CENTRO
DIRECT PROPERTY FUND

INVESTOR UPDATE AUGUST 2010

FUND STATUS

The Direct Property Fund (DPF) remains suspended and is not expected to re-open within the next six to 12 months.

We continue to pursue restructuring and liquidity solutions. Liquidity within the Fund's investments remains very low, and we see few opportunities in the near future to realise any significant portion of the Fund's investment portfolio due to the nature of its investments into illiquid property securities funds.

There may be an opportunity to generate some liquidity from the Fund's investments in Centro MCS 8, 11, 12, Centro Direct Property Fund International (DPFI) and one of the Fund's external investments, Gordon Property Trust, which has advised that their syndicate will be wound up.

See Pages 2 and 3 for further details.

Unit Price: $0.7862*

Distribution: 0.82 cents^

* Price as at 31 July 2010
^ June 2010 quarter

CENTRO GROUP UPDATE

We reported in our previous *Update* on the appointment of advisers to the Centro Group to undertake an initial assessment of a group restructure. The advisers have continued to work closely with management since December 2009 and have explored a number of strategies for the Group, including the various listed and unlisted managed funds.

In late July 2010, Centro announced to the Australian Stock Exchange (ASX) a number of financing achievements across its US business and provided an update on some of the restructure initiatives. Key points from this announcement included:

- Centro has completed financing arrangements for approximately $2.7 billion of the $3.2 billion of debt within Super LLC, a joint venture entity which funded many of the US property acquisitions. Importantly, Centro has secured a one-year extension from December 2010 to December 2011 for $2.3 billion of this debt.
- Agreement on any definitive approach to the Centro Group restructure would likely take some time to reach an appropriate conclusion. Subject to market conditions, it is expected that any restructure could take through to the end of 2011 to implement.
- Independent of the restructuring considerations, Centro will be seeking to strengthen and grow its syndicate business and has commenced a process that will evaluate interest from strategic partners to participate alongside it in the growth of its syndicate funds management business.

> "Our assessment has confirmed that any restructure will be complex, with numerous structural, financing and stakeholder considerations to manage and no decisions have been made at this stage. To complete a restructure and recapitalise the Group, approvals and consents will be required at many levels."
>
> Group Chief Executive Officer and Managing Director, Robert Tsenin

An ongoing key objective of the DPF is to enhance the fund's liquidity and offer investors the opportunity to access some or all of their capital. Whether the above initiatives meet this objective cannot be determined at this stage. Further information will be provided in upcoming *Investor Updates*.

Centro
Diversified Funds

JUNE QUARTER DISTRIBUTION

The DPF has announced a June quarter distribution of 0.82 cents per unit to be paid to investors on 10 August 2010. This is in line with guidance given in our May 2010 *Investor Update* and compares to 0.80 cents per unit paid for the March quarter.

Distributions from the Centro MCS syndicates are expected to be marginally higher for the June quarter compared to the March quarter. This is mainly due to Centro MCS 18 announcing a higher June quarter distribution to compensate investors for the realised capital gain resulting from the sale of Centro Meadow Heights and Centro Rosebud.

The DPF will also receive a higher distribution from DPFI of 0.31 cents per unit compared to 0.26 cents per unit for the March quarter.

However, going forward, we expect the DPF to lower quarterly distributions to between 0.50 cents and 0.60 cents per unit. The decrease is mainly due to an expected reduction in distribution from Centro Australia Wholesale Fund (CAWF), the largest individual investment of the DPF. CAWF has indicated that it intends to reinvest some of its net cashflow into capital enhancements and works across its portfolio. This is therefore expected to reduce the level of their distributions over the next 12 months.

As well, we anticipate that the Centro MCS syndicates will pay lower distributions over the coming quarters – a result of rising interest rates impacting some of the unhedged funds. Likewise we expect that the DPFI distribution rate will be lower over future quarters – see the DPFI August *Investor Update* for more details.

Should the DPF realise capital from the *Liquidity Opportunities* described below, we intend to pay this to DPF investors as a capital distribution.

