Challenger Listed Investments Limited
ABN 94 055 293 644 AFSL 236887
As Responsible Entity for:
Challenger Wine Trust
ARSN 092 960 060

SCHEME MEETING 31 JANUARY 2011

ADDRESS BY INDEPENDENT DIRECTOR AND CHAIR, BRENDA SHANAHAN

The Challenger Wine Trust (or CWT) is an owner of vineyard properties. These are leased to grape growers, and CWT collects rental income.

The Australian wine industry and vineyard sector has been going through difficult times. Initially impacted by the global financial crisis, the industry continues to be impacted by other factors including an ongoing oversupply of wine grapes, reduced wine grape prices and more recently, the strengthening of the Australian dollar. A similar situation exists in New Zealand.

As a consequence, CWT's vineyards have diminished in value. Since June 2008, CWT's property portfolio has fallen by approximately $74 million and net independent value (NIV) per unit has fallen from 94 cents to 41 cents on a pro forma basis. Also, the profitability of many of CWT's tenants has been adversely impacted.

The fall in property values has contributed to the increase in CWT's gearing relative to borrowing covenants imposed by its banks.

And while at the operating profit level CWT has performed soundly, at 30 June 2010 it was estimated that CWT's rental income was approximately 25% higher than would be achieved if the CWT properties were re-leased today in the current market.

Over the last few years, the Board of Challenger Listed Investments Limited (CLIL) has proactively pursued a range of capital management initiatives to reduce debt. These included a distribution reinvestment plan, property sales, and retaining distributions to pay down debt. The Board has also fully assessed other alternatives including a recapitalisation through an underwritten rights issue.

Unfortunately these initiatives have not been sufficient to stem the impact of property writedowns on CWT's gearing.

In addition, CWT's banks have indicated that any refinancing would require a significant reduction in gearing, necessitating a repayment of a large portion of current debt. One of CWT's debt facilities, for approximately $62 million, matures in May 2011.

During an extensive process sounding out market interest in an equity raising, CK Life Sciences Int'l., Inc. (CKLS) was introduced to us; initially to participate as a potential sub-underwriter in a rights issue.

Rather than support a rights issue, CKLS wished to acquire a controlling stake in CWT.

CKLS's proposal was made on the basis that Challenger Life Company (CLC) retains its minority holding as the only other Unitholder in CWT, so that they would be there to provide support to CWT going forward. Had CLC not agreed to retain its 27.7% holding, then this Proposal may not have eventuated.

THE PROPOSAL

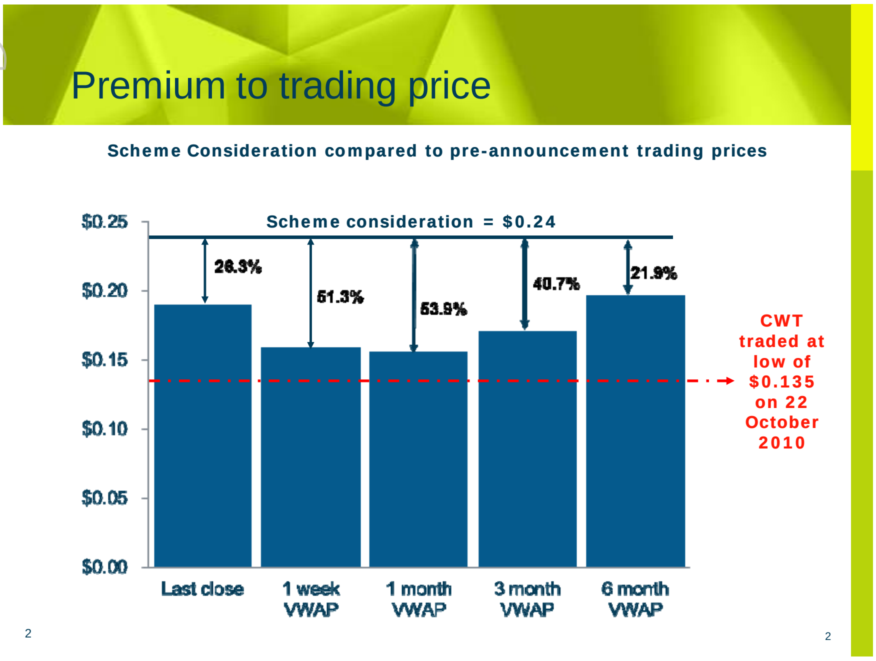
In November 2010 the CLIL Board agreed to put CKLS's proposal to unitholders, which has ultimately led to this meeting today.

