CENTRO
DIRECT PROPERTY FUND

INVESTOR UPDATE FEBRUARY 2011

FUND HIGHLIGHTS

- 8.7% return for 12 months to December 2010
- Upward trend for Australian property values
- Part of Centro MCS 8 investment liquidated

Unit Price:
$0.8136*

Distribution:
0.78 cents^

* price as at 31 January 2011
^ December 2010 quarter

FUND STATUS

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

The DPF has recently realised a small portion of its investment portfolio and the net sale proceeds from this will be returned to investors as a capital distribution – see Page 2 for further details. There may also be an opportunity to generate some liquidity from the Fund's investments in various Centro MCS Syndicates and external investments – see Pages 2-4 for further details.

We continue to pursue restructuring and liquidity solutions – refer to the Centro Group Update below.

CENTRO GROUP UPDATE

In our November 2010 *Investor Update*, we advised that a number of parties had approached the Centro Group with a variety of indicative expressions of interest in respect of Centro's businesses and assets. Accordingly a process designed to allow Centro Properties Group and its managed funds to jointly evaluate these expressions of interest through a formal competitive market process was commenced. The DPF agreed to participate in the process.

> "The process has been designed to maximise value for all stakeholders in the Centro Group. It is not possible to predict the eventual outcome of this competitive process as it could include the sale of all or part of the businesses, an investment in, or possibly a recapitalisation of, all or part of Centro."
>
> Robert Tsenin – Group Chief Executive Officer and Managing Director

The competitive market process required interested parties to lodge indicative proposals for both Australia and the US by Friday, 17 December 2010. In late December 2010, Centro confirmed it had received several expressions of interest in both Australia and the US. It further advised that evaluation of the proposals received will take time due to the complex process involved and consultation with relevant stakeholders, including lenders is required. Centro will keep the market informed on the process as appropriate.

Centro confirmed there is no guarantee this process will result in a specific transaction or outcome.

Centro
Diversified Funds

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

DECEMBER QUARTER DISTRIBUTION

The DPF has announced a December quarter distribution of 0.78 cents per unit payable on 10 February 2011. This comprises an income distribution of 0.56 cents per unit and a capital distribution of 0.22 cents per unit. The income distribution is in line with guidance provided in our November 2010 *Investor Update* and is the same as the 0.56 cents per unit paid for the September quarter.

The capital distribution of 0.22 cents per unit was sourced from proceeds received from Centro MCS 8 – see below.

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

Going forward, we expect the DPF to pay quarterly distributions between 0.55 cents and 0.65 cents per unit.

LIQUIDITY OPPORTUNITIES

Centro Syndicate Strategic Process

In late July 2010, Centro announced it would be seeking to strengthen and grow its syndicate business and commenced a process to evaluate interest from strategic partners to participate alongside it in the growth of its syndicate funds management business.

Centro granted Cromwell Group (Cromwell) a right to conduct exclusive due diligence around the Centro MCS Syndicates funds management business on 11 November 2010. It highlighted that any transaction remained subject to negotiation of outstanding terms and conditions and obtaining the required consents and approvals.

Group Chief Executive Officer Robert Tsenin said “The decision to grant Cromwell a period of exclusivity is a result of a detailed and extensive process undertaken by Centro since late July that canvassed interest from a broad spectrum of interested parties. We believe the potential transaction, should it proceed, will continue to provide a superior service to investors, and create value for all our stakeholders.”

Cromwell is an internally managed ASX listed REIT that promotes and manages unlisted property investments and has approximately $1.8 billion of assets under management.

At this stage it is uncertain what this may mean for the DPF. As detailed in the *Investment Portfolio Update* on Page 5, the DPF currently has 30% of its assets invested in Centro MCS syndicates.

