

# Investor newsletter



CHALLENGER WINE TRUST  
NEWSLETTER – OCTOBER 2008



## Operating profit up 12%; net profit up 72%.

Challenger Wine Trust (CWT) recently announced profit from operating activities of \$16.0 million for the year ended 30 June 2008 (FY08), up 12% on the prior year (FY07). Net profit after tax was \$13.5 million, up 72% on FY07.

Fund Manager Nick Gill commented: 'This is a strong result for CWT underpinned by a re-aligned property portfolio following a number of transactions during the financial year. The result also highlights the underlying strength of the agricultural sector, especially for a diversified portfolio in the Australasian vineyard sector. Particularly pleasing is being able to provide unitholders with another increase in distributions in FY08, up 3.3% to 9.4 cents per unit, with distributions paid from operating cash flows.'

'CWT continues to deliver a stable and predictable income return to unitholders. This is expected to continue into FY09, with positive outcomes from rent reviews marginally outstripping any adverse effect on operating profit if vineyards with lease expiries are not re-leased or sold. Our distribution guidance for FY09 is 9.5 cents per unit, up 1% on FY08.'

### Breaking news

#### CWT announces September quarter distribution Sydney 19 September 2008:

CWT announced an estimated distribution of 2.4 cents per unit for the quarter ending 30 September 2008. Record date is 30 September and payment date is 17 November 2008.

Stay in touch with all the latest CWT news...

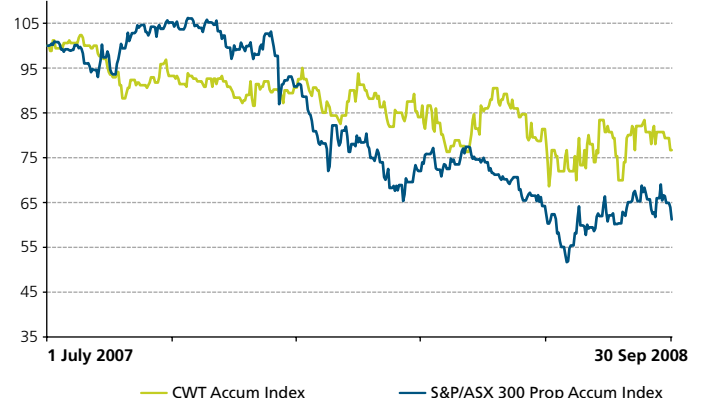
register for e-mail news alerts on:  
[www.challenger.com.au/cwt](http://www.challenger.com.au/cwt)

#### Highlights for the year included:

- Revenue of \$32.7 million – up 11%
- Profit from operating activities before tax of \$16.0 million – up 12%
- Net profit of \$13.5 million – up 72%
- Distribution for FY08 of 9.4 cents per unit – up 3.3%
- All of CWT's debt re-financed – no expiries until 2011
- Portfolio strengthened – three acquisitions for \$39.4 million
- All properties revalued – no net change to portfolio fair value

Full details of CWT's FY08 results are available from:  
[www.challenger.com.au/cwt](http://www.challenger.com.au/cwt)

CWT Accumulation Index relative to S&P/ASX300  
Property Accumulation Index (1 July 2007 to 30 Sep 2008)



