MULTIPLEX PROPERTY INCOME FUND

ARSN 117 674 049

Brookfield

Notice of Meeting and Explanatory Memorandum

The Independent Director recommends that you VOTE IN FAVOUR of Resolutions 1, 2, 3 and 4

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for Multiplex Property Income Fund (ARSN 117 674 049)

The meeting of Unitholders will be held at:

Place: The Mint, Auditorium, 10 Macquarie Street, Sydney NSW 2000

Date: 22 November 2011

Meeting Registration: 12.30pm AEDT

Meeting commences: 1.00pm AEDT

Important Notice

(a) What is this document?

This Explanatory Memorandum provides Unitholders of Multiplex Property Income Fund (ARSN 117 674 049) (**Fund**) with an explanation of, and information about, the Proposal to sell certain assets of the Fund to Brookfield Australian Opportunities Fund (ARSN 104 341 988) (**BAO**) and wind up the Fund.

(b) No personal investment advice

The information contained in the Explanatory Memorandum and general recommendation to vote in favour of the Resolutions is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation provision and needs. It is important that you read the Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any investment decision and any decision on how to vote on the Resolutions set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial or other professional adviser.

(c) Privacy

Brookfield Capital Management Limited (ACN 094 936 866) (**BCML**) as responsible entity of the Fund (**Manager**) may collect personal information in the process of conducting the Meeting and implementing the Proposal, if approved. Such information may include the Unitholder's name, contact details and Unit holding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Manager to conduct the Meeting and implement the Proposal if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Manager.

Unitholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Manager in the first instance if they wish to access their personal information.

(d) Voting exclusion

The Manager will disregard any votes cast by a person who is not entitled to vote because of Section 253E of the Corporations Act. This section provides that the Manager and its associates are not entitled to vote on a resolution if they have an interest in the resolution other than as a Unitholder. Accordingly, the responsible entity of the BAOF (being the sole Ordinary Unitholder) will not vote on any of the resolutions proposed at the Meeting. However, associates of the Manager may vote as a proxy for another Unitholder who is not excluded from voting if the proxy specifies the way they are to vote on a resolution.

(e) Key dates

Date of issue of this Explanatory Memorandum	**21 October 2011**
Meeting record date	**5.00pm AEDT 18 November 2011**
Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	**1.00pm AEDT 20 November 2011**
Unitholders meeting to be held at: The Mint 10 Macquarie Street Sydney NSW 2000	**1.00pm AEDT 22 November 2011**
Commencement of termination and winding up of the Fund (if approved)	**24 November 2011**

(f) Forward looking statements

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of the Manager and its directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the resolutions may have on the results of the Fund's operations, and the advantages and disadvantages expected to result should the Resolutions be passed, are forward looking statements.

These forward looking statements and the financial performance of the Fund are subject to various risks which may be beyond the control of the Fund or the Manager. As a result, the Fund's actual results of operations and earnings following implementation of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are expected in respect of timing, amount or nature and may never be achieved.

Various business risks could affect future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum. The forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. The Manager cannot assure Unitholders that forecasts or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act, the Manager does not give any undertaking to update or revise any such change expectation thereto or any change in events, conditions or circumstances on which any such statement is based.

(g) Disclaimer

Information concerning the Fund and the intentions, views and opinions of the Manager contained in this Explanatory Memorandum have been prepared by the Manager and are the responsibility of the Manager.

Whilst every effort is made to prepare accurate and complete information (any of which may change without notice), this Explanatory Memorandum has been prepared in good faith and no member of Brookfield Australia Investments Group or the Fund or any of their related bodies corporate, directors, officers or employees make any representation or warranty, express or implied, as to the adequacy, accuracy, reasonableness, reliability or completeness of any statement herein. To the maximum extent permitted by law, each member of the Brookfield Australia Investments Group and the Fund and their related bodies corporate, directors, officers and employees expressly disclaim all or any liability which may arise out of the provision to, or use by, any person, of the information contained in or omitted herein.

