

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

FEBRUARY 2010

FUND STATUS

The 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 and 12 (see 'Syndicate Investor Actions' on Page 3 for detail).

Unit Price:
\$0.7808*

Distribution:
0.85 cents^

* price as at 2 February 2010
^ December 2009 quarter

CENTRO UPDATE

NEW GLOBAL CHIEF EXECUTIVE APPOINTED

On Tuesday 5 January 2010 Centro Properties Group announced the appointment of current non-executive Director Robert Tsenin as its new Group Chief Executive Officer (CEO) and Managing Director.

Centro's new CEO has over 30 years experience in real estate, corporate finance and mergers and acquisitions in both Australia and the UK. He has also held a number of executive roles including Finance Director of Lend Lease Corporation Limited, Senior Adviser on real estate related matters with the Lazard Group in London and Managing Director of Goldman Sachs (Australia) Limited. Mr Tsenin has also served as a non-executive director of major Australian and overseas companies and a number of real estate funds.

Mr Tsenin said: "I am delighted to have been given the opportunity and challenge to lead the management team at Centro as we continue the process of rebuilding value in the group. The Centro group has quality assets that have continued to perform well despite the difficult environment in which it has been operating in the past two years."

"I am not underestimating the challenges that lie ahead. However, I am confident that...through teamwork, dedication and the restructuring of the group we can continue the rebuilding process that Glenn Rufrano and Tony Clarke have so ably overseen in the past 12 months."

Centro announced Mr Tsenin's appointment to the Centro Board as a non-executive Director in June 2009 and he will remain on the Centro Board as Managing Director but will relinquish his associated Board committee positions. Mr Tsenin will formally commence his duties as Group CEO on 1 March and will become CEO designate on 5 February 2010 to ensure an orderly handover from current CEO Glenn Rufrano.



Centro
Diversified
Funds

CENTRO GROUP APPOINTS ADVISORS TO ASSIST ON RESTRUCTURE

On 24 December 2009, Centro announced the appointment of J.P. Morgan and Moelis & Company as co-advisers to undertake an assessment of a restructure of the group. At the same time, Centro Retail Trust (CER) also announced that it had appointed UBS to undertake an assessment of a restructure of CER.

The objective of the assessment phase of this process will be to identify the means by which the value of the Centro group can be maximised and to separately identify and analyse execution risks. Restoring value will take time and a transaction of any type is not imminent at this time. Centro anticipates that work undertaken during this assessment phase should be completed by mid 2010.

FUND MANAGER'S COMMENTARY “...”

The recent appointment of advisors to Centro and CER referred to above is expected to impact on the DPF although the extent of that impact is uncertain at this stage. Centro is a significant investor in both the DPF as well as the Centro Direct Property Fund International (DPFI). DPF in turn is a significant investor in both Centro and CER. So any restructure of the group's assets will affect the DPF.

Some of the key criteria on which the advisors are likely to be focussed include the following:

- Simplification of the group structure
- A re-alignment of the Australian and US assets owned by the group
- Raising capital to lower the group's high debt levels

The ongoing key objective of the DPF is to significantly enhance the liquidity of the fund and thereby offer investors the opportunity to access some or all of their capital. Whether the restructure will meet this objective cannot be determined at this stage, but will become more apparent by the middle of this year and further updates will be provided in upcoming Investor Updates.

Has the cycle turned for unlisted real estate trusts?

In our November 2009 *Investor Update* we presented data which suggested that we may have reached the turning point in Australia with the Australian economy performing better than the US economy. Occupancy levels across the DPF portfolio (on a look through basis) remain at a healthy 94%, with many Australian centres operating at full or near full capacity. We reported that “... overall economic barometers appear to support current retail property assets in the short term and indicate a pick up perhaps some time in 2010.”

Supporting this view, we note the latest Mercer/IPD Australian Pooled Property Fund Index results through to the end December 2009 (The Mercer Index is the DPF's benchmark). The result showed that Australian unlisted property funds delivered a positive 0.1% total return for the December quarter. This is the first positive quarterly return that has been recorded since August 2008.