LIQUIDITY OPPORTUNITIES

Syndicate Rollovers

Centro MCS 11

Centro Surfers Paradise on the Gold Coast is the sole property of Centro MCS 11 which had until 3 March 2010 to find buyers for all investors who elected to exit. The Syndicate responsible entity (RE) was unable to achieve this objective, and the property was put on the market with a number of parties expressing interest.

The most recent net asset backing price for this Syndicate (December 2009) was $2.42 per unit, based on the underlying value of the property of $202 million. Should the Syndicate achieve a sale at this price, the DPF would receive approximately $7.6 million – the current value of its investment. Given the sale process currently underway, the RE has not issued a provisional June 2010 price.

The RE is obligated to sell the property within a reasonable time frame. Following a sale of the asset, the RE must take the necessary steps to wind up the Syndicate and distribute the proceeds to investors, after repayment of debt and other costs.

In March 2010 the Syndicate RE advised that this process would take at least six months. It further advised that there was no certainty the property would be sold at the current valuation of $202 million. If the offers were substantially less than the current valuation, the Syndicate RE advised it may then convene investor meetings to seek investor approval for an alternative strategy for the Syndicate.

Centro MCS 12

The Syndicate owns three properties – Centro Oakleigh (Melbourne), Centro Glenorchy (Hobart) and Centro St Agnes (Adelaide). Centro MCS 12 had until 14 April 2010 to find buyers for all investors who elected to exit. In May, the Syndicate RE advised it was unable to find sufficient buyers at the calculated exit price.

The RE has advised that Centro St Agnes has been placed on the market. The sale of this property may allow the Syndicate to buy back (redeem) units from investors who elect to exit the Syndicate, while accommodating investors who choose to remain in the Syndicate to do so for a further term with the restructured investment consisting of two properties. A vote from Syndicate investors is required to approve the restructure proposal. Should the vote not be successful, the remaining properties will also be sold and the Syndicate wound up.

At this stage, the timing on any capital proceeds to the DPF is uncertain and is not expected in the near future.

Centro MCS 8

This Syndicate owns Centro Northgate (Geraldton, Western Australia) and Centro Albany (Brisbane). The Syndicate had until 31 May 2010 to find buyers for all investors who elected to exit. In June, the Syndicate RE advised it was unable to find buyers for all exiting investors.

The Syndicate recently sold Centro Croydon (Melbourne) which settled on 21 June for $31.5 million, 12.5% above the December 2009 book value. The four hotels in Queensland were also sold for an aggregate amount of $26.16 million, in line with December 2009 book values. The hotels will settle over the period from June to September.

The sale of these properties may allow the Syndicate to buy back (redeem) units from investors who elect to exit the Syndicate, while accommodating investors who choose to remain in the Syndicate to do so for a further term with the restructured investment consisting of two properties. A vote from Syndicate investors is required to approve this restructure proposal. Should the vote not be successful, the remaining properties will also be sold and the Syndicate wound up.

At this stage, the timing on any capital proceeds to the DPF is uncertain and is not expected in the near future. The Syndicate RE has advised that the restructure proposal is expected to take approximately six months to complete.

Centro Direct Property Fund International

The DPFI is expecting to realise a portion of its investment in Centro America Fund (CAF) pursuant to the annual CAF Liquidity Facility which commenced in July 2010. The exact amount to be received by the DPFI is not known at the time of publication; however the DPFI has advised that it intends to distribute any capital proceeds to investors. DPF owns 27.5% of the DPFI and would thus be a beneficiary of any such distribution.

Further details are contained in the DPFI August *Investor Update*.

Gordon Property Trust

The DPF has an investment in Gordon Property Trust currently valued at $2.5 million. This investment is managed by Dexus Funds Management Limited. This trust owns two properties – Gordon Centre and Gordon Village Arcade located on the Pacific Highway, Gordon, 16 kilometres north of Sydney.

The term of the trust expired on 14 June 2010 and the manager has advised it intends to sell the properties. The properties were put on the market earlier this year and expressions of interest were received from some parties. To date, no sale has been consummated. The DPF awaits further advice on the progress on this Syndicate wind up. Capital distributions are not expected in the near future.

INVESTMENT PORTFOLIO UPDATE

The Fund's investment portfolio at 30 June 2010 is shown in the table below.

