

8 May 2012

Dear DPF Unitholder,

**Proposed wind up of Centro Direct Property Fund ARSN 099 728 971**

**Notice under Section 601NC of the Corporations Act 2001 CTH**

This letter is being sent to you to inform you of the proposed wind up and termination of the Centro Direct Property Fund (DPF). **This letter is important. Please read it carefully as it informs you about matters that have implications for all DPF Unitholders.** A copy of this letter has also been given to the Australian Securities and Investments Commission.

As detailed in our communications and *Investor Updates* over recent months, there have been significant redemptions from DPF following the implementation of the Centro group restructure in December 2011. Over 93% of DPF units have been redeemed since mid December 2011. As a consequence, the net assets of DPF have declined from \$1.32 billion in November 2011 to \$71.3 million as at 4 May, 2012.

As you would be aware, prior to the restructure, the redemption of DPF units had been suspended since December 2007. The actions taken to achieve the liquidity required to lift that suspension meant that DPF's investment mix changed from a diversified exposure to a range of Centro managed unlisted direct property funds to the current position where most of DPF property exposure is now through one listed stapled group – Centro Retail Australia (ASX code: CRF).

In late October 2011, all Unitholders were sent a Unit Redemption Brochure, which informed Unitholders that a future strategy for DPF would be determined once the outcome of redemption requests was known. As stated in the Brochure, it was anticipated that steps may be taken to wind up DPF if the number of redemption requests was significant and, accordingly, DPF was reduced in size to an extent that we considered it no longer viable and not able to continue to achieve its original purpose.

This letter now notifies all DPF Unitholders that based on the current position of the DPF, we intend to wind up the Fund, as we consider that the objectives of the DPF, whilst having previously been met, can no longer be accomplished.

**It is important that all DPF Unitholders note that:**

1. DPF Unitholders have the right to take action under Division 1 of Part 2G.4 of the Corporations Act 2001 for the calling of a meeting to consider the proposed winding up of DPF. Please see "*Can unitholders call a meeting about the proposed winding up?*" below for details on how unitholders can call for a meeting.
2. We are permitted to wind up the Fund, unless a meeting of DPF Unitholders is called to consider the proposed winding up within 28 days of this notice being given. This means that unless such a meeting is called by 6 June 2012 we intend to proceed to wind up DPF.
3. As a result of our proposal to wind up the DPF, all redemptions of DPF units are suspended with effect from close of business on the date of this letter.

**DPF Unitholders do not have to take any action relating to the proposed winding up of DPF. However, if by 6 June 2012 a meeting has not been called to consider the proposed winding up, DPF Responsible Entity (RE) intends to commence winding up DPF.**

You should also note that if a meeting is called, any extraordinary resolutions in relation to the winding up would only be passed if 50% of all votes that may be cast by DPF Unitholders entitled to vote on the resolution are cast in favour, not just a majority of the votes that are actually cast by those present in person or proxy at such a meeting.

#### **Can I continue to request redemption of my units?**

No, all redemptions of DPF units are suspended with effect from 5:00 pm AEST, 8 May 2012. This will allow DPF RE to manage the assets of DPF in an orderly way.

If DPF is terminated then redemptions will no longer be processed. If the wind up does not go ahead and DPF is not terminated, we will assess the circumstances at the relevant time as to whether and when the suspension on redemptions should be lifted.

#### **Why is it proposed to wind up the DPF?**

DPF was formed in 2002 to provide Unitholders with exposure to a diversified portfolio of direct retail property investments. This was principally gained through investments into Centro unlisted syndicates and other funds. Following the suspension of redemptions from (and investments in) DPF in December 2007, a key focus of DPF RE was to provide a liquidity solution for Unitholders. This was achieved in December 2011 following the restructure of the Centro group and the formation of a newly listed stapled group – CRF. As a consequence, most of DPF's unlisted illiquid investments were converted into listed stapled securities in CRF.

Unitholders were informed in late October 2011 that, contingent on the completion of the Centro group restructure, DPF was likely to become liquid and Unitholders would be able to request redemption of their investment either in cash or on an in-specie basis (where they would receive securities in CRF as well as a share of Class Action True-up Securities (CATS)). The restructure was successfully completed and since that time DPF has been a liquid fund and Unitholders have continued to lodge redemption requests. As at the date of this letter, significant redemptions have been processed. Over 93% of units that were in issue when the redemptions suspension was lifted have now been redeemed.

DPF now has over 90% of its remaining assets exposed to one listed group – CRF. This means that DPF is in effect a conduit to owning the CRF stapled securities directly and the size of DPF does not allow for any meaningful ongoing diversification of the direct property exposure for which it was formed.

The recent redemptions have meant that DPF's net assets have reduced from \$1.32 billion at November 2011 to \$71.3 million as at 4 May 2012. This would be expected to reduce further as further redemption requests are processed.

DPF incurs certain fixed costs in its day to day operation – these include audit, compliance and registry fees in addition to the management fee paid to DPF's RE (which is based on the gross asset value of DPF). These costs have increased from 0.61% of the net asset value in November 2011 to over 0.90% (on an annualised basis) as at 4 May 2012. This already significantly affects returns to Unitholders. As DPF reduces in size, these costs will represent an ever larger proportion (often referred to as Management Expense Ratio or MER) of the total remaining assets.

As DPF's RE, we have now determined to wind up the Fund since we consider that the original objectives of DPF to provide Unitholders with attractive returns from a diversified exposure to real property (primarily

through Centro managed funds) can no longer be accomplished given the restructure of the original Centro group and the reduction in size of DPF. We also consider that in these circumstances it is in the best interests of DPF's Unitholders to wind up DPF and pay the net proceeds to Unitholders.