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1. Independent Director's Letter

Dear Unitholder,
Brookfield Capital Management Limited (ABN 32 094 936 866) (**BCML**) as responsible entity of Multiplex Property Income Fund (ARSN 117 674 049) (**Manager**) received a conditional offer (**Offer**) from Brookfield Australian Opportunities Fund (ARSN 104 341 988) (**BAO**) to buy nine property security investments owned by the Fund (**Sale Assets**).

The purpose of this Explanatory Memorandum is to set out the terms of the Proposal arising as a result of the Offer, the implications for Unitholders, and to detail the voting process to be undertaken to consider the Proposal at a meeting of Unitholders at 1.00pm AEDT on 22 November 2011.

THE OFFER

The Manager has received an Offer from BAO to acquire the Fund's interests in eight non-liquid investments and an investment listed on the Bendigo Stock Exchange for a price of $12,187,471. This represents a discount of 20% to the 30 June 2011 carrying value of these investments.

The Offer is conditional on approval of BAO unitholders, as well as the removal of the Distribution Stopper that currently restricts BAO from making distributions to its unitholders and commencement of winding up of the Fund.

If Unitholders approve the resolutions and other conditions are satisfied, the Manager will commence winding up the Fund and return cash from the Sale Assets to Income Unitholders within 30 days of the Unitholders' meeting. In addition to returning sale proceeds from the Sale Assets, the Manager intends to return the proceeds from sale of the Fund's A-REIT portfolio (currently valued at $4.2 million) and $3.0 million in cash reserves within 30 days of the meeting. At current valuation, this would see approximately 36.7 cents per unit returned to Income Unitholders, though this could fluctuate with market conditions.

After these initial returns of capital, the Fund will still hold interests in 15[1] remaining investments. The Manager will continue to manage these investments and pay further returns to Income Unitholders as and when these assets are able to be realised. The Manager will also continue to distribute net investment income periodically to Income Unitholders when available. Current estimates should see further capital being returned to Income Unitholders primarily over the next two to three years, with final distributions and wind up of the Fund in or about 2016. As the Fund will be winding up, the Constitution requires the Manager to realise the remaining investments as soon as possible, with no further investments being made.

RECOMMENDATION

As Independent Director, I consider that approving the Proposal and progressively returning cash to Income Unitholders is in the best interests of Unitholders. Therefore, I recommend that you vote FOR the Resolutions in the absence of a Superior Proposal.

The Manager believes the Offer has been negotiated on an arm's length basis. An opinion from the Independent Expert that it is fair and reasonable in the circumstances is enclosed with this Explanatory Memorandum.

The Offer from BAO is to acquire eight non-liquid investments and an investment listed on the Bendigo Stock Exchange that would be very difficult to otherwise realise as there are few other opportunities for the Fund to exit these investments at appropriate values. The Offer provides an opportunity to exit these assets in a manner that provides certainty on price and timing. The majority of the Remaining Assets, post the initial distribution to Unitholders, contain a liquidity mechanism that may facilitate the Fund's exit from those investments over the next five years. However, there is no guarantee that the remaining non-liquid assets may be realised, whether within the projected time frame or for the estimated sale price. The Manager will be seeking to realise these assets as soon as possible.

IF THE RESOLUTIONS ARE PASSED

In the event that the Resolutions are passed, it is highly unlikely that Income Unitholders will ultimately receive total capital distributions equal to the $1.00 per Income Unit originally invested. In addition, the Ordinary Unitholder (BAO) is unlikely to receive any return on its original $30.08 million investment.

IF THE RESOLUTIONS ARE **NOT** PASSED

In the event that the resolutions are not passed, the Manager's analysis indicates that Income Unitholders may be required to wait at least seven years to be able to possibly redeem their Income Units for $1.00 per Unit. Further, the analysis also indicated that it may take until at least February 2019 to achieve income returns to Income Unitholders of 7.5% per annum, or greater than 10 years to achieve returns of 8.5% per annum on the $1.00 per Income Unit invested.