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## Meet the fund manager



**Nick Gill** BAg Econ, MBA, FCIS

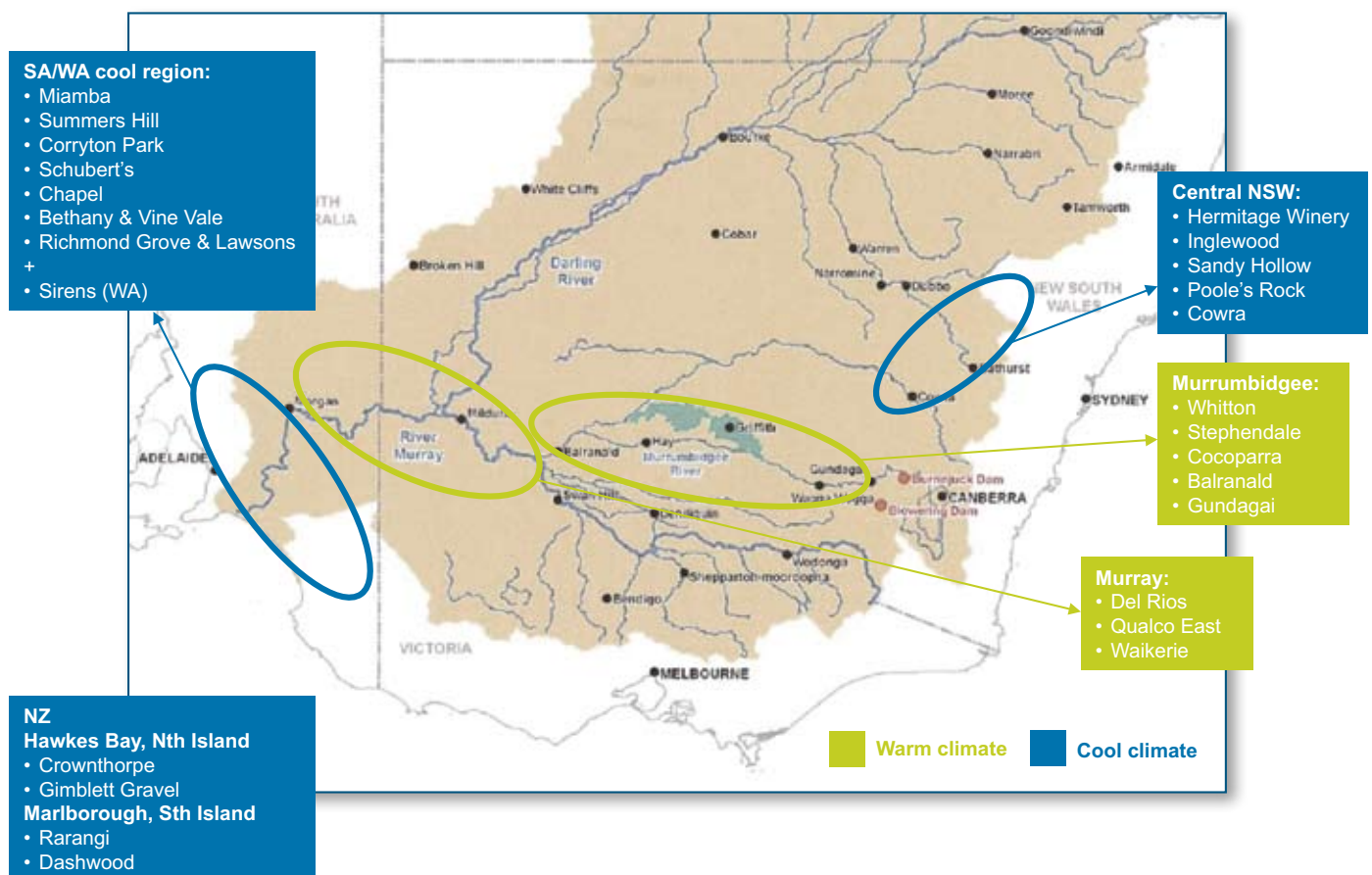
Fund Manager, Challenger Wine Trust

Nick Gill joined Challenger in November 2006 in the role of Fund Manager. Nick has specific responsibility for ongoing management of CWT. This includes responsibility for Trust strategy, financial and investment performance and transaction evaluation and execution.

Nick has over 21 years experience in the corporate agribusiness and investment industries, including roles in corporate strategy, commercial management and investment with Macquarie Bank, SunRice, Twynam Agricultural Group, Colly Cotton Limited and Rural Property Trust.

