
Centro Direct Property Fund & Centro Direct Property Fund International Investor Update

June 2008

This Investor Update has been prepared for investors by Centro MCS Manager Limited (the RE or Manager) as responsible entity of the Centro Direct Property Fund (DPF) and Centro Direct Property Fund International (DPFI) (together the Funds).

1. Simplification of Funds' Capital Structure

In the April 2008 Investor Report, we advised that all equity notes on issue in both the DPF and DPFI were in the process of being converted to ordinary units. We are pleased to advise that all equity notes have since been so converted. We believe this is a good outcome for investors as it removes a potential debt obligation of the Funds, and helps simplify the Funds' capital structures. Now only fully paid ordinary units are on issue in both Funds.

2. DPF Management Fees Reduced

The management fee charged by the responsible entity for DPF will be reduced from 0.67% of gross asset value to 0.56% (GST inclusive) effective 1 July 2008. This is in recognition of the current suspended status of the DPF. The reduced fee will continue to apply while the fund remains suspended from redemptions and closed to new investment. The management expense ratio (MER) for the next financial year is expected to reduce from 0.75% to 0.62%.

The management fee for the DPFI will remain at the lower rate of 0.41% of gross asset value (GST inclusive). The responsible entity is of the view that this rate is still appropriate given the challenges and issues facing the fund. The rate is at the lower end of the scale when compared with other unlisted direct property and property securities funds.

3. June Quarter Distributions

We expect to announce in the coming weeks details on the distribution amounts and payment dates for the Funds for the June 2008 quarter which are expected to be paid in mid August, 2008.

Details of the annual tax components of the distributions for the Funds are expected to be finalised by the end of August.

4. Funds' Status - Update

We previously reported on the various scenarios under which the suspension of the Funds might be lifted. Since then we have continued to monitor developments across the Centro group relating to recapitalisation initiatives, restructure proposals and pending asset sales.

At this stage, we do not anticipate re-opening the Funds in the near future. We are, however, looking at opportunities for both Funds to realise or liquidate a portion of their assets. This would then allow the Funds to return some capital to investors either through a capital distribution, or through a periodic withdrawal opportunity.

The two main opportunities for asset disposals relate to the properties held by Centro Australia Wholesale Fund (CAWF) and Centro America Fund (CAF). Both of these wholesale funds have been actively seeking buyers for some or all of their assets. The DPF has a major interest in CAWF and the DPFI has a major interest in CAF. This process is ongoing and sales from either of those two funds would provide liquid funds to the DPF and DPFI respectively.

While the suspension applies, investors still have the option of selling their units in the Funds to other investors, or to any other person, subject to RE approval.

5. Property Performance

Centro Properties Group (Centro) recently announced details relating to its Australian and US managed portfolio of shopping centres for the March 2008 quarter:

- The Australian portfolio is performing well, with 99.5% occupancy at March 2008 and good retailer sales growth.
- The US portfolios continue to show resilience in the face of a slowing economy. Current occupancy (March 2008) continues to remain relatively strong, by US standards, at 91.7%, slightly lower than the 92.9% at December 2007.

Both portfolios offer well diversified exposure to non-discretionary "food based" retailers, with long term leases from major US and Australian retailers underpinning a sizeable proportion of the income.

More information about the underlying DPF and DPFI property portfolios can be found at the Funds' website - centro.com.au/dpf. Further details of the property operating performance can also be found on the Centro website centro.com.au.

6. Unit Pricing and Fund Valuations

Many of the underlying properties in the Centro syndicates and wholesale funds into which DPF and DPFI invest will be independently valued at June 2008. This is part of the normal valuation cycle that is undertaken by the various syndicate and wholesale funds. These funds will be issuing updated unit prices at June 2008 based on the new valuations. DPF and DPFI will in turn adjust the value of their investments in those funds. Management is expecting that there will be some weakening in values, particularly with regards to the US assets. Some of these impacts have already been reflected in the daily unit prices for the Funds in the lead up to 30 June.

If you have any questions, please call **Centro Investor Services** on **1800 802 400** or **+61 3 8847 1802** (International).