Challenger Wine Trust (ASX:CWT)

Results for half-year ended 31 December 2009 (1H10)

Nick Gill
Fund Manager
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Key points

- Operating performance remains sound
  - Profit from operating activities after tax $7.3 million (FY09: $8.4m) or 4.3 cpu
  - Occupancy 99.2%; WALE 4.6 years with no lease expiries in FY10
  - 1H10 distribution of 3.25 cpu; FY10 distribution guidance of 7.00[1] cpu provided
- Positioned to see through the cycle
  - Industry confronting the supply-demand imbalance of grapes
  - Long lease streams to established wine company tenants
  - Steady cash flows with an improving balance sheet
  - Net Independent Valuation (NIV) at 61 cpu (post DRP)
  - Continuing pressure on vineyard values
- Prudent capital management strategies continue
  - Operating within all banking covenants
  - Net liability from interest rate swaps reduced from $21.7 million 31 Dec 08 to $6 million
  - Pro forma gearing at 52.3%[2] down from 54.0% at June 09 due to debt repayment of $9.9m
  - Fully underwritten Dividend Reinvestment Plan (DRP) for 31 Dec 09 distribution

Notes:
1. Assumes underwritten DRP
2. Debt to total assets at fair value

Financial results

Operating profit

- Profit from operating activities after tax $7.3 million or 4.3 cpu
  - Net property income $15.5 million (1H09 $16.6 million)
  - Finance costs down $0.4 million (6.7%) to $6.2 million
- 1H10 distribution: 3.25 cpu
- 1H10 Property revaluation decrement of $5.3 million

	1H10	1H09	Variance	
	$000	$000	$000	%
Net property income	**15,480**	**16,635**	**1,155**	**(6.9)**
Profit from operating activities after tax	**7,298**	**8,421**	**(1,123)**	**(13.3)**
Net profit	2,369	2,872		
Adjusted for: Non operating and non cash items				
Net fair value movement of non current assets held at the end of the period	5,297	5,559		
Amortisation of fair value of derivatives on closed hedge positions	124	-		
Maintenance capital expenditure	(353)	-		
Deferred leasing incentives [1]	(447)	-		
Undistributed income[2]	(1,455)	(426)		
Distribution to unitholders	5,535	8,005	(2,470)	(30.9)
Distribution per unit (cents)	**3.25**	**4.70**	**(1.45)**	**(30.9)**

Notes:
1. Upfront amortised rental rebate to AVL for 1H10
2. 1H10 undistributed income represents operating income ($1,087) and net fair value movement of non current assets sold during the period carried forward ($368)

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NIV at 61c (pro forma post DRP)

	$million			CPU		
	Feb-10[1]	Dec-09	Jun-09	Feb-10[1]	Dec-09	Jun-09
Net Tangible Assets (NTA)	85.0	79.5	80.1	0.45	0.47	0.47
Add: Water rights (at cost)	21.5	21.5	21.8			
Net Asset Value (NAV)	106.5	101.0	101.9	0.56	0.59	0.60
Add: Water rights fair value increment[2]	10.8	10.8	11.0			
Net Independent Value (NIV)	**117.3**	**111.8**	**112.9**	**0.61**	**0.66**	**0.66**

- NIV includes water rights at fair value (independently valued, reflecting the intrinsic value of CWT)
- NAV includes water rights at cost
- NTA excludes water rights[3]

Notes:
1. Pro forma post underwritten DRP Dec 09 (20.45m units issued at $0.27)
2. As per independent valuation
3. As water rights are treated as intangible assets held at cost - required under accounting standards for statutory reporting purposes

