DOMAINE DIVERSIFIED PROPERTY FUND

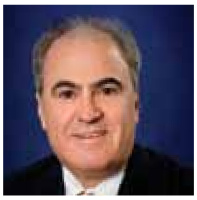
ARSN 108 289 827

JUNE 2010

QUARTERLY INVESTORS' REPORT

September 2010

Australian Property Growth Fund



Luis Garcia
Senior Manager
Funds Management

Bridget Woods
Investor Relations
Manager

ECONOMIC OUTLOOK

Australia's economy has lost some momentum in recent months and the recovery from the Global Financial Crisis (GFC) is taking longer than expected.

Uncertainty about Australia's economic outlook has prevailed despite booming exports from the mining industry delivering a record trade surplus. Notwithstanding this success, recent business surveys reveal many parts of the economy are struggling and sectors such as retail are actually performing worse than they did during the GFC.

Australians have adopted a new conservatism and have become more frugal in their spending habits, saving more of their income, which is resulting in weaker retail spending. Falling retail sales and a flattening housing market have resulted in declining business confidence and conditions.

Australian business confidence fell broadly in July as the manufacturing, retail and construction sectors weakened, which more than offset the strength provided by the mining sector, according to a monthly survey by National Australia Bank (NAB). A June quarter survey by credit research agency Dun & Bradstreet on business expectations found access to finance is expected to worsen and many companies are still reticent about hiring new staff.

In addition to the current domestic concerns, the economies of the United States of America and Europe are still looking fragile, creating further uncertainty. Concerns about global growth and slower retail sales data were among the reasons the Reserve Bank of Australia decided in September to keep interest rates steady for the fourth consecutive month.

Negative business confidence and expectations do not bode well for the property market in the short-term. Property market sentiment and conditions took a turn for the worst in the June quarter and according to the NAB Australian Commercial Property Survey, the deteriorating market conditions mean recovery timeframes are being extended and return expectations lowered.

The Property Council of Australia has confirmed aggregate office vacancy rates rose to an 11-year high for the six months to July 2010 as a result of the pre-global financial crisis development boom now coming through the market. The vacancy rate has more than doubled in the past two and a half years and now stands at 10 percent, up from 9.3 percent in January 2010. With further supply in the pipeline, vacancy rates could be pushed higher as increased tenant demand fails to keep pace.

There are current estimates that approximately $13 billion worth of office, retail and tourism properties across the country are now on the market and there is evidence of foreign investors entering the market looking for bargains. Commercial property transactions have greatly reduced over the past two years due to a credit freeze, with many vendors withdrawing their assets, where possible, to avoid selling at the bottom of the cycle. The main impediment to the majority of transactions remains the access to and cost of debt, as lending by the banks remains constrained. These factors have contributed to APGF's view that it is not the optimum time to be selling property, and opportunities to maximise the value of such assets will probably not emerge until late 2011.

APGF BELIEVES IT IS NOT THE OPTIMUM TIME TO BE SELLING PROPERTY, AND OPPORTUNITIES TO MAXIMISE THE VALUE OF SUCH ASSETS WILL PROBABLY NOT EMERGE UNTIL LATE 2011.

FINANCIAL REPORTS

The 2009/10 Financial Report has been prepared and is available to download at our website, www.apgf.com.au. Should you wish to receive a copy of the 2009/10 Financial Report by mail, please notify Registries Limited in writing and a printed copy will be mailed to you. If you do request a printed copy, please ensure you provide your unit holder number and address so we can clearly identify you and your investment(s). If you have previously notified Registries Limited of this request you will automatically be sent a copy of the Financial Report.

QUARTERLY NTA UPDATES

From 1 July 2010, the Net Tangible Assets (NTA) per unit for DDPF will be calculated on a quarterly basis (instead of monthly) and in addition to being published in the Quarterly Investors Report, will be available on our website at www.apgf.com.au. The NTA will be calculated as at 31 March, 30 June, 30 September and 31 December and available online approximately 3-6 weeks thereafter. Please note when calculating the NTA, the latest valuation is assumed and the NTA should therefore be used as a guide only.

MANAGED INVESTMENT TRUSTS CGT ELECTION

Under the new legislation enacted by the Government on 3 June 2010, eligible Australian Managed Investment Trusts (MITs) were required to make an irrevocable election by 2 September 2010 to apply the capital gains tax (CGT) provisions as the primary code for the taxation of gains and losses on the disposal of certain assets, including real property. DDPF qualifies as an eligible Australian MIT and has elected to apply the Capital Account treatment to gains on disposal of assets. Please note APGF has published this for information only; investors are not required to act on this information.

