

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

JANUARY 2012

RECENT FUND HIGHLIGHTS

- Centro Group restructure implemented on 14 December 2011
- Over 77% of Unitholders exit the Fund via in-specie redemption offer
- DPF re-opens to redemption requests
- DPF's assets now predominantly comprise securities in CRF

FUND STATUS

The Direct Property Fund (DPF) re-opened to redemption requests on 14 December 2011.

All Unitholders who elected to redeem their units via an in-specie allocation of scrip pursuant to the Initial Redemption Offer were processed on 14 December 2011.

The Unitholders who elected to redeem for cash pursuant to the Initial Redemption Offer are expected to have their election processed in the first quarter of 2012.

Further requests for in-specie scrip redemptions will be processed twice per month commencing from January 2012.

CENTRO GROUP RESTRUCTURE UPDATE

The Centro Group restructure was successfully implemented on 14 December 2011. The restructure resulted in the amalgamation of various Centro entities into a newly listed entity – Centro Retail Australia (CRF), which is now trading on the Australian Stock Exchange (ASX).

IMPLICATIONS FOR THE DPF

As a result of the restructure, the DPF's investment portfolio was transformed from primarily unlisted illiquid investments to a liquid investment in the listed securities of CRF and unlisted Class Action True-up Securities (CATS). The CATS are intended to provide further issues of CRF securities or other equivalent consideration to adjust for any settlement or judgment of the existing class actions against Centro Retail Trust (if and when such settlement or judgement occurs).

Following the redemption offer made to all DPF Unitholders, which closed on 6 December 2011 (Initial Redemption Offer):

- all in-specie redemption requests were processed effective 14 December 2011, comprising over 77% of Unitholders; and
- redemption requests for cash are anticipated to be completed and processed in the first quarter of 2012, following the completion of the sale of the relevant number of CRF securities and possibly CATS.

On 14 December 2011, the responsible entity (RE) of the DPF announced that the Fund had re-opened to redemption requests from Unitholders. This followed the successful implementation of the Centro restructure which resulted in the DPF becoming a “liquid” fund under the Corporations Act definition.

Unitholders can now elect to redeem by selecting either:

- **Scrip consideration** – a redemption of DPF units in return for a pro-rata portion of securities in Centro Retail Australia and CATS held by DPF: or
- **Cash** – redemption for cash.

Redemption requests received after 6 December 2011 (cut-off date which applied to the Initial Redemption Offer) will be processed as soon as reasonably practicable after receipt. It is currently anticipated that on this basis the redemptions will be processed as follows:

- **Scrip consideration** – The RE anticipates that these requests will be processed on a twice monthly basis and the first cut-off date for receipt of requests was Friday 13 January 2012. (see Page 6 for a list of cut-off dates for processing). Please consider the Unit Redemption Brochure and accompanying materials on the DPF website at www.dpfinvestor.com.au;
- **Cash** – As is described in the Unit Redemption Brochure, cash redemption requests received after 6 December 2011 will be processed after the Initial Cash Redemption is completed (which is expected to be within the first quarter of 2012). An announcement will be posted to the DPF website as soon as the Initial Sale Process and related redemption requests have been completed. Subsequent cash redemption requests will be processed regularly and as soon as reasonably practicable after receipt. The settlement timeframe will depend on the level of redemptions to be effected and market conditions, however the DPF RE will attempt to process redemption requests within 14 days of receipt. The prevailing unit price on the relevant effective redemption completion date will apply and will determine the amount of cash to be paid to Unitholders.

FUND WIND-UP

The RE has previously advised of its intention to liquidate the Fund in order to provide a full liquidity solution for Unitholders. A significant portion of Unitholders have already exited the Fund pursuant to the in-specie redemption offer recently made. The equity base will further diminish once the cash redemption elections are processed.

The RE will continue to monitor the Fund’s position, specifically the number of Unitholders remaining, the size of the assets and the ongoing flow of redemption requests. The RE may, at some point in the future, determine that the Fund should be fully liquidated and may then, in accordance with its constitution, distribute the remaining capital to Unitholders and wind-up the Fund.

DISTRIBUTION PAYMENTS

The DPF did not receive distributions from the majority of its underlying investment portfolio for the December 2011 quarter. The bulk of its investments were sold to CRF in mid December 2011 pursuant to the Centro group restructure. As a result, no distribution was paid for the December 2011 quarter.

Virtually all of the Fund's assets are now invested in CRF which has announced it will not be paying an interim distribution. The next distribution expected from CRF will be payable in late August 2012. Accordingly, over the next eight months, the DPF will not receive any investment related income, while still having to pay various fund operating expenses. Therefore, it is not expected that the Fund will make further distribution payments over this period.

INVESTMENT PORTFOLIO UPDATE



The Fund's investment portfolio at 31 December 2011 is shown in the table on Page 4. Over the quarter, the portfolio changed significantly – mainly due to the following factors:

- as a result of the successful implementation of the Centro group restructure on 14 December 2011, virtually all of the Fund's assets, comprising predominantly investments in unlisted Centro managed funds, were "converted" to securities in the newly listed CRF, which now accounts for over 96% of total assets; and
- following the redemption offer made to Unitholders a large proportion of the Fund's Unitholders elected to redeem their units for scrip in CRF. These Unitholders were also allocated their proportionate entitlement of CATS.

