

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

NOVEMBER 2009

FUND STATUS

The DPF remains suspended and is not expected to re-open within the next six to 12 months.

With the best interests of all investors in mind, 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.

Unit Price:
\$0.7994*

Distribution:
0.95 cents[^]

* Price as at 31 October 2009
^ September 2009 quarter

CENTRO UPDATE – BOARD RENEWAL & SEPARATION COMPLETE

As you may be aware, Centro undertook a Board renewal and separation process about one year ago. On 1 October 2009, this process was completed with the separation of the Centro Properties Group (Centro) and Centro Retail Trust (CER) boards. The majority of Directors are now different for each of the Boards with Paul Cooper (Centro Chairman) and Jim Hall being the only two common directors.

Both Boards have attracted highly qualified and experienced non-executive Directors to replace retiring members. Please refer to the Centro website for details of the new Directors and their backgrounds.

The Board of your responsible entity, Centro MCS Manager Limited, is the same as the Board of CER. Peter Day is now Chairman of CER. Peter has over 25 years of experience in finance, strategy, general management and compliance including as former Deputy Chair of the Australian Securities and Investments Commission (ASIC). Peter currently also serves as a non-executive Director of Ansell, Orbital Corporate and SAI Global.

SEPTEMBER QUARTER DISTRIBUTION



The DPF has announced a September quarter distribution of 0.95 cents per unit to be paid to investors on 11 November 2009. This is slightly lower than the guidance given in our August 2009 Investor Update of 1.00 cent per unit because of lower Centro MCS syndicate distributions received.

We expect the DPF to pay quarterly distributions of between 0.80 cents and 0.90 cents per unit over the next few quarters. This may vary depending on the underlying investments and their capacity to pay distributions in line with current forecasts.

The syndicates recently announced their distribution guidance for FY10, which was generally lower than FY09. The stronger Australian dollar is negatively impacting on income from the DPF's investment in the DPFI. Centro Retail Trust (CER) is not providing distribution guidance, so our forecast is based on our own assessment of what is likely to happen within that fund.

FUND MANAGER'S COMMENTARY “...”

In our May 2009 *Investor Update*, we predicted that property values would decline in June 2009 and mentioned that commentators were increasingly posing the question “have we reached the turning point?”

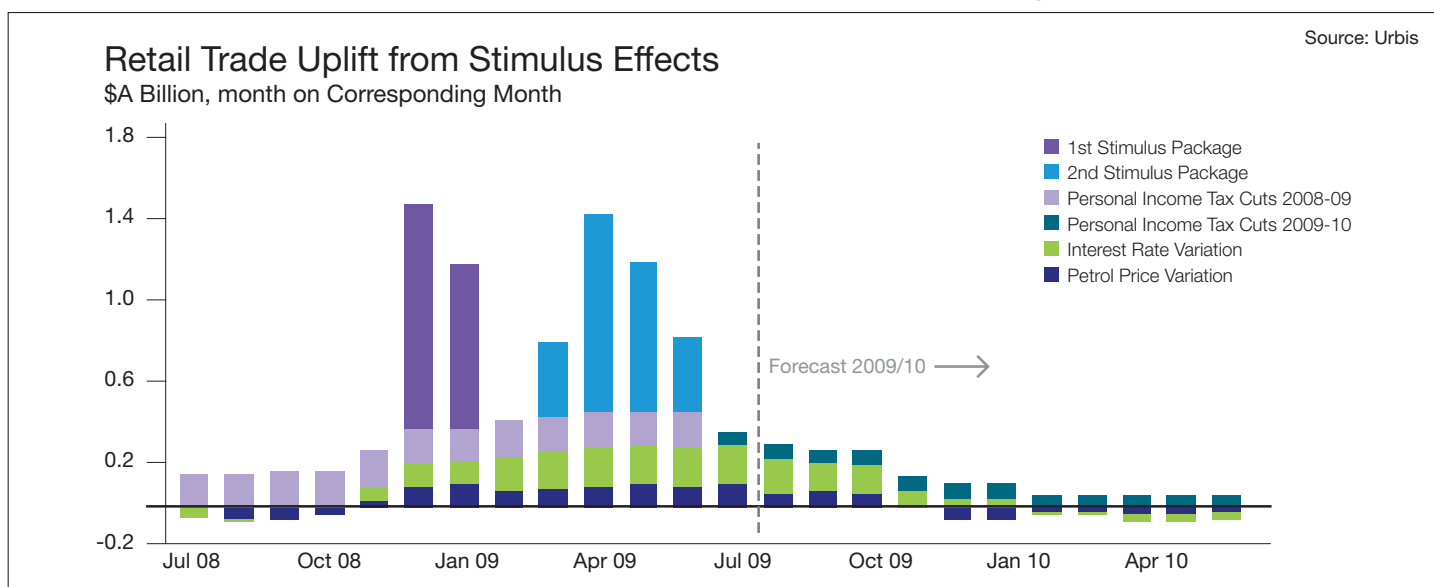
Property values did in fact decline which led to falls in the value of most of the DPF’s investments. Investment values declined more than property values because the decrease was magnified by the gearing within the investment funds. Australian properties generally had more modest declines than the US portfolio.

