

New 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.
- Forecast distributions during the Forecast Period are 9.48 cents per Unit per annum* (as has been occurring). This equates to an annualised distribution rate of 8.85% per annum* when calculated on the Offer Price of \$1.07 per Unit.
- 63%** of the forecast distributions are expected to be Tax Deferred in the financial year 2004/2005 and 61%** in the financial year 2005/06.
- Nil entry fees
- A \$278 million property portfolio of quality investment grade property including the acquisition of the Sevenoaks property. The addition of this property to the Trust's portfolio enhances its diversity, security and lease expiry profile.

The proceeds of this Offer will be used to:-

- initially reduce the Trust's debt to enable the financing of future acquisitions;
- provide cash reserves to enable funding of future acquisitions;
- fund capital works which PFA believes should occur to underpin and add to the value of the Portfolio.

* The forecast distributions and related underlying assumptions are set out in detail in section 6.2 of the Product Disclosure Statement.

** For further information in relation to the tax deferred percentage please see section 6.2 Note 12 of the Product Disclosure Statement.

Perth Property Acquisition



The Sevenoaks property in Cannington, Perth the Trust's most recent acquisition.

We are pleased to advise that the Trust has acquired a further property for the Trust, being the Sevenoaks office building located in the Perth suburb of Cannington for \$38.0M. The acquisition settled on 10 February, 2005.

The property is wholly leased to the State Government of Western Australia with 78% of the income secured until 2017.

PFA Managing Director, Mr Chris Morton, said "We are very happy with this new acquisition for the Trust. We see it as a value buy in today's market. It offers strong fundamentals particularly with its long lease to a state government. Being located in Perth with the Western Australian Government as the sole tenant, it further enhances the Trust's geographic and tenant

diversification. The property also comprises approximately 2 hectares of surplus land which has development potential."

The property has been purchased at a yield of 8.5% (including the surplus land value) or 8.85% (assuming the surplus land is sold at its current valuation) or at \$1,727/m² (approx.) of net lettable area. Our current intention is to dispose of the surplus land, once we have clarified its full development potential.

With the settlement of Sevenoaks, the value of the Trust's portfolio will increase to approximately \$278 million with approximately 83% of the portfolio's income coming from national and government tenants.

Full details of the Sevenoaks property are provided on page 2 of this Update.

Rights Issue Entitlement For Existing Unitholders

As a special offer, Existing Unitholders (i.e. those registered as at 31 December, 2004) are being offered a one for five entitlement under a Rights Issue at \$1.05 per Unit, a discount of 2¢ per Unit to the offer price under the PDS.

Key features of the Rights Issue are:-

- The forecast distribution rate, based on the Rights Issue price of \$1.05 per Unit is 9.02% per annum* per Unit with approximately 63%** of that forecast expected to be Tax Deferred in the 2004/2005 financial year and 61%** in the 2005/2006 financial year.
- You do not need to accept in respect of

all of your entitlement, partial acceptances can occur.

- If you wish to acquire more than your Rights Issue entitlement, you can do so via the application form in the PDS. However, Units will be acquired under the PDS at \$1.07 per Unit
- The closing date for Rights Issue entitlement acceptances is 5.00p.m. (AEST) on 24 March 2005.

To accept the entitlement, Existing Unitholders must lodge their duly completed Entitlement and Acceptance Forms with Property Funds Australia by 5p.m. (AEST) on 24 March, 2005.

CAPITAL WORKS UPDATE

The Manager is conscious of the necessity to maintain the assets to keep them competitive in the marketplace.

The major focus of capital works for the six months to the end of December, 2004 was at the 544 Kessels Road property with the refurbishment of the former Hudson Building to accommodate Petwise (a new major tenant).

Tenancy modifications, including new carpet and air conditioning works, were completed at 388 Queen Street to prepare the vacant floors for new leases that were completed during the second half of last year. Tenancy modifications have also been undertaken at the Post Office Square and the Garden Square properties to accommodate new tenants.

Proposed works to be undertaken at the Homeworld Centre to upgrade the retail forecourt at that Centre did not commence during the past six months. These works are still to be undertaken however their timing will commence to coincide with a forthcoming lease expiry.

Property Overview

SEVENOAKS

Description

Sevenoaks is a modern four level office building situated in the Perth suburb of Cannington, 11 kilometres south-east of Perth's City Centre. It is located across the road from Cannington train station and bus interchange and some 600 metres from the Westfield Carousel regional shopping centre.

Sevenoaks has a large 5,500m² floorplate which is highly attractive to government and large corporate tenants due to spatial efficiencies. Two internal atriums within the building enable natural light to penetrate through it.

