

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

NOVEMBER 2010

FUND STATUS

The Direct Property Fund (DPF) remains suspended and is not expected to re-open within the next six to 12 months. Liquidity within the Fund's investments remains very low.

The DPF has recently realised a small portion of its investment portfolio, and this will be returned to investors as a capital distribution – see Page 2 for further details. There may also be an opportunity to generate some liquidity from the Fund's investments in various Centro MCS Syndicates – see Pages 2-4 for further details.

We continue to pursue restructuring and liquidity solutions – refer to the Centro Group Update below.

Unit Price:
\$0.7932*

Distribution:
0.93 cents[^]

* price as at 31 October 2010
^ September 2010 quarter

CENTRO GROUP UPDATE

We have reported in our previous *Investor Updates* on the appointment of advisers to the Centro Properties Group (CNP) to undertake an assessment of a Group restructure.

In early November, Centro announced that a number of parties have approached the Group with a variety of indicative expressions of interest in respect of Centro's businesses and assets. Accordingly a process designed to allow CNP and its managed funds to jointly evaluate these expressions of interest through a formal competitive market process has commenced. In addition, the responsible entities of the Group and the Boards of CNP and Centro Retail Trust (CER) anticipate interest may emerge from other parties during the competitive process.

Most of the assets in the Centro Group are owned by listed and unlisted managed funds. These funds, including the DPF, have agreed to participate in the process. It should be noted that neither Centro nor any of the funds have committed to sell any assets at this stage.

“ The process has been designed to maximise value for all stakeholders in the Centro Group. It is not possible to predict the eventual outcome of this competitive process as it could include the sale of all or part of the businesses, an investment in, or possibly a recapitalisation of, all or part of Centro. ”

Group Chief Executive Officer and Managing Director, Robert Tsenin

Should attractive offers for assets or pools of assets be received, each of the entities that own those assets will need to separately assess whether it is in the best interests of the members of those entities to sell. The DPF does not own any shopping centre assets directly – its exposure to all of the Centro centres is via interests held in a range of Centro managed funds. The process may also result in DPF receiving offers for its equity stakes in the managed funds.

Governance protocols and memoranda of understanding have been established between Centro and its managed funds which set out governance and due diligence measures to ensure the best interests of the funds are served and to manage any conflicts that may arise.

An ongoing key objective of the DPF is to enhance the liquidity of the Fund and thereby offer investors the opportunity to access some or all of their capital. Whether the sale process described above will meet this objective cannot be determined at this stage. Further information will be provided in upcoming *Investor Updates*.



SEPTEMBER QUARTER DISTRIBUTION

The DPF has announced a September quarter distribution of 0.93 cents per unit payable on 10 November 2010. This comprises an income distribution of 0.56 cents per unit and a capital distribution of 0.37 cents per unit. The income distribution is in line with guidance provided in our August 2010 *Investor Update* and compares to 0.82 cents per unit paid for the June quarter.

The decrease in the income component of the distribution is mainly due to a reduction in distribution from Centro Australia Wholesale Fund (CAWF), the largest individual investment of the DPF. CAWF had previously indicated the intention to reinvest some of its net cashflow into capital enhancements and works across its portfolio. Distributions from the Centro MCS Syndicates are lower for the September quarter compared to the June quarter, which is mainly as a result of reduced or no distributions from some syndicates, specifically Centro MCS 4, 21, 27 and 34. Further detailed commentary on these syndicates can be found in the *Centro MCS Direct Property Annual Review 2010*.

The DPF will also receive a lower income distribution from the Direct Property Fund International (DPFI) of 0.22 cents per unit compared to 0.31 cents per unit for the June quarter. For more information, please refer to the DPFI November *Investor Update*.

Going forward, we expect the DPF to pay quarterly distributions between 0.50 cents and 0.60 cents per unit.

The capital distribution of 0.37 cents per unit was derived from two sources:

- \$3.1 million received from the DPFI which paid a capital distribution of 0.64 cents per unit.
- \$2.9 million from the sale of the DPF's investment in DNZ Property Fund, a New Zealand property fund which recently listed on the New Zealand stock exchange.

Should the DPF realise further capital from the *Liquidity Opportunities* described below, we intend to pay these to DPF investors as a capital distribution.

LIQUIDITY OPPORTUNITIES

Centro Syndicate Strategic Process

In late July 2010, Centro announced it would be seeking to strengthen and grow its syndicate business and had commenced a process that will evaluate interest from strategic partners to participate alongside it in the growth of its syndicate funds management business. On 11 November 2010, Centro announced that it had granted Cromwell Group (Cromwell) a right to conduct exclusive due diligence around the Centro MCS Syndicates funds management business. Any transaction remains subject to negotiation of outstanding terms and conditions and obtaining the required consents and approvals.

