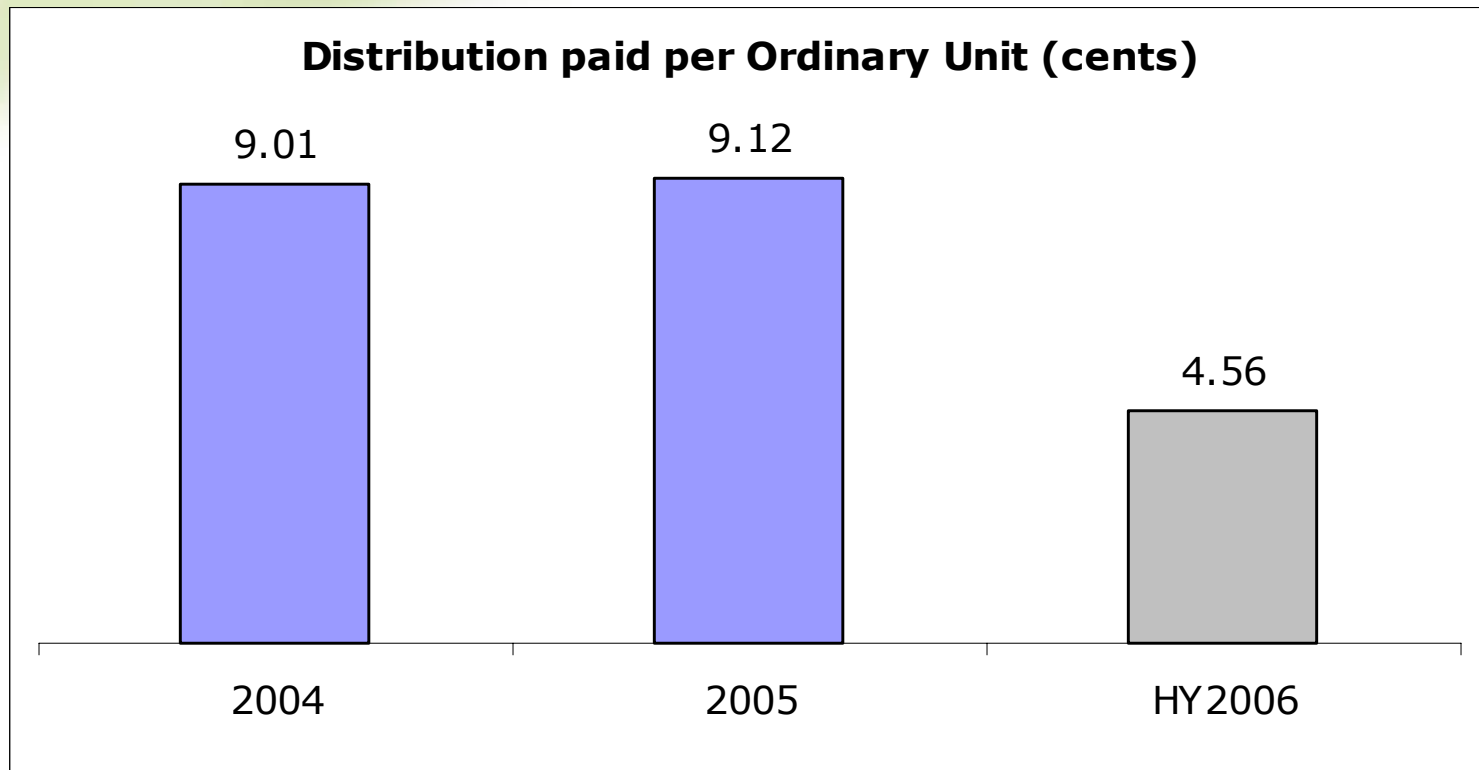
HY06 Result Highlights

Balance Sheet	HY2006	HY2005	Mvt
	\$'000	\$'000	%
Total Assets	298,006	288,417	+3.3
Net Borrowings	133,644	126,965	+5.3
Total Equity	137,213	129,858	+5.7
PICE* Units	16,825	16,110	+3.8
	¢	¢	
NTA per unit	0.96	0.95	+0.5
	%	%	
Gearing (Net Debt:Total Assets)	44.84	43.78	+2.6

