MARKET RELEASE

CWT UPDATE

10 June 2010, Sydney – Challenger Listed Investments Limited (CLIL) as the Responsible Entity of Challenger Wine Trust (ASX:CWT) today provided an update on operating conditions and property valuations. In addition, CLIL announced an estimated distribution of one cent per unit (1 cpu) for the six months ending 30 June 2010 while retaining approximately $6 million to reduce gearing.

Industry conditions

As noted in CWT's 1H10 results release in February 2010, the Australian wine industry has faced three key ongoing challenges: wine stock oversupply, excess vineyard capacity and a strong Australian dollar impacting exports into USA and UK. These challenges have driven grape prices for the 2010 harvest to near 20-year lows. According to the Wine Grape Growers' Association, grape prices for the 2010 vintage have fallen by 30-40% and up to 50%[1], despite a lower harvest.

The Wine Makers' Federation of Australia estimated this year's grape crush to be 1.53 million tonnes[2] - a 12% decrease on 2009, and 16% down on 2008. This will benefit the industry going forward by reducing wine stocks.

Recent weakening of the Australian dollar is positive for Australia's wine export trade however it is too early to gauge any short to medium-term impact on the industry.

Like Australia, the New Zealand wine industry has also been impacted by difficult conditions, as was highlighted recently when the Board of Delegat's Group Limited, one of New Zealand's largest wine producers and a major CWT tenant, downgraded its profit forecast for year ending 30 June 2010 by 30-40% due to continued market deterioration. Delegat's also flagged that lower grape prices for the 2010 harvest would impact vineyard valuations[3].

Vineyard valuations

CWT is currently completing independent valuations across circa 60% of its portfolio; upon completion all properties will have been revalued in the past year. While results will not be finalised until after 30 June 2010, CWT anticipates that valuations will fall by around 9% (from 31 December 2009) across the entire portfolio, driven by declines on CWT's New Zealand properties, and the Gundagai (NSW) property.

[1] The United Grower, AGGA April 2010
[2] 2010 WFA Vintage Report, May 2010
[3] Delegat's Group Limited market announcement, 26 February 2010

Cash flow and 2H10 distribution

Despite industry headwinds and the impact of falling property valuations, CWT forecasts a strong operating cashflow of around $14.0 million in FY10, equivalent to 7.3 cpu. However revaluations will impact loan-to-valuation ratios (LVRs) applicable to CWT's debt facilities. CWT today announced an estimated distribution of one cent per unit (1 cpu) for 2H10, with cash in excess of the estimated distribution to be used to reduce gearing and maintain compliance with banking covenants as at 30 June 2010.

The ex-distribution date and record date for the FY10 final distribution will be 24 June and 30 June 2010 respectively, and the payment date will be 30 August 2010. CWT's Dividend Reinvestment Plan (DRP) will not be operational for this distribution and has been suspended while capital management initiatives to reduce gearing going forward are reviewed.

The final estimated distribution of 1 cpu, when combined with the interim distribution of 3.25 cpu paid in February, brings total distributions for FY10 to 4.25 cpu. The taxable income of CWT for the year ending 30 June 2010 is estimated to be approximately 6.2 cpu which is in excess of distributions. Details of the tax components of the distribution will be provided to unitholders in the Annual Tax Statement in August 2010.

Fund Manager Nick Gill said: "CWT continues to respond to the difficult market conditions in the wine and vineyard sectors domestically and globally. While the Australian wine sector appears to be signalling the start of a slow turnaround, we expect the vineyard sector will remain under pressure for some time yet. An estimated 9,000[4] hectares of Australia's 157,000 hectares of vineyards have already been removed, with further removals expected as grape growers deal with the cumulative impact of lower grape prices and yields from the 2010 harvest.

"CWT's exposure to warm climate vineyards (65% of the Australian portfolio) will be strategically beneficial in the medium-term as the brunt of the vineyard removals have occurred in the Australian warm climate regions where the grapes sourced meet most domestic and overseas bottled wine price points, while the production oversupply continues unabated in the higher cost southern cool climate regions.

"CWT continues to generate a strong operating cashflow from its portfolio of large scale vineyards leased primarily to wine companies. Revaluations are expected to result in a Net Independent Value (NIV) of circa 51 cpu[5], while our average LVR is expected to be around 56% as at 30 June 2010 after reducing debt."

ENDS

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, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based.

[4] CWT estimate

[5] Based on pro forma February 2010 NIV, adjusted for anticipated property revaluations as at 30 June 2010

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