Over the June 2010 quarter, the value of the Fund's total assets decreased by 0.5% from $1.298 billion to $1.292 billion. The decrease was mainly attributable to the DPFI which decreased from $96.7 million to $90.2 million. In addition Centro MCS 33 and DNZ Property Fund (a non Centro investment) have contributed to the decrease. The DPF's listed holdings also fell during the quarter, reflecting the weaker sentiment on the Australian Stock Exchange. Offsetting these falls, the investment in CAWF increased from $602.5 million to $611.3 million following the release of draft unaudited results for that fund.

Current Investments (June 2010)

	June 2010		March 2010
Investment	**$ Million**	**% Portfolio**	**$ Million**
Centro Australia Wholesale Fund (CAWF)	611.3	47.3%	602.5
Centro Retail Investment Trust – Domestic Pools	171.4	13.3%	171.4
Centro DPF International (DPFI)	90.2	7.0%	96.7
Centro MCS 28	47.8	3.7%	47.8
Centro MCS 21	37.6	2.9%	37.4
Centro MCS 33	30.2	2.3%	34.1
Centro MCS 3	28.9	2.2%	28.9
Centro MCS 25	26.4	2.0%	25.6
Centro MCS 37	20.5	1.6%	21.6
Non-Centro Direct Property Funds	15.9	1.2%	18.0
Other Centro MCS Property Funds	183.7	14.3%	184.0
Total Unlisted Property Investments	**1,263.9**	**97.8%**	**1,268.0**
Centro Retail Trust (Listed)	6.6	0.5%	7.5
Centro Properties Group (Listed)	0.7	0.1%	1.2
Outsourced LPT Portfolio	1.2	0.1%	1.3
Cash & Other Assets	19.5	1.5%	19.9
TOTAL ASSETS	**1,291.9**	**100%**	**1,297.9**

CAWF remains our largest investment and accounts for 47.3% of total assets, slightly up from 46.4% at March 2010. Aggregate exposure to the Centro MCS domestic syndicates is now 29.0% of total assets, compared to 29.2% at March 2010.

FUND PERFORMANCE

The unit price of the Fund decreased by 0.4% over the June 2010 quarter. As illustrated in the table below, the DPF generated a positive return of 1.0% for the 12 months to 30 June 2010 (comprising a distribution return of 4.2% partially offset by a negative 3.2% capital return). Although the positive return was small, it reverses the trend of the last two years which generated negative returns.

The main reason for the decrease in the unit price over the quarter was the decrease in the value of the DPFI, Centro MCS 33 and DNZ Property Fund as described above.