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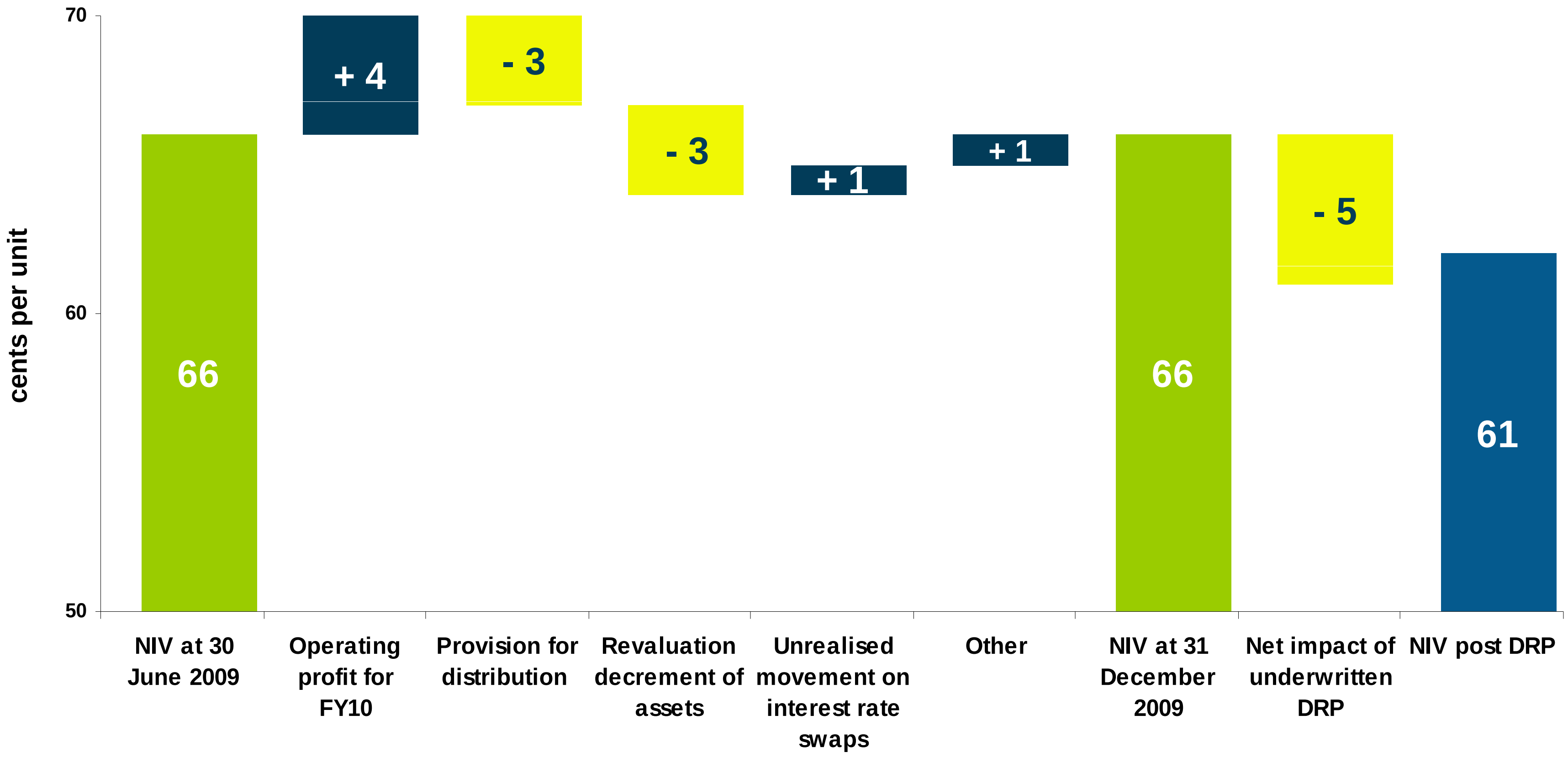
NIV at 61 cents per unit (pro forma post DRP)

➢NIV at 66 cpu as at 31 December 2009, 61cpu as at February 2010



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Financial position (pro forma)

- Gearing[1] at 52.3%;
- New Zealand borrowings provide natural currency hedge for NZ assets (96% hedged)
- Weighted average cost of borrowings 8.04% at half year end

		3-Feb-10 (pro forma)	31-Dec-09	30-Jun-09
Total assets[2] at fair value	$m	267.5	270.5	276.6
Borrowings	$m	139.9	142.9	149.4
Gearing (debt to total assets at fair value)	%	52.3	52.8	54.0
Weighted average cost of borrowings (incl margins)	%	8.04	8.04	8.04
Interest coverage ratio	times	2.2	2.2	2.3

Notes:
1. Debt to Total Assets at fair value (post underwritten DRP)
2. Inclusive of water rights fair value increment ($10.8m),as per independent valuation

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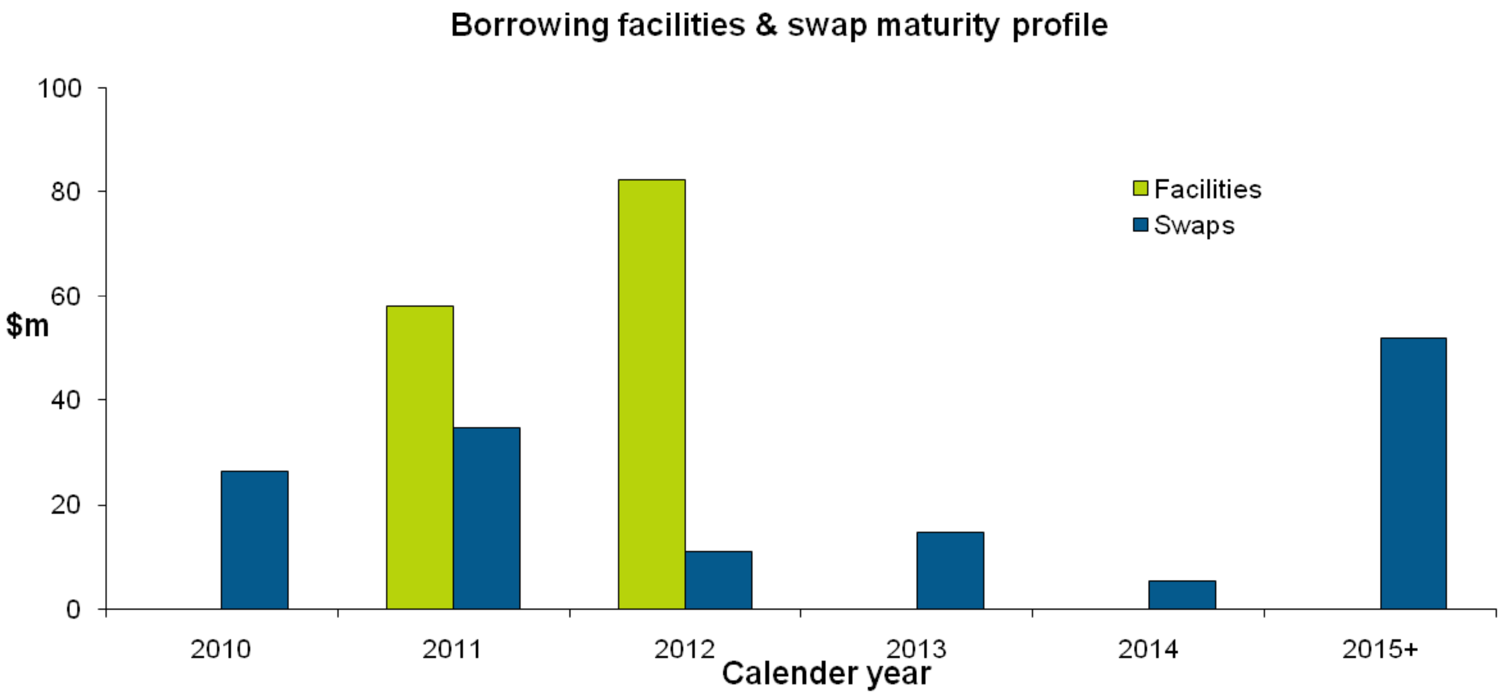
Financing profile (pro forma)

