

CENTRO DIRECT PROPERTY FUND INTERNATIONAL

INVESTOR UPDATE

AUGUST 2010

FUND STATUS

The Direct Property Fund International (DPFI) 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 of the Fund's investments remains very low and other than the Centro America Fund (CAF) Liquidity Facility (see Page 2 for detail) we see few opportunities in the near future to realise any of the Fund's investment portfolio due to the nature of its investments into illiquid property securities.

Unit Price:
\$0.1857*

Distribution:
0.31 cents[^]

* Price as at 31 July 2010
[^] June 2010 quarter

CENTRO GROUP UPDATE

We reported in our previous *Update* on the appointment of advisers to the Centro Group to undertake an initial assessment of a group restructure. The advisers have continued to work closely with management since December 2009 and have explored a number of strategies for the Group, including the various listed and unlisted managed funds.

In late July 2010, Centro announced to the Australian Stock Exchange (ASX) a number of financing achievements across its US business and provided an update on some of the restructure initiatives. Key points from this announcement included:

- Centro has completed financing arrangements for approximately \$2.7 billion of the \$3.2 billion of debt within Super LLC, a joint venture entity which funded many of the US property acquisitions. Importantly, Centro has secured a one-year extension from December 2010 to December 2011 for \$2.3 billion of this debt.
- Agreement on any definitive approach to the Centro Group restructure would likely take time to reach an appropriate conclusion. Subject to market conditions, it is expected that any restructure could take through to the end of 2011 to implement.
- Independent of the restructuring considerations, Centro will be seeking to strengthen and grow its syndicate business and has commenced a process that will evaluate interest from strategic partners to participate alongside it in the growth of its syndicate funds management business.

“Our assessment has confirmed that any restructure will be complex, with numerous structural, financing and stakeholder considerations to manage and no decisions have been made at this stage. To complete a restructure and recapitalise the Group, approvals and consents will be required at many levels.”

Group Chief Executive Officer and Managing Director, Robert Tsenin

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



JUNE QUARTER DISTRIBUTION

The DPFI will pay a June quarter distribution of 0.31 cents per unit on 6 August 2010, slightly above the 0.30 cents per unit forecast in our last *Investor Update*. The increase compared to the prior quarter (0.26 cents per unit) is mainly attributable to the receipt of half yearly trail commissions from the underlying Centro MCS Syndicate investments.

The DPFI's distribution capacity continues to be restricted by the low level of distributions from the Centro MCS Syndicate portfolio. In addition, the strong Australian dollar has reduced net Australian dollar cash inflows into some of the underlying investments, most notably CAF and Centro MCS 39, as they have an unhedged exposure to the US dollar.

We expect that future quarterly distributions will be between 0.22 cents per unit to 0.25 cents per unit. The reduction is mainly the result of further declines in the forecast syndicate distribution rates in FY11.

CENTRO AMERICA FUND – LIQUIDITY FACILITY

The DPFI currently has around 39% of its assets invested with CAF. Starting in July 2010, the responsible entity (RE) of CAF has offered investors the opportunity to sell their units to Centro Properties Group (Centro). Under the terms of the offer, Centro will purchase up to 5% of the equity in CAF. The DPFI holds 49.9% of the CAF units. The amount of the DPFI's interest that may be bought back is not known with certainty at this stage as this will depend on the participation of other investors in CAF.

The DPFI is hopeful of receiving the proceeds from this offer in September 2010 and it then intends to distribute this to investors in November 2010 as a capital distribution.

SYNDICATE ROLLOVERS

Centro MCS 32 is due to rollover no later than October 2010. The DPFI's investment in this Syndicate is currently valued at \$45.7 million. All 15 properties in this Syndicate are based in California. Due to the current state of the US economy, and considering the Syndicate's relatively high gearing level (58.1% at December 2009), the DPFI is anticipating the Syndicate RE will propose an extension of the Syndicate term rather than a wind up which would entail putting all of the properties on the market now.

The DPFI will evaluate any syndicate proposal when it is received and make its own determination in the best interest of investors.



INVESTMENT PORTFOLIO UPDATE



Over the June 2010 quarter the value of the Fund's total assets declined from \$358 million to \$334 million based on draft unaudited results released by the underlying fund investments.

The main factors that resulted in this change are:

- CAF was marked down by \$11.5 million based on a draft unaudited unit price released by that fund.
- The Centro Retail Investment Trust investment (CRIT) was marked down by \$7.8 million in anticipation of a reduced June 2010 value.
- Centro MCS 39 was reduced by \$5.7 million following a decrease in the unit price from \$0.39 to \$0.36.

The Fund's investment portfolio at 30 June is shown in the table below. CAF remains the largest single investment of the DPFI accounting for 39% of total assets, down from 40% at March.

The aggregate exposure to the Centro MCS international syndicates now amounts to 55.1% of total assets, compared to 52.7% at March.

