

CENTRO DIRECT PROPERTY FUND

INVESTOR UPDATE

APRIL 2012

RECENT FUND HIGHLIGHTS

- All cash redemption requests to 28 March 2012 now paid
- Value realised for a significant number of Class Action True-up Securities (CATS)
- +13.1% return over the March 2012 quarter

FUND STATUS

The Direct Property Fund (DPF) re-opened to redemption requests on 14 December 2011.

Payment to those Unitholders who elected to redeem for cash pursuant to the Initial Redemption Offer was made on 28 March 2012.

Cash redemption requests received between 6 December 2011 and 28 March 2012 were paid on 4 April 2012.

Commencing in January 2012, requests for in-specie scrip redemptions are being processed twice a month.

REDEMPTION UPDATE

As a result of the Centro group restructure, the DPF's investment portfolio was transformed from primarily unlisted illiquid investments to a liquid investment in the listed securities of Centro Retail Australia (CRF) and unlisted CATS. The CATS are intended to provide further issues of CRF securities or other equivalent consideration to adjust for any settlement or judgment of the existing class actions against Centro Retail Trust (if and when such settlement or judgement occurs).

Following the redemption offer made to all DPF Unitholders which closed on 6 December 2011 (Initial Redemption Offer):

- all in-specie redemption requests comprising over 77% of Unitholders were processed effective 14 December 2011; and
- all redemption requests for cash were processed and paid on 28 March 2012, following the completion of the sale of the relevant number of CRF securities and CATS. The \$0.6429 per unit paid to Unitholders was the 16 March 2012 unit price.

Further redemption requests received after 6 December 2011 have been processed as follows:

- all in-specie redemption requests have been processed twice a month (see Page 5 below for a list of cut-off dates and conversion ratios that applied in each instance). Unitholders have been allocated their proportionate share of CRF securities and CATS; and
- all cash redemption requests received up to 28 March 2012 were processed and paid on 4 April 2012, following the completion of the sale of the relevant number of CRF securities and CATS. The \$0.6347 per unit paid to Unitholders was the 28 March 2012 unit price.

Unitholders can continue to elect to redeem their units by selecting either:

- **Scrip consideration** – a redemption of DPF units in return for a pro-rata portion of securities in CRF securities and CATS held by DPF; or
- **Cash** – redemption for cash at the then prevailing unit price.

The current redemption process is as follows:

- **Scrip consideration** – These requests will be processed twice a month (see Page 5). Before making your selection, please read the Unit Redemption Brochure and accompanying materials on the DPF website (www.dpfinvestor.com.au);
- **Cash** – The settlement timeframe will depend on the level of redemptions and market conditions. However the DPF Responsible Entity (RE) will also attempt to process these redemption requests twice a month. The prevailing unit price on the relevant effective redemption completion date will apply and will determine the amount of cash to be paid to Unitholders.

FUND WIND-UP

The RE has previously advised of its intention to liquidate the Fund in order to provide a full liquidity solution for Unitholders. The majority of Unitholders have already exited the Fund pursuant to the cash and in-specie redemption offers recently made.

The RE is continuing to monitor the Fund's position, specifically the number of Unitholders remaining, the size of the Fund and the ongoing flow of redemption requests. In the near future, the RE may take steps to liquidate the Fund, at which stage it will, in accordance with its constitution and the provisions of the Corporations Act, distribute the remaining capital to Unitholders and wind-up the Fund. In this event, Unitholders will be sent further information.

DISTRIBUTION PAYMENTS

Virtually all of the Fund's assets are now invested in CRF which did not pay an interim distribution following the 31 December half year. The next distribution expected from CRF will be payable in late August 2012. Accordingly, over the next four months, the DPF will not receive any investment related income, while at the same time obligations remain to pay various fund operating expenses. As a result, the Fund is not in a position to make further distribution payments over this period.

INVESTMENT PORTFOLIO UPDATE

Over the March quarter, the portfolio size reduced significantly almost entirely due to the redemption process described above – the Fund's total assets declined from \$213.5 million at 31 December 2011 to \$79.9 million at 31 March 2012.

It should be noted that the table of DPF's remaining investments below includes 35 million CATS held at 31 March 2012. Over the March 2012 quarter, the Fund successfully sold a large quantity of CATS to fund the cash redemption requests, at a price of 10.125 cents per CATS. The remaining CATS have been valued for unit pricing purposes at the same price as those sold, as this is considered the best indicator of their current value.

The investment in Centro Direct Property Fund International (DPFI), currently valued at \$2.5 million, is expected to be liquidated prior to 30 June 2012, once DPFI receives the final proceeds from its underlying investments and distributes the remaining capital to its investors. Following this distribution, the DPF investment portfolio will essentially comprise just an investment in CRF securities and CATS.

