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DNZ Buys Albany Office Building

DNZ has purchased the office building at 51 Corinthian Drive, Albany, Auckland for \$12.9 million.

The 3,297m² three level office building (plus basement car parking) will be fully occupied and will be 76% leased to Westpac under a new nine year lease.

This is an excellent investment with a new nine year lease to a quality anchor tenant, Westpac, in one of Auckland's major growth areas. DNZ has also entered into a conditional agreement to purchase a 1.4 hectare block of bare land that sits between the office building and 33 Corinthian Drive, which is owned by DNZ and occupied by ASB. This adjacent bare land provides a number of development opportunities.

Settlement on 51 Corinthian Drive occurred on 31 August 2012.

24 Months Since Listing on the NZX

On the 16th of August 2010, just over 24 months ago, DNZ listed on the NZX. Since then we have made considerable progress as a listed company, with our share price moving from 0.97 cents at listing on 16 August 2010 to \$1.56 at close of business on 7 September 2012. The annualised cash dividend has also increased by 12.5% over the same period.

Over the same period, your management team has performed strongly, ensuring that our Company is in a robust position to meet the challenges of what continues to be a trying business climate. Our portfolio performance metrics remain strong with,

as at 30 June 2012, a weighted average lease term (WALT) of 5.6 years and occupancy at 98.6%.

I hope you find the contents of this newsletter informative and if you have any questions please do not hesitate to contact me direct.

Yours sincerely,

Paul Duffy
Chief Executive
DNZ Property Fund Limited





Over 40,000m² Leased

In May this year the DNZ management team leased the 12,665m² warehouse facility at 62 Columbia Avenue, Christchurch, to Value Tyres for a term of 10 years.

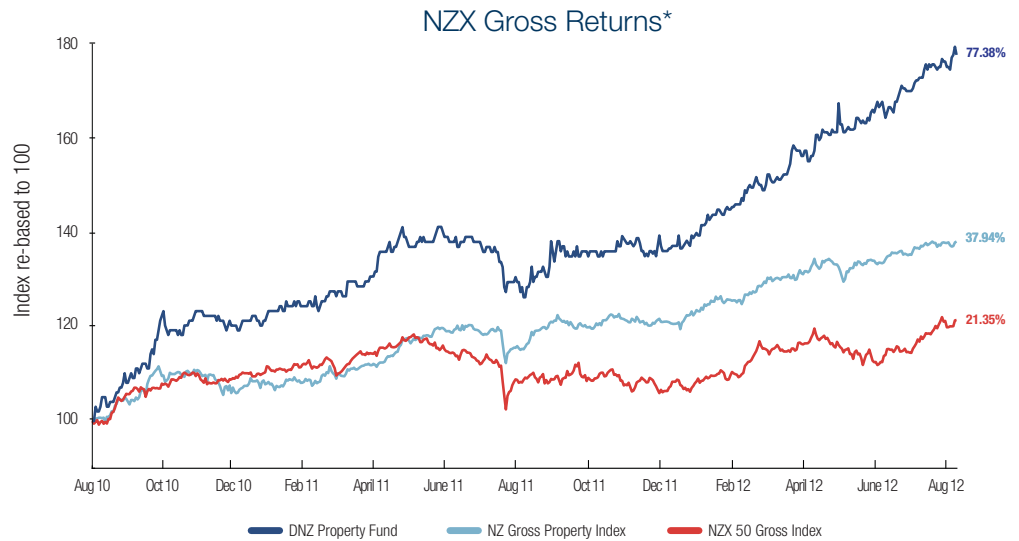
Leasing this space, with commencement on expiry of the existing tenant's lease and in a tough market, is a direct reflection of DNZ's active management approach.

The lease transaction to Value Tyres included a put/call option where DNZ held the option to require the tenant to purchase the property, with the tenant also holding the option to require DNZ to sell the property. This option has been exercised. On 27 August 2012, DNZ unconditionally sold the property for \$10 million with settlement scheduled for 1 December 2012.