With the majority of valuations occurring in the June and December quarters, the 0.1% quarterly return for December is a significant improvement on the Index returns for the December 2008 quarter at -4.5% and June 2009 quarter at -6.3%.

The Australian Financial Review reported this news on Wednesday 20 January 2010 under the title “Cycle turns for unlisted real estate trusts” (Page 50). Anthony De Francesco, Managing Director of IPD for New Zealand and Australia, said recovery in the sector was starting. “The unlisted property sector appears to be moving beyond the trough of the property investment cycle. This is consistent with positive signs from the macro-economy, evidence of stabilising market fundamentals and an easing in cap-rate softening” Mr De Francesco said.

Positive signals continue to emerge. What was encouraging about the Mercer index result is that not only is the number positive, but analysts have interpreted the data as foreshadowing more positive returns to come.

DECEMBER QUARTER DISTRIBUTION



The DPF has announced a December quarter distribution of 0.85 cents per unit to be paid to investors on 10 February 2010. This is in line with guidance given in our November 2009 *Investor Update* and compares to 0.95 cents per unit paid for the September quarter.

The stronger Australian dollar has adversely impacted on income from the DPF's investment in the DPFI. This, together with declines in some of the other DPFI investments, resulted in the DPFI paying a distribution for the December quarter of 0.30 cents per unit compared to 0.45 cents per unit for the September 2009 quarter.

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

SYNDICATE INVESTOR ACTIONS

Over the past few months, three of the DPF's syndicate investments have advised that they are approaching their rollover date, with investors having to decide whether to exit or remain invested at rollover.

Centro MCS 11

Centro Surfers Paradise on the Gold Coast is the sole property of this syndicate. As we reported in our last *Investor Update*, the DPF elected to sell all of its units at the exit price of \$2.42 per unit. The DPF owns 3.2 million units. Centro MCS 11 has until 3 March 2010 to find buyers for all investors who have elected to exit. To date, the syndicate responsible entity (RE) has not provided advice on the outcome of this process. The RE may seek investor approval to extend the term of the syndicate if it is unable to find buyers for the units.

Centro MCS 12

This syndicate owns three properties – Centro Oakleigh (Melbourne), Centro Glenorchy (Hobart) and Centro St Agnes (Adelaide). As we reported in our last *Investor Update* the DPF had to determine whether to sell all of its units at the exit price of \$1.12 per unit by 14 December 2009. The DPF owns 3.8 million units and subsequently did elect to exit. Centro MCS 12 has until 14 April 2010 to find buyers for all investors who have elected to exit. To date, the syndicate RE has not provided advice on the outcome of this process. The RE may seek investor approval to extend the term of the syndicate if it is unable to find buyers for the units.

Centro MCS 8

This syndicate owns a number of assets – Centro Northgate (Geraldton, Western Australia), Centro Croydon (Melbourne), Centro Albany (Brisbane) and four hotels in Queensland. The DPF had to determine whether to sell all of its units at the exit price of \$1.83 per unit by 30 January 2010. The DPF owns 3.3 million units and has elected to exit the Syndicate. Centro MCS 8 has until 31 May 2010 to find buyers for all investors who elected to exit. To date, the syndicate RE has not provided advice on the outcome of this process and this is not expected within the next few weeks given the deadline for the election has only recently expired. The RE may seek investor approval to extend the term of the syndicate if it is unable to find buyers for the units.

While all of these situations described above may lead to additional liquidity for the DPF, it should be noted that in each case this is dependent on the syndicate RE being able to find buyers for all investors who have elected to exit, which remains a challenging task. Consequently, DPF investors should not assume that liquidity will be the result in each case.



INVESTMENT PORTFOLIO UPDATE

The Fund's investment portfolio at 31 December 2009 is shown in the table below.

Over the December 2009 quarter, the value of the Fund's total assets declined 2.5% from \$1.32 billion to \$1.28 billion. The significant contributing factor in this decline was the 18% reduction in the value of the DPFI investment over the quarter. The DPF's international exposure is through the DPFI which now accounts for 7.6% of total assets, down from 11.3% at June 2009. (See the separate DPFI Investor Update for more detailed commentary on this investment).