- Total drawn liabilities of $140[1] million (from 2 Australian banks)
  - Next facility expiries May 2011
- CWT is 71% hedged against interest rate movements over the term of tenant leases
- $26 million of interest rate swaps maturing in June 2010



[1] Post underwritten DRP

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Financial covenants and headroom

- Post DRP $9.9m borrowings repaid since 30 June 2009
- All banking covenants complied with during 1H10
- LVR[1]s apply to borrowing facilities from banks

Facility	Covenant	CWT position post underwritten DRP	Headroom on security value[2]
1	Debt to security value < 57%	52.3%	8.2%
2	Debt (including net fair value of hedge contracts) to security value < 60%	55.2%[3]	8.0%
2	Interest coverage ratio[4] > 2.0 times	2.3 times	
2	EBIT coverage ratio[5] > 1.75 times	2.2 times	

- Net liability from interest rate swaps reduced to $6m (from $21.7m at 31 Dec 08)

Notes:
1. Loan-to-valuation ratio
2. Headroom on security value is the maximum % fall in security value against current debt levels to remain within LVR covenants
3. $3 million was repaid on 3 February 2010 as a result of successful completion of the DRP underwrite
4. Applies to this bank's secured properties
5. Applies to total trust assets

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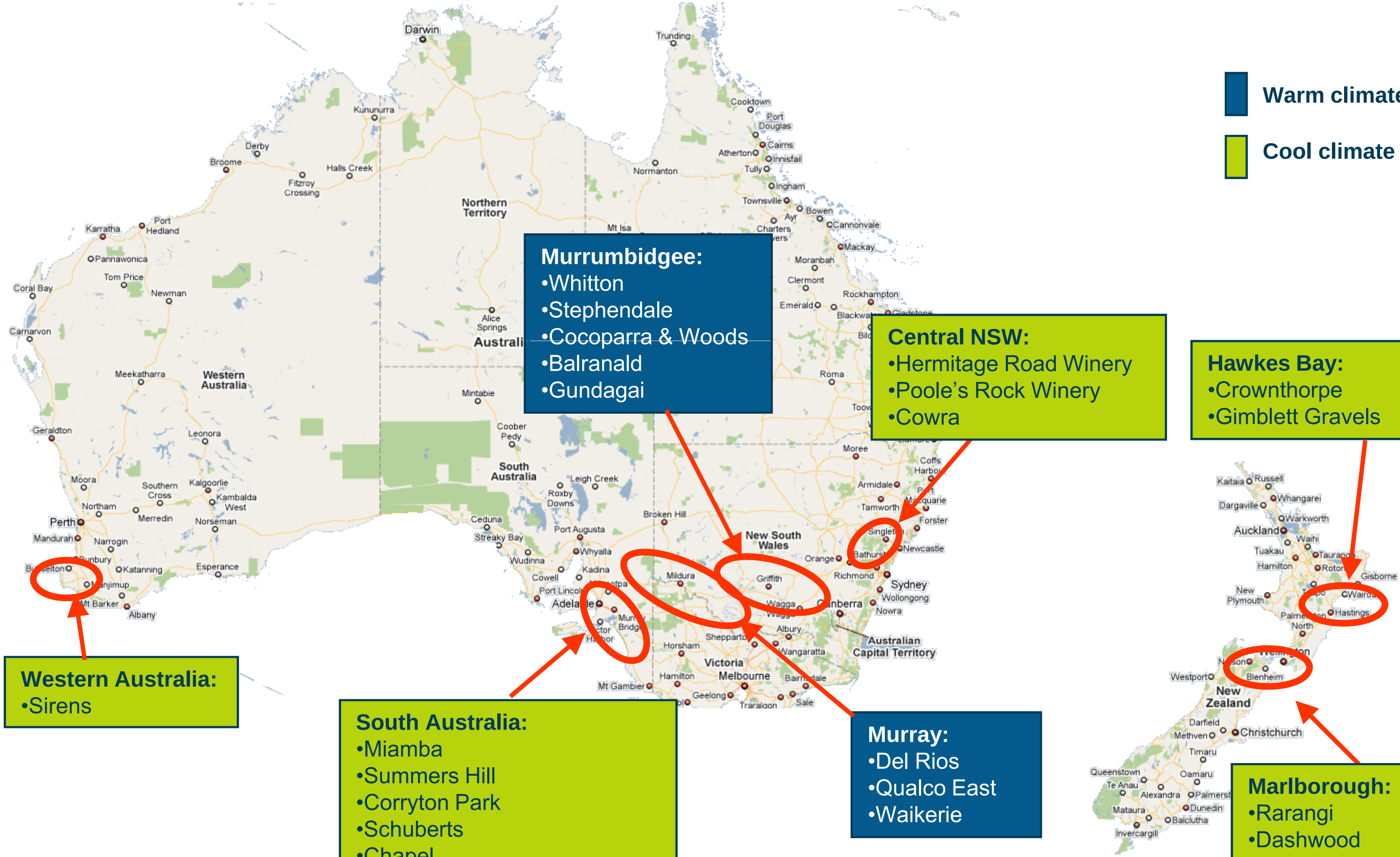
Portfolio update

