

**Charter Hall
Direct Property**



Charter Hall Umbrella Fund
Quarterly Report
For period ending 31 March 2012

Fund size
\$147
million

Occupancy
97%

5.2%
income return and
100%
tax-deferred for
12 months

WALE
7.8
years

As an investor in the Charter Hall Umbrella Fund (CHUF or Fund), we welcome you to the Fund's March quarter update.

CHUF highlights as at 31 March 2012

The Fund provides exposure to more than 55 office, industrial and retail properties spread across Australia and New Zealand.

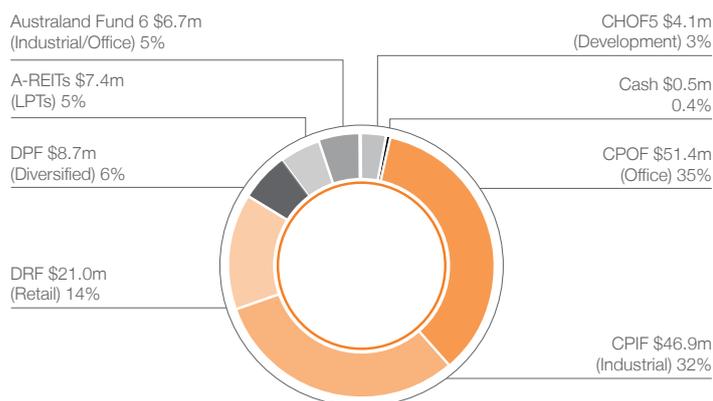
- ◆ Occupancy was 97%, with a weighted average lease expiry (WALE) of 7.8 years and 3.5% average annual rental increases across the portfolio.
- ◆ Distributions represent 0.90 cents per unit this quarter. Distributions are forecast to be 100% tax deferred for FY12.
- ◆ The unit price as at 31 March was \$0.6610 and the net asset value (NAV) per unit was \$0.6153 (ex distribution).
- ◆ Current look-through gearing¹ of 32% is consistent with Charter Hall's conservative gearing policy.

Performance

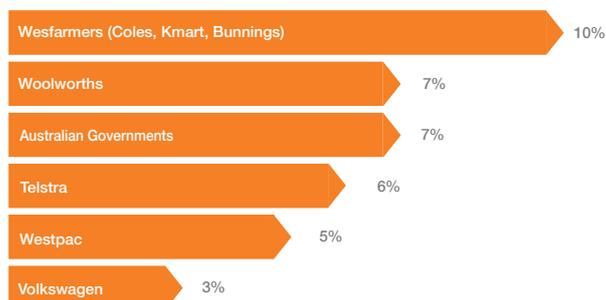
| PERFORMANCE (NET OF FEES) | 3 MONTHS % | 12 MONTHS % | 24 MONTHS % P.A. | INCEPTION ² % P.A. |
|---------------------------|------------|-------------|------------------|-------------------------------|
| Income return | 1.4 | 5.2 | 5.3 | 5.4 |
| Capital return | - | -2.5 | -2.0 | -8.9 |
| Fund total return | 1.4 | 2.7 | 3.3 | -3.5 |

1. Refers to the average gearing of the unlisted funds that CHUF invests in, weighted by the percentage of each investment to CHUF's total assets.
2. Inception was 10 December 2007, performance based on unit price.

Asset diversification



Top tenants (by gross income)



Economic and real estate market

Global economic conditions improved over the first quarter, as Europe took decisive action to constrain the debt crisis and positive signs in the US saw the S&P 500 rally 12% – making it the strongest first quarter since 1998. Domestically, the two-speed nature of the economy remains an issue and a depressed retail market as well as cost cutting (and therefore job cutting) initiatives across the financial and manufacturing sectors continue to drag on business and consumer sentiment.

Preliminary office space net absorption figures for the quarter show Perth remains a standout with 7,000sqm of take-up, followed by Melbourne (4,500sqm), Canberra (3,700sqm) and Brisbane (3,500sqm). Sydney remained flat, while Adelaide was the only market to post negative net absorption thus far in 2012, where occupied stock fell by around 7,000sqm.

Rental growth was once again most prevalent in the resource-driven CBD's of Perth and Brisbane, where effective office rents increased by 3.3% and 2.8% respectively. Charter Hall's analysis of job advertisements for professionals shows Western Australia and Queensland are significantly higher than other states, and we expect the outperformance of these markets to continue.

The industrial sector saw moderate overall demand from tenants, where take-up remains below historic levels, and supply is typically restrained by a lack of pre-commitments and available finance. While the market is broadly subdued, the two-speed economy is also in full effect for the industrial sector, with resource-fuelled Perth and Brisbane seeing significantly stronger levels of demand than Sydney and Melbourne. This situation is likely to continue as adverts for technicians, tradespeople, machinery operators and drivers in Queensland are now the highest in the country and Western Australia is seeking to fill just 5.6% fewer industrial jobs than Victoria.