In any case, there is no guarantee that the value of an Income Unit will return to $1.00, or that distributions will achieve the returns set out above.

IN SUMMARY

The Proposal provides an opportunity for Unitholders to receive a part return of the $1.00 per Income Unit originally invested within 30 days of the Meeting, as well as further distributions over the life of the wind up of the Fund. It is my view that other options open to the Manager would not provide a superior outcome for Unitholders.

QUESTIONS

Enquiries regarding the Proposal may be directed to Multiplex Property Income Fund Information Line on 1800 766 011 (within Australia) or +61 2 9290 9600 (from outside Australia) (Monday to Friday – 8.30am to 5.30pm AEDT).

On behalf of the Manager, thank you for your support.

Yours faithfully

Barbara Ward
Independent Director

1 The Fund also holds interests in Rubicon America Trust, Rubicon Japan Trust and Rubicon Europe Trust. These have been delisted from ASX, are in wind up and have liquidators appointed. They are carried at nil value in the financial statements of the Fund as at 30 June 2011.

2. Summary of the Proposal

2.1 BACKGROUND TO THE FUND

The Fund was opened to investors in March 2007. The objective of the Fund was to provide Income Unitholders with a steady income distribution return of 7.5% to 8.5% per annum on the $1.00 per Income Unit invested that would be paid in priority to the holder of the Ordinary Units. Income Units were issued at a price of $1.00 per unit and had a redemption price of $1.00 per unit. BAO contributed $30.08 million in assets to the Fund in return for 30.08 million Ordinary Units in the Fund.

The Fund has not been able to achieve the targeted level of return since December 2008 and the value of an Income Unit has reduced from $1.00 to approximately $0.78 as at 30 June 2011. The distribution yield to Income Unitholders over the year to 30 June 2011 on the $1.00 invested per unit was 4.2%. As a consequence of Income Unitholders not receiving the PDP, the Ordinary Unitholder (BAO) has been prevented from making distributions to its unitholders.

2.2 THE OFFER AND PROPOSAL

(a) The Offer

The Manager received a conditional offer from BAO to buy eight investments in unlisted property funds and one investment listed on the BSX (where liquidity is limited) owned by the Fund for a total price of $12,187,471 subject to certain conditions (see Section 10.1 for more information). The conditions included the commencement of termination and winding up of the Fund and removal of the Distribution Stopper.

(b) The Proposal

The Manager has entered into an Implementation Deed (subject to certain conditions – see Section 10.1) to transfer the Sale Assets to BAO and is now seeking Unitholders' approval to:

- amend the Constitution to commence termination and winding up of the Fund on and from the 24 November 2011;
- complete the transfer of the Sale Assets to BAO for the Sale Price;
- remove the Distribution Stopper; and
- include an additional clause in the Terms of Issue to reflect removal of the Distribution Stopper.

The Offer is also conditional on the approval of BAO unitholders. In the event that BAO unitholders do not approve the Offer, the Meeting will not take place and the Fund will continue in its present form.

2.3 WHAT RESOLUTIONS NEED TO BE PASSED AT THE MEETING?

Conditional on Unitholder approval, the Manager has accepted the offer from BAO and is asking Unitholders to approve resolutions necessary to implement the Proposal including:

(a) amending the Constitution to set a fixed date of 24 November 2011 to commence termination and winding up of the Fund;
(b) removing the Distribution Stopper on and from the date of the completion of transfer of Sale Assets to BAO for the Sale Price unless BAO consents otherwise;
(c) inserting an additional clause in the Terms of Issue to reflect the removal of the Distribution Stopper; and
(d) approving the sale of the Sale Assets to BAO as a related party transaction.

All Resolutions are inter-conditional and must be passed in order to implement the Proposal. If the Resolutions are not passed, the Fund will continue to trade and the rights of Unitholders will remain unaffected.