Other lease transactions completed include the leasing of the 6,433m² The Warehouse property at 35 MacLaggan Street in Dunedin which has been renewed for three years. A new lease for 8 years (break option at 4.5 years) has been completed with NZ Merchants on the 10,239m² warehouse facility at 20 Rockridge Avenue, Penrose, Auckland. Progressive Enterprises has waived its break option at Countdown, 230-240 Fenton Street, in Rotorua.



**DNZ
Gross Return
Since Listing
77%**



* Assumes the re-investment of dividends (but not imputation credits) on the ex-date.

SOURCE: IRESS 3 September 2012

DNZ Portfolio Overview

	As at 31 March 2012	As at 30 June 2012
Properties	51	51
Tenants	252	252
Net Lettable Area	379,965m ²	379,960m ²
Net Contract Rental	\$58,202,504	\$58,569,219
Weighted Average Lease Term (WALT)	5.38 years	5.63 years
Occupancy Rate (by area)	98.73%	98.63%
Portfolio Value (latest valuations)	\$658,340,000	\$658,340,000



Dividend Reinvestment Plan

DNZ has introduced an updated Dividend Reinvestment Plan or DRP, where you as Shareholders can choose to reinvest all or part of your cash dividends in additional DNZ shares. Details of the DRP, including a summary of its key features, are set out in the Dividend Reinvestment Plan Document that was sent to you in late July. Just bear in mind that if you participated in any earlier plan, that plan is no longer valid, so if you would like to participate in the updated DRP you will need to reapply.

In August the Board approved the implementation of this updated DRP for the 2013 financial year first quarter dividend. A discount for the price of shares issued under the DRP was set at 1% on the 5 day weighted average trading price of the shares, commencing on 3 September 2012, being the first business day following the record date. For the FY13 first quarter cash dividend the strike price was set at \$1.5369.

If you need a copy of the DRP document it is available on our website or by contacting:

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159 Hurstmere Road
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First Quarter FY13 Dividend and Guidance

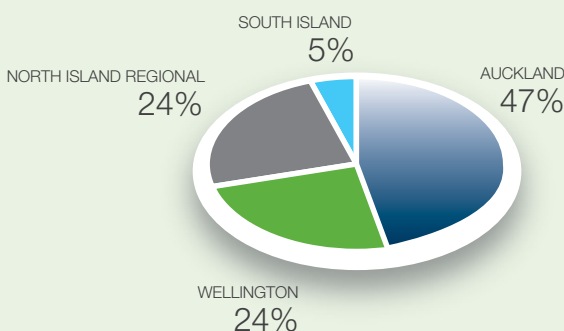
You will recall that in May, the Board said it expected DNZ to continue to perform strongly throughout this financial year to 31 March 2013, and we provided market guidance suggesting a dividend of 2.25 cents a quarter, or 9.0 cents for the 2013 financial year.

The Board approved in August 2012 a cash dividend of 2.25 cents per share for the first quarter of the current financial year. This dividend carried imputation credits of 0.603 cents per share and had a record date of 31 August 2012, with payment made on 13 September 2012.

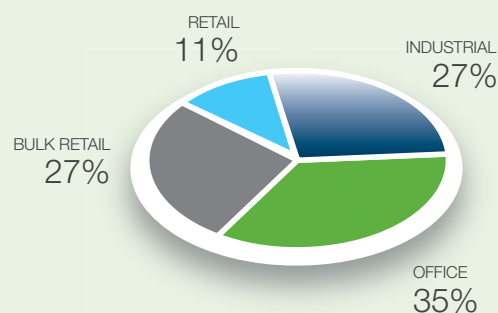
This dividend payment is in keeping with the Board's long term approach of paying dividends that are broadly in line with the Company's operating cash flows.

As market commentators have observed, our dividend policy may be considered conservative compared to our peers, but it is both sensible and best practice. It ensures the Company remains in a strong financial position and is well placed to withstand continuing market turbulence while taking advantage of opportunities as they arise.

