

Your Monthly Distributions

As previously advised, your monthly distributions continue to be electronically deposited into your nominated bank account on or about the 21st of each month. Your distribution should be easily identified on your bank statement by the credit coding of "PFA Prop Trust".

Your distributions will continue at the rate of 9.48¢ per trust unit per annum up to and including your December distribution payment (to be paid 21 January 2004). *This policy is subject to review at all times and is dependent on material events not contemplated in forecasts not occurring.*

It is anticipated that PFA will continue to announce to the BSX its distribution policy for the Trust on a quarterly basis. A personal notification will be sent to you if there is any variation to your distribution rate.

Changing your bank details or moving

Don't forget to let us know

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details. Otherwise, the electronic credit distribution system rejects your funds transfer. Likewise, if you are changing your mailing address we need to be notified. Any changes need to be notified to us in writing.

Investor Services Personnel

Who to contact?

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Goodwin.

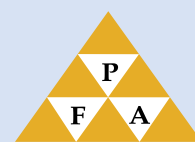
For Further Information Contact:

Property Funds Australia Limited
Level 3, 200 Adelaide Street
Brisbane Q 4000
PO Box 10398
Brisbane Adelaide Street Q 4000

Tel: (07) 3221-7170
Fax: (07) 3221-6729

Email: info@pfaltd.com.au
www.pfaltd.com.au

AFSL No: 224106



**PROPERTY FUNDS
AUSTRALIA LIMITED**

PFA Internal News

PFA Board Changes

In September, we announced the retirement of one of our executive directors, Mr Matthew Madsen. Matthew had been a director of PFA since August, 2001 and more recently was primarily responsible for finance and acquisition. He has retired from PFA to pursue personal business opportunities. We wish him well in these endeavours. Key executive appointments were made to perform both the finance and acquisition roles previously performed by Mr Madsen.

New Board Member Profiled

Following Mr Madsen's retirement as a director, we are pleased to announce the appointment of Mr Dennis Wildenburg as a director of PFA from 22 September 2003. Dennis brings to the Board over 20 years experience in the financial services and funds management industry. Dennis has been a director of MLC Funds Management Limited and was an associate director of Hill Samuel Australia (now Macquarie Bank Limited).



Above: New PFA director, Mr Dennis Wildenburg

Dennis is currently a compliance committee member of State Street Services Limited which is a significant responsible entity as well as for Growth Equities Corporation Limited. Dennis has been consulting to the financial services industry for over a decade and has significant national and international fund managers as clients.

Dennis' broad experience includes professional accounting, the development of superannuation and unit trust products and financial services marketing. ■

Welcome

Welcome to the 1st edition of your PFA Diversified Property Trust Investor Update. This update replaces those we previously produced for each of the PFA managed funds including Garden Square, Metropolitan Collection, Capital Collection, Trilogy Trust and Riverdale Trust.

We will now be reporting on the PFA Diversified Property Trust, its property portfolio and other matters relating to the Trust. We hope that you continue to find your Investor Updates informative and interesting.

The Merged Trust Property Portfolio



Trust Snapshot

With the merger of the PFA managed funds now finalised and settled, we felt it appropriate to re-introduce the PFA Diversified Property Trust including its characteristics and the properties held in the Trust.

Portfolio Characteristics

- \$200,310,000 in property assets over 10 properties;
- revenues of approximately \$24 million per annum;

- a strong 4.8 year weighted average lease expiry;
- a reasonably well diversified lease expiry profile;
- a 3.6% vacancy rate;
- 78,677m² of Net Lettable Area and a 316 bay public car parking facility;
- well balanced diversification (particularly by sector and tenant) with a material Queensland geographical bias;
- some excellent development and refurbishment opportunities.

Highlights

Portfolio Vacancy Decreases

At the time of this Update, the vacancy rate of the portfolio has decreased to approximately 3.6%. Four of the properties are currently fully let.