If approved and implemented, the Proposal will result in CKLS owning all of the Units in CWT that are not held by or on behalf of the CLC Group and the Scheme Participants will receiving $0.24 cash per Scheme Unit.

The Independent Directors believe that the Proposal, in the absence of a superior proposal, represents the best outcome for unitholders when considered against alternative options.

While $0.24 represents a 41% discount to NIV, it is worth remembering that units were trading at a 61% discount to NIV on 1 November 2010; and they have traded at an average discount of 58% over the 12 months to 1 November 2010.

Importantly, $0.24 reflects a significant premium to the trading price of CWT prior to the announcement of the Proposal, as you can see illustrated on the chart below.



RECOMMENDATION

The Independent Directors unanimously recommend that you vote in favour of the Resolutions to approve the Proposal, in the absence of a superior proposal.

No superior proposal has been forthcoming.

In unanimously recommending the Proposal, the Independent Directors have carefully considered all issues and conducted a detailed review of capital management and other alternatives. These were detailed in length in the EM and are shown in summary on the slide below.

Independent Directors have carefully considered the following issues:

- **the Board's detailed review of capital management and other alternatives**
- **the value of the Scheme Consideration of $0.24 cash per unit - a substantial premium to the pre-announcement trading price of units**
- **the uncertain outlook for the wine and vineyard sectors in Australia and NZ**
- **the uncertain prospects for CWT in the absence of an underwritten rights issue and the uncertainty over whether an underwritten rights issue of sufficient magnitude could be achieved**
- **the consequences for CWT if the Proposal does not proceed**
- **the ability for unitholders to receive certain value – $0.24 cash, and**
- **the conclusion of the Independent Expert that the Proposal, while not fair, is reasonable and in the best interest of the Non-Associated Unitholders**

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In making a decision whether or not to support the Resolutions today, it is important that unitholders carefully consider and understand what the consequences are if the Proposal does not proceed.

The Board does not consider that maintaining the status quo is a viable option because of the need to reduce debt prior to the first debt maturity in May 2011.

In the event the Proposal does not proceed, CWT will remain listed on ASX and it will potentially trade at or lower than the pre-announcement trading prices.

The Board believes it will need to attempt an underwritten rights issue to lower CWT's gearing significantly.

By way of background, prior to receiving the Proposal from CKLS, we were seeking to implement an underwritten rights issue of around $50 million to $60 million. The Board, on advice from its advisor and based on investor feedback, believes there is uncertainty that investor appetite would be sufficient to underwrite a rights issue of that magnitude.

However if it could be achieved, the Board considers that an underwritten rights issue would:

- be at a significant discount to the Scheme Consideration of $0.24 and it would be at a discount to the trading price of the CWT units before the Proposal was announced;
- require existing unitholders to commit substantial additional capital relative to their existing unit holding if they wished to maintain their proportional ownership interest in CWT; and
- be dilutive to NIV, earnings and distributions per unit.

As provided by way of illustration in the Explanatory Memorandum, and based on the assumptions outlined in the Explanatory Memorandum, the Board believes that asset value headroom of 20% across its facilities is a reasonable level of gearing for CWT and, in order to achieve this, an underwritten rights issue would:

- require existing Unitholders to subscribe for approximately 2.8 new units for each unit that they hold if they wished to maintain their proportional ownership interest in CWT; and
- dilute NIV per unit from $0.41 to approximately $0.18.

In summary, the Proposal from CKLS represents certainty of value compared to an uncertain and highly dilutive rights issue that would require a significant capital injection from existing unitholders and external investors to be successful.

The Proposal was subject to a number of conditions. The New Zealand Overseas Investment Office (OIO) approval was granted last week - so that condition was satisfied.

CK Life Sciences have advised in writing today that all other remaining conditions have been waived.

Assuming that the Resolutions are passed today by the requisite majorities, the Proposal will be unconditional. It follows that the Implementation Date will be 9 February 2011 and all unitholders will receive their proceeds by 14 February 2011.

END