Current Investments (December 2009)

Investment	\$ Million	% Portfolio
Centro Australia Wholesale Fund (CAWF)	600.3	46.8%
Centro Retail Investment Trust – Domestic Pools	157.3	12.3%
Centro DPF International (DPFI)	97.5	7.6%
Centro MCS 28	47.8	3.7%
Centro MCS 21	37.4	2.9%
Centro MCS 33	34.1	2.7%
Centro MCS 3	28.9	2.3%
Centro MCS 25	25.6	2.0%
Centro MCS 37	21.6	1.7%
Non-Centro Direct Property Funds	19.2	1.5%
Other Centro MCS Property Funds	183.6	14.2%
Total Unlisted Property Investments	1,253.3	97.7%
Centro Retail Trust (Listed)	7.1	0.6%
Centro Properties Group (Listed)	1.8	0.1%
Outsourced LPT Portfolio	1.5	0.1%
Cash & Other Assets	19.9	1.5%
TOTAL ASSETS	1,283.6	100%

Centro Australia Wholesale Fund (CAWF) remains our largest investment and accounts for 47% of total assets, slightly up from 46% at September 2009. Aggregate exposure to the Centro MCS domestic syndicates is now 29.5% of total assets, compared to 28.9% at September 2009.

Over the previous quarter the significant variance was a 17.9% decline in the value of the DPFI investment, from \$118.7 million at September 2009 to \$97.5 million at December 2009. Although property values in Australia were generally stable in the December quarter, the US funds experienced declines of 3% - 4%. As most of the DPFI's investment funds have high gearing (close to 80%), this magnified the extent of the falls in equity values resulting in a larger decline in the DPFI unit price.

At the time of finalising our December unit price, CAWF had not yet released a unit price, however this was expected to reflect only a small decline. In anticipation of the decline, the CAWF price was reduced by one cent per unit, resulting in a drop in value of \$8.2 million, or 1.3% from the September value.

Overall the Centro MCS syndicates were stable in the quarter. This follows the release of half-yearly provisional net asset backing prices for the syndicates in late December. The decline of values in some syndicates was offset by increases in others resulting in little overall net movement. This was a pleasing result suggesting the return of some stability to investment values.

FUND PERFORMANCE

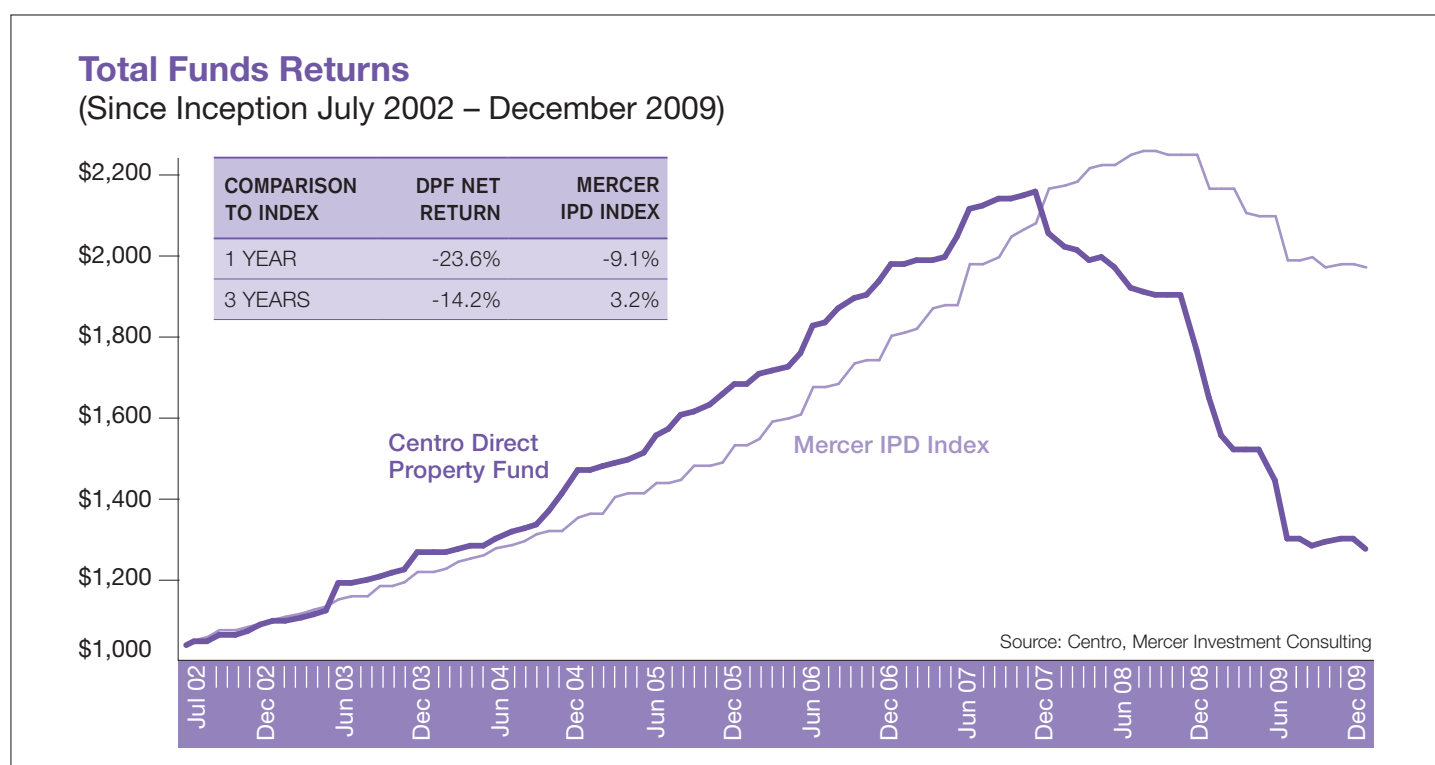
The unit price of the Fund declined by 2.4% over the December 2009 quarter. As illustrated in the table below, the DPF generated a negative return of 23.6% for the twelve months to 31 December 2009 - comprising a negative capital return of 26.9% partially offset by a distribution return of 3.3%.