- Property revaluation upwards of \$1.6m
- Net debt to total assets is in line with targeted range
- Funds were raised through fully underwritten DRP - \$3m per quarter

* PICE – Preferred Indexed Convertible Equity Unit

Distribution to Investors



- Consistent distribution performance over the last 4 years and the first half of FY2006
- 28% tax deferred income in FY2005, FY2006 expected to be similar

Challenger Wine Trust's (CWT) Investment Strategy

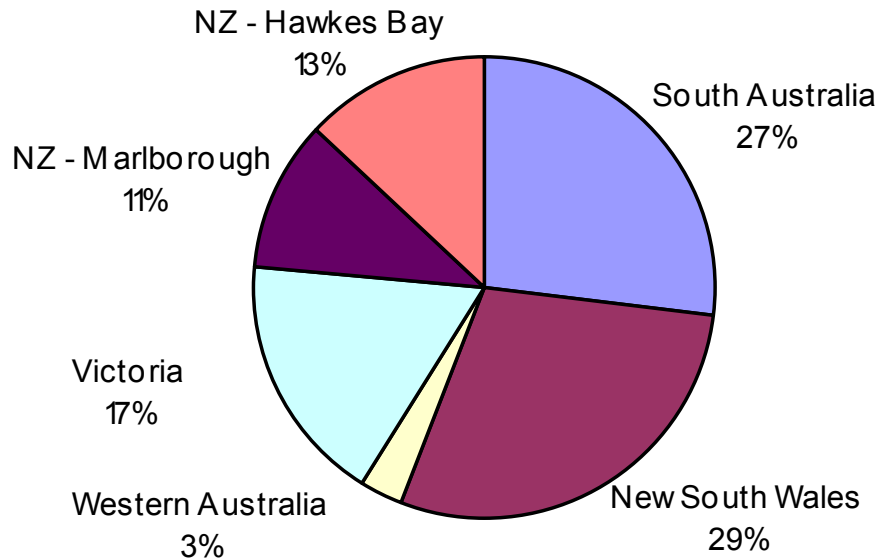
- To invest in well-located vineyards and other strategic assets such as wine crushing, processing and storage facilities
- To diversify the asset base across numerous wine-growing regions in Australia and overseas
- To concentrate on vineyards in higher yielding warm climate regions
- To diversify the underlying lessee base
- To minimise the exposure to contract grower lessees
- To maximise the term of the lease with highly regarded tenants
- To acquire assets that diversify the portfolio and minimise credit risk

CWT's Expertise / Point of Difference

- Largest specialist wine listed property trust
- Long term relationships with major wine players
- Expertise in designing and implementing a financial structure to suit individual wine businesses
- Wine companies approach CWT to build vineyards in excess of 200ha in high yielding warm climate regions to provide grape prices lower than contract growers