Centro MCS 8

An investor meeting in November 2010 overwhelmingly approved a proposal by Centro MCS 8 to restructure and rollover the Syndicate. The purpose of the restructure was to allow those investors who wished to exit the Syndicate to do so while still allowing all other investors to remain in the restructured Syndicate for a further term. However, following the meeting, the Syndicate responsible entity (RE) determined that it would be unable to satisfy the wishes of those investors who elected to exit.

The Syndicate RE then announced that it would make a capital distribution of $1.05 per unit to all investors funded from the net sale proceeds from the Four Hotels and Centro Croydon that were originally set aside for unit redemptions. The DPF received $3.4 million in mid December from this distribution.

The RE intends to begin marketing the remaining properties (Centro Northgate and Centro Albany) for sale in February/March 2011. It is typical for a sale process to take up to six months to complete. Following completion of the sale process, the net sale proceeds (after repayment of the Syndicate debt) will be distributed to investors. The amount investors receive will be determined primarily by the sale prices achieved for the remaining properties. DPF anticipates that it will receive a further amount of around $3.2 million from the sale and wind up of the Syndicate.

The $3.4 million received by the DPF in December 2010 has been included in the distribution payment to investors in February 2011 as a capital distribution.

Centro MCS 12

In November 2010 the Syndicate RE advised that Centro St Agnes was sold for $34.45 million with settlement scheduled for early February 2011. The RE is proposing that the net proceeds from the sale of Centro St Agnes be used partly to pay down Syndicate debt as well as fund a 'buy back' or one-off redemption of units from those investors who elect to exit the Syndicate as part of the restructure. This would enable the restructured Syndicate to continue for a further term of five to six years with Centro Oakleigh and Centro Glenorchy.

An investor meeting to vote on the restructure is planned for March 2011. As part of the restructure proposal, investors will also be given an opportunity to re-elect whether they wish to remain in the Syndicate for a further term or exit their investment. Information for the investor meeting and the election process is anticipated to be sent to investors in February 2011.

If investors do not approve the restructure of the Syndicate, or if all investors who elect to exit the Syndicate cannot be accommodated, then it is the intention of the RE to sell the remaining properties and distribute the net sale proceeds to investors.

The DPF investment is currently worth $5.5 million based on the December 2010 provisional net asset backing. At this stage, the timing on any capital proceeds to the DPF is uncertain and depends on the ability of the Syndicate to fund those investors who elect to exit, as described above. If the Syndicate is successful in achieving this objective, the DPF could receive the capital proceeds as early as March or April 2011. On the other hand, if the Syndicate is unable to fund all exiting investors, the DPF must wait until the remaining properties are sold and the Syndicate wound up.

Centro MCS 5

Centro MCS 5 is approaching the end of its term and the RE has recently announced that it intends to market the four shopping centres via a staged sale process. The sale process is expected to take place over a 12 month period finishing around October 2011 at which point the intention is to wind up the Syndicate.

The RE has also advised that the strategy may be assessed over the coming months, and it may propose a restructure similar to Centro MCS 12 described above.

The DPF's investment in this Syndicate is currently valued at $14.4 million.

Centro MCS 11

Centro Surfers Paradise on the Gold Coast is the sole property of Centro MCS 11 which had until March 2010 to find buyers for all investors who elected to exit. The Syndicate RE was unable to achieve this objective and the property was put on the market. However the property was later withdrawn from the market as an acceptable offer was not received.

The most recent net asset backing price for this Syndicate (December 2010) was $2.11 per unit. At that price, the DPF investment was worth $6.7 million.

In October 2010 the RE advised of its intent to write to investors with a proposal for an extension of the Syndicate term for a period of up to two years, enabling the property to be sold at a later time when market conditions may have improved.

Separately, the DPF has been approached by some parties who have expressed an interest in acquiring its units in Centro MCS 11. DPF management are monitoring these developments.

Gordon Property Trust

The DPF has an investment in Gordon Property Trust currently valued at $2.2 million. This investment is managed by Dexus Funds Management Limited and the trust owns two properties – Gordon Centre and Gordon Village Arcade located 16 kilometres north of Sydney on the Pacific Highway, Gordon.

