

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

OCTOBER 2011

RECENT FUND HIGHLIGHTS

- DPF executes Implementation Agreement relating to Centro Group restructure
- DPF makes capital distribution to investors amounting to 4.882 cents per unit
- 13.9% return for 12 months to September 2011

FUND STATUS

The Direct Property Fund (DPF) remains suspended.

If Aggregation is successfully implemented, it is anticipated that DPF will become a liquid fund and unitholders will again be able to request redemptions of their DPF units – refer to the Centro Group Restructure Update below.

DPF investors will shortly receive a Unit Redemption Brochure relating to their redemption choices.

CENTRO GROUP UPDATE

We previously advised DPF investors on 9 August 2011 that DPF had entered into an agreement with certain other Centro managed funds in relation to the creation of a new listed Australian retail property vehicle to be known as “Centro Retail Australia”. Creation of Centro Retail Australia involves:

- Stapling securities in one of DPF’s sub-trusts – Centro DPF Holding Trust (**DHT**), with Centro Retail Group comprised of Centro Retail Limited (**CRL**) and Centro Retail Trust (**CRT**) (which are currently traded together on the ASX as **CER**) and Centro Australia Wholesale Fund (**CAWF**). DHT currently owns interests in a range of Centro MCS Syndicates and, as part of the Aggregation process, will acquire all of the DPF’s other investments in the Syndicates as well as DPF’s interests in two non-Centro direct property funds. Investors in Centro Retail Australia will hold “New Stapled Securities” which comprise one share in CRL, and one unit in each of CRT, CAWF and DHT; and
- Centro Retail Australia acquiring the funds and property management platform from CNP and certain property and other assets from CNP and other Centro managed funds.

If Aggregation is successfully implemented, DPF’s only investments will be listed stapled securities in Centro Retail Australia (**New Stapled Securities**) and unlisted Class Action True-up Securities (CATS). This will provide a liquidity solution for DPF as it is anticipated that DPF will become a liquid fund and redemptions will be reopened for DPF investors who will then be able to withdraw their investment.

Since the 9 August 2011 announcement, the Centro entities involved in the Aggregation received court approval to convene meetings of CER Securityholders, CNP Securityholders and certain CNP creditors to a vote on resolutions relating to the Aggregation.

Aggregation is subject to various approvals, consents and conditions precedent, including approval of certain CNP stakeholders, CER Securityholders, the Courts, the Australian Securities and Investments Commission, the Foreign Investment Review Board and the Australian Securities Exchange. While there are a wide range of steps necessary to complete Aggregation, the Securityholder and creditor votes scheduled for CNP and CER on 22 November represent a key milestone in the Aggregation.

If the necessary approvals and consents are received and conditions satisfied, implementation of the Aggregation transaction is anticipated to be complete by 13 December 2011. It must be noted that there is no guarantee the Aggregation will occur if the relevant conditions to Aggregation cannot be satisfied.

CREATION OF CENTRO RETAIL AUSTRALIA

If Aggregation proceeds, Centro Retail Australia will be an internally managed vehicle as a result of its acquisition of CNP's services business (which provides trust and property management services) as well as the ownership of the responsible entity of the Centro Retail Australia trusts.

Centro Retail Australia will be a fully integrated retail property ownership and services group featuring¹:

- a \$4.4 billion portfolio of direct property investments comprising predominantly 100% interests in 43 Australian shopping centres;
- an experienced and dedicated internalised management team of over 600 staff;
- one of Australia's largest management platforms of unlisted retail property funds comprising \$0.5 billion of co-investments in, and funds and property management of up to 27 Centro MCS Syndicates which collectively own interests in 61 properties valued at \$2.6 billion;
- a clear investment strategy and a stable capital structure with gearing of approximately 39.6% and a weighted average maturity of three years for its debt facilities; and
- forecast pro forma 2012 financial year earnings yield on equity of 6.1% and a cash distribution yield of 5.0%.

IMPLICATIONS FOR CENTRO DIRECT PROPERTY FUND

The effect of Aggregation for DPF will be that DPF's investments will comprise New Stapled Securities and CATS. As a result, DPF's investment portfolio will be transformed from primarily unlisted illiquid investments to a liquid investment in the listed securities of Centro Retail Australia (and unlisted CATS).

The DPF RE intends to allow DPF investors to request:

- redemption of DPF units for securities in Centro Retail Australia; or
- redemption of DPF units for cash; or
- redemption of some DPF units for securities in Centro Retail Australia and some DPF units for cash.

Redemptions will only occur at this time if Aggregation occurs.