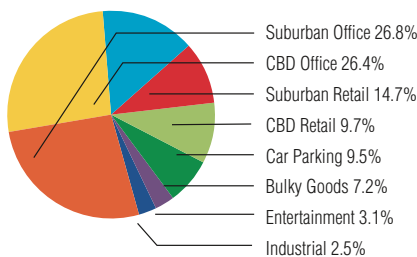
The building, which was originally built for the Australian Taxation Office, has been constructed to a high government specification. It offers a highly beneficial car parking ratio of one car space per 27m².



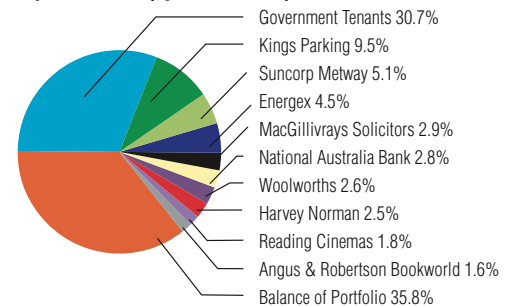
The building is wholly leased to the State Government of Western Australia with 78% of it leased until 30 June, 2017.

The property comprises approximately two hectares of surplus land which the Manager currently intends to dispose of, after its subdivision, and clarification of development issues associated with it.

Property Sectors (by % of Income)



Top 10 Tenants (by % of Income)



Portfolio Highlights

LEASING SUCCESS FOR THE TRUST

Garden Square As foreshadowed in the Annual Report, we have been successful in reaching agreement for the retention of all three of the previous Coles Myer sub-tenants. At the time of this Update, there are three separate detailed heads of agreement reached with three different Queensland government departments relating to leases totalling 4,255m² of the Garden Square property. It has been assumed that enforceable leases will be executed with the Queensland government in accordance with those heads of agreement. This is a positive result for the property, as upon these leases being executed, 58% of the space previously head leased by Coles Myer will have been directly let.

An active program to lease the balance of the former Coles Myer space has been implemented. Current market activity and enquiry is positive.

388 Queen Street As advised in previous updates, we have been renegotiating with Suncorp Metway to continue their lease over 9 floors at 388 Queen Street, which are due to expire in September this year. We are pleased to report that whilst formal legal documentation has not been signed as at the date of this Update, agreement has been reached with Suncorp Metway to remain in their existing tenancy until 31 December, 2007. This

is a good outcome for the property as Suncorp Metway occupies 4,420m² or 70% of this property.

388 Queen Street is fully leased following the timely releasing of three floors that became vacant in 2004.

Cairns Hypermart We have successfully negotiated a further 10 year lease with one of the key anchor tenants, Freedom Furniture and recently expended some capital to improve the overall presentation of the property.



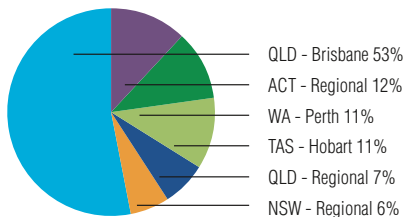


The Sevenoaks property.

The building has an attractive entrance area and will have undergone a significant refurbishment and new fitout prior to the commencement of the main Western Australian Government lease.

The following pie charts demonstrate the Trust's geographic and sector diversification and the contribution (by income) of the top 10 tenants of the portfolio.

Geographical Diversification (by Gross Income)



Post Office Square A lot of lease activity has occurred in this property over the past six months. We have attracted some quality new tenants such as Gloria Jeans, Sams Seafood, Green Bean, MYO and Jack Hanna Salons.

Currently, there are only two small vacancies.

Riverdale As previously reported, we are continuing to implement a leasing strategy to reduce vacancy within the Riverdale Centre. This strategy has resulted in several new casual leases and enquiries from two potential national chain tenants.

Left: The new Gloria Jean's coffee shop at Post Office Square.

Key Data

Location:	303 Sevenoaks Street, Perth WA
Principal Use:	Commercial Office
Title:	Freehold
Date Acquired:	February, 2005
Date Built:	1992
Car Spaces:	776
Site Area:	5.02 ha
Vacancy:	Nil
Net Lettable Area:	20,820m ² (office) 1,382m ² (storage)
Weighted Av. Lease Expiry:	10.66 years
Major Tenant:	State of Western Australia – Shared Services

Current Valuation Information

Valuation:	\$37.5M*
Valuation Date:	January, 2005
Valuer:	Knight Frank (WA) Pty Ltd

* Purchase price is \$38 million.

Ground floor lobby of the Sevenoaks property.



Finance Update

The Trust's debt is financed via a joint finance facility between the Commonwealth Bank of Australia ("CBA") and mortgage funds managed by ING Management Limited ("ING"). Under this Joint Finance Facility, the total debt (at the date of this Update) is \$136,416,000.

An additional \$30 million was drawn down on the day that the Sevenoaks property settled.