PROPERTY MARKET UPDATE

BRISBANE

The Brisbane office market experienced a fall in vacancies from 11.3 to 10.9 percent during the six months to July 2010.

With 22,989 square metres of new space coming into the Brisbane CBD market since January, demand for the period totalled 27,516 square metres, which was almost three times the 20-year average.

Many Brisbane companies which took expansion space prior to the GFC were quick to sub-lease this space during the economic downturn. These companies are now reassessing these sub-leases following the turnaround in the labour market in early 2010. This has provided a major boost to the market.

Demand growth appears to be most pronounced in the A-Grade space, while the B-Grade space vacancy rate increased over the period to 15.4 percent.

Blue Tower images used on pages 2 & 3 are not assets of DDPF

The result is positive for the market, however the vacancy rate still remains above the national capital city average of 8.9 percent and there is an estimated 38,000 square metres due to enter the market during the second half of the year.

The Brisbane retail sector has remained resilient, with many purchasers keen to secure relatively safe investment assets. The Queen Street Mall has seen vacancy rates ease to around 6 percent, while other retail properties facing the Mall are recording average vacancy rates of 4 percent. While there have been few sales in Brisbane's CBD in the past 12 months, yields currently range between 5.5 and 7.5 percent.

Among the regional shopping centres, yields currently range between 6.5 and 7.5 percent and capital values are between $6,500 and $10,000 per square metre.

The Brisbane industrial market is showing signs of stabilisation, however investors remain cautious due to the prevailing uncertainty. Industrial property sales of $464 million were achieved during the past 12 months, while approximately 340,000 metres of space was reportedly leased in the year to 30 June 2010. Industrial rents ranged from $100 to $140 per square metre for prime industrial space.

Prime properties under $3 million are achieving yields of between 8 and 9 percent and CBD fringe properties are achieving firmer yields due to the underlying land value and opportunities for redevelopment. Sales in the $3 million to $10 million range are achieving yields from 8.25 to 9.5 percent.

There is still a noted oversupply of industrial stock on both the north and south sides of Brisbane, with some complexes experiencing 50 percent vacancy rates. There are predictions it may take up to two years to absorb the current oversupply of stock.

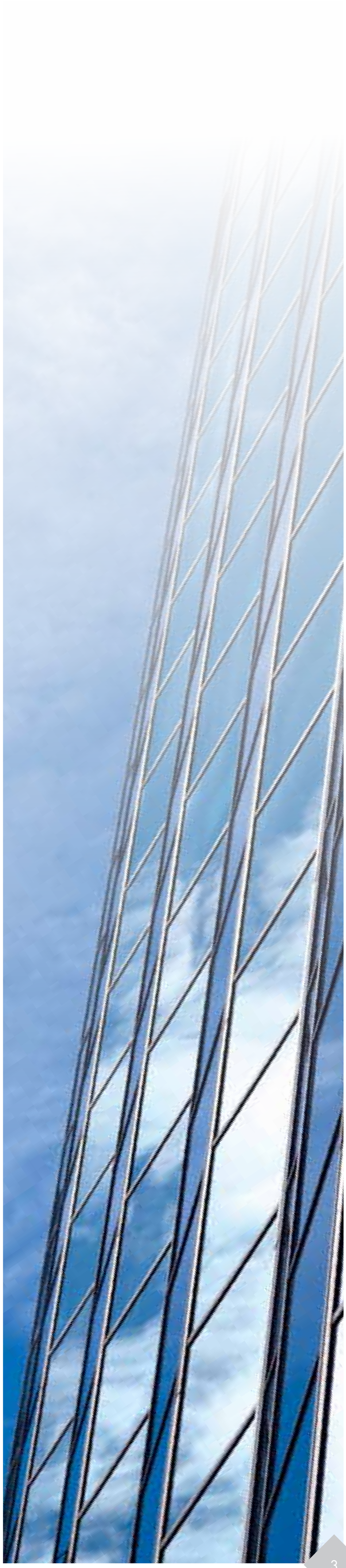
SYDNEY

The vacancy rate for Sydney office buildings rose from 8.1 to 8.5 percent over the past six months, according to the Property Council of Australia's research. The vacancy rate increase was a result of 72,363 square metres of supply additions, including the refurbishment of Westfield Tower at 100 Market Street and Mid City Centre at 420 George Street. Net absorption for the period was 39,376 square metres.