Current Investments (June 2010)

Investment	June 2010		March 2010
	\$ Million	% Portfolio	\$ Million
Centro America Fund (CAF)	131.4	39.3%	142.9
Centro MCS 39	68.5	20.5%	74.2
Centro MCS 32	45.7	13.7%	43.1
Centro MCS 38	39.5	11.8%	41.5
Centro MCS 36	22.6	6.8%	22.6
Centro MCS 35	7.9	2.4%	7.3
Centro Retail Investment Trust (CRIT) – International Pools	6.5	1.9%	14.3
Total Unlisted Property Investments	322.1	96.4%	345.9
Centro Retail Trust (Listed)	4.2	1.2%	4.7
Outsourced LPT Portfolio	0.1	0%	0.2
Cash & Other Assets	8.0	2.4%	7.1
TOTAL ASSETS	334.4	100%	357.9

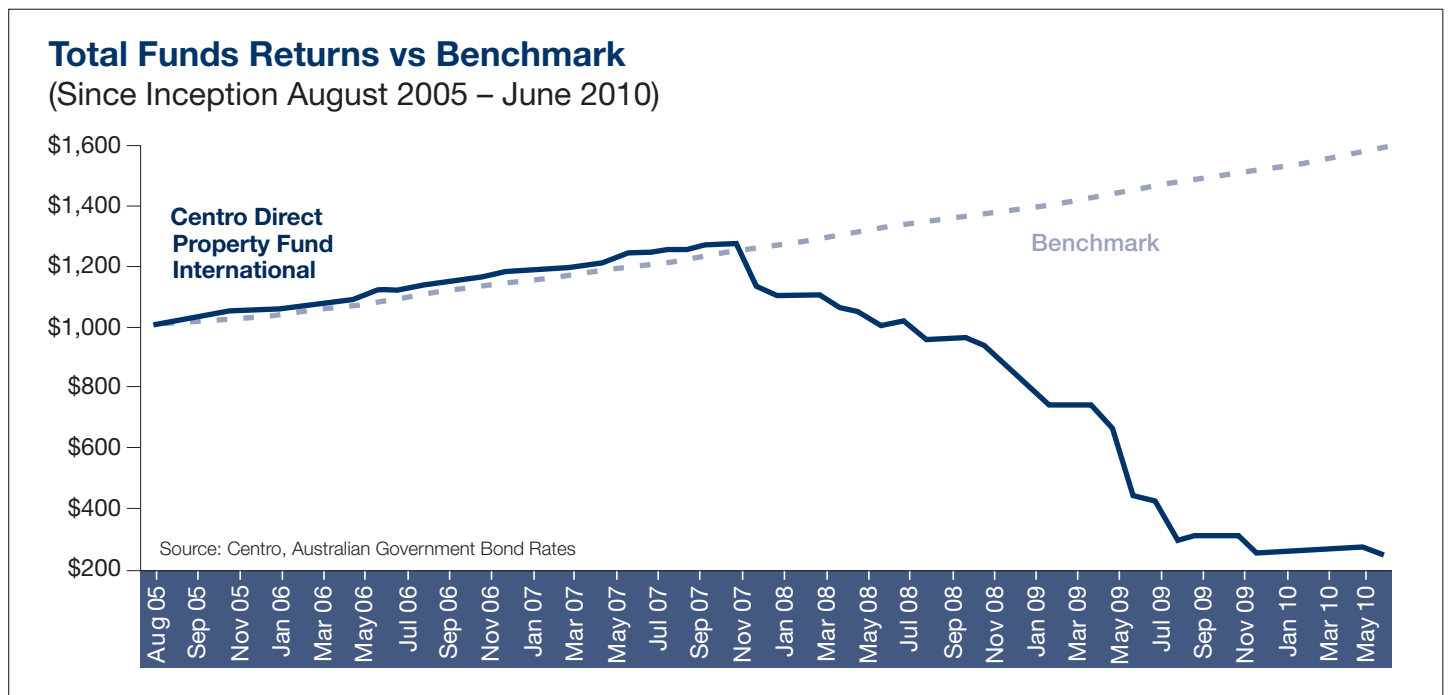
FUND PERFORMANCE

The unit price of the DPFI declined by 7% over the June 2010 quarter.

As illustrated in the table below, the DPFI generated a negative return of 43.9% for the 12 months to 30 June 2010, which was comprised of a negative capital return of 47.3% partially offset by a distribution return of 3.4%.

Period Ended	Returns (1 Year Rolling)				Unit Price ²	Tax Adv.
	Dist. ¹	Distribution	Growth	Total		
30 Jun 2006	7.67	8.7%	4.0%	12.7%	\$1.0364	98%
30 Jun 2007	7.76	7.8%	3.2%	11.0%	\$1.0701	87%
30 Jun 2008	4.35	3.6%	-22.4%	-18.8%	\$0.8304	94%
30 Jun 2009	1.96	1.5%	-57.8%	-56.3%	\$0.3509	74.6%
30 Jun 2010	1.32	3.4%	-47.3%	-43.9%	\$0.1847	N/A

1 Distribution (cents per unit) 2 Excluding Distribution



The chart above illustrates the performance of the DPFI and the benchmark (Government 10 year bond rate plus 4%) since inception.

FUND AT A GLANCE

(all figures as at June 2010)

Fund Size	\$334 million
Unit Price (Excluding Distribution)	\$0.1847
Total Annual Return to June	-43.9%
Management Expense Ratio (MER)	0.45%
Benchmark	RBA 10 year bond rate plus 4%
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 DPFI does not have any borrowings of its own)	84%
Number of properties	474
Weighted average portfolio occupancy	89.7%
Weighted average lease term (by income)	4.61 years

UNITHOLDER TRANSFERS

Although the DPFI 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 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.

COMMUNICATION SCHEDULE

Communication	Date
June quarter distribution paid	10 August 2010
September quarter distribution announcement	October 2010
Next quarterly Investor Update	November 2010
September quarter distribution paid	Around 8 November 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 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

Advisers

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DISCLAIMER:

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