Portfolio Contract Rental by Region
as at 30 June 2012



Portfolio Contract Rental by Sector
as at 30 June 2012





DNZ Property Fund Limited 2012 Annual Meeting Results

DNZ held its Annual Meeting at the Ellerslie Racecourse in Auckland on 15 August 2012. The three resolutions put to the Company's Annual Meeting were passed as follows:

Resolution 1 - Passed

That PricewaterhouseCoopers be appointed as auditor of the Company on such terms as to fees and expenses as are determined by the directors of the Company.

Votes for: 111,163,242 (99.99%) Votes against: 10,504 (0.01%)

Resolution 2 - Passed

That Michael Peter Stiasny be re-elected as a director of the Company pursuant to clause 20.3 of the Constitution.

Votes for: 109,609,351 (98.65%) Votes against: 1,500,436 (1.35%)

Resolution 3 - Passed

That David Gregory van Schaardenburg be re-elected as a director of the Company pursuant to clause 20.3 of the Constitution.

Votes for: 78,494,208 (88.49%) Votes against: 10,208,263 (11.51%)

The Board has also determined, in accordance with listing rule 3.3.3(a), that Tim Storey, John Harvey, Michael Stiasny and David van Schaardenburg are "Independent Directors".

Benefits of DNZ being a Listed Portfolio Investment Entity (PIE)

DNZ Dividends will generally contain two elements:

- Fully imputed dividend – taxed at company level at the company tax rate of 28%
- Excluded income – not subject to NZ withholding tax

For a natural person and trustee shareholders, dividends from a Listed PIE won't need to be included in your income tax return, unless you chose to include the fully imputed dividend to claim imputation credits.

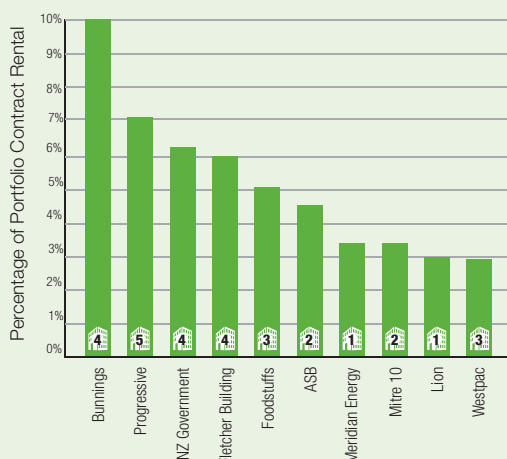
DNZ & non-PIE Comparison

DNZ Property Dividend		XYZ Company (non-PIE)	
Profit	\$100.00	Profit	\$100.00
Tax*	(\$20.00)	Tax*	(\$20.00)
Distributable Profit	\$80.00	Distributable Profit	\$80.00
Gross Dividend	\$100.00	Gross Dividend	\$100.00
Imputation Credit	(\$20.00)	Imputation Credit	(\$20.00)
Total Net Dividend	<u>\$80.00</u>	Resident Withholding Tax	(\$13.00)
Excluded Income	\$28.57	Total Net Dividend	<u>\$67.00</u>
Imputed Dividend	\$51.43		

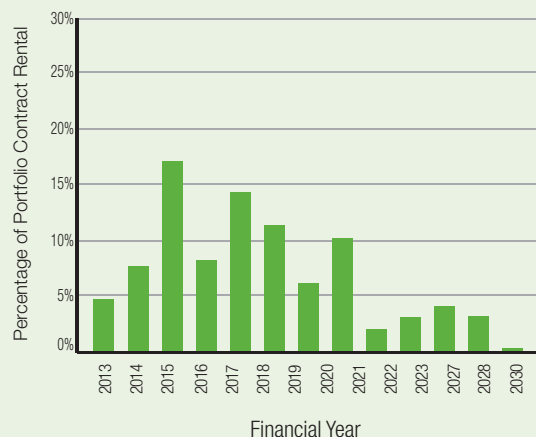
For a 17.5% taxpayer who is able to claim excess imputation credits the net dividend received from DNZ would be \$87.50 versus \$82.50 for a non-PIE entity.