North Sydney experienced a vacancy rise from 11.7 to 11.8 percent, however the addition of 28,420 square metres in new office stock was nearly matched by net demand of 24,381 square metres.

Vacancy rates in Parramatta reached a four year high, increasing from 9.8 to 10.7 percent over the past six months.

The Sydney industrial market remains subdued as buyers continue to be cautious and have adopted conservative views on yields. Prime industrial property yields are currently in the range of 8 to 9 percent, while secondary grade property ranges from 8.5 to 10 percent.




37 William Angliss Drive, Laverton North

PROPERTY MARKET UPDATE (CONTINUED)

Approximately 690,000 square metres of industrial accommodation was leased in the past 12 months and the market has achieved approximately $720 million worth of sales.

South Sydney has seen a higher level of activity than other parts of the industrial market, however values and activity have both decreased considerably since late 2008. Yields for South Sydney have softened to a range of 8 to 8.75 percent for prime grade properties. Incentive levels are currently at between 8 and 10 percent of initial lease terms, while net face rents for prime grade stock are between $120 and $180 per square metre.

The Western Sydney industrial market has also seen a reduction in values, an increase in supply and softening yields ranging between 8 and 10 percent. Land values have also decreased by up to 30 percent.

South-west Sydney's industrial market has experienced some yield stabilisation with a moderate recovery in capital values as a result of significant infrastructure spending in the region, including the M5 and M7 Motorways.

The Sydney retail sector has displayed its resilience, with the government's stimulus package coupled with relatively strong employment dampening the impacts of the global economic downturn on the market. The completion of the Pitt Street Mall redevelopment scheduled for late 2010 will result in approximately 40,000 square metres of retail stock returning the market, and the vacancy rate for strata-titled retail property throughout the CBD is sitting at approximately 0.6 percent.

Retail investments continue to demonstrate a recovery in Western Sydney, particularly in the under $30 million market, and the recent sale of the Cecil Hills Shopping Village for $10.8 million achieved an initial net yield of 8.9 percent.

MELBOURNE

The Melbourne office market has again outperformed other capital cities over the past six months, with vacancy levels declining from 6.6 to 6.5 percent, according to the Property Council of Australia's research.

The result was underpinned by strong tenant demand, with net absorption of 68,996 square metres, despite significant supply additions of 74,453 square metres. Approximately 90 percent of new supply entered the Docklands area and was easily absorbed with 80 percent of new space being pre-committed.

The Melbourne office market is recognised as one of the best value markets in Australia given its abundance of high-quality buildings and numerous development sites. A current feature of the Melbourne office market is the number of smaller buildings with 30,000 square metres or less being proposed by developers. This reflects the current restrained approach to lending by the banks and a scarcity of larger pre-commitment size tenants looking to move.

Face rents in Melbourne appear to have plateaued in the short-term, however the market is increasingly positive about future rental growth. The CBD market also benefits from tenants representing diverse industry sectors and is not heavily reliant on one specific sector.

Melbourne represents the largest industrial property market in the country and its infrastructure continues to provide a competitive advantage. Approximately 823,730 square metres of industrial space was leased over the past year, and a total of $590 million worth of industrial property has been sold in the past 12 months.

The strength of eastern seaboard container movements, which was a feature of the second half of 2009 has continued into 2010. This is a positive sign for the Melbourne market and overall the vacancy rate for the Victorian industrial property sector has declined from 0.6 to 0.5 percent.

Prime industrial property yields range from 7.75 to 9 percent, while suburban industrial property investment yields range from 8 to 9.5 percent.

On the supply side, industrial construction in Melbourne has dramatically slowed, with warehouse and factory building activity at its lowest level in 14 years. Construction remains generally unfeasible at current rents, yields and property values.

The retail property market is influenced by consumer spending, which in turn influences retail turnover. While households are displaying a degree of caution about spending, there has been strong competition for prime Melbourne retail premises which has forced yields to record lows. In the suburban prime strip shopping sector, recent sales in the $2 million to $3 million bracket have achieved yields of between 3.44 and 4.64 percent.

