Centro Direct Property Fund

INVESTOR UPDATE

Centro™ Diversified Funds

MAY 2009

Unit Price:
$0.9714*

Distribution:
1.0 cents^

* Price as at 30 April 2009
^ Mar 2009 quarter

Dear DPF Investor

Since joining Centro in early 2008 as Chief Financial Officer, I have been impressed with the competency of the team and the quality of the assets that Centro manages. I have also seen the commitment that Centro's fund managers have to protect the interests of investors.

As you may be aware, Centro's Executive Committee (EC) has recently been renewed. The changes are the result of a detailed review of Centro's needs and requirements following the completion of its Debt Stabilisation Agreement in January.

Glenn Rufrano will continue to serve as Chief Executive Officer, and I was appointed to the role of Chief Executive Officer – Australia. Michael Benett has joined the EC as General Manager – Institutional Funds Management and has responsibility for overseeing the Direct Property Fund (DPF). Paul Belcher has joined the EC as General Manager – Finance and long-serving EC member Mark Wilson has taken responsibility for running the Australian property portfolio as General Manger of Property Operations – Australia. We are currently searching for a Group Chief Financial Officer and new General Counsel.

One of my objectives for the upcoming year is to meet more of our investors in the various Centro funds, including those in the DPF. I also look forward to working with Alan Hayden (Manager, Direct Property Funds) as we explore ways to overcome the liquidity and other issues facing the DPF.

With Centro's debt stabilisation now complete, our focus is on the future. The state of the global economy indicates that we, like most organisations, face challenging times ahead. The robust business planning process currently underway for the next financial year takes into account our expectation that property values will continue to fall and that pressure on retail sales will continue to increase.

We strongly believe that the non-discretionary nature of our shopping centres under the competent management of our staff will put us in the an excellent position to deal with these issues.

Sincerely,

Tony Clarke
Chief Executive Officer – Australia

March Quarter Distribution

The DPF has announced that its March quarter distribution of 1.0 cent per unit will be paid to investors on 11 May 2009 in line with guidance given in our February 2009 *Investor Update*. The distribution is lower than the 1.13 cents per unit paid for the December 2008 quarter for the following reasons:

- Centro MCS 28, which represents the largest individual syndicate exposure for the DPF, recently announced that it would not be paying a March quarter distribution. The Fund anticipated a distribution from Centro MCS 28 of around $0.9 million for both March and June quarters.
- The Direct Property Fund International (DPFI) has announced a reduced distribution for the March quarter, which has had an impact on DPF. DPFI represents around 18% of total DPF assets.

We previously advised that we expected the DPF to pay quarterly distributions of approximately 1.0 cent per unit over the next few quarters. This figure has now been revised to around 0.90 cents which may vary depending on the underlying investments and their capacity to pay distributions in line with current expectations.

Fund Manager's Outlook

Have We Reached the Turning Point?

Over the course of the last 18 months, we have witnessed and experienced significant declines in equity markets around the world. Likewise, property market values have been significantly impacted, particularly the listed property market (often referred to as REITs). Over the last 12 months, an increasing number of unlisted funds in Australia have marked down their property values.

From its low point in early March, equity markets have staged a welcome rally. Commentators are increasingly speculating that we may have reached a turning point. Even President Obama recently spoke about new green shoots of optimism starting to sprout. He did caution, however, that the US still had a way to go before it is "out of the woods".

My view is that further declines in retail property values both in Australia and the US will continue before improvements are seen. Centro's properties are next due to be valued in June 2009, and the valuations will reflect the impact of declining occupancy, and, in some cases, lower rental income streams. We are likely to see further increases in capitalisation rates which will reflect the higher risk premium now attached to those assets.

As a result, the property values in the underlying syndicates and funds will reflect a further decline in June. Since all of the underlying funds are geared, these declines in values are amplified which will result in a more severe drop in the unit prices or equity value of those funds. This will then flow up to DPF and result in a lower unit price. Since the DPF has no direct borrowings (and is therefore not geared), no additional amplification will occur at the DPF level.

As you are likely aware, the Centro portfolio is focused on everyday shopping needs. The non discretionary nature of the properties continues to provide a buffer for the portfolio from the worst of the declines. If the economic stimulus measures taken by most of the major economic powers take effect, I think we may see some turnaround in the latter part of 2009 or early 2010.