At this stage it is uncertain what this may mean for DPF, however DPF is hopeful that the process will ultimately provide some degree of liquidity for those syndicates which do form part of a new arrangement or alliance, should Centro enter into such an arrangement with new strategic partners. As detailed in the "Investment Portfolio Update" on Page 5, DPF currently has 29% of its assets invested in Centro MCS syndicates.

Centro MCS 8

This Syndicate owns Centro Northgate (Geraldton, Western Australia) and Centro Albany (Brisbane). The Syndicate had until 31 May 2010 to find buyers for all investors who elect to exit. In June, the Syndicate RE advised it was unable to find buyers for all exiting investors.

Over the past few months, the Syndicate sold Centro Croydon (Melbourne) for \$31.5 million, 12.5% above the December 2009 book value. The four hotels in Queensland were also sold for an aggregate amount of \$26.16 million, in line with December 2009 book values.

The Syndicate has now proposed a restructure to enable the Syndicate to rollover as well as accommodating investors who wish to exit. The Redemption Price has been set at \$2.03 per unit. Investors who wish to remain in the Syndicate will need to commit to a further term ending no later than May 2016. A vote from Syndicate investors is required to approve this restructure proposal. A meeting has been convened for 24 November 2010. Should the vote not be successful, the remaining properties will also be sold and the Syndicate wound up.

The DPF investment is worth \$6.6 million based on the Redemption Price. Should the Syndicate be successful in meeting the needs of exiting investors, the proceeds will be paid on or around 3 December 2010. Although the DPF has not finalised its position with regards to this investment, it is likely to elect to exit.

Centro MCS 11

Centro Surfers Paradise on the Gold Coast is the sole property of Centro MCS 11 which had until 3 March 2010 to find buyers for all investors who elected to exit. The Syndicate responsible entity (RE) was unable to achieve this objective, and the property was put on the market. The Syndicate RE recently withdrew the property from sale as it did not receive an acceptable offer.

The most recent net asset backing price for this Syndicate (June 2010) was \$2.14 per unit, based on the underlying value of the property of \$185.1 million. At that price, the DPF investment was worth \$6.8 million.

The RE has advised it will shortly write to investors with a proposal for the Syndicate term to be extended for a period of up to 2 years to enable the property to be sold at a later time when market conditions may have improved.

Separately, DPF has been approached by a number of parties who have expressed an interest in acquiring the DPF's units. DPF management are monitoring these developments, although there is no certainty of consummating a transaction.

Centro MCS 12

The Syndicate owns three properties – Centro Oakleigh (Melbourne), Centro Glenorchy (Hobart) and Centro St Agnes (Adelaide). Centro MCS 12 had until 14 April 2010 to find buyers for all investors who elected to exit. In May, the Syndicate RE advised it was unable to find sufficient buyers at the calculated exit price.

The RE has advised that Centro St Agnes has been placed on the market. The sale of this property may allow the Syndicate to buy back (redeem) units from investors who elect to exit the Syndicate, while accommodating investors who choose to remain in the Syndicate for a further term with the restructured investment consisting of two properties. A vote from Syndicate investors is required to approve the restructure proposal. Should the vote not be successful, the remaining properties will also be sold and the Syndicate wound up. The proposal, if offered in this form, would be similar to the Centro MCS 8 restructure described above.

At this stage, the timing on any capital proceeds to the DPF is uncertain and depends mainly on the successful sale of Centro St Agnes. The DPF is however hopeful of having an opportunity to liquidate this investment early in 2011.

DPF's investment in this Syndicate is currently valued at \$4.5 million.

Centro MCS 5

The Syndicate is approaching the end of its term. The RE has recently announced that it intends to market the four shopping centres, via a staged sale process. This is expected to occur over a 12 month period finishing around October 2011 at which point it then intends to wind up the Syndicate.

The RE has also advised that the strategy may be assessed over the coming months, and it may propose a restructure similar to CMCS 8 described above.

DPF's investment in this Syndicate is currently valued at \$13.5 million.

Centro Direct Property Fund International

As reported in our previous *Investor Update*, the DPFI realised a portion of its investment in Centro America Fund (CAF) pursuant to the annual CAF Liquidity Facility which commenced in July 2010. The DPFI received an amount of \$11.4 million from participating in this offer, and included it in its September quarter distribution, paid on 8 November. DPF owns 27.5% of the DPFI and thus received \$3.1 million of this capital payment. DPF has likewise included this amount in its September quarter distribution payment to investors.