NEWCASTLE

Newcastle's industrial property market is expected to experience ongoing expansion due to numerous major projects including the Newcastle port expansion, Orica's expansion of its Kooragang production facility, the Westrac facility at Tomago, new port facilities in Mayfield and the Hexham redevelopment project.

While these projects do not form part of the industrial property market, they will create demand for storage and manufacturing space in close proximity to these projects.

A recent rise in port traffic at Newcastle is another sign that demand will rise for warehouses to store export and import goods.

The Newcastle region industrial market includes the F3 Precinct, Steel River, Tomago and the Outer West. New development is spread across these precincts. The Outer West is likely to take prominence in the longer term due to the Hunter Economic Zone subdivision at Kurri Kurri. This development features competitively priced land, good transport access and has intermodal potential.

The industrial market showed its first signs of recovery in the December quarter 2009, with tightening yields and increasing rents, resulting in capital values returning to more than $880 per square metre, the highest since the first quarter of 2008.

An increase in net face rents is a further positive sign that tenants have greater confidence in the economy and the recovery trend is likely to continue throughout 2010.

In the Newcastle retail sector, there is a high level of new supply underway with the Charlestown Square expansion and Kotara Homemaker Centre accounting for approximately 70,000 square metres.

Charlestown Square and the Kotara retail precinct are the major retail centres for Newcastle and Hunter Valley consumers.

The 30,000 square metre second stage of the Kotara Homemaker Centre will add 22 new stores. The new precinct will more than double the size of the existing centre and increase Kotara's total retail space to 125,000 square metres, including the adjacent Westfield shopping centre.

Work on the Charlestown Square expansion is expected to be completed in late 2010. Charlestown will have total retail floorspace of 88,000 square metres, compared with the current gross lettable area of 48,800 square metres.

Construction could also begin on the $270 million expansion of Green Hills shopping centre in East Maitland in the second half of 2011. The expansion would double the size of the centre to two retail levels.

Meanwhile, plans for a $600 million Hunter Street Mall development have been shelved, which has raised concerns regarding inner-city property values. The developer which mooted the project owns most of the sites in the mall and they are now expected to be sold off. The mall's major tenant, David Jones, has also announced it will close its CBD store when its lease expires in January.

Since the Hunter Street Mall development was proposed, there have been a number of new developments for the sector including the impending arrival of Woolworths at the expanded Marketown shopping centre at Newcastle West and the opening of Aldi in Union Street, Cooks Hill.

The market update published in this report relates to the property market(s) relative to this Fund. Should you wish to read our complete property market update which covers Sydney, Melbourne, Brisbane, Perth, Cairns, Gold Coast, Newcastle, Canberra and Hobart please request a copy at either ***info@apgf.com.au*** *or call* ***1300 668 698****.*

518 Brunswick Street, Brisbane

ASSET MANAGEMENT

Note: Net building income is for the 12 months to 30 June 2010. Vacancy rates are at 30 June 2010.

11 Murray Dwyer Circuit, Mayfield West

Net Building Income: $591,281

Vacancy Rate: Nil

We are currently undertaking repairs to the window sills to prevent further leakage following heavy rain experienced in the Newcastle/Hunter region during July 2010. The expense will be funded from the Fund's working capital. An engineering report has been commissioned to investigate if any damage was caused to the roof.

The property was revalued for the 30 June 2010 accounts at $6,100,000. This remains unchanged from the 31 December 2009 valuation.

Centrelink Building, 19-27 Devlin Street, Ryde

Net Building Income: $382,809

Vacancy Rate: Nil

The property is leased to Centrelink until 30 June 2014. Under the lease agreement, the Fund is required to replace the carpet once every seven years if requested by the tenant. Centrelink is currently undertaking an office refurbishment upgrade and has requested the carpet be replaced as part of this process. The expense will be funded from the Fund's working capital.

The property was revalued for the 30 June 2010 accounts at $4,900,000. This remains unchanged from the 31 December 2009 valuation.

37 William Angliss Drive, Laverton North

Net Building Income: $1,672,452

Vacancy Rate: Nil

The property is leased to Scott's Refrigerated Freightways until December 2020.

The property was revalued for the 30 June 2010 accounts at $16,075,000, which represents an increase of 3.71% on the 31 December 2009 valuation of $15,500,000.

