

MARKET RELEASE

SALE OF SOUTHERN WATER AT NAV

11 November 2009, Sydney - Challenger Infrastructure Fund (CIF) today announced that it has entered into an agreement to sell¹ its remaining 15.6% holding in Southern Water for £168 million (A\$304 million²). Settlement is expected to occur on or before 20th January 2010.

Chief Executive of CIF, Steve Bickerton said: "The sale of Southern Water at NAV is a good achievement for CIF, and further demonstrates CIF's strategy of maximising securityholder value and maintaining flexibility around its capital structure. The divestment of Southern Water generates capital and allows CIF to invest in high growth opportunities within its existing portfolio as well as the ability to fund other capital management initiatives."

The sale price of £168 million for CIF's equity interest was completed at the 30 June 2009 Net Asset Value (NAV), and represents a multiple of 1.26x Southern Water's regulated capital value (RCV)³. The transaction also includes the sale of the balance of CIF's temporary loan (A\$12.5 million including interest) invested in the company in March 2009, to the extent that it has not already been repaid prior to settlement. CIF has entered into a foreign exchange hedge at a rate of AUD/GBP 0.55293 in order to minimise its foreign exchange exposure on the proceeds from the sale up to settlement.

Using the asset valuation assumptions as at 30 June 2009, adjusted only for changes in foreign currency spot rates, the CIF NAV is A\$2.60⁴.

It is expected that the proceeds from the sale will be utilised to progress a number of fund and asset level capital management initiatives over the next 12-24 months, including:

- repayment of CIF's A\$122.1⁵ million redeemable preference securities (RPS), improving CIF's capital structure and deleveraging the Fund;
- on-market buy-back of up to 10% of its ordinary securities⁶;
- ensuring LBC and Inexus have appropriate long term capital structures;
- fund future growth opportunities at LBC and Inexus; and
- facilitate further capital management initiatives.

¹ Pursuant to the Southern Water consortium shareholders agreement.

² Based on a fx rate of AUD/GBP of 0.55293.

³ Based on the RCV as at 30 September 2009.

⁴ Represents NAV converted at spot rates as at cob 9 November of AUD/EUR of 0.6202 and AUD/GBP of 0.5540.

⁵ As at 31 December 2010.

⁶ This is the continuation of the Challenger Listed Investments Limited (CLIL) Board approved buy-back currently in place where 14,936,064 securities have been acquired at an average price of \$1.46 (representing 4.3% of the smallest number of ordinary securities on issue in the previous twelve months).



“The actions taken by CIF over the last 18 months have demonstrated the underlying value of its portfolio and placed CIF in a significantly strengthened financial position. The Challenger Listed Investments Limited Board’s focus on investors and securityholder value has resulted in CIF realising asset prices at or above NAV. CIF now owns controlling stakes in two core assets with solid growth profiles which can deliver long term value to investors,” concluded Mr Bickerton

ENDS

About Challenger Infrastructure Fund (CIF):

CIF is an Australian publicly listed global diversified infrastructure fund that invests in regulated and contracted monopoly-like assets. CIF has a portfolio of assets which are diversified by sector and also geographical location and focuses on countries with relatively stable political and regulatory environments. CIF takes a disciplined approach to the types of assets in which it invests in order to provide security holders with exposure to assets with long term predictable cash flows. CIF’s portfolio is diversified across 2 key assets: Inexus and LBC. For further information please visit our website: www.challenger.com.au/cif

Important notice:

Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Challenger and/or CIF, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based.

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