CWT's portfolio



Warm climate

Cool climate

Murrumbidgee:
- Whitton
- Stephendale
- Cocoparra & Woods
- Balranald
- Gundagai

Central NSW:
- Hermitage Road Winery
- Poole's Rock Winery
- Cowra

Hawkes Bay:
- Crownthorpe
- Gimblett Gravels

Western Australia:
- Sirens

South Australia:
- Miamba
- Summers Hill
- Corryton Park
- Schuberts
- Chapel
- Richmond Grove & Lawsons

Murray:
- Del Rios
- Qualco East
- Waikerie

Marlborough:
- Rarangi
- Dashwood

Revaluations reduce values by $5.3m

- 11 of 22 properties revalued (39% of portfolio value)
- All properties revalued since June 2009

Climate	Region	% of Portfolio	Fair Value at 31 Dec 09 ($m)	Fair Value Pre-valuation ($m)	Change ($m)	Change (%) [1]
Warm	Murray River	21%	55.1	55.3	(0.2)	-0.3%
Warm	Murrumbidgee River	28%	73.6	74.1	(0.5)	-0.7%
Cool	New Zealand	25%	66.6	67.3	(0.7)	-1.0%
Cool	SA/WA	22%	57.0	60.3	(3.3)	-5.5%
Cool	Central NSW	4%	9.9	10.5	(0.5)	-5.0%
Fair values			**262.3**	**267.4**	**(5.2)**	**-1.9%**
Less: reduction in carrying values due to recognising water rights at cost					(0.1)	
Total carrying values			**251.5**	**256.8**	**(5.3)**	**-2.1%**

Notes:
Numbers may not add due to rounding
[1] Across total portfolio

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Portfolio snapshot at 31 December 2009

		Australia	New Zealand[1]	31 Dec 2009 Total	30 June 2009 Total
Number of assets		18	4	**22**	24
Portfolio carrying value	$m	184.9	66.6	**251.5**	257.1
Portfolio fair (market) value[2]	$m	195.7	66.6	**262.3**	268.2
% total portfolio value[3]	%	75%	25%	**100%**	100%
Total area	ha	4,711	747	**5,458**	5,575
Planted area	ha	3,686	627	**4,313**	4,407
Occupancy	%	99.0%	100%	**99.2%**	98.5%
Weighted Average Lease Expiry	yrs	5.1	2.5	**4.6**	5.0
Average passing rental yield	%	13.3%	8.9%	**12.2%**	12.0%

Notes:
1. New Zealand portfolio value at 31 Dec 2009 based on spot rate of 1.2360
2. Includes water rights at fair value
3. Based on fair value

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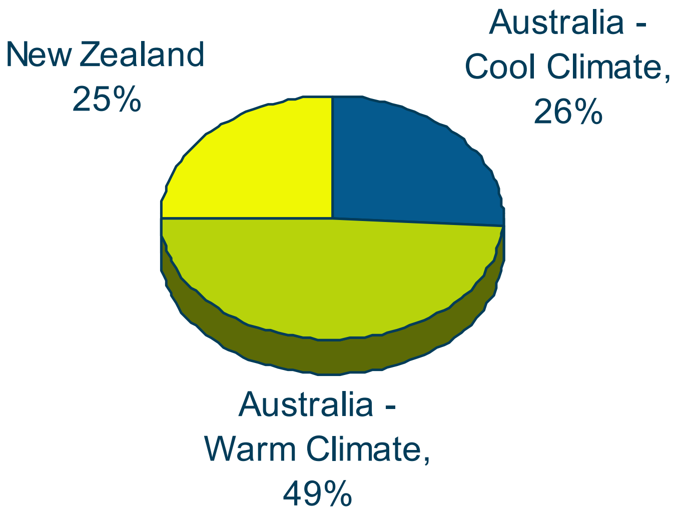
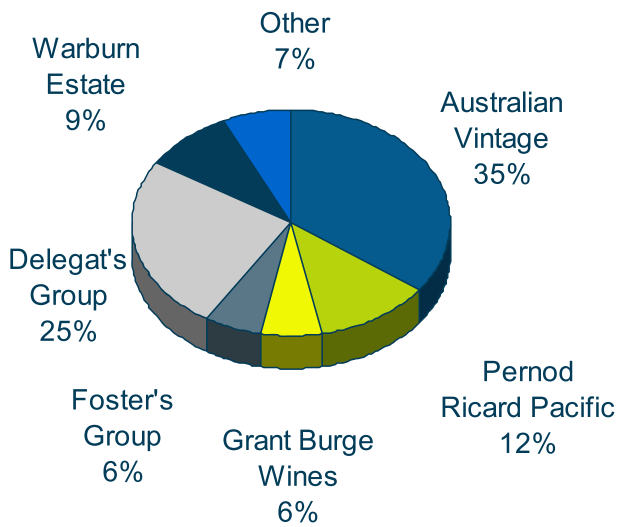
Portfolio diversification