518 Brunswick Street, Brisbane

19-27 Devlin Street, Ryde

37 William Angliss Drive, Laverton North

518 Brunswick Street, Brisbane

Net Building Income: $1,491,975

Vacancy Rate: Nil

The property is fully leased to Bechtel until December 2011 with a three-year option.

Bechtel has recently transferred some of its externally located departments into the property and is undertaking a feasibility study for a new project. Should this project proceed then it is most likely that Bechtel will exercise its option under the lease agreement. APGF's asset management team will continue discussions with Bechtel to determine its leasing intentions and requirements.

The property was revalued for the 30 June 2010 accounts at $12,000,000, which represents a decrease of 3.23% on the 31 December 2009 valuation of $12,400,000.

Belmont Central, Belmont (Ownership Interest 50%)

Net Building Income: $2,199,483

Vacancy Rate: 6%

As reported in the March 2010 Quarterly Investors' Report, Letters of Offer were signed with two well known retailers for shops T22 and T23, however both parties elected not to proceed. Letters of Offer have been signed with another retailer for two vacancies at shops T2 and T3 and details will be provided in the next report once lease agreements have been executed.

The property was revalued for the 30 June 2010 accounts at $28,200,000, which represents an increase of 0.71% on the 31 December 2009 valuation of $28,000,000.

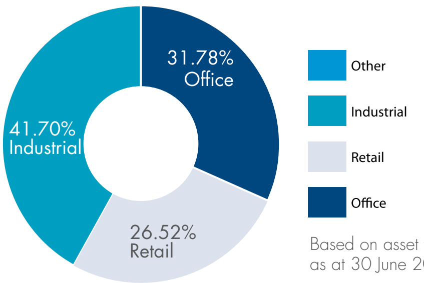
37 William Angliss Drive, Laverton North

BANKING AND DISTRIBUTIONS

The Fund's loan from Suncorp as at 30 June 2010 was $29.64 million. Suncorp has demonstrated patience and co-operation with the Manager while exploring various possibilities to restore covenants to compliance and has extended the maturity date from March 2010 to 30 September 2010. APGF is in discussions with Suncorp to further extend the facility agreement. Suncorp has advised it will process short term extensions pending formal approval of longer term extensions. The Manager is holding discussions with principal investors with regards to a potential capital raising to reduce the Loan to Value Ratio (LVR) sufficiently to enable refinancing of the debt. It is proposed to hold the deferred Extraordinary General Meeting (EGM) in late 2010 for investors to vote on the future of the Fund.

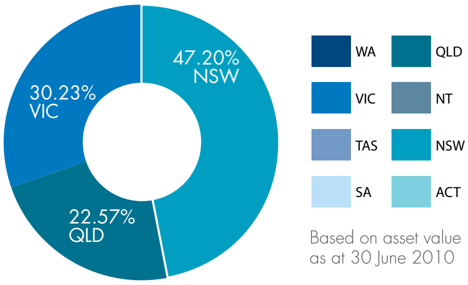
The Fund's quarterly distributions were suspended in the June 2008 quarter and will remain suspended until such time as banking covenants are restored to compliance.

DIVERSIFICATION BY SECTOR



Based on asset value as at 30 June 2010

DIVERSIFICATION BY LOCATION



Based on asset value as at 30 June 2010

FUND SUMMARY

As at 30 June 2010	
Fund Size	$43,200,305*
Net Tangible Assets Per Unit	$0.24
Loan to Value Ratio (LVR)	76.6%
Interest Cover Ratio (ICR)	1.4 times**
Independent property valuation for 30 June 2010 accounts	39,075,000***

* *Excludes the 50% investment in Belmont Shopping Centre valued at $28.2 million, however includes investment in Belmont Trust of approximately $2.2 million.*

** *For the 12 months to 30 June 2010.*

*** *Excludes 50% interest in Belmont Shopping Centre valued at $28.2 million.*

DISCLAIMER

The information is provided without taking into consideration your objectives, financial situation or needs and is not intended as financial product advice or a recommendation. You should obtain independent financial advice before making any investment decision. Past performance is not indicative of future performance.

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We welcome your feedback on this June 2010 Quarterly Investors' Report.
You can contact us at **info@apgf.com.au**.

AUSTRALIAN PROPERTY GROWTH FUND
Level 15, 12 Creek Street, Brisbane QLD 4000
GPO Box 3119, Brisbane QLD, 4001
T: 1300 668 698 **E:** info@apgf.com.au
www.apgf.com.au

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