The Financiers' LVR (i.e. loan to value ratio) was 62% after the draw down of the additional debt funds associated with the Sevenoaks property acquisition.

However, after the completion of the \$25 million capital raising, and the acquisition of the further property as proposed to occur later this financial year, the Financiers' LVR is expected to be 60%.

Manager Update

In your 2004 Annual Report, we advised that well known property specialists, James Fielding Group (JFG), through James Fielding Holdings Limited had acquired a 50% interest in Property Funds Australia Limited, the Manager and responsible entity of the Trust.

Since that report, we are pleased to advise that the James Fielding Group has effectively merged into the Mirvac Group creating a diversified property group which has \$15 billion worth of assets under its control and a market capitalisation of \$3.8 billion.

James Fielding's managing director and PFA's non-executive chairman, Mr Greg Paramor, has been appointed managing director of the Mirvac Group. Fellow PFA non-executive director, Mr Nicholas Collishaw now heads the Mirvac Group's investment division.

It is 'business as usual' at PFA.

BSX Update

Trading Update

In the latest PDS we provide information on the liquidity and the size of the Trust.

Following the placements (see next page for further details) completed prior to the end of December, 2004 the number of units on issue in the Trust as at 31 December, 2004 was 123,897,953. The market capitalisation of the Trust as at 31 December 2004 was \$127.6 million.

Since the merger creating the Trust on 1 July, 2003, trading of units in the Trust on the Bendigo Stock Exchange (BSX) has equated on an annualised basis to 3% per annum of equity.

From 1 January, 2005 to the date of the PDS, the weighted average price per Unit that has traded on the BSX has been \$1.036. As at the date of this Update, the trading price was \$1.05 per Unit.

The historical trading volume and trading price per Units on the BSX may vary from historical pricing for a range of reasons. Unit pricing and trading history can be accessed via the BSX website (www.bsx.com.au).



PAYG REPORTING

Since the introduction of GST in 2001, we have been providing quarterly statements to assist you, if you are required to complete a quarterly Instalment/Business Activity Statement. The statements provided have included your distribution amounts and dates paid. Given that investors no longer need these statements for tax purposes, we are looking to phase out the issuing of the PAYG statements over the next six months. The discontinuation of the quarterly PAYG statements will benefit the Trust through administration and production cost savings.

Half Year Results

The Trust audited accounts and interim manager's report for the period ended 31 December, 2004 are due to be released shortly and will be available upon request. They are not automatically forwarded to you. Should you or your adviser require a copy please do not hesitate to contact us. Alternatively, you will be able to view the half-yearly report on the Investor Relations page of our website (www.pfaltld.com.au) or on the Announcements page on the BSX website (www.bsx.com.au). The BSX code for the Trust is PFD.

Private Placements

As previously stated, it is PFA's intention to undertake future equity raisings (e.g. so as to grow the assets of the Trust or reduce debt). Whilst it is our intention to give existing Unitholders priority in any future public equity raisings, we can raise equity in other ways including private placements, where it is considered in the best interests of the Trust's Unitholders to do so.

Since the last report PFA has undertaken three private placements, raising \$13,900,000. The placements occurred as follows:-

- 5 million units at \$1.02 per Unit to Sandhurst Trustees Limited on 21 December, 2004;
- 3,636,364 units at \$1.045 per Unit to Tower Trust Limited on 31 December, 2004; and
- 4,784,689 units at \$1.045 per Unit to RBC Global Services Australia Nominees Pty Ltd on 31 December, 2004.

The proceeds of these recent placements are being used to fund the most recent property acquisition for the Trust.

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**".

In the recently released product disclosure statement, the directors of PFA have forecast that the distribution rate of 9.48¢ per PFD unit per annum is forecast to continue through to 30 June, 2006 (subject to the assumptions on which the forecast is based set out in section 6.2 of the product disclosure statement ("PDS")).

A monthly distribution policy and proposed calendar for distributions is announced to the BSX on a quarterly basis. Distribution policies are subject to review at all times and may change for any reason.

A personal notification will be sent to you if there is any variation to your distribution rate.

IMPORTANT NOTICE

The PFA Diversified Property Trust (ARSN 097 860 690) is issued by Property Funds Australia Limited (ABN 58 078 199 569) (AFSL No 224106). A Product Disclosure Statement ("PDS") is available at www.pfaltld.com.au or by calling PFA on 1800 687 170. You should consider the PDS in deciding whether to acquire, or to continue to hold, the product. This document does not constitute financial product advice. Should you not wish to receive any further marketing material from PFA please contact us on 1800 687 170.

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?

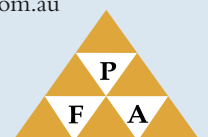
If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Goodwin.

For Further Information Contact:

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