Alan Hayden
Manager – Direct Property Funds

Investment Portfolio Update

Fund Assets

Over the March 2009 quarter, the value of the Fund's total assets declined from $1.75 billion to $1.6 billion, a fall of 9%. The main contributors to this fall were Centro Australia Wholesale Fund (CAWF) and DPFI. CAWF finalised its December 2008 unit price in early February, with the final price lower than anticipated and factored in for the December quarter. DPFI, which is valued on a daily basis, was negatively impacted by its exposure to Centro Retail Investment Trust (CRIT), which also finalised its unit price in February, at a level much lower than expected.

The Fund's investment portfolio as at 31 March is shown in the table below. CAWF remains the largest single investment accounting for 40% of total assets, down from 41% at December. The DPF's international exposure is gained through the DPFI which accounts for 18.2% of total assets down from 19.5% at December.

Aggregate exposure to the Centro MCS domestic syndicates now amounts to 27.3% of total assets, compared to 25.3% at December.

Fund Investments – March 2009

Investment	$ Million	% Portfolio
Centro Australia Wholesale Fund	640.7	40.1%
Centro DPF International	290.2	18.2%
Centro Retail Investment Trust – Domestic Pools	182.3	11.4%
Centro MCS 28	62.8	3.9%
Centro MCS 21	42.7	2.7%
Centro MCS 33	40.6	2.5%
Centro MCS 25	27.7	1.7%
Centro MCS 37	26.0	1.6%
Centro MCS 3	25.6	1.6%
Non-Centro Direct Property Funds	20.3	1.3%
Other Centro MCS Property Funds	211.3	13.2%
Total Unlisted Property Investments	**1,570.2**	**98.2%**
Centro Retail Trust (Listed)	1.2	0.1%
Centro Properties Group (Listed)	0.4	0%
Outsourced LPT Portfolio	0.9	0.1%
Cash & Other Assets	25.2	1.6%
TOTAL ASSETS	**1,597.9**	**100%**

Fund Performance

The unit price of the Fund declined by 9% over the March 2009 quarter. As illustrated in the table below, the DPF generated a negative return of 24.4% for the twelve months to 31 March 2009, which comprised a negative capital return of 28.2% offset by a distribution return of 3.8%.

As advised in our February *Investor Update*, the unit price was adjusted downwards in the lead up to 31 December 2008 in anticipation of falls in the value of the underlying investment portfolio. The unanticipated severity of the decrease in underlying property values resulted in lower unit prices for those funds.

The Centro MCS syndicates announced provisional net asset backing (NAB) prices in late December for all syndicates, however, final audited NABs were not released until March. For some syndicates, there was a change from the provisional to the final NAB which resulted in some minor downward adjustments to investment values.

		Returns (1 Year Rolling)				
Period Ended	Distribution (cents per unit)	Distribution	Growth	Total	Unit Price^	Tax Advantaged
30 Jun 03 Yr	8.16	8.7%	6.5%	15.2%	1.0650	68%
30 Jun 04 Yr	8.23	8.0%	2.0%	10.0%	1.0867	73%
30 Jun 05 Yr	8.54	8.4%	12.8%	21.2%	1.2256	70%
30 Jun 06 Yr	8.78	7.7%	10.5%	18.2%	1.3553	58%
30 Jun 07 Yr	9.23	7.2%	9.4%	16.6%	1.4821	100%
30 Jun 08 Yr	4.64	2.9%	-12.5%	-9.6%	1.2968	89%
30 Sep 08 Qtr	1.40*	2.8%	-14.4%	-11.6%	1.2647	N/A
31 Dec 08 Qtr	1.88**	3.5%	-24.2%	-20.7%	1.0641	N/A
31 Mar 09 Qtr	1.00	3.8%	-28.2%	-24.4%	0.9679	N/A

