

SPECIAL UPDATE

IN BRIEF

This Special Update for the PFA Diversified Property Trust includes important information on the following:-

- ▲ A new \$29M Property Acquisition
- ▲ A New Product Disclosure Statement
- ▲ Existing Investor Priority Allocation
- ▲ Property Portfolio Value Increase by \$6.54M
- ▲ 7% per Unit Increase in NTA
- ▲ Off-Market Buyback Offer
- ▲ Positive Interim Results

NEW \$25M CAPITAL RAISING

We are pleased to advise that we have recently released a new Product Disclosure Statement ("PDS") to invest in the PFA Diversified Property Trust. This latest offer is an opportunity for existing unitholders to further invest in the Trust. Key features of the offer include:-

- ▲ Minimum investment is \$5,000 and then in multiples of \$1,000.
- ▲ Distributions during the forecast period are **9.48¢ per unit per annum*** (as has been occurring). This equates to an **annualised distribution rate of 9.3% per annum*** when calculated on the offer price of \$1.02 per unit.
- ▲ 66%** of the forecast distributions are expected to be tax deferred during the forecast period.
- ▲ Nil entry fees.
- ▲ A \$236 million property portfolio of quality investment grade property including the **newly acquired Lands Building**. The purchase of this property is being initially funded by the extended finance facility offers provided by the Financiers. Capital raised by the new PDS will be used to reduce increases in debt associated with this acquisition.

* The forecast distribution and related underlying assumptions are set out in detail in section 6.2 of the PDS.

** For further information in relation to the tax deferred percentage please see section 6.2 Note 11 of the PDS.

PRIORITY FOR EXISTING UNITHOLDERS
IN NEW CAPITAL RAISING

Existing unitholders (being those registered as at 27 February, 2004) have a priority entitlement period. To be entitled to the benefits of this priority, **existing unitholders must lodge their duly completed applications with PFA by 31 March, 2004.**

Applications lodged with us after that date will still be processed but will not have priority over applications by applicants who are not existing unitholders. **PFA may close the offer early without notice.**

If you have interest then we encourage you to lodge your application as soon as possible.

To receive a copy of the PFA Diversified Property Trust Product Disclosure Statement, please contact your financial adviser. If you do not have a financial adviser then please call us on 1800 687 170 and we will forward a copy of the PDS to you. Alternatively, you can view it on our website at www.pfaltd.com.au.



The Trust's new \$29M acquisition, the Lands Building, Hobart. More details are overleaf.

\$29M PROPERTY ACQUISITION

In your last Investor Update (November 2003), we highlighted an objective for the PFA Diversified Property Trust is its future growth through the acquisition of additional properties.

The Trust is acquiring a further property being a commercial office building known as the Lands Building located at 134 Macquarie, Hobart. The 10 level office building is located in the prime southern precinct of Hobart's CBD and is fully leased to the Tasmanian State Government on a 14 year remaining lease term.

PFA Managing Director, Mr Chris Morton, said "The Lands Building offers strong fundamentals and will provide geographic and tenant diversification for the Trust."

"Relevant economic factors are definitely improving in Tasmania and Hobart. Next to Queensland, it is seeing the next most positive net migration (in percentage terms). Furthermore, the recently released Property Council of Australia office market statistics show that the Hobart CBD had the largest reduction in vacancy rate percentage of any Australian capital city. It now has a vacancy rate of just over 6%", Mr Morton said.

Further details of the Lands Building and the acquisition contract are contained in the PDS.

PORTFOLIO VALUE INCREASES BY \$6.54 MILLION

7% INCREASE IN NTA PER UNIT CONSEQUENCE

We are pleased to advise that after seeking update valuations on a number of the Trust properties in respect of which PFA considered there may have been a material market value movement, that the value of the portfolio has increased by \$6.54M which approximately equates to an increase in NTA per unit of 7% since 1 July, 2003. The relevant properties subject to valuation increases were the following:-

| Property | Previous Value | New Value | Increase |
|---------------------------|----------------|-----------|----------|
| Post Office Square | \$52M | \$54.5M | \$2.5M |
| Centro on James – Stage 3 | \$9.76M | \$10.8M | \$1.04M |
| The Precinct | \$8.9M | \$10.2M | \$1.3M |
| 544 Kessels Road | \$10.3M | \$11.0M | \$0.7M |
| Cairns Hypermart | \$16.8M | \$17.3M | \$0.5M |
| Homeworld Centre | \$28.9M | \$29.4M | \$0.5M |

It has become apparent that there has been a general firming in capitalisation yields in the marketplace since the date of last valuations. These new valuations have been recognised in the 31 December, 2003 financial statements of the Trust.

OFF-MARKET BUYBACK OFFER

In your November Investor Update, we conveyed our intention to proceed with the 'Off-Market' Buyback referred to in the June merger explanatory memoranda. Further details of the 'Off-Market' Buyback Proposal have now been determined and are listed below.

Off-Market Buyback Price

The Off-Market buyback price will be \$1.00 per Unit. This price has been arrived at after considering a number of criteria in accordance with the relevant provision of the constitution of the Trust.

Number of Units Subject to Off-Market Buyback

The maximum number of units that will be bought back under this Off-Market buyback will be 5,000,000. Unitholders eligible for the Off-Market buyback will be able to accept for the whole or a part of their units. If the number of acceptances under the Off-Market buyback exceed 5,000,000 Units, acceptances will be met on a pro-rata basis.

Eligible Unitholders

Only unitholders entered on the registers of unitholders and owners of the "Merging Trusts" (as defined in the Explanatory Memoranda related to the merger of the various trusts/syndicates on 1 July, 2003) as at 2 June, 2003 will have the right to participate in the off-market buyback and in respect of only those units they were registered as unitholders as at the merger date of 1 July, 2003.

Target date for the forwarding of formal offer documentation

The target date for the forwarding of the formal offer documentation relating to the Off-Market buyback is currently 30 March, 2004.

Funding of the Offer

The Off-Market buyback offer is to be funded by capital raised pursuant to the new product disclosure statement which is referred to elsewhere in this update. The Off-Market buyback offer will not be issued until such time as \$5,000,000 has been raised under the recently released PDS.

Related Persons to PFA

The Directors of PFA, PFA itself or any persons or entities related to them who hold units in the Trust will not be participating in or accepting the Off-Market buyback offer.

No Redemption Fee

Under the constitution of the Trust, PFA could charge a redemption fee of 2% of the redemption price. PFA is waiving its entitlement to such a fee in respect of this Buyback offer.

Contact Your Adviser

If you are considering the Off-Market buyback offer, please contact your financial adviser to discuss your individual financial circumstances.

POSITIVE INTERIM RESULTS

Following the recent announcement of the Trust's interim financial results for the six months ended 31 December 2003, we are pleased to advise that revenue and net profit are up on the financial forecasts underlying those in the merger explanatory memoranda dated 2 June, 2003.

For further information, a copy of the Trust's audited accounts and the manager's interim report for the six month period ended December, 2003 are available on request from 15 March, 2004.

To receive a copy of the PFA Diversified Property Trust PDS or the interim report, or for any other information please contact:

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