The manager recently advised that both properties have been sold for $67 million, a discount of 11% to the June 2010 book value. The manager has advised that the majority of the Trust's capital will be distributed in late February or early March 2011 with the balance prior to June 2011.

The DPF anticipates receiving around $1.8 million in March 2011. This amount will be included in the March 2011 quarterly distribution payment.

CENTRO OAKLEIGH – CENTRO MCS 12

INVESTMENT PORTFOLIO UPDATE

The Fund's investment portfolio at 31 December 2010 is shown in the table below.

Over the December 2010 quarter, the value of the Fund's total assets increased by 2.8% from $1.299 billion to $1.335 billion. The increase was mainly attributable to Centro Australia Wholesale Fund (CAWF) which increased from $613 million to $634 million. Centro MCS 28 was also a large contributor to the increase, increasing in value from $49.7 million to $60.5 million.

During the quarter, the DPF made a capital distribution of 0.37 cents per unit amounting to $6 million in aggregate. The increase in total assets referred to above was after taking into account this capital return.

Current Investments (December 2010)

	December 2010		September 2010
Investment	**$ Million**	**% Portfolio**	**$ Million**
Centro Australia Wholesale Fund (CAWF)	633.7	47.5%	612.9
Centro Retail Investment Trust – Domestic Pools	175.7	13.2%	175.7
Centro DPF International (DPFI)	85.7	6.4%	87.4
Centro MCS 28	60.5	4.5%	49.7
Centro MCS 21	39.2	2.9%	38.0
Centro MCS 33	30.6	2.3%	31.0
Centro MCS 3	29.1	2.2%	29.1
Centro MCS 25	28.7	2.1%	27.1
Centro MCS 37	20.8	1.6%	20.5
Non-Centro Direct Property Funds	12.1	0.9%	12.1
Other Centro MCS Property Funds	188.9	14.1%	186.0
Total Unlisted Property Investments	**1,305.0**	**97.7%**	**1,269.5**
Centro Retail Trust (Listed)	10.1	0.8%	6.9
Centro Properties Group (Listed)	0.9	0.1%	0.9
Outsourced LPT Portfolio	1.2	0.1%	1.2
Cash & Other Assets	18.2	1.3%	20.1
TOTAL ASSETS	**1,335.4**	**100%**	**1,298.6**

CAWF remains the largest investment and accounts for 47.5% of total assets, up from 47.2% at September 2010. Aggregate exposure to the Centro MCS domestic syndicates is now 29.8% of total assets, compared to 29.4% at September 2010.

FUND PERFORMANCE

The DPF unit price increased by 3.3% over the December 2010 quarter. This was after allowing for a capital distribution of 0.22 cents per unit (see *December Quarter Distribution* section Page 2). As illustrated in the table below, the DPF generated a positive return of 8.7% for the 12 months to 31 December 2010 (comprising a distribution return of 4.4% and a capital return of 4.3%).

The main reason for the increase in the unit price over the quarter was the increase in CAWF and Centro MCS 28 as described on Page 5. The value of the DPF's investment portfolio generally increased in the December quarter and reflects improving property fundamentals in the Australian market. After a period of stabilisation, property values are now reflecting moderate increases which is translating to higher unit prices for the various Fund investments.