The main reason for the decline in the unit price over the quarter was the drop in the value of the DPFI investment referred to above. The CAWF decline also contributed to the negative result.

Fund Performance Table

Period Ended	Returns (1 Year Rolling)				Unit Price ²	Tax Adv.
	Dist. ¹	Distribution	Growth	Total		
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 Sep 09 Qtr	0.95	3.6%	-37.0%	-33.4%	\$0.7969	N/A
31 Dec 09 Qtr	0.85	3.3%	-26.9%	-23.6%	\$0.7781	N/A

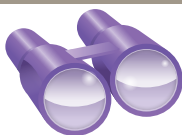
1 Distribution (cents per unit) 2 Ex Distribution * Includes 1.25 cent capital distribution



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, before stabilising in the last six months. The Mercer IPD index has declined by 9.1% over the last twelve months.

FUND AT A GLANCE

(all figures as at December 2009)



Fund Size	\$1.283 billion
Total Annual Return to December	-23.6%
Management Expense Ratio (MER)	0.62%
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	712
Weighted average portfolio occupancy	94.2%*
Weighted average lease term (by income)	4.74 years

* As at 30 September 2009

COMMUNICATION SCHEDULE

Communication	Date
December quarter distribution paid	10 February
March quarter distribution announcement	Late April 2010
Next quarterly <i>Investor Update</i>	May 2010
March quarter distribution paid	Around 11 May 2010
Annual tax statements	Late August
Annual audited financial statements	September

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

Advisers

Freecall Aust 1800 103 080
 Freecall NZ 0800 449 605
 Telephone +61 3 8847 1806
 Facsimile +61 3 8847 1871
 Email adviser@centro.com.au
 Website centro.com.au

Investors

Freecall Aust 1800 802 400
 Freecall NZ 0800 449 605
 Telephone +61 3 8847 1802
 Facsimile +61 3 8847 1868
 Email investor@centro.com.au

DISCLAIMER:

This information has been produced by the Responsible Entity of the DPF without taking into account any person's objectives, financial situation or needs and because of that, you should, before acting on this information, consider the appropriateness of the information having regard to your own objectives, financial situation and needs. Past performance is not a reliable indicator of future performance.