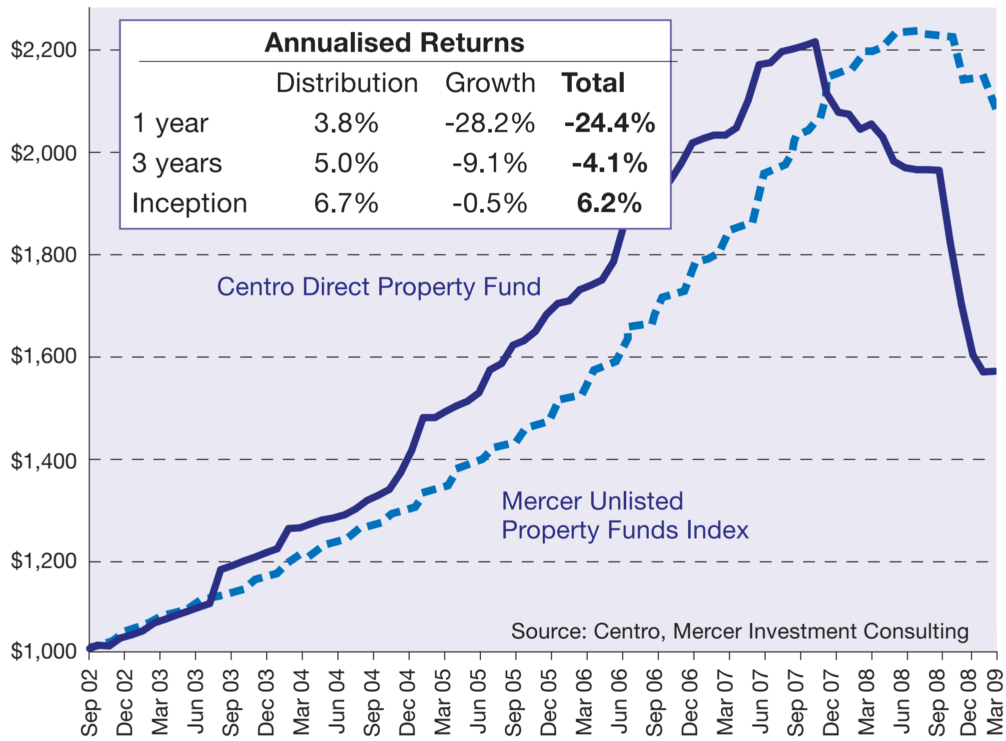
^ Ex Distribution

* In addition to the 0.90 cents income distribution for the September quarter, investors received 0.50 cents as a capital distribution, resulting in a total distribution of 1.40 cents for the quarter.

** In addition to the 1.13 cents income distribution for the December quarter, investors received 0.75 cents as a capital distribution, resulting in a total distribution of 1.88 cents for the quarter

Total Fund Returns

(since inception July 2002 – March 2009)



The chart at left illustrates the sharp deterioration in the performance of the DPF since December 2007, and more particularly over the last six months. As referred to in the February *Investor Update*, there is a lagged effect in the impact on the Mercer benchmark as some of the underlying funds within the benchmark value their properties infrequently. The Mercer benchmark has declined by 7% over the last six 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 online at **centro.com.au/dpf.**

Communication Schedule

Communication	Date
March quarter distribution paid	11 May
June quarter distribution announcement	Late July
Next quarterly *Investor Update*	August
June quarter distribution paid	Around 11 August
Annual tax statements	Late August
Annual audited financial statements	September

Fund at a Glance

(all figures as at March 2009)

Fund Size	$1.60 billion
Total Annual Return to March	-24.4%
Management Expense Ratio (MER)*	0.74%
Benchmark	Mercer Unlisted Property Funds Index
Distribution Payments	Quarterly, usually within 45 days after the end of the calendar quarter
Distribution Reinvestment	Suspended

* The management expense ratio for the 2009 financial year is expected to be 0.62% while the fund remains 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)	52.9%
Number of properties	746
Weighted average portfolio occupancy	95.8%*
Weighted average lease term (by income)	4.96 years*

* As at December 2008.

Contact Us

Advisers

Freecall Aust 1800 103 080
Freecall NZ 0800 449 605
Telephone 03 8847 1806
Facsimile 03 8847 1871
Email adviser@centro.com.au
Website centro.com.au

Investors

Freecall Aust 1800 802 400
Freecall NZ 0800 449 605
Telephone 03 8847 1802
Facsimile 03 8847 1868
Email investor@centro.com.au