- 95% of portfolio leased to wine companies

Climate diversification (by fair value)
as at 31 December 2009



Tenant diversification (by fair value)
as at 31 December 2009



CWT's major tenants

- **Australian Vintage Limited (35%)**
  - ASX listed company in wine sector
  - Wine brands include McGuigan, Sunnyvale, Nepenthe, M, Tempus Two and Yaldara
  - 2009 Winner of the International White Winemaker of the Year (London International Wine Challenge)
- **Delegat's Wine Estate Limited (25%)**
  - Subsidiary of Delegat's Group Limited, NZX listed company in the wine sector
  - Wine brands include Oyster Bay and Delegat's
  - The Oyster Bay brand is the number one selling New Zealand wine brand in UK, Australia and Canada
- **Pernod Ricard Pacific Pty Ltd (12%)**
  - Subsidiary of Pernod Ricard a French company listed on NYSE Euronext exchange in the spirit and wine sectors
  - Wine brands include Orlando Wines, Jacob's Creek, Wyndham Estate, Lawson's, Trilogy and Richmond Grove
  - The Pernod Ricard Group is the world's co-leader in Wines and Spirits with consolidated sales of €7,203m in FY09
- **Warburn Estate (Aust) Pty Ltd (9%)**
  - Australian private company in the wine sector
  - Wine brands include Warburn, Stephendale, Gossips, The Brass Razu and Aspen Estate
  - A third generation family business
- **Foster's Australia Limited (6%)**
  - ASX listed company in the beer and wine sectors
  - Wine brands include Devil's Lair, Fifth Leg, Lindemans, Penfolds, Rosemount Estate and Wolf Blass
  - Foster's is the largest vineyard owner in Australasia
- **Grant Burge Wines Pty Ltd & Burge Corp Pty Ltd (6%)**
  - Australian private company in wine sector
  - Wine brands include Meshach, Shadrach, Filsell, Miamba, Summers, Cameron Vale, gb and Benchmark
  - Grant Burge is a fifth-generation Barossa Valley, SA winemaker

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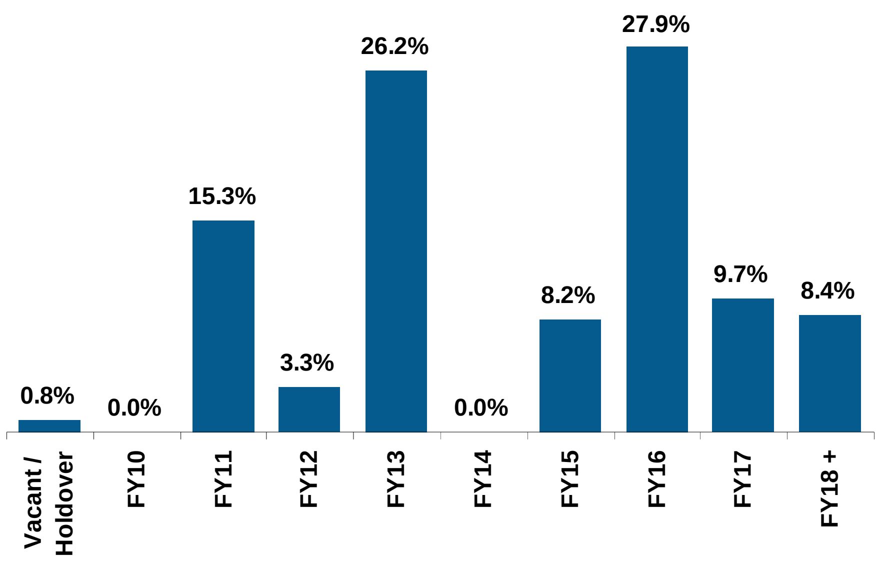
Selection of tenant’s brands from CWT vineyards

Lease expiry profile and activity

- 99.2% portfolio occupancy at 31 Dec 09
- WALE at 4.6 years (5.0 years at 30 Jun 09)
- No expiries in FY10 and 15.3% of portfolio by income expiring in FY11

Lease expiries in FY11
Gundagai vineyard (NSW) September 2010 (6.3% of portfolio)
Crownthorpe vineyard (NZ) April 2011 (7.1% of portfolio)
Gimblett Gravels vineyard (NZ) April 2011 (1.9% of portfolio)

