



Fund Update

Macquarie Property Income Fund

Unlisted, open-ended geared property securities fund

STANDARD & POOR'S



September quarter 2008

Macquarie Property Income Fund (MPIF or Fund) aims to provide investors with high levels of after tax income and moderate levels of capital growth from an underlying portfolio of listed real estate investment trusts. MPIF's investment is run on a multi-manager basis to diversify manager risk. Enhanced return potential is targeted by actively gearing the portfolio's investments.



\$56
million
fund size



-5.0%
total return per
annum since
inception
(June 2003)

-11.3%
total return for the
quarter

13.5%
average annual
distribution since
inception
(June 2003)

\$0.34
unit price
(ex distribution)

All figures as at 30 September 2008



Update on past quarter



Leo Economides
– Fund Manager

Continued market volatility in the listed Australian real estate investment trust (A-REIT) sector has seen MPIF return -11.3% over the past quarter. MPIF continues to invest in quality stocks, as noted in the Underlying Investments table. As we communicated to investors last quarter, gearing strategy and targets are also regularly reviewed. We will continue to target a gearing level of around 50% to take advantage of any upswing that may occur.

September quarter distribution

Since inception, MPIF has paid distributions out of available cash flow received from the underlying funds, less interest and costs. For the first time, the distributions received for the September quarter from the underlying funds are lower than MPIF's interest and costs. This means that we are unable to pay any distribution to unitholders for this quarter.

Additional underlying fund

As you know, MPIF invests in the Macquarie Property Securities Fund (38.9% of MPIF's portfolio), Credit Suisse Property Fund (52.6%) and during the quarter added Macquarie True Index Listed Property Fund (LPF) as an underlying investment, allocating 4.9% of MPIF's portfolio to this fund. Managed by Macquarie Investment Management Limited, which is a member of the Macquarie Group, the Macquarie True Index LPF is a unique wholesale fund designed to generate a return equal to the S&P/ASX200 A-REIT Accumulation Index (Index). We believe that MPIF's investment in this fund benefits investors through:

- reducing the risk of underperforming the Index; and
- complementing the existing multi-manager strategy and providing additional style diversification.

The initial target allocation to this fund is 20% of the MPIF portfolio, which will be achieved over time by diverting new inflows into this fund.

A-REIT market undervalued

We have previously quoted that UBS believe that the Australian-listed REIT sector is undervalued and that REIT prices have been oversold. As at 30 September, UBS continue to believe it is undervalued by approximately 11%. (Source: UBS Australian REIT Monthly, 1 October 2008)

Gearing

As at 30 September 2008, the gearing level for the Fund was approximately 53%.

Outlook

We understand that market conditions continue to be challenging for investors. However, we remain committed to the current MPIF investment strategy so that investors are able to capture, and magnify through gearing, any recovery in the listed A-REIT sector.

Underlying fund managers

Macquarie PSF

The Macquarie PSF delivered a gross return of -1.76%, 0.5% below the benchmark for the September quarter. Overweight positions in CFS Retail Group and Stockland, and underweight positions in Valad Property Group and GPT Group added value. Overweight positions in Goodman Group and Babcock and Brown Japan contributed to underperformance.

Credit Suisse PF

The Credit Suisse PF delivered a -2.9% gross return compared to the benchmark of -1.3% for the September quarter. During the quarter, an underweight position in the Valad Group added value while an overweight position in the Becton Group detracted value.

A-REIT market brief

The listed A-REIT sector fell 1.3% in the September quarter, significantly outperforming the broader Australian equity market by 10%. The sector continued to be dominated by the global financial market turmoil centred around the US investment banks and the US Government's bailout package. As a result stocks with excessive leverage or risk continued to be avoided by the market and stocks with low gearing, limited offshore exposure and quality assets continued to outperform.

The reporting season saw a number of trusts rebase their distributions more in line with actual operating earnings. While industry fundamentals remain sound the deleveraging process currently underway will take time to play out, especially given ongoing uncertainty regarding underlying asset values. As a result, the market continued to favour those stocks offering strong defensive characteristics, with small cap stocks in particular being avoided despite some of them offering extremely attractive value.

Market outlook

The US Treasury rescue plan is expected to reduce not eliminate the existing downside risks to the US economy. Consumer spending is expected to slow further leading to a further fall in the US GDP. As a result the US Federal Reserve is expected to cut interest rates to further stimulate growth. Domestically the Reserve Bank of Australia (RBA) is expected to cut rates in October in light of the recent developments in financial markets and a slowing housing market. The consensus is expecting around three to four further rate cuts by the RBA by middle of next year.