Further details will be set out in a Unit Redemption Brochure which will shortly be sent to all DPF Unitholders. DPF Unitholders will also receive a detailed Disclosure Document for Centro Retail Australia, dated 5 October 2011, including a full description of the risks associated with an investment in Centro Retail Australia and the nature and terms of the CATS. A copy of the Disclosure Document will be available at the DPF website: www.centro.com.au/dpf.

¹ Refer to the Disclosure Document, dated 5 October 2011, which DPF unitholders will receive towards the end of October for further information about Centro Retail Australia



SEPTEMBER QUARTER DISTRIBUTION

On 9 September 2011 a capital distribution of 4.882 cents per unit was paid to investors. This followed an announcement made on 26 August 2011 by the DPF, the key points of which were as follows:

- The Centro Direct Property Fund International (DPFI) announced that it would be making two capital distributions amounting in aggregate to 16.2468 cents per unit;
- The DPF would accordingly receive \$79.4 million from the DPFI, representing the major portion of its DPFI investment;
- The DPF would make a capital distribution of 4.882 cents per unit on 9 September 2011. The record date for this distribution was 31 August 2011; and
- The unit price of the DPF was adjusted to reflect this distribution, and went “ex-distribution” on 1 September 2011.

On 3 October 2011, the DPF announced that it would not be paying an income distribution for the September quarter. This decision was mainly due to the following:

- DPF had incurred significant costs relating to the pending Aggregation of various Centro funds (please refer to the DPF announcement dated 9 August 2011 for more information);
- DPF anticipates incurring further costs in the December 2011 quarter relating to Aggregation; and
- The DPF’s largest investment is in CAWF, accounting for over 50% of DPF’s assets. CAWF advised it would not be paying a September quarter distribution as it likewise had incurred costs relating to Aggregation and had retained funds to assist with short term debt refinancing.

It was considered prudent to maintain a minimum level of liquidity in the fund, particularly over coming months, given the illiquid position of the current investment portfolio.



INVESTMENT PORTFOLIO UPDATE



The Fund's investment portfolio at 30 September 2011 is shown in the table below.

Over the September 2011 quarter, the value of the Fund's total assets decreased from \$1.418 billion to \$1.347 billion. The decrease was mainly attributable to the receipt of capital from the DPFI amounting to \$79.4 million, which was then paid to DPF investors on 9 September 2011 as a capital distribution (see *September Quarter Distribution* above). Over the quarter, the value of the listed stocks decreased in value reflective of the negative climate on world stock markets over recent months, as well as the uncertainties relating to the Centro restructure. Offsetting these decreases, Centro Retail Investment Trust (**CRIT**) increased from \$185 million to \$200 million following the completion of the CER June 2011 audited accounts.

Current Investments (September 2011)

Investment	September 2011		June 2011
	\$ Million	% Portfolio	\$ Million
Centro Australia Wholesale Fund (CAWF)	698.9	51.9%	698.9
Centro Retail Investment Trust – Domestic Pools	199.9	14.8%	185.1
Centro MCS 28	65.1	4.8%	65.1
Centro MCS 21	43.8	3.3%	43.8
Centro MCS 33	31.9	2.4%	31.9
Centro MCS 25	30.8	2.3%	30.8
Centro MCS 3	29.3	2.2%	29.3
Centro MCS 37	23.4	1.7%	23.4
Non-Centro Direct Property Funds	8.0	0.6%	8.8
Centro DPF International (DPFI)	2.4	0.2%	81.0
Other Centro MCS Property Funds	194.1	14.4%	190.9
Total Unlisted Property Investments	1,327.6	98.6%	1,389.0
Centro Retail Trust (Listed)	11.4	0.8%	14.1
Centro Properties Group (Listed)	0.1	0.0%	0.2
Outsourced LPT Portfolio	1.1	0.1%	1.2
Cash & Other Assets	7.1	0.5%	13.8
TOTAL ASSETS	1,347.3	100%	1,418.3

CAWF remains the Fund's largest investment and accounts for 51.9% of total assets. Total exposure to CER, both directly and through CRIT amounts to 15.6%, while the aggregate exposure to the Centro MCS domestic syndicates is now 31.1% of total assets.

FUND PERFORMANCE

The DPF unit price increased by 4.6% over the September 2011 quarter after providing for a capital distribution of 4.882 cents per unit (see *September Quarter Distribution* section above). As illustrated in the table below, the DPF generated a positive return of 13.9% for the 12 months to 30 September 2011 (comprising a distribution return of 8.9% and a capital return of 5.0%).

