

**Macquarie Direct Property Management Limited**

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25 August 2008



Dear Investor

**Macquarie Direct Property Fund – applications and withdrawals on hold**

We are writing to advise you as a unitholder of Macquarie Direct Property Fund (MDPF or the Fund) that applications and withdrawals from the Fund have been put on hold. This decision has been taken by the board due to uncertainty surrounding global real estate market conditions and we note a large number of such funds have also suspended withdrawals. We therefore believe it prudent to now place the applications and withdrawals from MDPF on hold in accordance with the terms described in the Product Disclosure Statement dated 7 February 2007 (PDS).

This decision will allow Fund management to best manage capital, maintain quarterly distributions and importantly to protect the interests of all unitholders.

**Continued distributions**

Quarterly distributions will continue to be payable, including the September 2008 distribution, which will be paid within 30 days of quarter end. Distributions are predominantly derived from underlying property rentals generated by MDPF's direct portfolio of high quality properties. The fundamentals of MDPF's direct property portfolio remain strong with high quality assets, long lease expiries of 4.8 years and high occupancy levels of 95%. MDPF also holds investments in unlisted wholesale property funds.

**Key Fund information**

- The Manager will continue to actively manage the direct property portfolio to drive income for investors.
- In the June quarter MDPF re-valued all of the direct properties.
- The Fund maintains conservative gearing of 45% with no borrowing facilities due to expire before September 2010.

Past performance is not a reliable indication of future performance.

Macquarie Direct Property Management Limited (MDPML) is not an authorised deposit-taking institution for the purposes of the Banking Act (Cth) 1959, and MDPML's obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL provides a limited \$5 million guarantee to the Australian Securities and Investments Commission in respect of MDPML's Corporations Act obligations as a responsible entity of managed investment schemes. Neither MBL nor any Macquarie Group entity otherwise provides assurances in respect of the obligations of MDPML.

**Reasons for the putting withdrawals on hold**

Withdrawals have been placed on hold to allow Fund management to best manage capital, maintain quarterly distributions and importantly to protect the interests of all unitholders. Applications have also been placed on hold.

As described in the PDS, MDPF was established with a limited liquidity facility to withdraw your units. This facility incorporates a set of prudential guidelines which allows the Manager to restrict withdrawals in certain circumstances. These prudential guidelines were carefully considered in the initial design of MDPF.

As a consequence of this decision withdrawal requests received from unitholders after 1.07pm on Monday 25 August will not be accepted or processed.

**Future Withdrawals**

Although we appreciate this decision may cause some concern to investors, please be aware the board and the manager of MDPF have taken this decision to protect the long term interests of all investors during uncertain market conditions.

While we have not yet set a date for reopening the limited liquidity facility, we continue to actively manage the Fund in a manner consistent with investment objectives and will continue to ensure that all unitholders are treated equally.

We will regularly update our website to keep investors and their advisers informed. If you have any questions, please speak to your adviser, call us on 1300 652 790, visit our website [www.macquarie.com.au/mdpf](http://www.macquarie.com.au/mdpf), or email us at [macquariedirectproperty@macquarie.com](mailto:macquariedirectproperty@macquarie.com)

Yours faithfully



Richard Cutler  
Chief Executive Officer