Leasing Update

Cairns Hypermart The retail component of the Cairns Hypermart is now fully let. Bazaar Furniture Traders have recently leased a 598m² retail showroom for 4 years commencing 23 July 2003. Bazaar Furniture Traders is one of the first retail outlets for Furniture Traders Australia, a family owned furniture importer and wholesaler who has operated for 8 years.

The vacancy rate for the Cairns Hypermart has now decreased to 1.4% of the 16,066m² of net lettable area. Two suites totalling 229m² in the office component of the property remain vacant.

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The Property Portfolio

Asset	Sector	Location	% of Portfolio Value	Current Valuation
Post Office Square	Retail/Car Park	Brisbane CBD, Qld	25.96	\$52,000,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	14.43	\$28,900,000
Cairns Hypermart	Retail/Industrial/Office	Cairns, Qld	8.39	\$16,800,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	7.84	\$15,700,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, Qld	5.14	\$10,300,000
Centro on James	Retail/Entertainment	Fortitude Valley, Brisbane, Qld	4.87	\$ 9,760,000
Garden Square	Office	Upper Mt Gravatt, Brisbane, Qld	11.73	\$23,500,000
Anzac Square	Office	Brisbane CBD, Qld	9.09	\$18,200,000
388 Queen Street	Office	Brisbane CBD, Qld	8.11	\$16,250,000
The Precinct	Office/Retail	Coorparoo, Brisbane, Qld	4.44	\$ 8,900,000
			100.00%	\$200,310,000

Photos of some of the properties of the Trust are shown throughout this Investor Update.

Investment Strategy and Objectives

An objective for the PFA Diversified Property Trust is its future growth through the acquisition of additional properties. By acquiring suitable properties, we can enhance the sector, geographical and tenant diversification of the Trust and thereby enhance the stability of return and underpin the Trust's value. The purchase of additional properties will be completed through debt and capital raisings that will occur at and around the time of completion but not necessarily preceding settlement (e.g. occasional interim increases in debt levels may occur).

We are currently seeking to purchase suitable properties that fit within the investment strategy for the Trust and as outlined in Section 7 of the merger explanatory memorandum. Properties to be acquired will be subject to our usual extensive due diligence investigations, independent valuation and other factors including consideration of the impact on distributions, future stability of distributions and the property's forecast income and growth. ■



Highlights (continued)

544 Kessels Road The 544 Kessels Road property is currently fully let following the recent lease to Xtreme Protective Linings for 7 years from September 2003. Xtreme Protective Linings is a national dealership that specialises in the application of protective polyurethane products.

The Precinct A significant leasing transaction has occurred for this property with Australia Post signing a 7 year lease from October 2003. Australia Post has leased 160m² of the property's retail component. Australia Post were previously located in the nearby Coorparoo Mall and were attracted to The Precinct because of its street exposure and convenient location. The introduction of Australia Post to The Precinct will underpin the future of the retail component of this property and its general retail appeal.

Refurbishment

Garden Square The refurbishment of the whole of level 1 (1,900m²) of Blocks C & D of this property, including the toilets and other common areas, has now been completed. The refurbishment has brought the standard of this space to a modern open floor layout necessary to attract major tenants.

Car Park Lot Settlement

Centro on James (Stage 3) As contemplated in the Trilogy Trust prospectus, the purchase of additional car parking adjacent to Centro on James (Stage 3) proceeded and settled on 30 June, 2003. The purchase price of the car park lot was \$334,660 and was paid out of established reserves. Additional revenue from this car parking will flow in this financial year. The car park lot will provide car parking for staff of Centro on James (Stage 3) tenancies during the day and customers of the cinema and the like in the evening.

Retail Centre Sales

Riverdale Centre As at July 2003, moving annual turnover (MAT) for the Centre (i.e. the total sales of all tenants within it or of those who are obliged to provide that sales data) of \$34 million showed an increase of 4%. This continues the strong positive trend of MAT growth for the Centre.

Woolworths, who are a key retail tenant for the Riverdale Centre, experienced a particularly pleasing result with an increase of 7%.

