

Charter Hall Direct Property



Charter Hall Umbrella Fund

Quarterly Report

For period ending 31 March 2013

DIF2 OPEN FOR INVESTMENT

8 %P.A.
TARGET INCOME
BASED ON \$1.00
UNIT PRICE

Call Charter Hall on 1300 652 790
to find out how you can invest.

Fund size

\$135
million

Occupancy

97%

5.2%

net income return and

100%

tax-deferred for
12 months

WALE

6.6
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 2013

- ◆ A significant liquidity event is announced to investors following some investments being redeemed and capital being available. The Withdrawal Offer of \$17 million opens on 21 May 2013, see page opposite for further details.
- ◆ Exposure to more than 55 office, industrial and retail properties spread across Australia.
- ◆ Occupancy was 97%, with a weighted average lease expiry (WALE) of 6.6 years and 3.7% average annual rental increases.
- ◆ Distributions represent 0.90 cents per unit this quarter. Distributions are forecast to be 100% tax deferred for FY2013.
- ◆ The unit price as at 31 March was \$0.6338 and the net asset value (NAV) per unit was \$0.5997 (ex distribution).
- ◆ Current look-through gearing¹ of 36.4% 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	1.5	5.2	5.4	5.3
Capital return	0.2	-5.4	-3.9	-8.2
Fund total return	1.7	-0.2	1.5	-2.9

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.

Economic and real estate market

The ASX 200 rose by 7.4% in the quarter, as investors appear to take in their stride recurring global issues such as the European debt crisis, Cyprus bailout and possible Korean conflict. With the Australian economy in a transition phase and mining sector capital expenditure peaking, the March NAB Business Conditions index was at its lowest level in four years. Economic growth is forecast to be a softer 2.6% in 2013 according to Bloomberg consensus. This suggests businesses are focused on efficiency as opposed to growth, driving unemployment to 5.6% - its highest point since 2009.

Business caution led office market absorption in the March quarter to be broadly negative and vacancy levels trended upward in most markets. Brisbane was the hardest hit, with negative net absorption of -57,082sqm sending vacancy up significantly to 12.9%. Other capitals were also soft. Sydney saw a rise in sub lease space lead to negative absorption of -34,457sqm and pushed vacancy to 9.5%. The return of some project space in Perth lead to negative absorption of -14,152sqm but vacancy at 6.5% remains relatively low. Melbourne showed negative absorption of -4,490sqm and vacancy rose to 8.6% as new supply also came to market.

The prime industrial property market has been a fairly strong performer. Total leasing activity over 2012 was on par with the 10 year average and solid occupier demand has been evident at the start of 2013.

Nationally levels of real industrial development approvals remain near historic lows. The sector is showing the best demand and supply fundamentals of the commercial property asset classes at present.

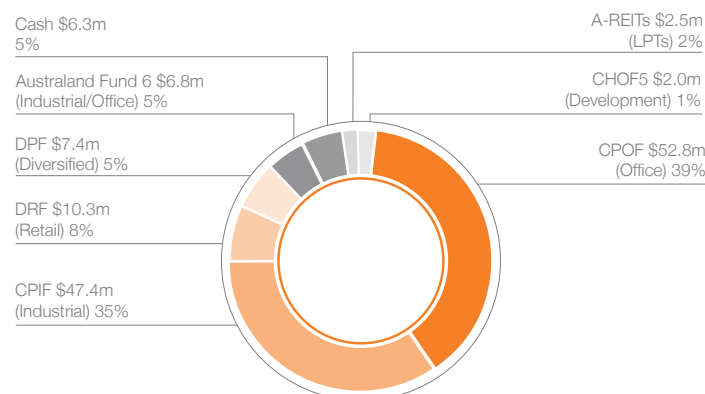
Retail sales saw an uplift over the start of 2013, with results to February 2013 showing annual growth of 3.4%. All categories were positive, although supermarket growth (4.4%) again outpaced discretionary clothing (3.1%) and department stores (1.5%). Reduced interest rates have bolstered consumer confidence, with the Westpac index rising to 110.5 in March 2013 from a neutral 100.0 in December 2012.

Yield compression for prime assets was evident as institutional investors looked through current tenancy challenges and capitalised on the presently low cost of both equity and debt to acquire properties providing attractive returns over fixed interest investments. The gap between prime and secondary assets is still wider than the long term average and highlights investors aversion to higher risk assets.

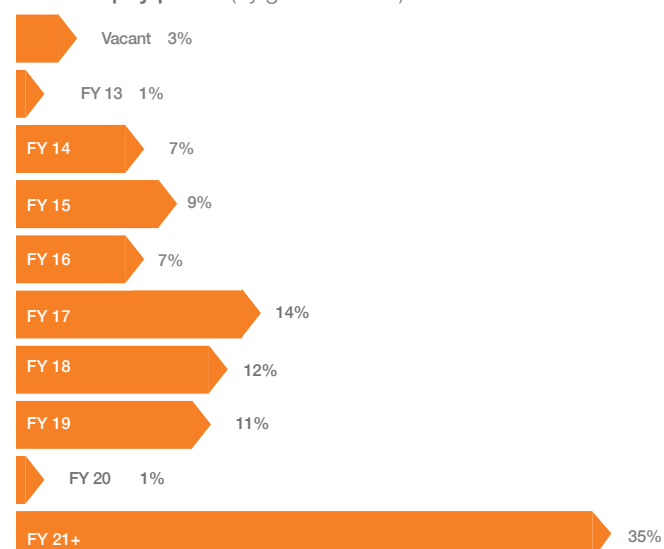
Source: Jones Lang LaSalle Research, Preliminary Market Overview Q1 2013 and Charter Hall Group.

