

**Charter Hall
Direct Property**



Charter Hall Umbrella Fund
Quarterly Report
For period ending 30 September 2012



Fund size
\$139
million

Occupancy
99%

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

WALE
7.6
years

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

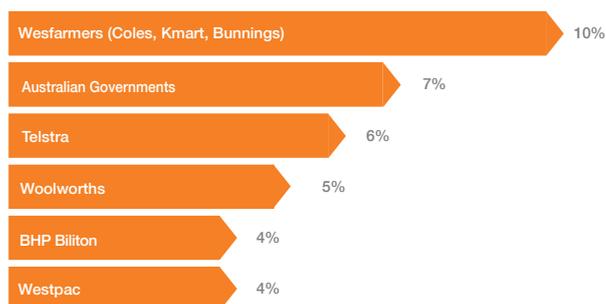
CHUF highlights as at 30 September 2012

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

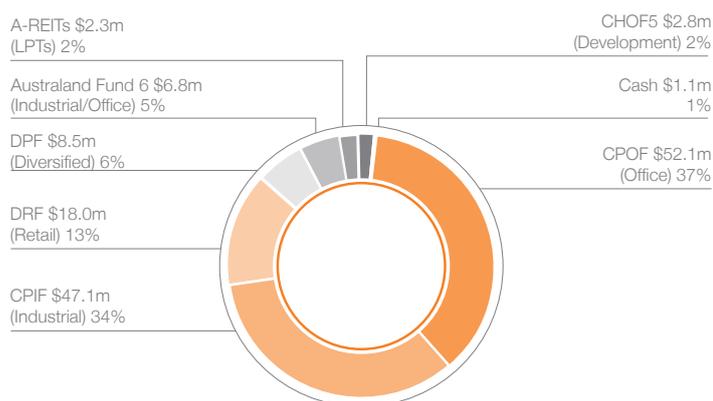
- ◆ Occupancy was 99%, with a weighted average lease expiry (WALE) of 7.6 years and 3.6% average annual rental increases across the portfolio.
- ◆ Distributions represent 0.90 cents per unit this quarter. Distributions are forecast to be 100% tax deferred for the financial year 2012 and 2013.
- ◆ The unit price as at 30 September was \$0.6416 and the net asset value (NAV) per unit was \$0.6028 (ex distribution).
- ◆ Current look-through gearing¹ of 37.3% is consistent with Charter Hall's conservative gearing policy.
- ◆ CHUF provided an income return of 5.2% over the year, which was 100% tax deferred.

PERFORMANCE (NET OF FEES)	3 MONTHS %	12 MONTHS %	24 MONTHS % P.A.	INCEPTION ² % P.A.
Income return	1.4	5.2	5.4	5.3
Capital return	0.8	-2.7	-2.3	-8.3
Fund total return	2.2	2.5	3.1	-3.0

Top tenants (by gross income)



Asset diversification



Economic and real estate market

The global economy remains fragile, with the International Monetary Fund (IMF) expecting world gross domestic product (GDP) in 2012 to be the lowest since the global financial crisis (GFC). The IMF warned of slower growth unless the US and Europe address current economic concerns.

Against this uncertain global backdrop, the Australian economy has performed well overall. Year on year GDP growth for financial year 2012 was 3.4%, the strongest since the GFC. Performances differ between states and industries, with Western Australia the strongest performer.

The uncertain global environment and two speed economy has resulted in cautious businesses and subdued tenant demand. In the September quarter, Perth (4.0%) was the only CBD to record a vacancy level below 8.0%. Absorption in the quarter totalled negative 36,796sqm for the major capitals, with Brisbane the only market to show absorption over 10,000sqm.

For industrial markets this has perpetuated a low demand, low supply scenario. National take up of industrial space continues to run below average, while supply remains constrained. The real value of industrial development approvals are now 19% below the 10 year average and 43% below the 2007/8 peak.

Retail turnover remains subdued with year on year growth at 3.1%. Non-discretionary markets continue to outperform. Recent RBA action saw a start of a recovery for discretionary expenditure as clothing and department store sales rose 2.9% from July to August. Discretionary store rental growth was soft and yield compression was not evident.