Let’s examine a few changes and trends that have occurred over the last six months. Australia was the only economy in the developed world not to go into recession. This was partly due to the large government stimulus measures implemented in late 2008 and early to mid 2009.

As illustrated in the chart below, these stimulus measures as well as income tax cuts, declining petrol prices and lower interest rates have had a significant positive impact on retail sales in Australia. Urbis forecasts that these factors will continue to boost sales going forward, although increasing interest rates and rising petrol prices are expected to be a small deterrent over the next few months.

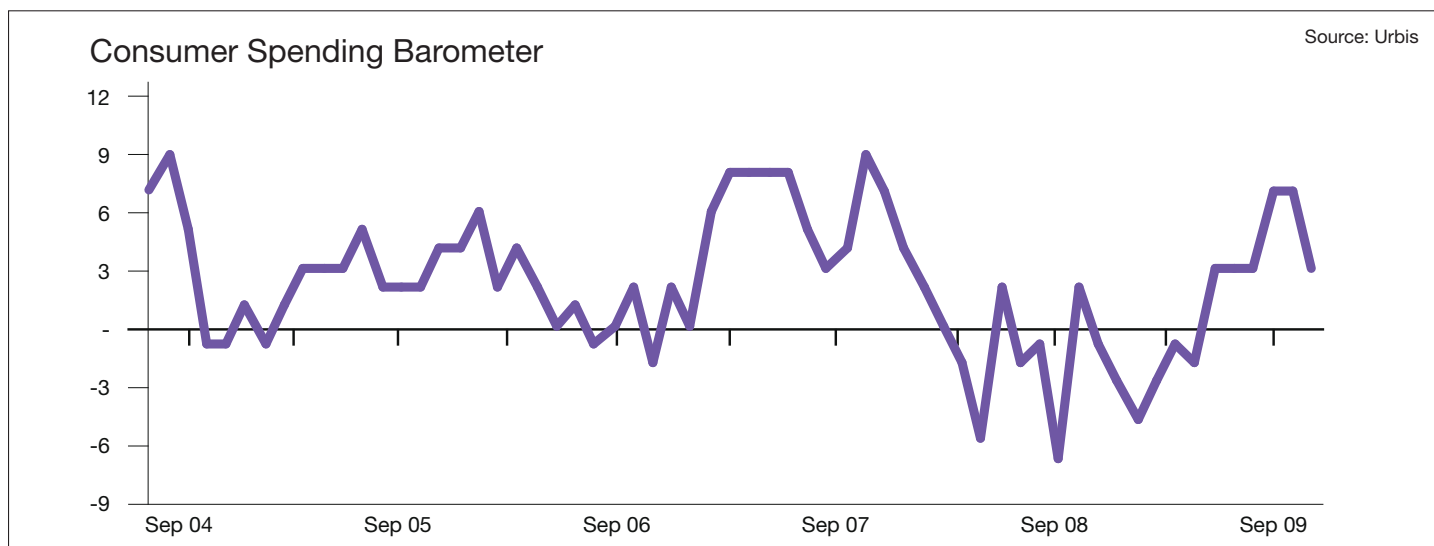


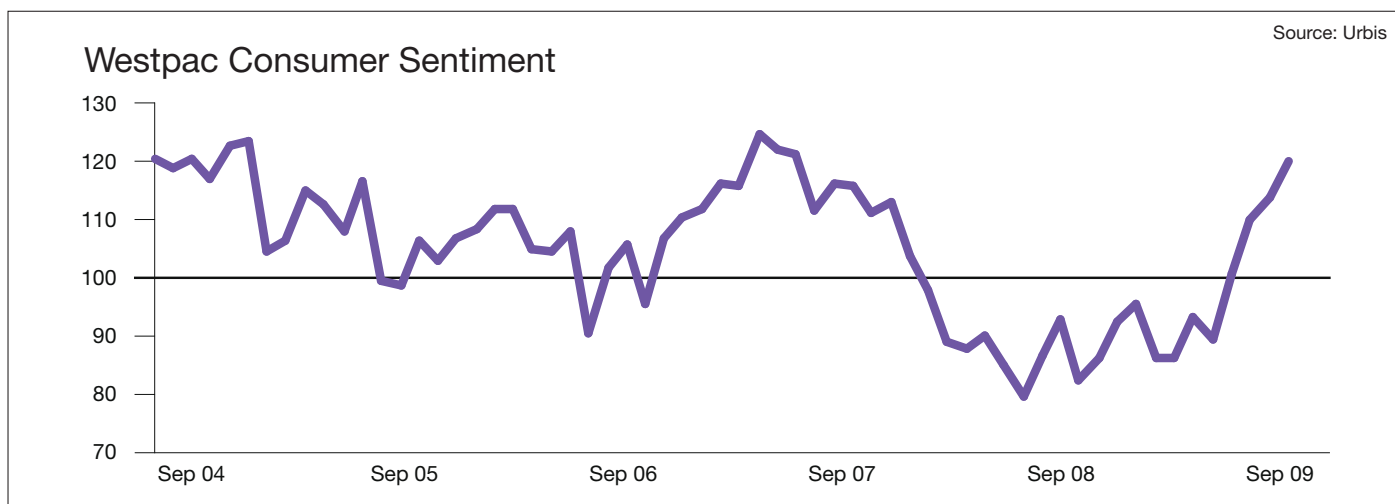
Government Stimulus Measures Underpinned Retail Sales



Consumer sentiment in Australia, which has a close correlation with retail sales, has fluctuated sharply over the past 12 months, and pleasingly has staged a strong rebound since the lows reached around September 2008. As illustrated in the charts below, Urbis is indicating a recent fall off in confidence levels, although this is not reflected in the Westpac data, which shows a strong surge over recent months.