Portfolio Diversification by region - as at 31 December 2005

CWT PORTFOLIO GEOGRAPHICAL DIVERSIFICATION BY REGION

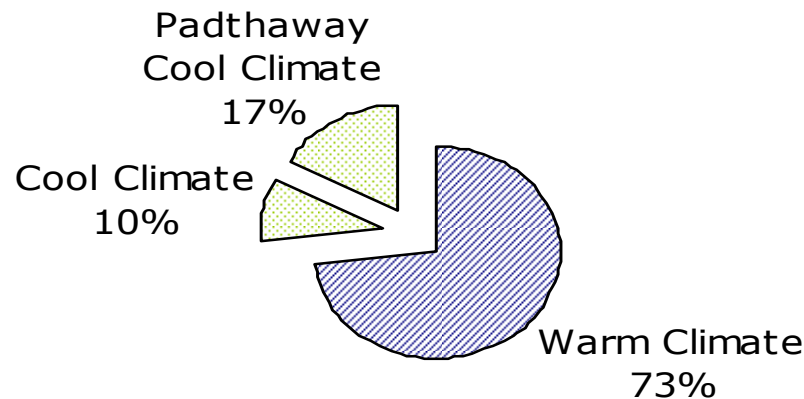


- Total property value is \$291.5m – split 76% Australia / 24% in NZ
- The vineyards / winery infrastructure split is 95% vineyards, 5% winery infrastructure