Further details are contained in the DPFI November *Investor Update*.

Gordon Property Trust

The DPF has an investment in Gordon Property Trust currently valued at \$2.5 million. This investment is managed by Dexus Funds Management Limited. This trust owns two properties – Gordon Centre and Gordon Village Arcade located 16 kilometres north of Sydney on the Pacific Highway, Gordon.

The term of the trust expired on 14 June 2010. Earlier in 2010 the manager advised it intended to sell the properties. The properties were put on the market and expressions of interest were received, however to date, no sale has been consummated. The DPF awaits further advice on the progress on this fund's wind up. Capital distributions are not expected in the near future.



CENTRO SURFERS PARADISE – CENTRO MCS 11

INVESTMENT PORTFOLIO UPDATE



The Fund's investment portfolio at 30 September 2010 is shown in the table below.

Over the September 2010 quarter, the value of the Fund's total assets increased by 0.5% from \$1.292 billion to \$1.299 billion. The increase was mainly attributable to Centro Retail Investment Trust (CRIT) which increased from \$171.4 million to \$175.7 million. Centro MCS 28 and CAWF also contributed to the increase.

During the quarter, the DPF sold all of its shares in DNZ Property Fund. This mainly accounted for the fall in "Non-Centro Direct Property Funds" from \$15.9 million to \$12.1 million. At quarter end, the proceeds from this sale were placed in an interest bearing bank deposit account. These funds will partially fund the capital distribution referred to on Page 2 (see "September Quarter Distribution").

Current Investments (September 2010)

Investment	September 2010		June 2010
	\$ Million	% Portfolio	\$ Million
Centro Australia Wholesale Fund (CAWF)	612.9	47.2%	611.3
Centro Retail Investment Trust – Domestic Pools	175.7	13.5%	171.4
Centro DPF International (DPFI)	87.4	6.7%	90.2
Centro MCS 28	49.7	3.8%	47.8
Centro MCS 21	38.0	2.9%	37.6
Centro MCS 33	31.0	2.4%	30.2
Centro MCS 3	29.1	2.2%	28.9
Centro MCS 25	27.1	2.1%	26.4
Centro MCS 37	20.5	1.6%	20.5
Non-Centro Direct Property Funds	12.1	0.9%	15.9
Other Centro MCS Property Funds	186.0	14.4%	183.7
Total Unlisted Property Investments	1,269.5	97.7%	1,263.9
Centro Retail Trust (Listed)	6.9	0.5%	6.6
Centro Properties Group (Listed)	0.9	0.1%	0.7
Outsourced LPT Portfolio	1.2	0.1%	1.2
Cash & Other Assets	20.1	1.6%	19.5
TOTAL ASSETS	1,298.6	100%	1,291.9

CAWF remains the largest investment and accounts for 47.2% of total assets, slightly down from 47.3% at June 2010. Aggregate exposure to the Centro MCS domestic syndicates is now 29.4% of total assets, compared to 29.0% at June 2010.

FUND PERFORMANCE

The unit price of the Fund increased by 0.2% over the September 2010 quarter. This was after providing for a capital distribution of 0.37 cents per unit (see September Quarter Distribution section on Page 2). As illustrated in the table below, the DPF generated a positive return of 2.9% for the 12 months to 30 September 2010 (comprising a distribution return of 4.3% partially offset by a negative 1.4% capital return).

The main reason for the increase in the unit price over the quarter was the increase in the values of CRIT, CMCS 28 and CAWF as described on Page 5.

