

Centro Direct Property Fund International

INVESTOR UPDATE



MAY 2009

Dear DPFI Investor

I am very excited with my new role as Chief Executive Officer – US. With more than 17 years of experience in the shopping centre space, I have established in-depth relationships with retailers and the financial community, and as importantly, have a talented and dedicated team of associates in the US to support our ongoing efforts.

The US retail environment continues to be challenging, with above average unemployment and consumers becoming more conservative with their spending. In today's retail environment, the diversification of our asset base from a format, tenancy and geographical perspective and the necessity and value orientation of our merchandise mix are of critical importance.

However, Centro's properties in the US have not been immune to these economic conditions. Although our leasing efforts have recently showed increased strength, they have been offset by significant lease rejections in bankruptcy (amid other store closures). So far in 2009, eight major retailers (with an aggregate of approximately 2,000 stores) have filed for bankruptcy protection in the US, four of which have elected to liquidate their portfolio rather than re-organise. In our US portfolio, we have had 88 leases aggregating 2.4 million square feet of space rejected in bankruptcy over the last nine months. This represents approximately 2% of our portfolio's gross leaseable area.

In order to adequately manage the re-tenanting of our vacant big-box space, we have established a "Big-Box Leasing Team". Comprised of senior personnel shifted from our redevelopment group, as well as senior leasing personnel, this team has generated interest from a variety of retailers that continue to grow in spite of market conditions. Since February, the team has executed leases or letters of intent on 39% of our gross leasable area rejected in bankruptcy. This is very respectable progress.

It is the commitment of the Centro US team to persist in its effort to stay in front of anticipated obstacles in order to maintain the quality and stability of our portfolio.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Carroll'.

Michael Carroll
Chief Executive Officer – US

Unit Price:
\$0.5968*

Distribution:
0.35 cents^

* Price as at 30 April 2009
^ Mar 2009 quarter

Types of Bankruptcies in the US

There are several types of bankruptcy in the US, however the most relevant to retail bankruptcy is known as Chapter 11 (reorganisation). In Chapter 11, a business continues its operations and repays creditors concurrently through a bankruptcy court-approved plan of reorganisation.

Chapter 11

Upon filing for Chapter 11 bankruptcy protection, a stay of creditor actions against the retailer is put into effect while the retailer tries to resolve its financial issues. Bankrupt commercial real estate tenants are required to satisfy all terms under their leases until they either reject, assume or assign a lease.

If a tenant rejects a lease, the lease is terminated and the tenant must immediately vacate the premises and pay any unpaid rent.

March Quarter Distribution

The Direct Property Fund International (DPFI) will pay a March quarter distribution of 0.35 cents per unit on 7 May 2009. This is lower than the guidance given in our February 2009 *Investor Update* mainly as a result of a lower March quarter distribution from the Centro America Fund (CAF). In addition, a number of Centro MCS international syndicates (including Centro MCS 32, 35 and 38) recently announced lower distributions for the March quarter. Some of these reductions will also impact the June quarter.

We expected the DPFI to pay quarterly distributions of approximately 0.50 cents per unit over the next few quarters. However, we are now revising our guidance down to around 0.35 cents which may vary depending on the underlying investments and their capacity to pay distributions.

Fund Manager's Outlook

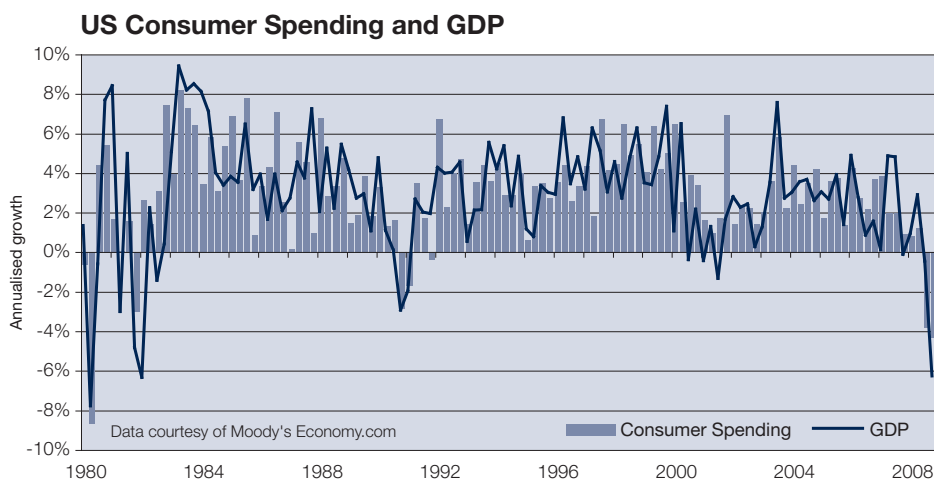
Have We Reached the Turning Point?