## Regional map of CWT's eastern portfolio:

The map below indicates the locations of CWT's vineyard assets. Further details of assets are available in the Portfolio Summary 2008 at [www.challenger.com.au/cwt](http://www.challenger.com.au/cwt).

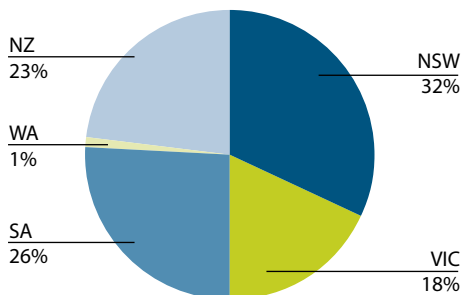




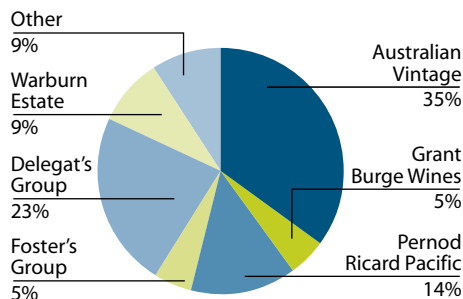
## CWT snapshot

<b>ASX code:</b>	CWT
<b>Units issued:</b>	170.3m
<b>Price:</b>	57 cents <sup>1</sup>
<b>Market capitalisation:</b>	\$97m <sup>1</sup>
<b>Total assets:</b>	\$316m <sup>2</sup>
<b>Net assets:</b>	\$153m <sup>2</sup>
<b>Net Independent Value:</b>	\$161m <sup>3</sup>
<b>NIV per unit:</b>	94 cents <sup>2</sup>
<b>Price discount to NIV:</b>	39% <sup>1</sup>
<b>FY09 DPU guidance:</b>	9.5 cents <sup>4</sup>
<b>Distribution yield:</b>	16.7% <sup>5</sup>
<b>Financial year end:</b>	30 June

### Geographic diversification<sup>6</sup>



### Tenant diversification<sup>6</sup>



<sup>1</sup> As at 30 September 2008

<sup>2</sup> As at 30 June 2008

<sup>3</sup> Net independent value (NIV) = Net assets plus the fair value increment of water rights as assessed by an independent valuer.

<sup>4</sup> FY09 distribution guidance announced 7 August 2008

<sup>5</sup> Yield = FY09 distribution guidance/price

<sup>6</sup> By value, as at 30 June 2008

<b>About Challenger Wine Trust (CWT):</b>	CWT listed in July 1999 and is now one of the largest vineyard owners in Australasia.
<b>Investment objective:</b>	CWT's investment objective is to generate for investors maintainable attractive and predictable income returns with potential for capital growth.
<b>Investment strategy:</b>	CWT invests in a portfolio of high quality, well located, large scale commercial vineyards which are primarily leased to reputable wine companies on long term leases with annual rental reviews. Properties are currently 99% leased <sup>1</sup> , with a weighted average lease expiry (WALE) of 5.7 years <sup>2</sup> .
<b>Investment portfolio:</b>	<p>CWT focuses on investment in vineyards which are able to support long-term sustainable operations. CWT currently owns 25 vineyard assets in grape growing regions of Australia and New Zealand valued at \$307<sup>2</sup> million (including \$30 million of tradeable water rights).</p> <p>In cool climate regions (53% of the portfolio) this is achieved via investment in premium locations which have a varietal presence and strong brand support. In warm climate regions (47% of the portfolio) it is undertaken via investment in large scale commercial vineyards and accompanying water rights which provides grapes for low cost wine producers.</p> <p>Full details of CWT's vineyards and vineyard assets are available from the website <a href="http://www.challenger.com.au/cwt">www.challenger.com.au/cwt</a>.</p>
<b>Business model:</b>	<p>Using a combination of debt and equity, CWT acquires vineyard assets.</p> <p>CWT generates revenue primarily from renting the portfolio assets (FY08: \$31.6m).</p> <p>The major expense is interest costs on borrowings (FY08: \$12.5m). Other expenses include Responsible Entity and Management fees (FY08: \$2.4m) and operating costs (FY07: \$1.3m).</p> <p>Profit from operating activities before tax in FY08 was \$16.5m. Net profit after tax for FY08 was \$13.5m after deducting income tax expense (\$0.5m) and net realised and unrealised losses (\$2.5m).</p> <p>Distributions are paid from operating cash flows and totalled \$16.0m in FY08 (9.4 cents per unit).</p>
<b>Capital management:</b>	CWT has total borrowings of \$155 million <sup>2</sup> with gearing (borrowings to total assets) of 49.0% <sup>2</sup> .