Weighted Maturity Profile as at 31 December 2009



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Australasian vineyard industry conditions

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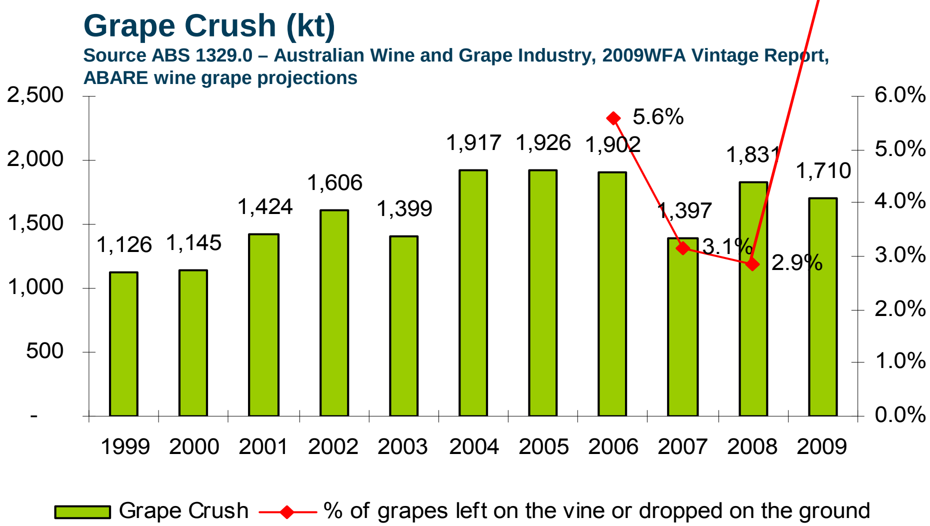
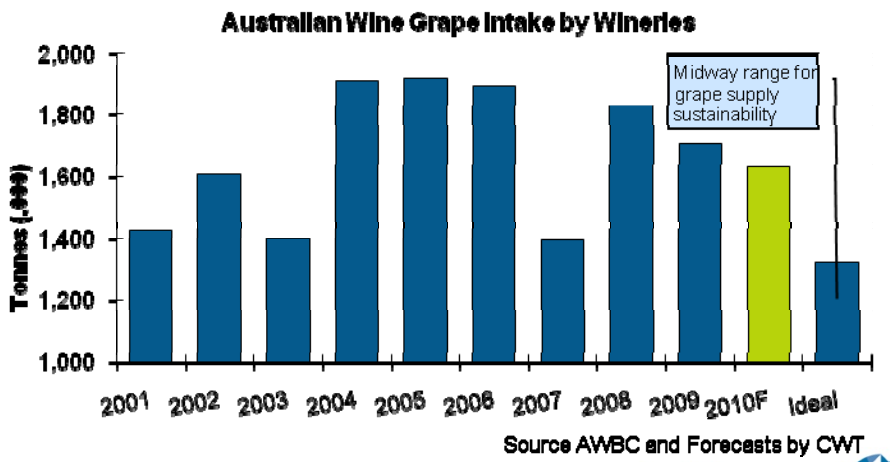
Over supply correction

Just in: 2009 figures for % of grapes left on vine or dropped on ground **8.2%**

- The industry is calling on reduction of between 275,000 and 500,000 tonnes
- Can be achieved by:
  - universally restricting grape yields (which will also improve quality)
  - removal of up to 20% of vineyards in non viable regions and in over supplied varieties
- Eventually will leave circa 120,000-130,000 ha in a very vibrant industry – leading to sustainable supply





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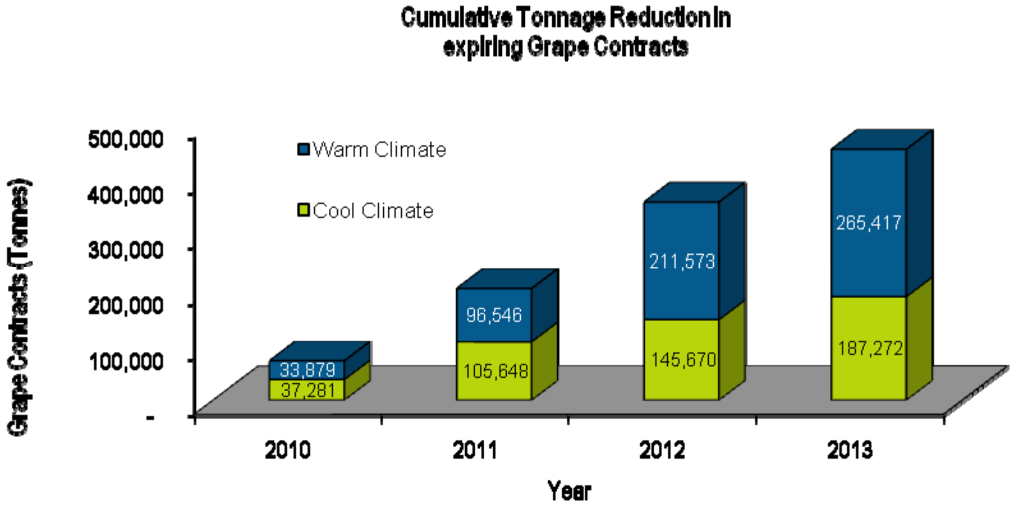
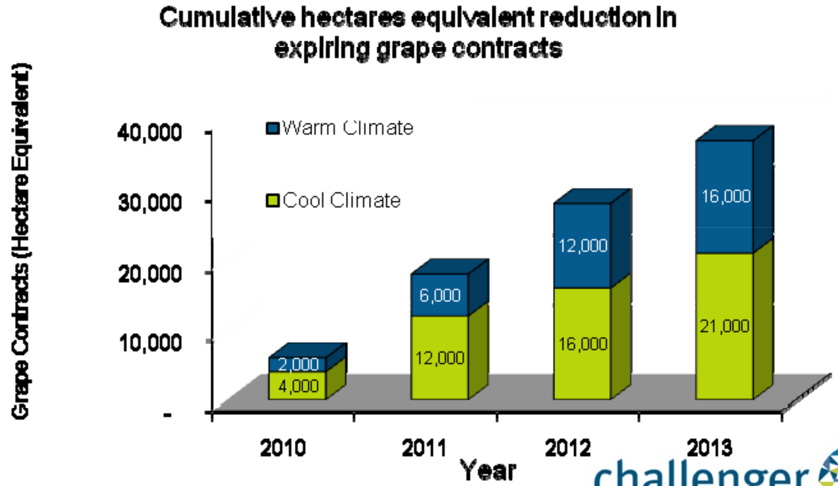
Impact of contract reduction

