

MANAGER PROFILE

CHALLENGER/HEITMAN³

Manager Background

- > Challenger/Heitman is a joint venture formed in 2006 between Challenger and Heitman. Together they manage a global listed property securities portfolio.
- > Challenger Financial Services Group was formed in 1985 and is now listed on the ASX. With a market capitalisation of A\$2.0 billion it is a member of the ASX100 Index¹. As Australia's foremost issuer of annuities, Challenger has expertise in both listed and direct property.
- > Heitman is based in Chicago and is 50% owned by employees and 50% owned by Old Mutual – a top 40 global financial services company. With US\$22.1 billion² in assets under management it is one of the world's largest specialist property investors. Its 240 employees work out of seven offices spread across the United States, Europe and Asia.

Challenger Heitman Global Property Securities Fund

- > The alliance has produced a global best of breed listed property offering, with specialist investment managers in each regional property securities market. The Challenger Heitman alliance currently manages approximately US\$200 million² through a number of global property securities mandates.

Manager Attributes

- > Challenger and Heitman share a consistent investment philosophy and approach to investing in real estate securities. They believe real estate fundamentals are the drivers of valuations over the long term and therefore hands-on real estate experience is essential to the identification of risks and opportunities in listed property trusts.
- > Challenger and Heitman combine to form a highly experienced team with real depth and a steady history of exceeding the benchmark through their systematic active investment approach. The investment team at Heitman selects the best listed property trusts in the United States and Europe while the team at Challenger do the same for Australia and Asia.
- > An Investment Policy Committee composed of the senior members from both teams is responsible for determining the overall outlook for each market. This culminates in a house view for global property markets which forms the basis for asset allocation decisions. After the Committee has determined the preferred regional tilts, research is then carried out on the sectors and securities that will best exploit these views. This overlay consideration is designed to ensure appropriate exposures are made to each sector. The portfolio is monitored daily and reviewed formally every week to ensure each region remains within the ranges of the Committee's target weights.

¹ As at 2 March 2010. ² As at 31 March 2010 (this information is updated quarterly). ³ Please note that as one of the key portfolio manager at Challenger has resigned, New Zealand Funds Management will be redeeming its investment with this manager in July.