Fund Performance Table

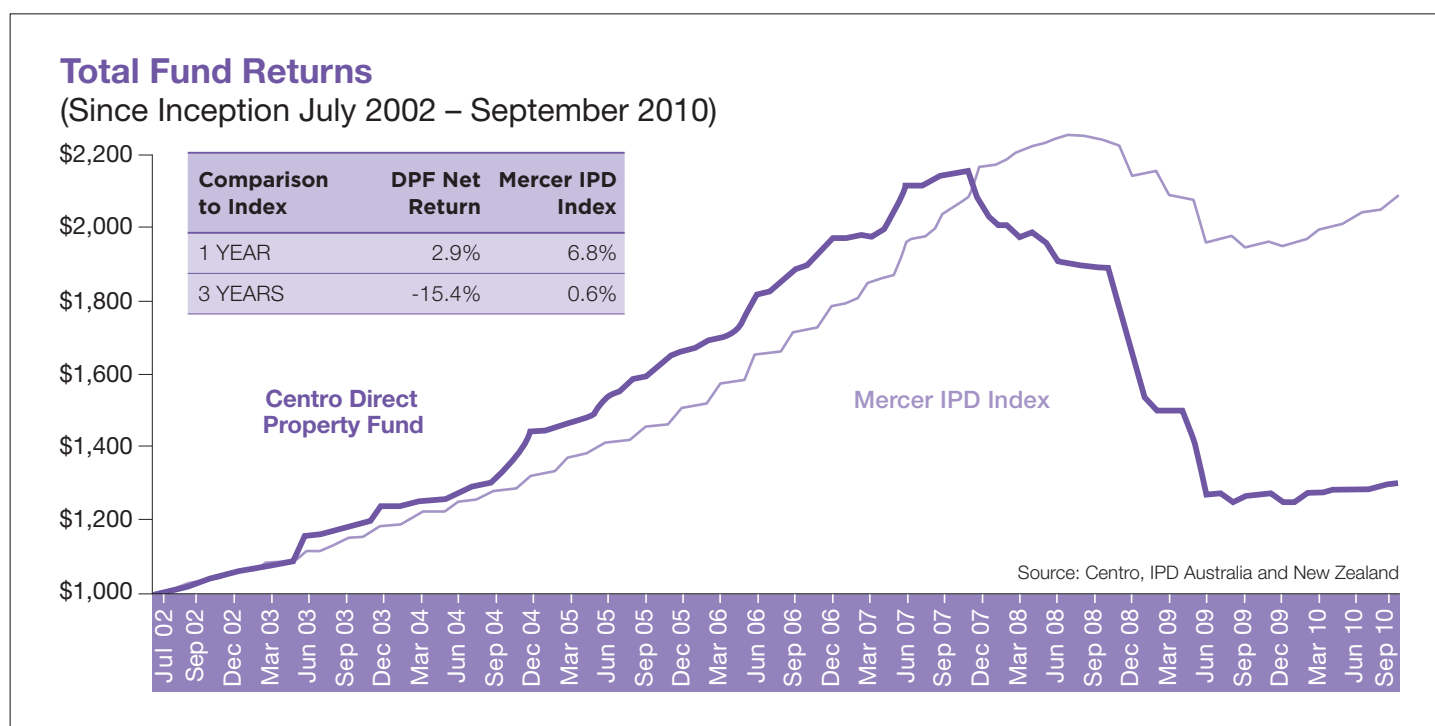
Period Ended	Returns (1 Year Rolling)			Total	Unit Price ²	Tax Adv.
	Dist. ¹	Distribution	Growth			
30 Jun 2004	8.23	8.0%	2.0%	10.0%	\$1.0867	73%
30 Jun 2005	8.54	8.4%	12.8%	21.2%	\$1.2256	70%
30 Jun 2006	8.78	7.7%	10.5%	18.2%	\$1.3553	58%
30 Jun 2007	9.23	7.2%	9.4%	16.6%	\$1.4821	100%
30 Jun 2008	4.64	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 Sep Qtr	0.93**	4.3%	-1.4%	2.9%	\$0.7854	N/A

¹ Distribution (cents per unit)

² Ex Distribution

* Includes 1.25 cent capital distribution

** Includes 0.37 cent capital distribution



The chart above illustrates the stabilisation in the performance of the DPF since June 2009, with the 12 months to September 2010 producing a positive return of 2.9%. Likewise the Mercer IPD index has reflected an upturn over the last twelve months, generating a positive return of 6.8%.

FUND AT A GLANCE

(all figures as at September 2010)



Fund Size	\$1.299 billion
Unit Price (excluding distribution)	\$0.7854
Total Annual Return to September	2.9%
Management Expense Ratio (MER)	0.59%
Benchmark	Mercer / IPD Australian Pooled Property Funds Index
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)	58%
Number of properties	699
Weighted average portfolio occupancy	94.1%
Weighted average lease term (by income)	4.66 years

COMMUNICATION SCHEDULE

Communication	Date
September quarter distribution paid	10 November 2010
December quarter distribution announcement	January 2011
Next quarterly <i>Investor Update</i>	February 2011
December quarter distribution paid	Around 10 February 2011
Annual tax statements	Late August 2011
Annual audited financial statements	September 2011

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 sent directly to the registry, Link Market Services, or lodged with Centro Investor Services. Standard forms are available on the internet at www.centro.com.au/dpf.

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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Past performance is not a reliable indicator of future performance.