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.

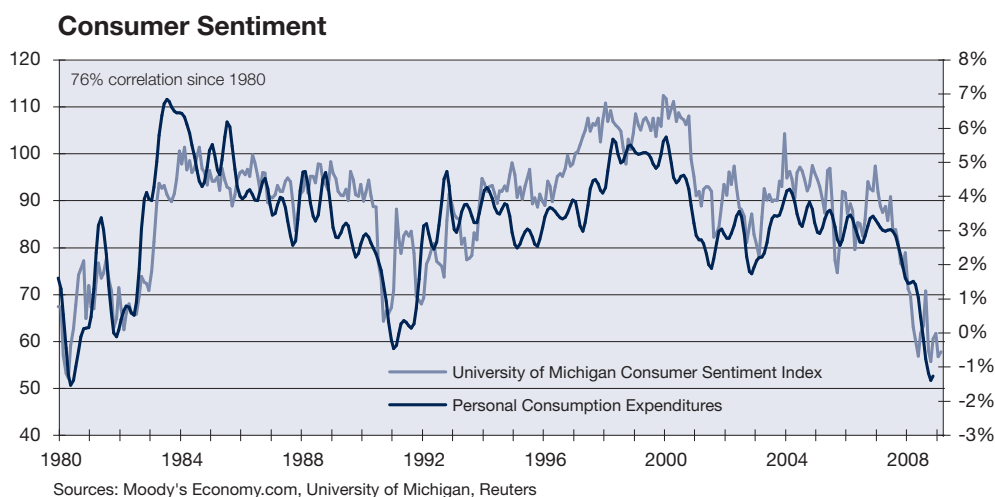
From its low point in early March, equity markets have staged a welcome rally. Commentators are increasingly speculating that we possibly have reached a turning point. Even President Obama recently spoke about the new green shoots of optimism starting to sprout. He did caution, however, that the US still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

The following chart illustrates the sharp drop in US GDP in the December 2008 quarter. Note that consumer spending closely tracks GDP trends. The negative annual growth in consumer spending we are now witnessing was last seen in the early 1980's and early 1990's.



This chart illustrates the falling consumer sentiment in the US over 2008 with a closely matched sharp fall in personal consumption expenditure.



The effect of these events and trends will most likely result in a decline of property values in the underlying syndicates and funds 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 DPFI and result in a lower unit price. Since the DPFI has no direct borrowings (and is therefore not geared), no additional amplification will occur at the DPFI 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 \$1.26 billion to \$1.07 billion, a fall of 15%. The main contributors were lower than anticipated December 2008 unit prices for Centro Retail Investment Trust (CRIT) and CAF. Both of these funds advised their December unit prices in February.

The Fund's investment portfolio as at 31 March is shown the table below. CAF is now the largest single investment of the DPFI accounting for 19% of total assets, up from 17% at December. CRIT was the big mover over the quarter, declining from 28.5% of total assets to 17.9% resulting from the large drop in the value (unit price) of this investment.

Aggregate exposure to the Centro MCS international syndicates now amounts to 62.1% of total assets, compared to 52.9% at December.

Fund Investments – March 2009

Investment	\$ Million	% Portfolio
Centro America Fund	200.5	18.8%
Centro Retail Investment Trust - International Pools	191.2	17.9%
Centro MCS 38	190.1	17.8%
Centro MCS 39	152.3	14.3%
Centro MCS 40	140.0	13.1%
Centro MCS 32	92.3	8.7%
Centro MCS 36	62.2	5.8%
Centro MCS 35	25.2	2.4%
Total Unlisted Property Investments	1,053.8	98.8%
Centro Retail Trust (Listed)	0.7	0.1%
Outsourced LPT Portfolio	0.1	0%
Cash & Other Assets	11.8	1.1%
TOTAL ASSETS	1,066.4	100%

Fund Performance

The unit price of the DPFI declined by 15% over the March 2009 quarter. As illustrated in the table below, the DPFI generated a negative return of 33.3% for the twelve months to 31 March 2009, which was comprised of a negative capital return of 35.3% offset by a distribution return of 2%.