2.4 WHAT WILL HAPPEN IF THE PROPOSAL IS APPROVED BY UNITHOLDERS?

If the Proposal is approved, the Manager will:

Return approximately 36.7 cents per unit in cash from the Sale Assets and liquid investments to Unitholders

- transfer the Sale Assets to BAO and distribute the proceeds of approximately $12.2 million (being 23.09 cents per Income Unit), as well as cash reserves of approximately $3.0 million (being 5.68 cents per unit), to Income Unitholders within 30 days of the date of the meeting;
- sell the Fund's investment in its A-REIT Portfolio on the ASX. As at 18 October 2011 this portfolio is trading at a value of $4.2 million. If these securities were sold at that value this would realise a further 7.95 cents per unit and the Manager would distribute those proceeds to Income Unitholders within 30 days of the date of the meeting (unless the Manager forms a reasonable view that the market conditions and timing are adverse to the realisation of those liquid assets in that time frame, in which case realisation will take place as soon as practicable after that) (see Sections 7.2 and 8.1(ii) for more information);

Continue to manage the remaining non-liquid investments and return cash to Unitholders in the future

- undertake an orderly sale process to sell the remaining non-liquid assets of the Fund and distribute the proceeds to Income Unitholders as and when those investments are sold. Where the assets cannot be sold on the open market at a price the Manager considers to be in the best interests of Unitholders, the Manager may continue to manage the investment until a 'review date' arises in the underlying asset and the Fund may be able to exit its investment. Further information in relation to the 'review dates' for these investments is provided in Section 8.2. Unitholders should note that it may take a number of years to realise the remaining non-liquid assets (see Sections 7.2 and 8.2 for more information);

Distribute income from the remaining non-liquid investments to Unitholders in the future

- continue to pay distributions to Income Unitholders on any investments owned by the Fund until the Fund is wound up, though there can be no guarantee that the Remaining Assets will continue to generate income (see Section 8.2(iii) for more information); and
- continue to waive management fees associated with the Fund for the duration of wind up. In accordance with the PDS and the Constitution, costs incurred by the Fund will be borne in the Fund, though under the Implementation Deed, BAO will pay all reasonable costs actually incurred in connection with implementing the Proposal (which includes fees and costs associated with convening the Meeting and consideration of the Proposal by the Manager) unless the Manager recommends or implements a Competing Proposal or a Superior Proposal. However, the costs associated with the winding up of the Fund after the transfer of Sale Assets to BAO will be borne by the Fund.

2. Summary of the Proposal continued

2.5 WHAT WILL HAPPEN IF THE PROPOSAL IS **NOT** APPROVED BY UNITHOLDERS?

If the Proposal is not approved, the rights of Unitholders will be unchanged. These rights are set out in Section 8.3 and include:

- Income Unitholders have a priority over Ordinary Unitholders to receive the PDP;
- Income Unitholders have a priority over Ordinary Unitholders in circumstances where the Fund is terminated and capital returned to Unitholders upon wind up; and
- withdrawals and redemptions are currently suspended and are likely to remain suspended. Further consideration will be given to reopening redemptions if the value of the underlying portfolio increases to $1.00 per Income Unit, which the Manager considers unlikely in the short to medium term.

In the event that the Proposal is not approved, the Manager will continue to explore options regarding the future of the Fund and does not rule out a future termination and winding up of the Fund at the discretion of the Manager if there is no other alternative that is in the best interests of Unitholders at that time.

2.6 THE PROCESS ADOPTED TO CONSIDER THE PROPOSAL

The responsible entity for the Fund and BAO is the same company (i.e. Brookfield Capital Management Limited (ACN 094 936 866)). For the purposes of reviewing the Proposal, BCML adopted a conflict protocol that provided for certain members of the board of directors of the Manager to act on behalf of a specific party to the transaction with Barbara Ward (Independent Director) and Shane Ross (Executive Director) acting for the Fund, and Allan McDonald, Brian Motteram (independent directors) and Russell Proutt (executive director) acting for BAO. The directors were advised by separate independent legal counsel and a separate management team acting under the conflict protocol. Both the Fund and BAO retained different independent experts to provide a view on the transaction for respective investors.