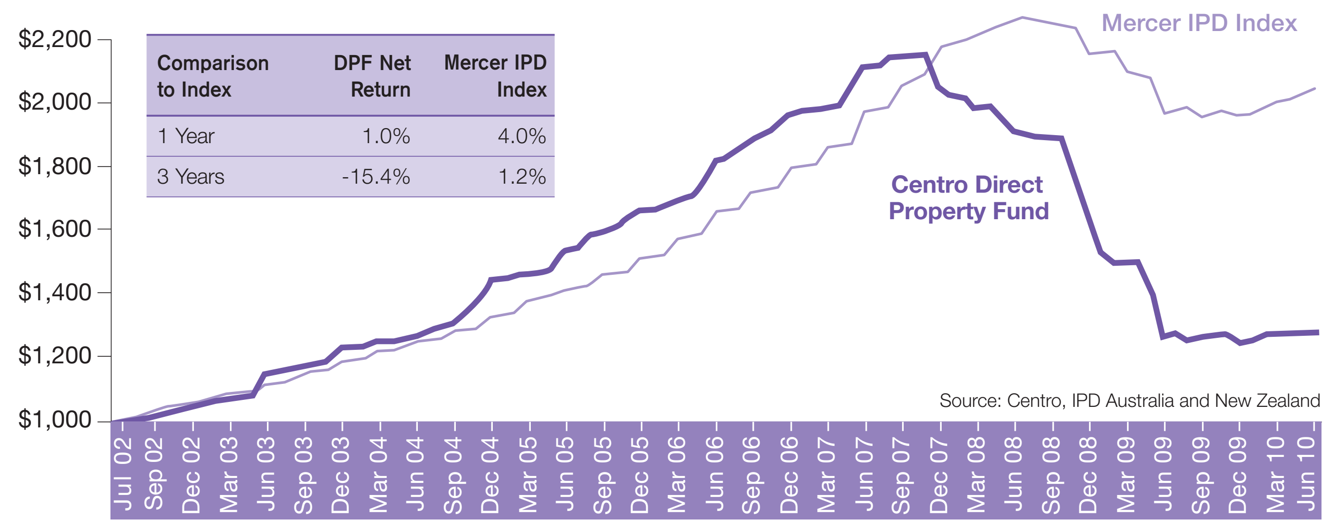
Fund Performance Table

		Returns (1 Year Rolling)				
Period Ended	**Dist.[1]**	**Distribution**	**Growth**	**Total**	**Unit Price[2]**	**Tax Adv.**
30 Jun 2004	8.23	8.0%	2.0%	10.0%	$1.0867	73%
30 Jun 2005	8.54	8.4%	12.8%	21.2%	$1.2256	70%
30 Jun 2006	8.78	7.7%	10.5%	18.2%	$1.3553	58%
30 Jun 2007	9.23	7.2%	9.4%	16.6%	$1.4821	100%
30 Jun 2008	4.64	2.9%	-12.5%	-9.6%	$1.2968	89%
30 Jun 2009	6.23*	3.8%	-37.6%	-33.8%	$0.8096	80%
30 Jun 2010	**3.42**	**4.2%**	**-3.2%**	**1.0%**	**$0.7836**	**N/A**

1 Distribution (cents per unit) 2 Excluding Distribution * Includes 1.25 cent capital distribution

Total Fund Returns

(Since Inception July 2002 – June 2010)

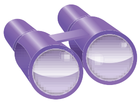


The chart above illustrates the deterioration in the performance of the DPF since December 2007, and also over the six months leading up to June 2009. Since then the performance has stabilised. Likewise the Mercer IPD index has stabilised and has reflected an upturn over the last twelve months, generating a positive return of 4%.

Unitholder Transfers

Although the DPF remains suspended, investors can transfer their units. For example, an investor may have their current investment in the name of a superannuation fund and wish to transfer ownership to their own name. If you would like to make such a transfer, please complete a standard off-market transfer form and have it executed by both the buyer and the seller of the units. The transfer form can then be sent directly to the registry, Link Market Services, or lodged with Centro Investor Services. Standard forms are available on the internet at centro.com.au/dpf.

FUND AT A GLANCE



(all figures as at June 2010)

Fund Size	$1.292 billion
Unit Price (Excluding Distribution)	$0.7836
Total Annual Return to June	1.0%
Management Expense Ratio (MER)	0.59%
Benchmark	Mercer / IPD Australian Pooled Property Funds Index
Distribution Payments	Quarterly, usually within 45 days after the end of the calendar quarter
Distribution Reinvestment	Suspended

Look-through Portfolio Information

Look-through refers to the information in relation to the underlying property investments held by the Fund.

Gearing (the DPF does not have any borrowings of its own)	60%
Number of properties	704
Weighted average portfolio occupancy	94.1%
Weighted average lease term (by income)	4.69 years

COMMUNICATION SCHEDULE

Communication	Date
June quarter distribution paid	10 August 2010
September quarter distribution announcement	October 2010
Next quarterly *Investor Update*	November 2010
September quarter distribution paid	Around 11 November 2010
Annual tax statements	Late August
Annual audited financial statements	September

WEBSITE

The Fund has its own website (http://www.centro.com.au/dpf) which provides up to date information including the daily unit price, annual reports, Fund Updates and other important information.

DISPUTE RESOLUTION

If you have a complaint about the administration or management of your investment, please contact the Responsible Entity on 1800 802 400 during business hours. If your complaint is not resolved to your satisfaction within ten business days you can refer the matter in writing to:

The Complaints Officer
Centro MCS Manager Limited
Corporate Offices, Centro The Glen
3rd Floor, 235 Springvale Road
Glen Waverley Victoria 3150

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