Continued concern over the banking system and credit markets is likely to weigh heavily on sentiment given the reliance of the sector on debt funding. Property fundamentals in Australia remain solid although some weakening in demand for office space is to be expected as corporates take a more cautious stance. The macro environment will continue to dominate the sector's overall direction in the short term as the market assesses the success or otherwise of the US bailout package. At the individual stock level, the short-selling ban will ensure limited liquidity and therefore we are likely to see a continuance of high volatility over the next month.

Fund Update

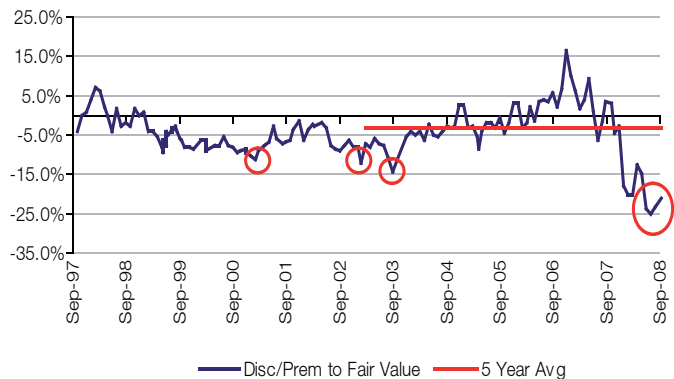
September quarter 2008

Macquarie Property
Income Fund

Underlying investments

Stock name	% of portfolio
Westfield Group	46.4%
Stockland Group	11.9%
Goodman Group	5.7%
Dexus Property Group	4.1%
CFS Retail Property Trust	4.1%
General Property Trust	3.5%
Mirvac Group	3.1%
Macquarie CountryWide Trust	2.6%
ING Industrial Fund	1.6%
Babcock & Brown Japan Trust	1.5%
Other	9.5%
Cash	6.0%

UBS fair value estimates vs listed REIT prices



Source: UBS estimates.

Historical total returns v benchmark table

	MPIF	Benchmark*	MPIF vs Benchmark
3 months (%)	-11.3%	-1.3%	-10.1%
6 months (%)	-39.4%	-16.6%	-22.9%
1 year (%) pa	-72.9%	-40.4%	-32.5%
2 years (%) pa	-41.8%	-15.4%	-26.4%
3 years (%) pa	-22.2%	-3.5%	-18.7%
4 years (%) pa	-12.6%	1.2%	-13.7%
5 years (%) pa	-2.6%	6.2%	-8.8%
Since inception % pa	-5.0%	4.5%	-9.5%

MPIF provides investors with a geared exposure to the listed A-REIT sector. Gearing will amplify the gains and losses of MPIF.

*Benchmark is the S&P/ASX200 A-REIT Accumulation Index

Performance of underlying funds

	Macquarie PSF Gross fund returns	Credit Suisse PF Gross fund returns	Macquarie True Index LPF Gross fund returns	Benchmark
1 year (pa)	-45.4%	-41.9%	-40.4%	-40.4%
3 years (pa)	-7.2%	-4.6%	-3.5%	-3.5%
5 years (pa)	3.9%	5.9%	6.2%	6.2%



Underlying fund managers

Credit Suisse Asset Management (Australia) Limited
– Credit Suisse Property Fund
Macquarie Investment Management Limited
– Macquarie Property Securities Fund
Macquarie Investment Management Limited
– Macquarie True Index Listed Property Fund

Platforms

Available on

Avanteos
BT Wrap
Investment Diversity
Macquarie Wrap
Netwealth
Oasis
Symetry

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How to invest

Request a Product Disclosure Statement (PDS) from your adviser, via our website or contact us.

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The Standard & Poor's rating was assigned 14 October 2008.

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The A-REIT market brief and Market outlook are derived from the Macquarie Funds Management quarterly report prepared by Macquarie Investment Management Limited ABN 66 002 867 003.

Units in the Macquarie Property Income Fund (MPIF) are issued by MDPML. Potential investors should consider the Product Disclosure Statement (PDS) when deciding whether to invest. To obtain a copy of the PDS, call us on 1300 652 790 (local call cost).

MDPML receives fees for operating MPIF, which are calculated by reference to the value of the assets of MPIF. Entities within the Macquarie Group may also provide resources to MPIF. For more details on fees, refer to the MPIF PDS. To contact us, call 1300 365 585 (local call cost within Australia).

Past performance information provided in this update may not be a reliable indication of future performance.

Investors should consult the PDS for full details of the forecasts and the assumptions upon which these forecasts are based. Investors should be aware that these are forecasts and may be affected by the accuracy of assumptions, risks and other uncertainties as set out in the PDS, which may cause the actual returns to differ.

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