The retail sector remains subdued with the total growth in retail trade of 2.4% over the year to February 2012. The non-discretionary food sector performed significantly better with total growth of 3.9%, while turnover of clothing and department stores continued to fall, posting -2.7% and -2.6% respectively.

Prime equivalent yield ranges were unchanged in most CBD office markets between 6.50% and 7.75%, but Australia's relatively strong economic position and spreads to bond returns continue to make prime property very attractive to overseas investors. This is particularly true for the industrial market where strong income yields and tenant covenants are placing upward pressure on values. Prime retail yields also remained stable; however the lacklustre performance of the sector led to a softening of yields on higher-risk secondary assets.

Source: Jones Lang LaSalle Research, Preliminary Market Overview Q1 2012 and Charter Hall Group.

Outlook

The underlying funds CHUF invests in are focused on growing earnings and capital value, which may translate into improved total returns for CHUF over the medium term.



CHUF limited liquidity

Charter Hall is pleased to announce that CHUF will provide investors with limited redemptions through a Withdrawal Offer opening Monday, 7 May 2012.

Before making a decision about whether to request a withdrawal for all or part of your investment, you should consider whether you need to speak with a financial planner or other professional adviser.

Withdrawal offer availability and participation

The Withdrawal Offer is open to all Unitholders in the Fund. Unitholders who wish to remain invested in CHUF do not need to take any action. Participating in the current Withdrawal Offer does not impact a Unitholders ability to participate in future Withdrawal Offers made by CHUF. Management reserves the right to cancel, suspend or withdraw the liquidity offer at any time.

Unitholders with a margin lender or a NAB investment loan/instalment receipt are advised to liaise with their margin lender/NAB before applying for the Withdrawal Offer.

Closing date

The closing date of the Withdrawal Offer is Monday, 28 May 2012 at 5.00pm (Australian standard time). Requests received after the closing date will not be accepted. New requests will need to be submitted as part of all future Withdrawal Offers.

Amount available to meet withdrawal requests

An amount of \$5 million will be made available for the Withdrawal Offer.

Key features

- ◆ Unitholders may make one withdrawal request. If more than one withdrawal request is received, the final withdrawal request will be the one processed by the Manager.
- ◆ Should a request for redemption not be fully processed in the current Withdrawal Offer, due to oversubscription, you will need to provide a new request to be considered in any future Withdrawal Offers.
- ◆ Small unitholdings may be redeemed in full. Charter Hall anticipates that unitholders with a total investment in the Fund of \$5,000 or less who make a full or partial withdrawal request will have their full redemption request satisfied. If after a redemption request is calculated a Unitholder would be left with less than \$5,000 invested in the Fund, they will have their full holding redeemed. The ultimate threshold amount may be more or less than \$5,000 and will be determined once Charter Hall receives all redemption requests for the current offer.
- ◆ If the amount you have requested exceeds your unit holding balance, your unit holding balance will be used to determine the amount to be redeemed.

- ◆ If withdrawal requests exceed the amount set aside for the Withdrawal Offer, all Unitholders who have submitted a request for the Withdrawal Offer will receive a pro-rata amount, naturally capped at 100%. Unitholders withdrawal requests are pooled and treated equally.

Redemption price

The exit price will be equal to the Fund's net asset value (NAV) per unit **on the Withdrawal Offer closing date** (Monday, 28 May 2012) less a 3% sell spread. The sell spread covers the costs to the Fund of withdrawals, and is retained by the Fund and not paid to the Manager.

For illustrative purposes, the Fund's NAV was \$0.6153 at 31 March 2012, equating to an exit price of \$0.5968 at that date.

Payment timing

The payment of the withdrawal proceeds will be made within 20 business days from the Withdrawal Offer close date, being at or around Monday 11 June 2012.

Withdrawal offer form

Unitholders can download the Withdrawal Offer Form by visiting the Fund's website www.charterhall.com.au/chuf or call 1800 331 356 to request a form be sent to you.

For your current investment holding, please refer to the balance on your March 2012 quarterly statement.

Frequently asked questions

Some investors may have questions regarding the Fund's Withdrawal Offer. As such, the Manager has developed frequently asked questions and answers to help explain the key issues.

Visit www.charterhall.com.au/chuf for further information or contact us on:

| | |
|--------------|--|
| Phone | Email |
| 1800 331 356 | directproperty@charterhall.com.au |

Future withdrawal offers

Liquidity will initially be via limited six-monthly withdrawal offers. It is currently intended that a \$5 million withdrawal offer will be paid in June 2012, followed by further withdrawal offers every six months thereafter.

More significant liquidity for investors is intended to be provided around the review dates of CHUF's major investments, providing the opportunity for further liquidity. These investments include the Core Plus Office Fund and Core Plus Industrial Fund where liquidity review dates are set down for 2013 and 2014 respectively.



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Charter Hall Group

Charter Hall Group is one of Australia's leading fully integrated property groups, with over 20 years of experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$10 billion of funds under management invested across the office, retail, industrial and residential sectors.

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