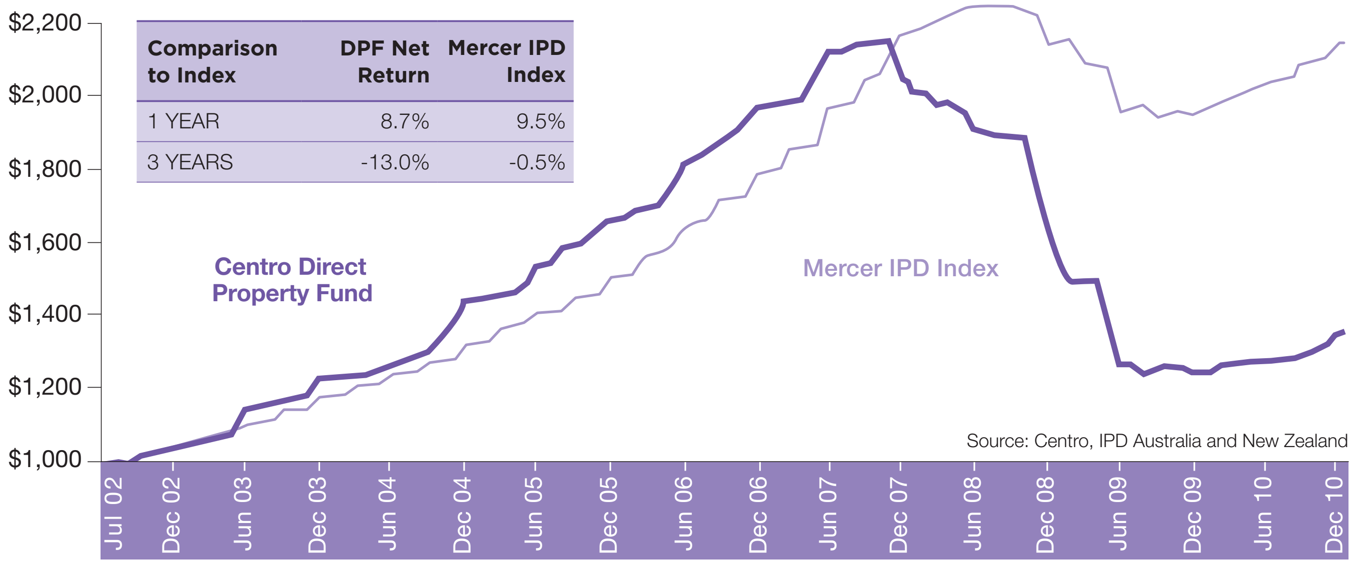
Fund Performance Table

		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	4.3%	-3.2%	1.1%	$0.7836	46%
30 Sep Qtr	0.93**	4.3%	-1.4%	2.9%	$0.7854	N/A
31 Dec Qtr	**0.78*** **	**4.4%**	**4.3%**	**8.7%**	**$0.8115**	**N/A**

1 Distribution (cents per unit) 2 Ex Distribution *Includes 1.25 cent capital distribution **Includes 0.37 cent capital distribution ***Includes 0.22 cent capital distribution

Total Fund Returns

(Since Inception July 2002 – December 2010)



Comparison to Index	DPF Net Return	Mercer IPD Index
1 YEAR	8.7%	9.5%
3 YEARS	-13.0%	-0.5%

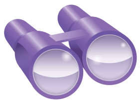
The chart above illustrates the stabilisation in the performance of the DPF from June 2009 through to June 2010, with the 12 months to December 2010 producing a positive return of 8.7%. Likewise the Mercer IPD index has reflected an upturn over the last twelve months, generating a positive return of 9.5%.

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 lodged with Centro Investor Services. Standard forms are available online at www.centro.com.au/dpf.

FUND AT A GLANCE

(all figures as at December 2010)



Fund Size	$1.335 billion
Unit price (ex distribution)	$0.8115
Total Annual Return to December	8.7%
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)	57%
Number of properties	691
Weighted average portfolio occupancy*	94.4%
Weighted average lease term (by income)	4.61 years

*As at 30 September 2010.

COMMUNICATION SCHEDULE

Communication	Date
December quarter distribution paid	10 February 2011
March quarter distribution announcement	April 2011
Next quarterly *Investor Update*	May 2011
March quarter distribution paid	Around 10 May 2011
Annual tax statements	Late August 2011
Annual audited financial statements	September 2011

WEBSITE

The Fund has its own website (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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