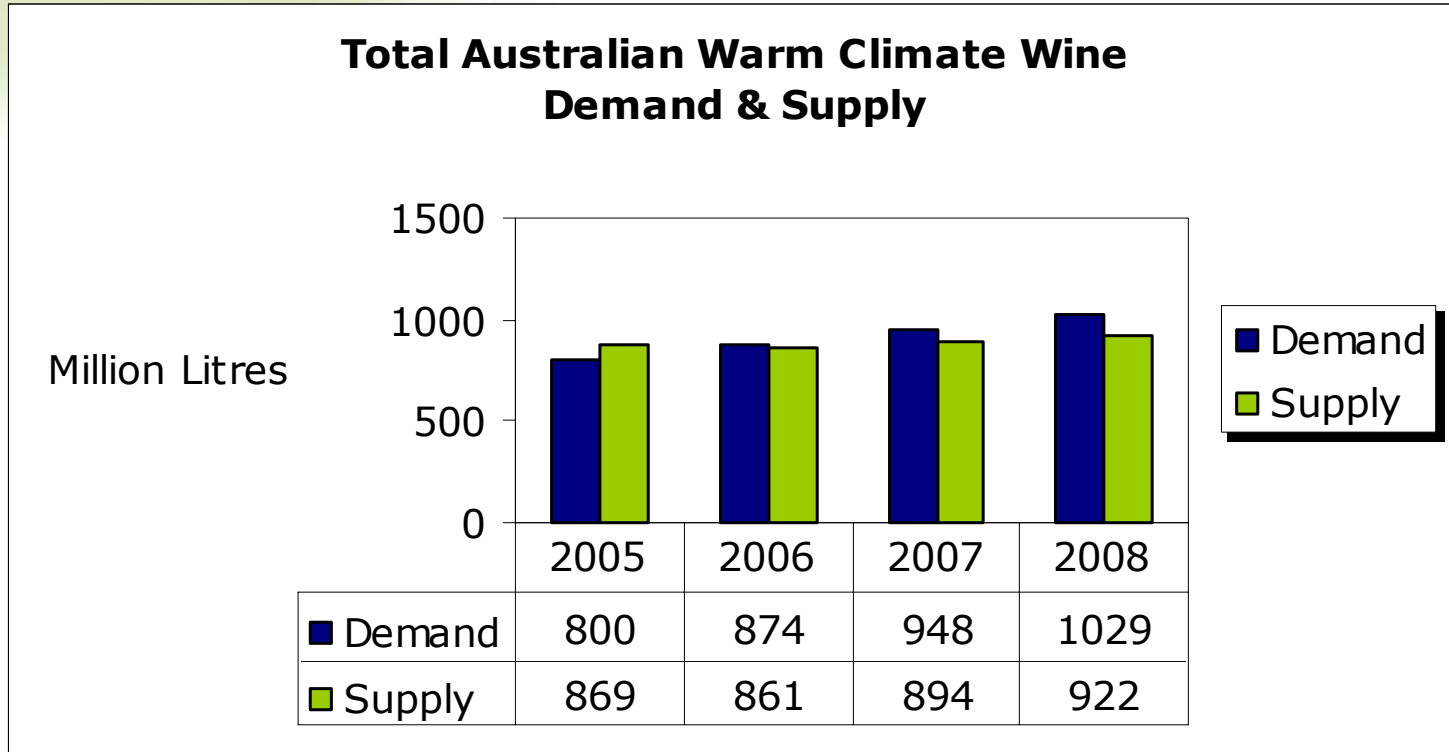
Warm vs. Cool Climate Exposure

- CWT concentrates on warm climate regions because of the consistent and higher yields compared with cool climate regions
- Warm climate vineyards supply the grapes for the bulk of Australia's wine exports
- Normal yields in warm climates are between 22 – 25 tonnes per hectare
- Normal yields in cool climates are between 8 – 12 tonnes per hectare
- CWT's cool climate exposure is predominantly the Padthaway vineyards leased to Orlando Wines which supply the grapes for the premium Jacobs Creek Reserve, Richmond Grove and Lawsons wine brands.

CWT Australian Warm Climate vs Cool Climate Vineyards - Planted Hectares



Total Warm Climate Wine

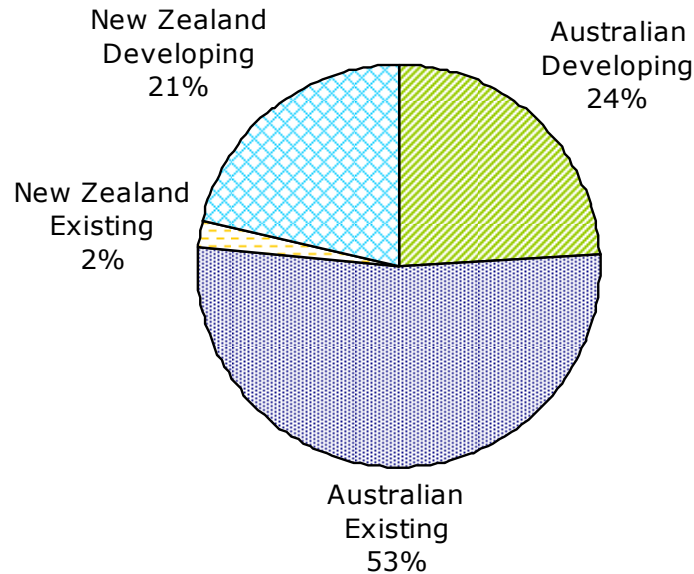


Source: Outlook for SA Wine Regions, SA Wine Industry Assoc. Inc., December 2005

- Total red and white wine supply and demand due to cross in 2006 vintage

Developing Vineyards vs Existing Properties

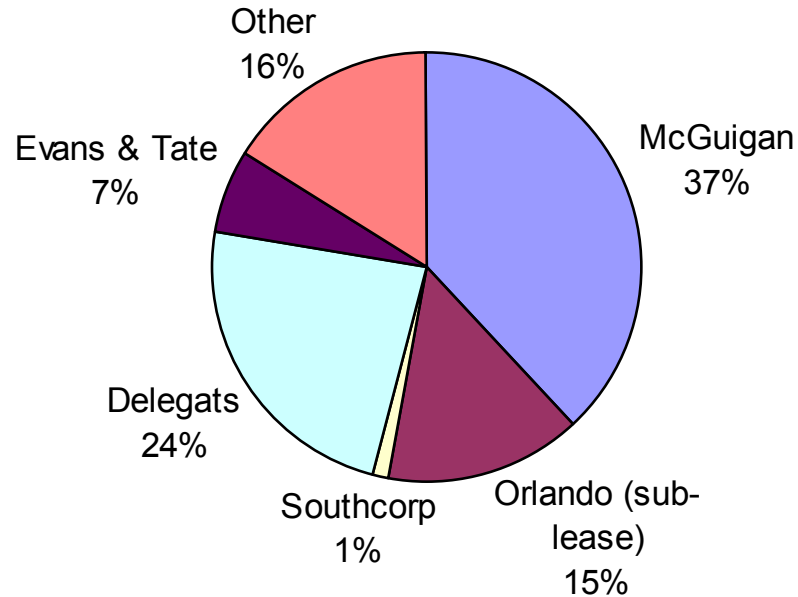
CWT Vineyards - Developing and Existing Properties