- Wine companies moving to rebalance their supply of grapes with wine sales demand
- Grape contracts not being renewed
- Circa 450,000 tonnes of grape contracts will expire by June 2013. Equivalent to 37,000ha
- CWT's WALE 4.6 years – expect to see through the toughest years coming



Source: AWBC



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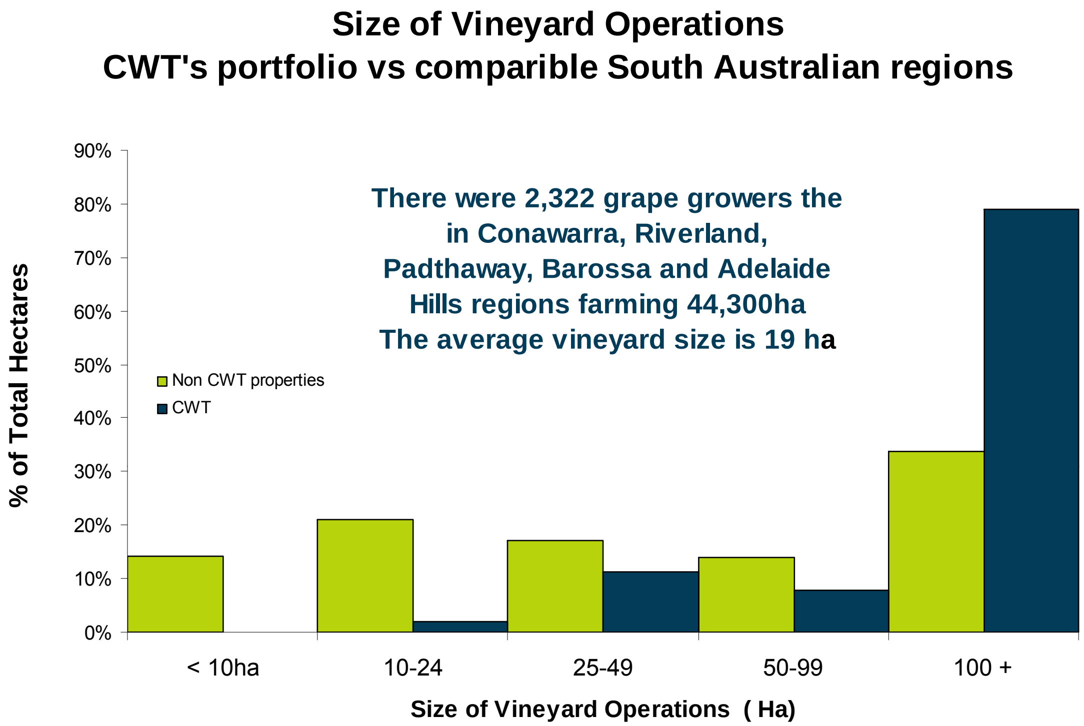
Size of operations key to survival

- Size provides economies of scale, attractive to wine company tenants
- 93.7% of total CWT property portfolio are greater than 50ha
- +100ha generally owned by wine companies or corporate investment companies
- Other agricultural sectors moving toward consolidation to achieve economies of scale due to lower commodity prices