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**Challenger alignment:** The Responsibility Entity of CWT is Challenger Listed Investments Limited (CLIL). CLIL is a subsidiary of Challenger Financial Services Group Ltd and has a majority of independent directors. CLIL has engaged Challenger Management Services Limited to conduct the day-to-day management of CWT, as well as support services including finance, treasury, tax and legal.

**Management fees<sup>1</sup>:** CLIL is entitled to a fee up to 0.65% per annum of the total assets and 1.5% on capital acquisitions. CLIL is also entitled to receive up to 1% per annum of the properties' annual gross income for managing the vineyards.

**Management team:** CWT is managed by a specialised team of executives well-qualified in their field of expertise:

Nick Gill, CWT's Fund Manager, has over 21 years experience in the corporate agribusiness and investment industries and joined CWT from Macquarie Bank in 2006.

Simon Jongebloed, CWT's Assistant Fund Manager, has over 25 years experience in the food industry, and corporate and government finance. Having owned a vineyard in the Adelaide Hills, Simon has direct experience in operating in the sector.

## Further information

### Challenger Wine Trust

**Investor Relations:** +61 2 9994 7633

**Website:** [www.challenger.com.au/cwt](http://www.challenger.com.au/cwt)

**Email:** [cwt@challenger.com.au](mailto:cwt@challenger.com.au)

**Share registry:** Computershare Investor Services Limited 1300 556 161

## Key Events Calendar

24 September 2008	Ex-date for 1Q FY09 distribution
30 September 2008	Record date 1Q FY09 distribution
17 November 2008	1Q FY09 distribution paid
23 December 2008	Ex-date for 2Q FY09 distribution
31 December 2008	Record date for 2Q FY09 distribution
5 February 2009*	Half-year results announced
16 February 2009*	2Q FY09 distribution paid

\* dates are indicative

<sup>1</sup> In accordance with the Constitution

## Financial highlights

	FY08	FY07	FY06
Net property income (\$'000)	31,583	28,925	28,144
Profit from operating activities before tax (\$'000)	16,467	14,331	13,171
Distribution (cpu)	9.4	9.1	9.06
Total assets (\$m)	316.2	297.6	294.0
Net assets (\$m)	152.3	156.2	143.2
Net cash flows from operating activities (\$'000)	17,600	15,707	12,958

## Substantial unitholders (as at 30 September 2008)

	Date	Units	%
Challenger Financial Services Group Limited	1 May 07	45.4m	26.7
Commonwealth Bank Group	7 May 07	14.1m	8.3
UBS Nominees	18 Feb 08	10.9m	6.4

Information contained in this publication is current as at 30 September 2008 unless otherwise specified and is provided by Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) ('Challenger'), as Responsible Entity of the Challenger Wine Trust (ARSN 092 960 060) ('Trust'). This document has been prepared for general information purposes only and not with regard to any particular recipient's financial situation, objectives or needs nor to solicit offers or invitations for the Trust's securities. Nothing contained in this document constitutes investment, legal, tax or other advice. Accordingly, recipients should, before acting on any information in this document, 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.

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