- The Trust in concert with wine companies develops vineyards to their specification
- Fully leased prior to building commencement
- The Trust benefits from any increase in value above cost

Portfolio Diversification by Lessee – as at 31 December 2005

CWT LESSEE DIVERSIFICATION as at 31 December 2005

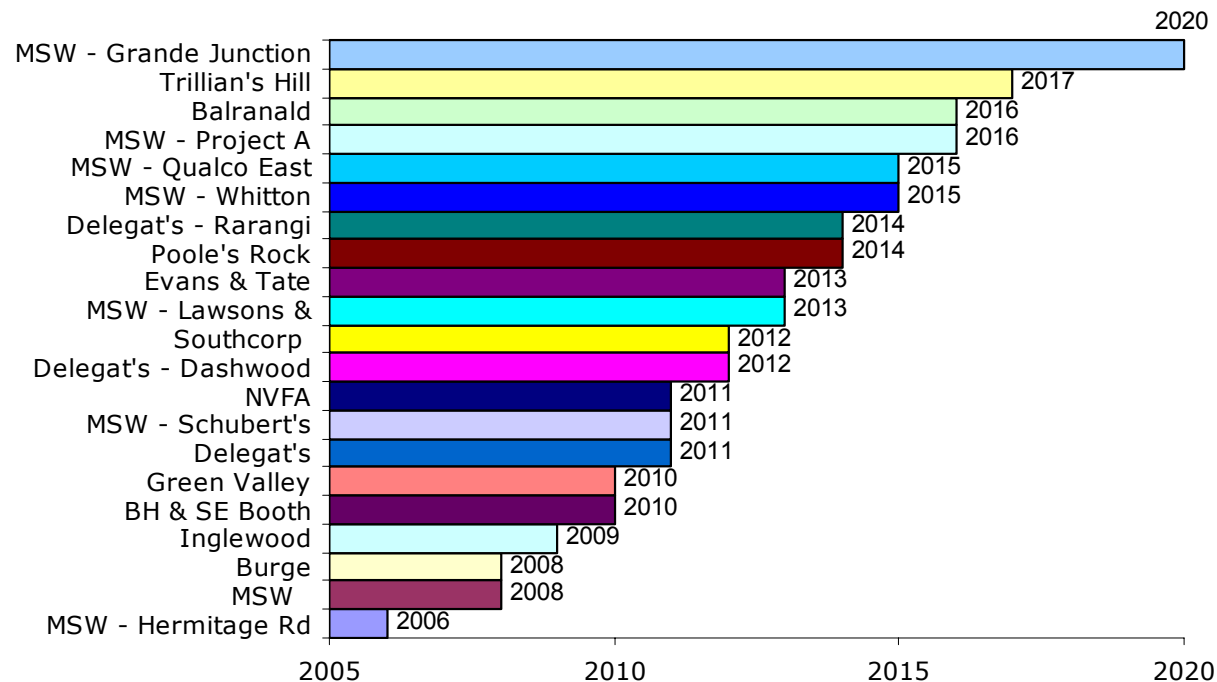


- The wine company lessees represent 90% of the portfolio, while contract grape growers with long term contracts to a major wine company amount to 10%