Source: SA Phylloxera and Grape Industry Board 2009

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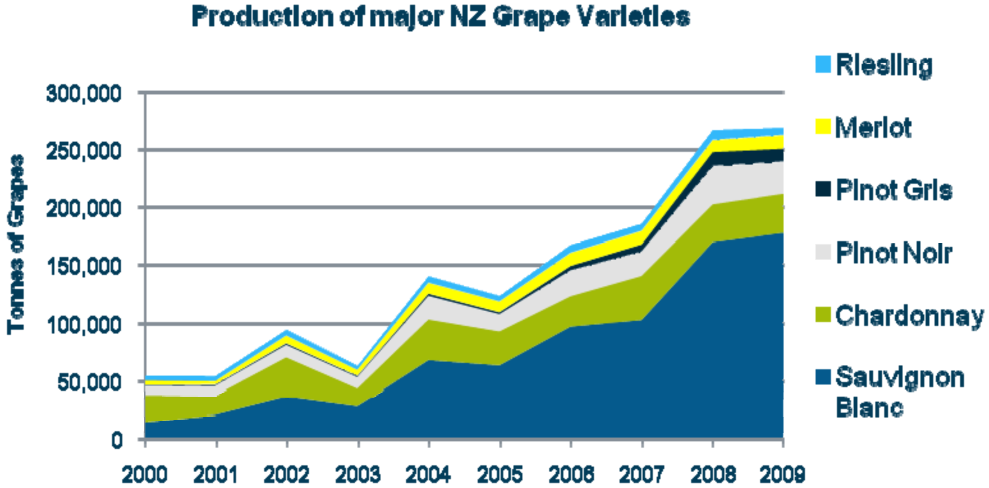
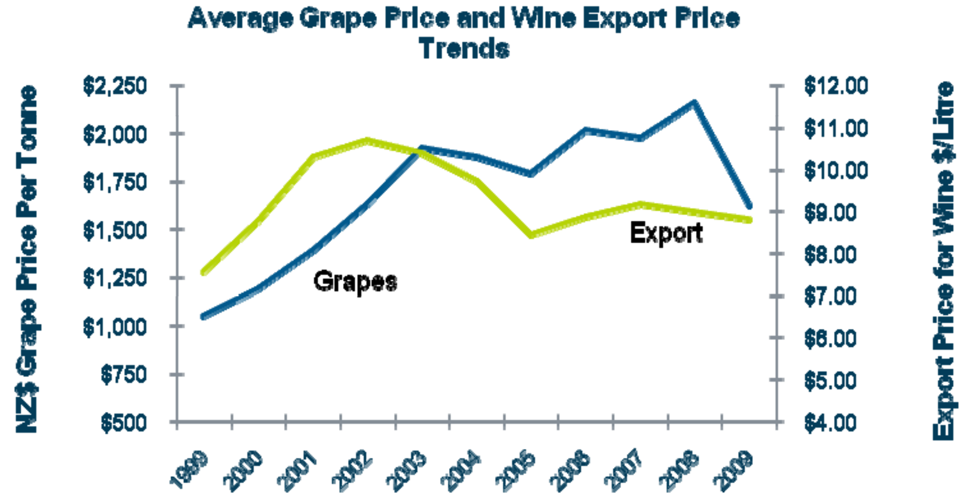
New Zealand

- Winery intake is levelling off after the over supply in 2008. Enforced yield reduction kept 2009 low
- The over supply has impacted grape prices and pressuring export prices into 2010
- In the year ending 31 July 2009, NZ exports reached $NZ1b
- US consumption of NZ wine primarily sauvignon blanc grew in value by 22% in FY 2009 and by a further 21% in Aug to Nov 2009





Source: NZ Wine

Summary

Summary

- The industry has commenced transformation in reaction to oversupply
  - Vineyard removal has begun
  - Yield restrictions initiated
  - Reduced availability of grape contracts enforce change
- CWT operating performance remains sound
  - Long lease streams to established wine company tenants
  - Large properties creating economies of scale
- Capital management strategies continue
  - Underwritten DRP strengthening balance sheet
  - Remain prudent with capital management strategies going forward

Questions

Contacts

Nick Gill
Fund Manager
Tel: + 61 (0)2 9994 7291
Email: ngill@challenger.com.au

Luke Keighery
Investor Relations
Tel: + 61 (0)2 9994 7633
Email: lkeighery@challenger.com.au

Website

www.challenger.com.au/cwt

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Appendices

Detailed income statement

	1H10	1H09	Variance	
	$000	$000	$000	%
Net property income	**15,480**	**16,635**	**(1,155)**	**(6.9)**
Other income	117	476	(359)	(75.4)
Finance costs	(6,185)	(6,627)	442	6.7
Management fees	(1,023)	(1,211)	188	15.5
Operating expenses	(950)	(606)	(344)	(56.8)
Profit from operating activities before tax	**7,439**	**8,667**	**(1,228)**	**(14.2)**
Income tax expense	(141)	(246)	105	42.7
Profit from operating activities after tax	**7,298**	**8,421**	**(1,123)**	**(13.3)**
Net fair value movement of non current assets sold during the period	368	10		
Net fair value movements in non-current assets held at end of period	(5,297)	(5,559)		
Net profit	**2,369**	**2,872**	**(503)**	**(17.5)**

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Movements in fair value and carrying value

	Fair value $000	Carrying value $000
30-Jun-09	**268,147**	**257,111**
Acquisitions & upgrades	353	353
Disposals	(2,000)	(1,577)
Deferred leasing incentive	447	447
Revaluation changes	(5,160)	(5,160)
Water rights fair value increment	-	(137)
Depreciation	(158)	(158)
Foreign currency translation movements	648	648
31-Dec-09	**262,277**	**251,527**

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