As a result of the above, the Fund's total assets declined from \$1.35 billion at 30 September 2011 to \$213.5 million at 31 December 2011. The value of the Fund's assets is expected to display more volatility than has historically been the case, as the value of the assets is now predominantly linked to the price of the CRF securities traded on the ASX.

The investment in Centro Direct Property Fund International (DPFI), currently valued at \$2.4 million, is expected to be liquidated in the first quarter of 2012, once DPFI receives the final proceeds from its underlying investments and distributes the remaining capital to its investors. Following this distribution, the DPF investment portfolio will essentially comprise a single investment in CRF securities.

The value of the Fund's assets is expected to decline further over the March 2012 quarter as additional Unitholder redemptions are processed. Specifically, those Unitholders who elected cash redemption in December 2011 are expected to be accommodated in the March 2012 quarter through the Fund selling a portion of its CRF securities, and possibly CATS.

It should be noted that the table below does not include 99 million CATS held by DPF at 31 December 2011. As the CATS are unlisted, and there is currently no tangible evidence of their value, they have not been included in the balance sheet and unit price of the Fund. This will be monitored going forward.

Current Investments (December 2011)

Investment	December 2011		September 2011
	\$ Million	% Portfolio	\$ Million
Centro Australia Wholesale Fund (CAWF)	-	-	698.9
Centro Retail Investment Trust – Domestic Pools	-	-	199.9
Centro MCS 28	-	-	65.1
Centro MCS 21	-	-	43.8
Centro MCS 33	-	-	31.9
Centro MCS 3	-	-	29.3
Centro MCS 25	-	-	30.8
Centro MCS 37	-	-	23.4
Non-Centro Direct Property Funds	-	-	8.0
Centro DPF International (DPFI)	2.4	1.1%	2.4
Other Centro MCS Property Funds	-	-	194.0
Total Unlisted Property Investments	2.4	1.1%	1,327.7
Centro Retail Australia (Listed)	205.5	96.2%	N/A
Centro Retail Trust (Listed)	-	-	11.4
Centro Properties Group (Listed)	-	-	0.1
Outsourced LPT Portfolio	0.3	0.1%	1.1
Total Listed Property Investments	205.8	96.3%	1,327.7
Cash & Other Assets	5.3	2.6%	7.1
TOTAL ASSETS	213.5	100%	1,347.5
In-specie redemption requests processed	1,017.9	N/A	-

FUND PERFORMANCE

The DPF unit price decreased by 32.2% over the December 2011 quarter.

Prior to the Centro group restructure, implemented on 14 December 2011, almost all of the Fund's assets were comprised of units in unlisted managed funds, typically valued on a net asset value basis (NAV). As part of restructure, the DPF was issued with securities in CRF, which had an initial NAV of \$2.50 per security. Except for transaction costs relating to the restructure (which amounted to around 2.5% of net assets), the restructure essentially comprised the DPF "swapping" is unlisted investments, valued at NAV, for securities in CRF, also valued at NAV.

Since listing, CRF has been trading at a discount to NAV of between 25% and 30%. The DPF unit price is updated on a daily basis, and reflects the daily trading price of CRF. This discount to NAV has been the main reason for the decline in the unit price of the DPF over December 2011.

The unit price and performance of the Fund is expected to be volatile going forward, and will almost entirely be driven by the price of the CRF securities on the ASX.

Period Ended	Returns (1 Year Rolling)			Total	Unit Price ²	Tax Adv.
	Dist. ¹	Distribution	Growth			
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	4.3%	-3.2%	1.1%	\$0.7836	46%
30 Jun 2011	2.95**	4.0%	10.3%	14.3%	\$0.8642	50%
30 Sep Qtr	4.882***	8.9%	5.0%	13.9%	\$0.8247	N/A
31 Dec Qtr	0.00	5.1%	-31.1%	-26.0%	\$0.5585	N/A

¹ Distribution (cents per unit)

² Ex Distribution

* Includes 1.25 cent capital distribution

** Includes 0.71 cent capital distribution

*** Capital distribution only

FUND AT A GLANCE

(all figures as at December 2011)



Fund Size	\$213.5 million
Unit price	\$0.5585
Total Annual Return to December	-26.0%
Management Expense Ratio (MER)	0.59%
Benchmark	Mercer / IPD Australian Pooled Property Funds Index
APIR Code	MCS0011AU
Distribution Payments	No distribution payments are expected prior to August 2012

IN-SPECIE REDEMPTIONS

To date three in-specie redemption batches have been processed. The number of CRF securities and CATS allocated for each DPF unit redeemed are set out in the table below.

Date	CRF Securities	CATS
14 December 2011	0.3247434	0.2666727
13 January 2012	0.3273056	0.2666727
31 January 2012	0.3270823	0.2666727

These conversion ratios may vary slightly for future cut-off dates.

IN-SPECIE PROCESSING CUT-OFF DATES

January 2012	13 January
	31 January
February 2012	15 February
	29 February
March 2012	15 March
	30 March
April 2012	13 April
	30 April
May 2012	15 May
	31 May
June 2012	15 June
	29 June

UNITHOLDER TRANSFERS

Although the DPF is now open to redemption requests, 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 lodged with Centro Investor Services. Standard forms are available online at www.dpfinvestor.com.au.

WEBSITE



The Fund has its own website (www.dpfinvestor.com.au) 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

CONTACT US

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