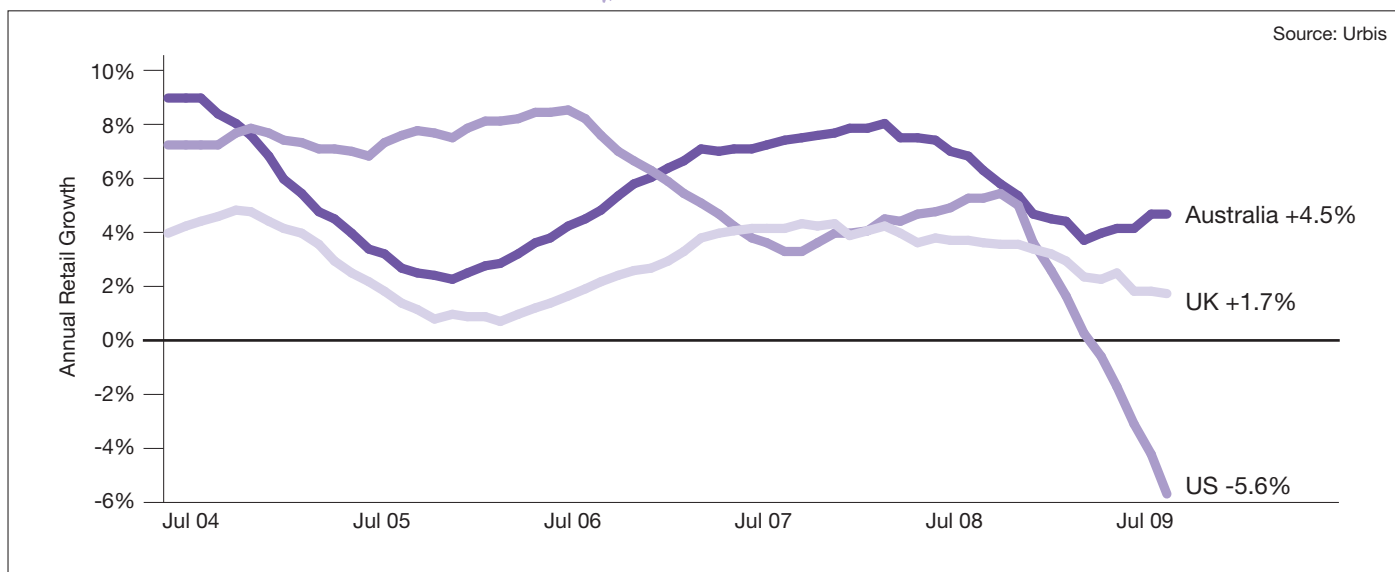
Consumer Sentiment





As discussed above, retail sales in Australia have held up well, showing an improving trend over recent months, with annual sales growth of 4.5% through to July 2009. This contrasts starkly with the US where overall retail sales have trended sharply lower. However, grocery stores which underpin Centro’s US portfolio have declined only marginally.

Australian Retail Bounces Back



Not all categories of retail in Australia have performed well. As illustrated in the table on the following page, pharmaceutical, liquor, supermarket and grocery stores have all generated sales growth of over 8%, whereas household goods, hardware and furniture have shown very little growth indicating that consumers are cautious about major expenditures in the present environment. The Centro portfolio is focused on everyday shopping needs with a relatively high exposure to supermarket and grocery store retailers.

Retail Trade Annual Performance, FY09

High Growth	
Pharmaceutical, Cosmetic & Toiletries	13%
Liquor	11%
Takeaway Food	8%
Supermarket & Grocery Stores	8%
Clothing	6%
Medium Growth	
Department Stores	3%
Newspaper & Books	3%
Electrical & Electrical Goods	2%
Low Growth	
Recreational Goods	1%
Hardware, Building & Garden Supplies	0%
Cafes, Restaurants & Catering	-1%
Furniture	-4%
TOTAL RETAIL	4.6%

Source: Urbis

So, what does all this data mean? It seems to suggest we indeed may have reached the turning point in Australia. The Australian economy is in better shape than the US. Occupancy levels across the DPF property portfolio remain at a healthy 94%. Excluding the US exposure, occupancy within the DPF portfolio (reflecting only the Australian centres) is 98.8%. Many of the Australian centres are operating at full or nearly full occupancy.

Availability of debt financing still remains low, and the level of asset sales is still well under the levels of 2007. Nevertheless, overall economic barometers appear to support current retail property assets in the short term and indicate a pick up perhaps some time in 2010.

SYNDICATE INVESTOR ACTIONS

Over the past few weeks, two of the DPF's syndicate investments have advised that they are approaching their rollover date. As these dates approach, investors need to decide whether to exit or remain invested at rollover.

Centro MCS 11

This syndicate owns one property – Centro Surfers Paradise on the Gold Coast. Some of the key terms relating to the rollover opportunity are as follows:

- Investors could chose to exit in whole or in part, by no later than 2 November 2009
- The exit price is \$2.42 per unit
- DPF owns around 3.2 million units (approximately 6% of the syndicate)
- The syndicate can only rollover if buyers can be matched for all exiting units. If this does not occur by 3 March 2010, the syndicate constitution requires the property to be sold and the fund wound up. This may then take several more months and there is no guarantee that investors will receive proceeds equivalent to the \$2.42 per unit. Alternatively, the responsible entity of the syndicate may seek investor approval to extend the term of the syndicate.