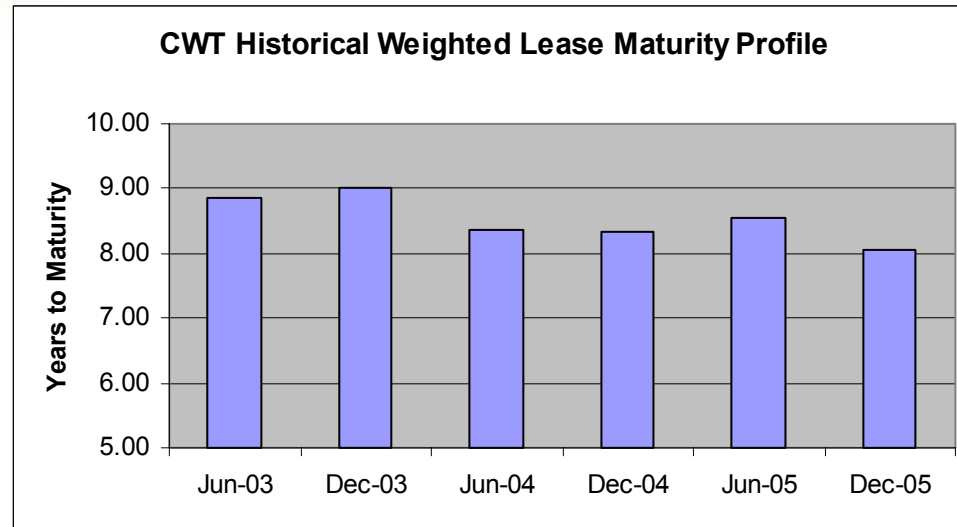
Lease Maturity Profile – as at 31 December 2005

- Average residual lease commitment is in excess of 8 years

CWT Portfolio Lease Expiry



Lease Maturity Profile



- The residual lease commitment is 8 years
- Consistently over 8 years for the last 6 reporting periods
- Aim is to preserve and extend the maturity profile

Foreign Currency Hedging Policy

- New Zealand Properties approximately 93% hedged at 31 December 2005
- NZ dollar borrowings are 93% of the value of NZ properties using New Zealand and Australian properties as security
- Rent received in NZ dollars

Acquisition Criteria

- Lease rate matched to lessee credit risk
- The Trust aims to maintain current level of distributions through acquisitions
- Current funding demands are being sourced via the DRP
- Focusing on transactions with major wine companies
- The Trust will continue to develop vineyards and wineries, and purchase mature vineyards and wine infrastructure developments

Opportunities

- Discussions with major wine companies and premium specialist wine companies
- The wine industry continues to require capital to expand
- A commercial size warm climate vineyard will provide a cheaper cost of grapes for wine companies
- Wine companies continue to seek improvements in their use of capital so the CWT model is appealing

Industry Oversupply

- Growing export demand in the late 90's led to wine companies entering long-term grape contracts with growers at high prices
- Large planting of grapes in 1999 – 2002 due to tax incentives under MIS schemes
- This brought about over-supply of grapes in 2003 to present vintage
- Wine companies are therefore choosing to break grape contracts with growers to purchase grapes at lower prices on the spot market
- Lower grape costs reduces raw material costs which leads to increase in profitability of wine companies
- Therefore oversupply of grapes is an advantage to wine companies at the expense of contract growers
- The Trust has 90% of its assets leased to wine companies

Why is CWT Insulated Against This?

- Direct wine company exposure (90%)
- All contract growers have long term contracts to a major wine company (10%)
- The Trust has a greater weighting to warm climate vineyards (73%) where supply and demand are in balance
- Strong relationships with key wine customers
- Financial expertise in designing custom fit transactions that are sustainable
- Strong credit history

Summary

- Performance in first half in line with budget
- Strong distribution yield of 10.82% for HY2006 based on 84 cents
- CWT leases have an average 8 years to completion at 100% occupancy
- NTA of \$0.9746 cents at 31 December 2005 (\$0.945 at 31 December 2004 pre AIFRS)
- Diversified lessee list and geographically diversified assets
- Largest vineyard and infrastructure trust in the wine industry
- 73 per cent of the portfolio located in preferred climate regions
- Continued emphasis on growing the Trust through the acquisition of appropriate properties leased to quality lessees
- Continued strong credit quality

Questions?

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