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 Jun 2010	3.42	4.3%	-3.2%	1.1%	\$0.7836	46%
30 Jun 2011	2.95**	4.0%	10.3%	14.3%	\$0.8642	50%
30 Sep Qtr	4.882***	8.9%	5.0%	13.9%	\$0.8242	N/A

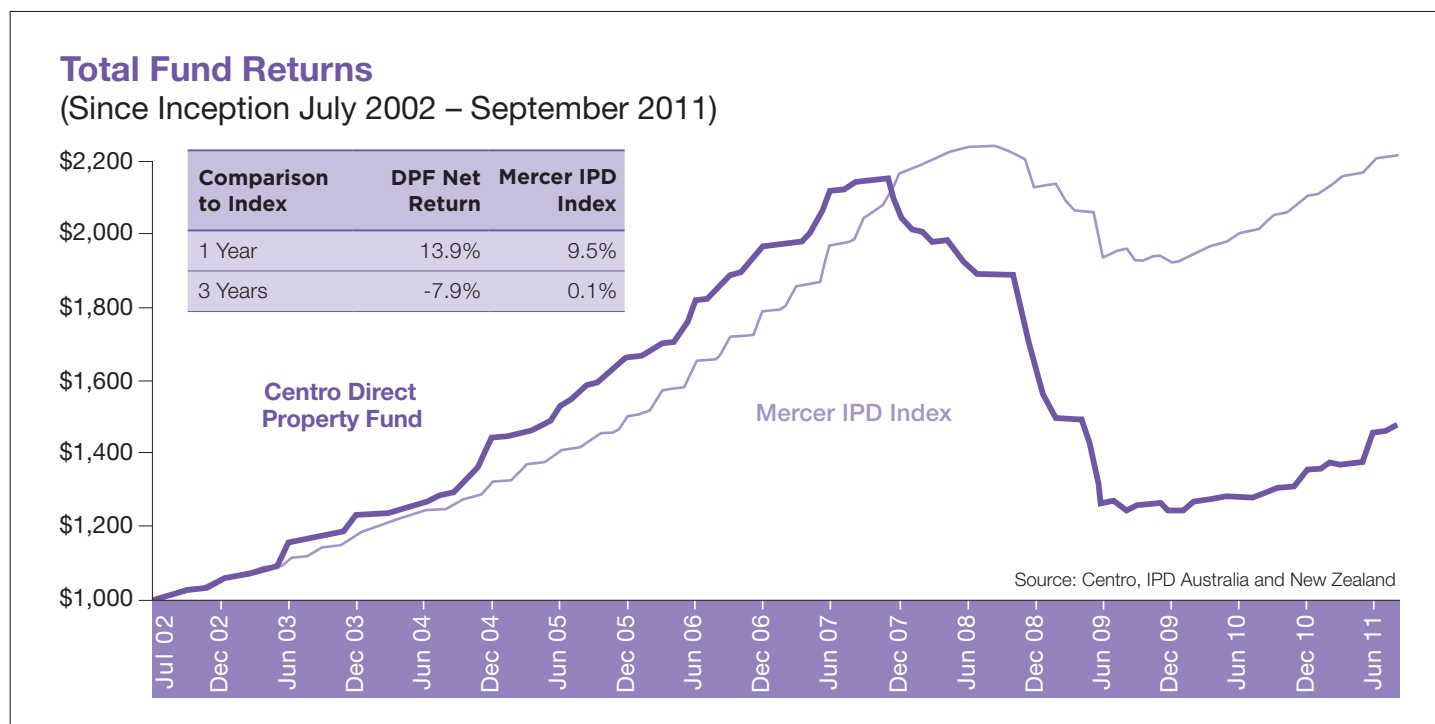
¹ Distribution (cents per unit)

² Ex Distribution

* Includes 1.25 cent capital distribution

** Includes 0.71 cent capital distribution

*** Capital distribution only



The chart above illustrates the improved performance of the DPF over the twelve months to September 2011, with the DPF outperforming the Mercer IPD index over this period by 4.4%.

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 September 2011)



Fund Size	\$1.347 billion
Unit price (ex distribution)	\$0.8247
Total Annual Return to September	13.9%
Management Expense Ratio (MER)	0.59%
Benchmark	Mercer / IPD Australian Pooled Property Funds Index
APIR Code	MCS0011AU
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)	45%
Number of properties	98
Weighted average portfolio occupancy	99.6%
Weighted average lease term (by income)	4.44 years

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

CONTACT US

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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.