* Assumes 20% effective tax rate.

Top 10 Tenants by Contract Rental as at 30 June 2012



Lease Expiry Profile by Contract Rental as at 30 June 2012



Denotes number of properties.



Team DNZ Competes in the Peak To Peak to Raise Funds for FYD



The DNZ Peak To Peak Team

In July 2012, five DNZ Property Fund staff competed in the Queenstown Peak to Peak challenge, to raise funds for the Foundation for Youth Development (FYD). The Peak to Peak is an intensive 44km race linking two ski mountains from the top of Queenstown’s Remarkables Ski Area to Coronet Peak and includes skiing, mountain biking, kayaking, running and cycling.

The event attracted 51 individuals and 91 teams. The 44km race started at the top of The Remarkables with a shorter than normal ski run due to the current snow conditions. A slightly longer run to the skis separated the field and some chicanes were used to control the speed as the racers hurtled down the Alta Blue Trail on the Remarkables ski field. This section finished

by the ski field’s base building before the 17km mountain bike ride down the high altitude Remarkables road, finishing at Frankton Beach.

Perfect lake conditions were a big change from 2011 when the kayak course was shortened due to rough lake conditions. The 142 kayakers streamed down the Frankton Arm of Lake Wakatipu with almost the whole length of the arm separating the first and last competitors.

From Queenstown Bay, once the kayakers arrived in downtown Queenstown Bay it was a 9km run to the Coronet Peak turn-off, followed by the 9km cycle up the Coronet Peak access road to the finish line at the ski area base buildings. This was without doubt the hardest leg of the event, with DNZ Retail Leasing Manager, Michael Jefferies, saying it was the toughest cycle he had ever done, which was evidenced by an average heart rate of 178 for the hill climb.

DNZ came a respectable 14th in the corporate teams competition and managed to raise over \$20,000 for FYD, which we are sure will go some way in helping FYD in making great kiwi kids.



About FYD

FYD was founded in 1995 by Graeme Dingle and Jo-anne Wilkinson. FYD is a leader in the field of youth development and runs proven programmes – Kiwi Can, Stars, Project K and MYND.

Programmes focus on values, leadership skills, building confidence, developing life skills and teambuilding to help kids discover possibility and motivation, creating a youth population with a positive outlook and eyes open to the future.

Receive Information Electronically

Computershare, the Company's share registrar, has included with the printed version of this newsletter a form for Shareholders to elect to receive communications electronically, including dividend statements. If you have an email address we encourage you, if you have not already done so, to fill in the form and return it to Computershare so that future communications from DNZ can be sent to you via email. Last month Computershare also sent to Shareholders who have an email address on file with Computershare an email asking for their preference as to how they would like to receive future communications from DNZ. If you have not yet actioned this email we again encourage you to do so. To date over 600 Shareholders have elected to receive future communications via email.

For further information please contact:

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Roadshow Review

During July 2012, DNZ undertook a number of presentations around the country for Shareholders and also for those who might be interested in investing in the Company. The presentations were well received and feedback to date has been positive. A copy of the presentation can be found in the documents section of the Investor Centre on DNZ's website.

We've Updated Our Website

DNZ's website has been given a small facelift to upgrade it to have a better look and feel. As part of this upgrade the Investor Centre has been updated so that Shareholders can access Computershare, the Company's registrar, to update their details a little more easily. We hope you like the new look.



DNZ Key Shareholder Dates

September 2012	FY13 First Quarter Interim Dividend
November 2012	FY13 Interim Result Announcement
December 2012	FY13 Interim Report Distributed
December 2012	FY13 Second Quarter Interim Dividend Scheduled
March 2013	FY13 Third Quarter Interim Dividend Scheduled
May 2013	FY13 Annual Result Announcement
June 2013	FY13 Final Dividend Scheduled
June 2013	FY13 Annual Report Distributed
August 2013	Annual Meeting