DPF elected to exit in whole. Further details will be provided in the next quarterly update on the outcome of this rollover and DPF's position.

Centro MCS 12

This syndicate owns two properties – Centro Oakleigh and Centro St Agnes. Investors in this syndicate have until 14 December 2009 to determine whether to exit the syndicate or continue their investment. Further details will be provided in the next quarterly update on the outcome of this rollover and DPF's position.

INVESTMENT PORTFOLIO UPDATE

Fund Assets

The Fund's investment portfolio at 30 September 2009 is shown in the table below.

Over the September 2009 quarter, the value of the Fund's total assets declined from \$1.34 billion to \$1.32 billion, a fall of 2%. The main contributor to this fall was a 12% decline in the value of the DPFI investment over the quarter. The DPF's international exposure is gained through the DPFI which accounts for 9% of total assets down from 11.3% at June. (See the separate *DPFI Investor Update* for more detailed commentary on this investment.)

Current Investments (September 2009)

Investment	\$ Million	% Portfolio
Centro Australia Wholesale Fund (CAWF)	608.5	46.2%
Centro Retail Investment Trust – Domestic Pools	157.3	12.0%
Centro DPF International (DPFI)	118.7	9.0%
Centro MCS 28	46.4	3.5%
Centro MCS 21	36.0	2.7%
Centro MCS 33	35.0	2.7%
Centro MCS 3	28.7	2.2%
Centro MCS 25	26.4	2.0%
Centro MCS 37	21.6	1.6%
Non-Centro Direct Property Funds	19.2	1.5%
Other Centro MCS Property Funds	185.8	14.2%
Total Unlisted Property Investments	1,283.6	97.6%
Centro Retail Trust (Listed)	7.5	0.6%
Centro Properties Group (Listed)	1.8	0.1%
Outsourced LPT Portfolio	1.4	0.1%
Cash & Other Assets	21.6	1.6%
TOTAL ASSETS	1,315.9	100%

CAWF remains our largest investment and accounts for 46% of total assets, slightly up from 45% at June. Aggregate exposure to the Centro MCS domestic syndicates is now 28.9% of total assets, compared to 28.4% at June.

The value of the Fund's listed property holdings increased in value over the quarter from \$5.7 million to \$10.7 million. This was mainly due to the increase in the security prices of Centro Properties Group and Centro Retail Trust. It should be noted that these prices are volatile and may change over the next few weeks and months. Overall Fund liquidity remains low at around 2.5% of total assets.

FUND PERFORMANCE

The unit price of the Fund declined by 1.6% over the September 2009 quarter. As illustrated in the table below, the DPF generated a negative return of 33.4% for the twelve months to 30 September 2009, which comprised a negative capital return of 37.0% offset by a distribution return of 3.6%.

The main reason for the decline in the unit price was the drop in the value of the DPFI investment referred to above. For some of our syndicate investments, there was a change from the provisional to the final NAB which resulted in some minor net downward adjustments to investment values. CAWF released its final June unit price late in September. This resulted in a small uplift in value compared to our previous carrying value.