Property statistics

Asset diversification

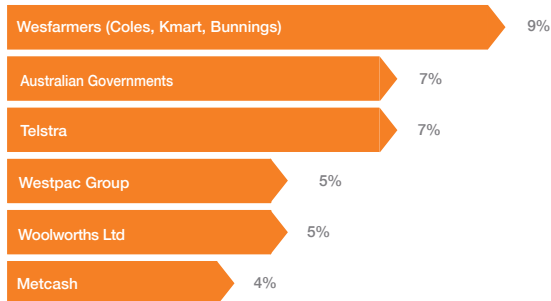


Lease expiry profile (by gross income)





Top tenants (by gross income)



CHUF limited liquidity

Charter Hall is pleased to announce that CHUF will provide investors with limited redemptions through a Withdrawal Offer opening Tuesday 21 May 2013.

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 Withdrawal Offer at any time.

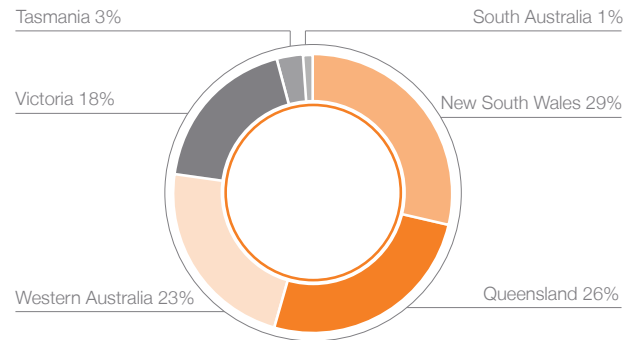
Closing date

The closing date of the Withdrawal Offer is Tuesday 11 June 2013 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 \$17 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.

Geographic diversification



Redemption price

The exit price will be equal to the Fund's NAV per unit on the Withdrawal Offer closing date (Tuesday 11 June 2013) less a 3% sell spread. Based on the NAV per unit of \$0.6025 as at 29 April 2013, the redemption price after a 3% exit spread would be equal to \$0.5844. This is an illustration only and the actual redemption price will be published on the website when available. 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 on or around Friday 21 June 2013.

Withdrawal Offer form

Download the Withdrawal Offer form at 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 March 2013 quarterly statement.

Frequently asked questions

The Manager has developed frequently asked questions and answers to help explain the key issues of the Withdrawal Offer. 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

Withdrawal Offers are approved on a semi-annual basis when CHUF retains liquidity available to fund such Withdrawal Offers. Investors will be notified of the amount available at the time an offer is made by the Fund's quarterly update and 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. This may result in Withdrawal Offers being provided to investors outside of the regular semi-annual time frame.



Charter Hall Group

Charter Hall Group is one of Australia's leading fully integrated property groups, with over 21 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has circa \$10 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

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THE FIGURES
SPEAK FOR
THEMSELVES

NEW INVESTMENT
OPPORTUNITY

8

%

PER
ANNUM*

Based on \$1.00
unit price. Target
income paid
quarterly



100%

Committed
occupancy to
Coles Group
and Australia
Post

200\$
M

Targeted total
property value

15
Year
Leases

High Quality
Tenants

DIRECT INDUSTRIAL FUND NO.2 (DIF2)

Following the highly successful DIF1, Charter Hall invites you to invest in DIF2.

- Did you know over the last decade, on average direct property funds outperformed cash by 3.8% p.a.**
- Suitable for Self Managed Super Funds (SMSF).
- Minimum individual investment (retail) \$10,000.
- Wholesale PDS available, with additional benefits. Minimum investment \$250,000.

To invest contact your financial adviser, or to obtain a PDS:

Phone: **1800 051 296**

Visit: **charterhall.com.au/dif2**

Please refer to the Charter Hall Direct Industrial Fund No.2 (DIF2) (ARSN 161 417 438) Product Disclosure Statement dated 17 December 2012 (PDS) for more details, including any inherent risks in the Fund. Units in DIF2 are issued by Charter Hall Direct Property Management Limited (CHDPML) (ABN 56 073 623 784, AFSL 226849). This information contains forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied. The offer of units is made in the PDS. Potential investors should consider the PDS when deciding whether to invest in the Fund. To obtain a copy of the PDS call CHDPML on 1800 051 296 (local call cost). * Potential investors wishing to acquire units need to complete the application form accompanying the PDS. Targeted 8% per annum is based on \$1.00 unit price (DIF2's units are priced daily) and refers to income return over the first two years (payable quarterly).

** Source: Mercer/IPD Unlisted Property Funds Index and UBS 90 Day Bank Bill Index.

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. Any forecast or other forward-looking statements contained in this report may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. 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 31 March 2013 and in Australian dollars unless otherwise stated. © Charter Hall Group.