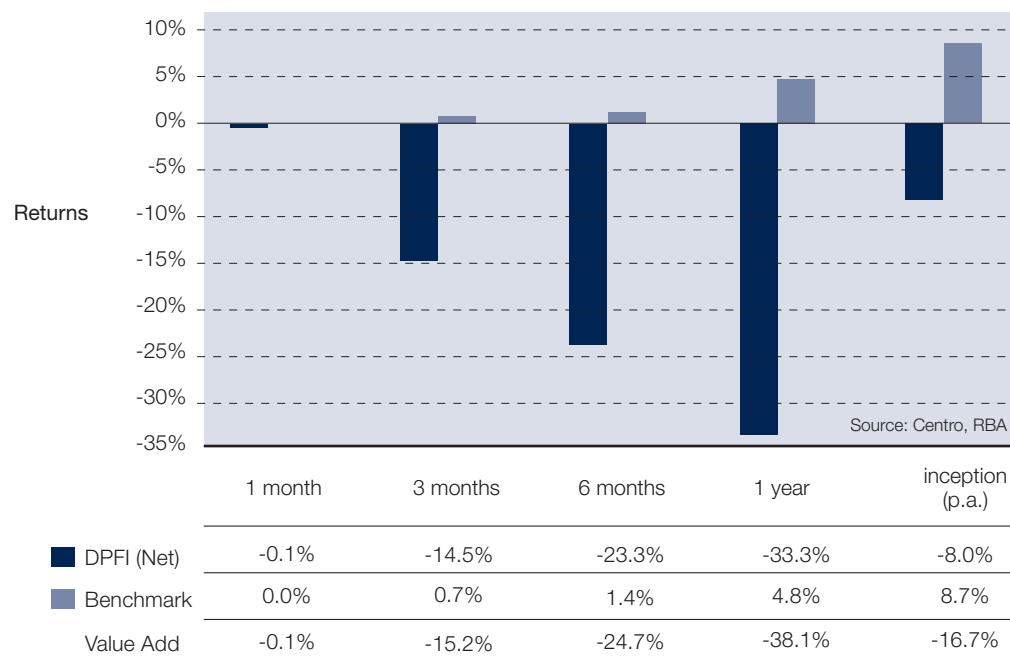
As advised in our February *Investor Update*, we adjusted the unit price of the DPFI downwards in the lead up to 31 December 2008 in anticipation of falls in the value of the underlying investment portfolio. The extent of the decrease in underlying property values was more severe than thought and resulted in lower unit prices for those funds than we expected. 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.

Period Ended	Distribution (cents per unit)	Returns (1 Year Rolling)			Unit Price [^]	Tax Advantaged
		Distribution	Growth	Total		
30 Jun 06 Yr	7.67	8.7%	4.0%	12.7%	1.0364	98%
30 Jun 07 Yr	7.76	7.8%	3.2%	11.0%	1.0701	87%
30 Jun 08 Yr	4.35	3.6%	-22.4%	-18.8%	0.8304	94%
30 Sep 08 Qtr	0.65	2.7%	-26.5%	-23.9%	0.7866	N/A
31 Dec 08 Qtr	0.51	2.4%	-26.0%	-23.6%	0.7004	N/A
31 Mar 09 Qtr	0.35	2.0%	-35.3%	-33.3%	0.5950	N/A

[^] Ex Distribution

Total Fund Returns

(since inception August 2005 – March 2009)



The table above illustrates the performance of the DPFI and the benchmark over varying time periods (benchmark is the Government 10 year bond rate plus 4%). As evident from the table, performance over the last six months has been particularly disappointing, and reflects the significant reductions in US property values experienced over this period.

Unitholder Transfers

Although the DPFI 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	7 May
June quarter distribution announcement	Late July
Next quarterly <i>Investor Update</i>	August
June quarter distribution paid	Around 7 August
Annual tax statements	Late August
Annual audited financial statements	September

Fund at a Glance

(all figures as at March 2009)

Fund Size	\$1.07 billion
Total Annual Return to March	-33.3%
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)	64.0%
Number of properties	504
Weighted average portfolio occupancy	92.9%*
Weighted average lease term (by income)	5.03 years*

* As at December 2008.



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Past performance is not a reliable indicator of future performance.