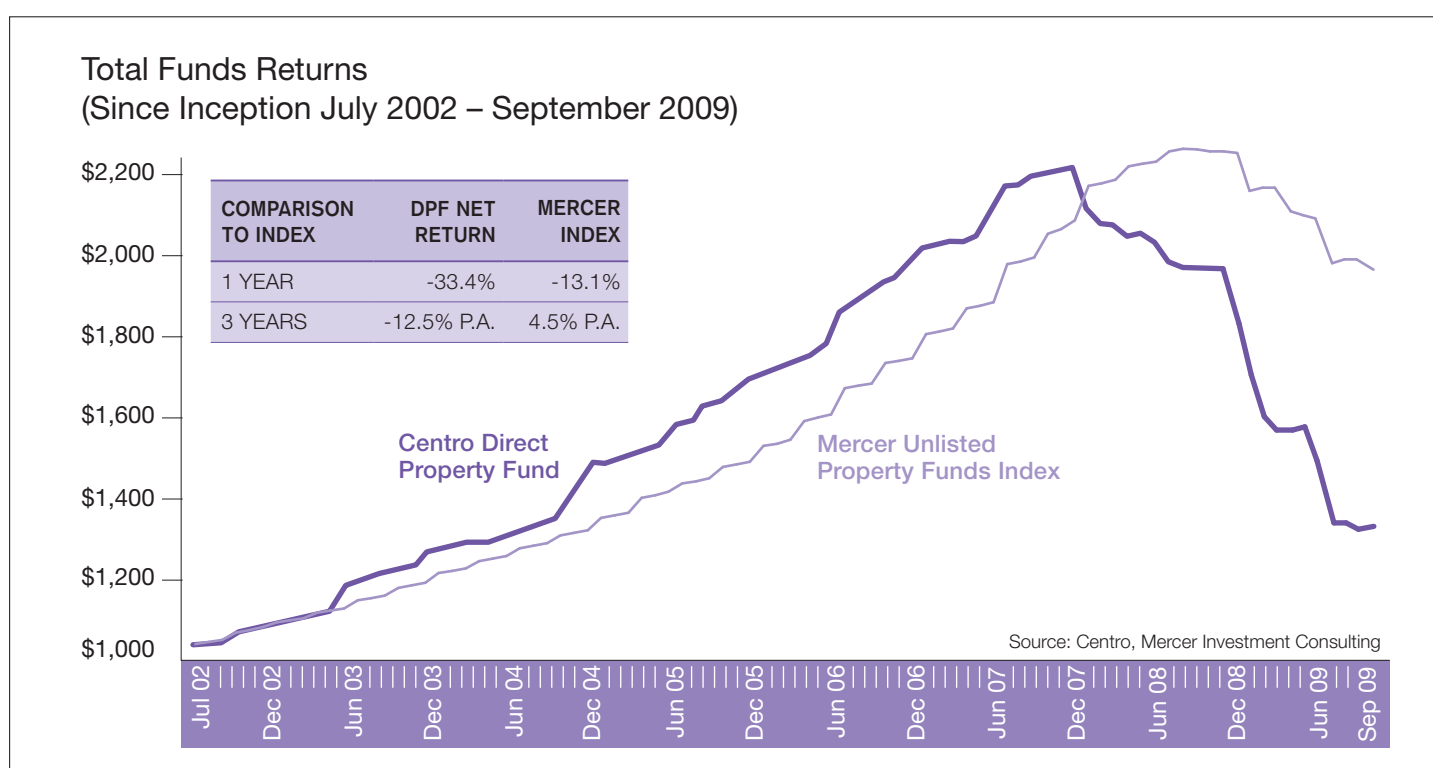
Fund Performance Table

Period Ended	Returns (1 Year Rolling)					
	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⁾	3.8%	-37.6%	-33.8%	\$0.8096	80%
30 Sep 09 Qtr	0.95	3.6%	-37.0%	-33.4%	\$0.7969	N/A

(1) Distribution (cents per unit)

(2) Ex Distribution

(3) Includes 1.25 cent capital distribution



The chart above illustrates the sharp deterioration in the performance of the DPF since December 2007, and then again more recently over the six months leading up to June 2009. Some of the underlying funds in the Mercer Benchmark report infrequently meaning that the index lags the broader market. The Mercer benchmark has declined by 13.1% over the last twelve months.

UNITHOLDER TRANSFERS

Although the DPF remains suspended, investors can transfer their units to another registered name. 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 September 2009)

Fund Size	\$1.316 billion
Total Annual Return to September	-33.4%
Management Expense Ratio (MER)	0.62%
Benchmark	Mercer Unlisted 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)	57%
Number of properties	717
Weighted average portfolio occupancy	94.2%
Weighted average lease term (by income)	4.81 years

COMMUNICATION SCHEDULE

Communication	Date
September quarter distribution paid	11 November
December quarter distribution announcement	Late January 2010
Next quarterly <i>Investor Update</i>	February 2010
December quarter distribution paid	Around 11 February 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 Fund 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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