Current Investments (March 2012)

The Fund's investment portfolio at 31 March 2012 is shown in the table below.

| Investment | March 2012 | | December 2011 |
|--|-------------|--------------|---------------|
| | \$ Million | % Portfolio | \$ Million |
| Centro Retail Australia (Listed) | 68.7 | 86.0% | 205.5 |
| Outsourced LPT Portfolio | 0 | 0% | 0.3 |
| Total Listed Investments | 68.7 | 86.0% | 205.8 |
| Centro DPF International (DPFI) | 2.5 | 3.1% | 2.4 |
| Centro Retail Australia Class Action True-Up Securities (CATS) | 3.6 | 4.5% | 0 |
| Total Unlisted Investments | 6.1 | 7.6% | 2.4 |
| Cash & Other Assets | 5.1 | 6.4% | 5.3 |
| TOTAL ASSETS | 79.9 | 100% | 213.5 |
| Redemption requests processed over the quarter | 155.4 | | 1,017.9 |

FUND PERFORMANCE

Following the significant fall in the unit price in the December 2011 quarter, the unit price increased by 13.1% over the March 2012 quarter. The two main reasons for the positive performance of the DPF over the quarter are:

- The majority of the DPF's assets are invested in CRF. Over the quarter the price of CRF securities on the ASX increased from \$1.71 at 31 December 2011 to \$1.85 at 31 March 2012. DPF sold a significant quantity of CRF securities over the quarter at an average price of just over \$1.88 per security;
- Over the quarter, DPF sold 62 million CATS at a price of 10.125 cents each. The remaining CATS still held by the DPF have been valued at the same price. No value was recognised for CATS in the December 2011 quarter as there was no tangible evidence of their value at that time.

The unit price and performance of the Fund is expected to be volatile going forward because it will almost entirely be driven by the price of the CRF securities on the ASX, and, to a lesser extent, the value of the CATS.

| Period Ended | Dist. ¹ | Returns (1 Year Rolling) | | | Unit Price ² | Tax Adv. |
|-------------------|--------------------|--------------------------|---------------|---------------|-------------------------|------------|
| | | 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% | \$0.8247 | N/A |
| 31 Dec Qtr | 0.00 | 5.1% | -31.1% | -26.0% | \$0.5585 | N/A |
| 31 Mar Qtr | 0.00 | 5.0% | -22.5% | -17.5% | \$0.6318 | 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

TAXATION CONSIDERATIONS

There are a number of factors which will impact on the DPF's tax position this financial year as a result of the Centro group restructure implemented in December 2011 and the sale of various assets held by DPF in the context of the restructure. This includes taxable income that accrued to DPF, and therefore its unitholders, from the underlying investments prior to the restructure that was reflected in a higher unit value for DPF unitholders. There are also capital gains tax (losses or gains) impacts for unitholders.

The taxable income of DPF will be calculated following the conclusion of the 2012 financial year and tax statements will be provided in late August 2012 to all unitholders who have held units during the year. The tax statements will provide information to unitholders to determine the amount of tax they will be required to pay in relation to their holdings in the DPF as well as additional information to allow the calculation of any capital gain or loss from exiting DPF by either receiving cash or an in-specie distribution of CRF securities and CATS.

FUND AT A GLANCE

(all figures as at March 2012)



| | |
|---------------------------------------|---|
| Fund Size | \$79.9 million |
| Unit price | \$0.6318 |
| Total Annual Return to March | -22.5% |
| Management Expense Ratio (MER) | 0.59% |
| Benchmark | Mercer / IPD Australian Pooled Property Funds Index |
| APIR Code | MCS0011AU |
| Distribution Payments | No income distribution payments are expected prior to August 2012 |

IN-SPECIE REDEMPTIONS

To date a number of in-specie redemptions have been processed. The number of CRF securities and CATS allocated for each DPF unit redeemed are set out in the table below.

| Date | CRF Securities per DPF unit | CATS per DPF unit |
|------------------|------------------------------------|--------------------------|
| 14 December 2011 | 0.3247434 | 0.2666727 |
| 13 January 2012 | 0.3273056 | 0.2666727 |
| 31 January 2012 | 0.3270823 | 0.2666727 |
| 15 February 2012 | 0.3275472 | 0.2666727 |
| 29 February 2012 | 0.3266606 | 0.2666727 |
| 15 March 2012 | 0.3270022 | 0.2666727 |
| 30 March 2012 | 0.3267739 | 0.2666727 |

These conversion ratios may vary slightly for future cut-off dates.

IN-SPECIE PROCESSING CUT-OFF DATES

| |
|------------------|
| 13 January 2012 |
| 31 January 2012 |
| 15 February 2012 |
| 29 February 2012 |
| 15 March 2012 |
| 30 March 2012 |
| 13 April 2012 |
| 30 April 2012 |
| 15 May 2012 |
| 31 May 2012 |
| 15 June 2012 |
| 29 June 2012 |

UNITHOLDER TRANSFERS

Although the DPF is now open to redemption requests, investors can still 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 Investor Services. Standard forms are available online at www.dpfinvestor.com.au.

WEBSITE

The Fund has its own website (www.dpfinvestor.com.au) 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 RE 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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Past performance is not a reliable indicator of future performance.