**What does a wind up mean for existing DPF Unitholders?**

As a consequence of the proposed winding up, redemption of units is now suspended. Any redemption requests received by us or through our registry, Link Market Services, as at 5:00 pm AEST today will however be processed, and are expected to be paid within the next 10 days. If no meeting of DPF Unitholders is called by 6 June 2012 to consider the proposed winding up, the RE intends to commence the steps to wind up DPF as soon as reasonably practicable thereafter. This will involve realising all of the DPF assets and distributing the net proceeds (after meeting all liabilities and expenses) to the Unitholders on the register when the distribution is made.

The table below sets out an indicative timetable for the winding up and the payment of final distributions assuming that no meeting is called or other relevant considerations arise.

<b>Item</b>	<b>Date</b>
Despatch of notice of wind up to Unitholders	8 May 2012
Last day for Unitholders to call a meeting	6 June 2012
Fund terminates	7 June 2012
Payment of final distribution to Unitholders	Around 26 June 2012
Wind up completed	29 June 2012

If a Unitholders' meeting is called, the required steps as well as the timetable may vary and will depend, for instance, on the nature of any extraordinary resolution members propose about the winding up and whether it is passed.

We may also consider payment of an interim distribution to Unitholders if there is a delay in the final realisation of any of the assets of the DPF and it is reasonably practicable to make such a distribution.

The Australian income tax consequences for Unitholders in DPF will be set out in the annual tax statement for the year ending 30 June 2012, which you should receive in late August 2012. This will allow you to calculate the income tax implications of holding your DPF units and calculate any capital gains or losses (where appropriate) from the winding up of the DPF.

**What proceeds will be distributed on the winding up?**

Unitholders will receive their proportionate share (based on the number of units that they hold) of the realised value of DPF's assets after deducting all relevant liabilities and expenses.

The main determinant of the realised value of DPF's assets will be the value that is realised for DPF's CRF securities and CATS. These values can go down or up and prices can be volatile. This means that the value and realisable amount may fluctuate on a day to day or even an intra-day basis and the amount that we receive for these assets may not be the same as their value today. You should note that the CATS are not listed, and there is no certainty that we will be able to dispose of the CATS at the value currently recorded and included from time to time in DPF's unit price.

## Can Unitholders call a meeting about the proposed winding up?

There are a number of ways that Unitholders may call or initiate the calling of a meeting about the proposed winding up, including the following.

1. Unitholders with at least 5% of the votes that may be cast on any extraordinary resolution proposed by a Unitholder, or at least 100 Unitholders who are entitled to vote on such a resolution, may request DPF RE to call a meeting to consider the proposed winding up of the DPF and to vote on any proposed extraordinary resolution about the winding up, for instance a resolution to continue DPF. In this case the expenses of the meeting are met out of the DPF assets. In order to be a valid request that DPF call a meeting, the request must:

(a) be in writing, sent to:

The Company Secretary,  
Level 3, Centro The Glen,  
235 Springvale Road,  
Glen Waverley, Victoria 3150;

- (b) state any extraordinary resolution to be proposed at the meeting;  
(c) be signed by the unitholders proposing the resolution; and  
(d) be received by us as the DPF RE no later than 6 June 2012.

We must call the meeting within 21 days after the request is given. The meeting is to be held not later than two months after the request is given.

We will be responsible for preparing the notice of meeting which will set out the proposed resolution(s). The Unitholders requesting the meeting may also request that we distribute a statement by them together with the notice of meeting. However, we are not required to do so if the statement is more than 1000 words long or if it is defamatory.

2. Alternatively, Unitholders with at least 5% of the votes that may be cast on any extraordinary resolution proposed by a Unitholder may call and arrange to hold a meeting of DPF Unitholders themselves. The meeting must be called within 28 days of the date that this notice is given – that is by 6 June 2012.

If Unitholders call the meeting, then those Unitholders must pay the expenses of calling and holding the meeting and attend to the administrative matters (including distributing the notice of meeting and associated documents, and making venue arrangements).

The meeting must be called in the same way – so far as possible – in which meetings of DPF may be called by DPF RE. This includes giving at least 21 days notice of the meeting.

3. On the application of a Unitholder who would be entitled to vote, a Court may order that a meeting be called to consider and vote on a proposed special or extraordinary resolution if it is impractical to call the meeting in any other way.

All resolutions to be put to any meeting about the winding up will be “extraordinary resolutions”. For an extraordinary resolution to pass, it must be passed by at least 50% of all votes that may be cast by DPF Unitholders entitled to vote on the resolution, including those who are not present in person or by proxy.

## What happens if a meeting is not called by 6 June 2012?

If no meeting is properly called by 6 June 2012, we intend to terminate DPF. Once DPF has been terminated we will commence the steps to wind up DPF shortly thereafter.

In accordance with the DPF Constitution, winding up DPF will involve us realising the assets of DPF and distributing the net proceeds (after meeting all liabilities and expenses) to the DPF Unitholders.

## Further information

If you have any questions relating to your unitholding in DPF or in relation to the proposed winding up, please call Investor Services.

The information in this letter has been prepared by Centro MCS Manager Limited for general information purposes only, without taking into account any potential DPF Unitholder's personal objectives, financial situation or needs. Please consider the effect of the proposed winding up of DPF having regard to your own objectives, financial situation and needs. All Unitholders should obtain financial, legal and taxation advice before making any decision about their investment.

Yours faithfully



**W. Peter Day**  
Chairman

### Investor Services

	Toll Free (within Australia):	1800 802 400
	Toll Free (from New Zealand):	0800 449 605
	Telephone:	+61 3 8847 1802
	Email:	<a href="mailto:investor@centro.com.au">investor@centro.com.au</a>
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