Prime equivalent office yield ranges (6.50% and 7.75%) were stable during the quarter, with secondary grade (circa 7.75% and 9.0%) experiencing a slight softening as purchasers prioritise income security. While risk aversion remains, with property spreads to bonds near record highs, fixed cash investments providing minimal returns, and debt typically accretive with interest rates now just 3.25%, future drivers of capital growth for quality commercial property are moving forward despite moderate tenant demand.

Source: Jones Lang LaSalle Research, Preliminary Market Overview Q3 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.

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.



CHUF limited liquidity

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

The Withdrawal Offer is open to all CHUF investors. Investors who wish to remain invested in CHUF do not need to take any action. Participating in the current Withdrawal Offer does not impact an investor's ability to participate in future CHUF Withdrawal Offers. Management reserves the right to cancel, suspend or withdraw the liquidity offer at any time.

Investors 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 Wednesday, 28 November 2012 at 5.00pm (Australian eastern 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.

Key features

- ◆ An amount of \$2.5 million will be made available
- ◆ Investors may make one withdrawal request. If more than one withdrawal request is received, the final withdrawal request will be the one processed by Charter Hall.
- ◆ 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.
- ◆ If the amount you have requested exceeds your unitholding balance, your unitholding balance will be used to determine the amount to be redeemed.
- ◆ If requests exceed the amount set aside for the Withdrawal Offer, all investors who have submitted a request for the Withdrawal Offer will receive a pro-rata amount, naturally capped at 100%.
- ◆ In the event of scale back, to reduce administrative expenses, a portion of the liquidity amount may be used to fully redeem small unit holdings.

Redemption price

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

Payment timing

The payment of the withdrawal proceeds will be made at or around Wednesday, 12 December 2012.

Withdrawal offer form

Unitholders can download the Withdrawal Offer Form by visiting the Fund's website www.charterhall.com.au/chuf or call 1300 137 895 to request a form be sent to you.

For your current investment holding, please refer to the balance on your September 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
1300 137 895

Email
directproperty@charterhall.com.au

Future withdrawal offers

Throughout the term of CHUF, Charter Hall intends to provide liquidity to investors through withdrawal offers. Withdrawal offers are approved on a semi-annual basis when the Fund retains liquidity available to fund such Withdrawal Offers. The amount available under each withdrawal offer will be notified to investors at the time an offer is made by the Fund's quarterly update and publishing on the Fund's website.

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 scheduled 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' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has circa \$9 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

Change to Registry

Registry services were transitioned from the previous registry provider to Computershare Fund Services in late August 2012. Improvements to investors will include enhanced semi-annual distribution statements and the ability to register for Investor Online.

Contact Us

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Registry

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Phone

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Investor Online

Charter Hall's Investor Online is a web-based portal providing secure and convenient 24-hour access to your investment. Investors can now view and update their account balance, investment details and statements and receive email notification of distributions.

How to login

To login you need a username and password. To receive these details again contact the Registry on 1300 137 895. Then simply go online to www.computershare.com/charterhallinvestor and navigate the website to access your holding.

Go paperless

Receive your investment communications electronically instead of by post and you will:

Receive
investment
information
fast

Reduce
impact
on the
environment

Securely
store
important
documents

24-hour
access
to your
holding

Elect to receive electronic correspondence by selecting the 'Account Details' tab, then 'Change Details' and update your email address. Then select 'Yes' to 'Use Email as preferred delivery method' and submit and confirm your changes.

Important Information

This quarterly report has been prepared by Charter Hall Funds Management Limited ABN 31 082 991 786; AFSL 262861 (CHFML) for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. Before investing, you should consider your own objectives, financial situation and needs and you should consider obtaining financial, legal and/or taxation advice. Units in Charter Hall Umbrella Fund ARSN 127 457 738 (CHUF) are issued by CHFML. To obtain a copy of the product disclosure statement (PDS) for CHUF call CHFML on 1300 652 790 (local call cost). CHFML does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating CHUF. Entities within the Charter Hall Group may receive fees for managing the assets of, and providing resources to CHUF. Past performance is not a reliable indicator of future performance. Neither this document nor any of its contents may be used for any purposes without the prior consent of CHFML. All figures stated herein are as at 30 September 2012 and in Australian dollars unless otherwise stated. © Charter Hall Group.