We are also hopeful of soon concluding negotiations on two current specialty shop vacancies within this Centre.



New Australia Post tenancy at The Precinct, Coorparoo

Post Office Square Turnover Increases As at July 2003, the moving annual turnover (MAT) for Post Office Square of approximately \$18.4M represented an increase of almost 4% over the previous 12 month period. Given the increased competition in the precinct, particularly with the competition of the Macarthur Central retail centre and food court, this is an excellent result. ■

The Proposed Unit Buyback

In your merger explanatory memorandum a proposed unit buyback referred to as “the Buyback Proposal” was canvassed. You may also recall that we included a buyback expression of interest section on your proxy voting form for the merger. This information has been collated and has enabled us to measure the general level of interest in the Buyback Proposal.

It is our current intention that the buyback will still proceed and will occur in the targeted timeframe as indicated in your explanatory memorandum i.e. by 30 March, 2004.

It is also our current intention to proceed with an ‘off market’ buyback of units. This means a direct buyback of units from unitholders without reference to the Bendigo Stock Exchange. Accordingly using this method, a proportional buyback of investors’ units could occur. If acceptances exceed the specified maximum amount of units proposed to be bought, acceptance will then be met on a pro-rata basis. **Only unitholders who were entered on the register of unitholders and owners of the Merging Trusts as at 2 June, 2003 will have the right to participate in the off market buyback offer.**

Future Equity Raising

We are preparing to undertake an equity raising in the near future. The purpose of the equity raising will be to reduce debt, fund the unit buyback offer and establish a reserve for the fund for the future purchase of property. Existing unitholders will be given priority in this public equity raising.

We are currently finalising the details of the buyback arrangements including the total number of units proposed to be bought back and pricing. **Further communication will be sent in the New Year in relation to the buyback offer.** ■

Debt Restructure Finalised

As mentioned in your explanatory memorandum for the merger of the PFA managed funds which established the PFA Diversified Property Trust, the merger provided the opportunity to restructure the debt for the Fund.

The debt restructure has been finalised with the new facilities being provided by two large well-known financiers, the Commonwealth Bank of Australia (“CBA”) and an ING Management Limited (“ING”) mortgage pool. The resultant financing restructure is occurring in 2 stages with the first stage having settled on 6 November 2003. The Homeworld Centre and the Anzac Square properties will be settled in early January 2004. They were withheld from the first stage to prevent the payment of large early repayment penalties.

The refinancing has:-

- reduced interest margin costs - the estimated margin reduction of 0.25% p.a. mentioned in the explanatory

memorandum has been achieved and in fact exceeded;

- eliminated refinancing risks of the two debt tranches totalling 61% that matured in the 2003/04 and 2004/05 financial years;
- extended the debt maturity profile for the debt portfolio;
- eliminated many adverse asset specific loan covenants;
- reduced the number of financiers to two with whom the Trust can now build a strong growth relationship; and
- produced a structure that allows for flexible and continual adjustment (e.g. repayment/ further borrowings) of term debt.

Upon completion of the debt restructure, 61% of the Trust's total debt funding is fixed or hedged with the balance at variable interest rates. PFA is intending to monitor the interest rate management product market for the opportunity to purchase a hedging product at appropriate pricing.

As manager, we believe the new debt facility arrangements whilst incurring initial establishment costs will however provide long term cost efficiencies and considerably enhanced flexibility. ■

BSX Update

As previously advised, your PFA Diversified Property Trust units are listed on the Bendigo Stock Exchange (BSX).

The Bendigo Stock Exchange was chosen as the initial trading facility for the Trust to provide a transparent secondary market for those who wish to trade units.

We have had an ongoing dialogue with the BSX and the accredited brokers to ensure that the market meets current and future expectations of investors and listed entities. The BSX has advised they are expecting new listings on the exchange in the very near future which will help to create more interest and awareness of the BSX.

Further information can be accessed on the BSX website (www.bsx.com.au) or alternatively you may also contact us. Trading prices are now also published in the Australian Financial Review on a daily basis. ■