Due to the related party issues involved in the Proposal, the board of the Manager delegated consideration of the Proposal and the formulation of a recommendation to Unitholders to the Independent Director Barbara Ward. The Independent Director considers herself justified in making a recommendation concerning the Proposal and the Resolutions.

The Executive Director has abstained from voting on the Proposal or making a recommendation in relation to the Proposal or Resolutions, given that entities associated with him are parties to the Proposal and will receive benefits as set out in Section 9.

Neither the Independent Director nor the Executive Director hold any interest in the Fund.

The Manager believes the Offer has been negotiated on an arm's length basis and has obtained an opinion from the Independent Expert that it is fair and reasonable in the circumstances.

2.7 INDEPENDENT EXPERT'S REPORT

The Manager has engaged the Independent Expert to provide Unitholders with the Independent Expert's Report in relation to the Proposal. A complete copy of the Independent Expert's Report is set out in Section 11. Unitholders are urged to read the Independent Expert's Report in full.

The Independent Expert has concluded that the Proposal is fair and reasonable to Income Unitholders.

2.8 THE INDEPENDENT DIRECTOR'S RECOMMENDATION

The Independent Director considers that the Proposal is in the best interests of Unitholders as a whole and recommends that you vote FOR the Resolutions in the absence of a Superior Proposal.

2.9 WHAT UNITHOLDERS NEED TO DO

A Meeting of Unitholders will be held at 1.00pm AEDT on 22 November 2011 at The Mint, 10 Macquarie Street, Sydney NSW 2000.

A Unitholder may vote by attending the meeting of Unitholders or appointing a proxy. The process for appointing a proxy is set out in Section 4.5 of this Explanatory Memorandum.

In the event that BAO unitholders do not approve the Proposal, then the Meeting will not take place and the Fund will continue in its present form.

2.10 FURTHER INFORMATION

Further information in relation to the Proposal is provided in this Explanatory Memorandum and Notice of Meeting.

Enquiries regarding the Proposal may be directed to the Multiplex Property Income Fund Information Line on 1800 766 011 (within Australia) or +61 2 9290 9600 (from outside Australia) (Monday to Friday – 8.30am to 5.30pm AEDT).

3. Notice of Meeting of Unitholders

MULTIPLEX PROPERTY INCOME FUND ARSN 117 674 049

Notice is given by the Manager that a meeting of the Unitholders of the Fund will be held at:

The Mint, 10 Macquarie Street, Sydney NSW 2000 at
1.00pm AEDT on
22 November 2011.

Barbara Ward will act as Chairperson of the Meeting, or failing her, Shane Ross will act as Chairperson of the meeting.

RESOLUTION 1
AMENDMENT OF THE FUND CONSTITUTION

To consider, and if thought fit, pass the following resolution as a special resolution in accordance with Section 601GC(1)(a) of the Corporations Act:

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, the Constitution be modified as set out in the Sixth Supplemental Deed for the purpose of giving effect to the Proposal and that the Manager be authorised to do all things necessary to give effect to this resolution, including executing and lodging the Sixth Supplemental Deed with the Australian Securities and Investments Commission".

RESOLUTION 2
APPROVE THE RELATED PARTY TRANSACTION

To consider, and if thought fit, pass the following resolution as an ordinary resolution in accordance with Section 601LC of the Corporations Act:

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, the Proposal be approved for all purposes (including the giving of any financial benefit by the Manager to BAO for the purpose of Chapter 2E of the Corporations Act) and the Manager be authorised to complete the Proposal and dispose of the Sale Assets to BAO".

RESOLUTION 3
REMOVE THE DISTRIBUTION STOPPER

To consider, and if thought fit, pass the following resolution as a special resolution in accordance with the Terms of Issue and Conversion Deed:

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, even though the conditions in sub-clauses 2.5(a) and (b) of the Terms of Issue have not been satisfied in relation to one or more Distribution Periods (as defined in the Terms of Issue), the restrictions set out in clause 2.5 of the Terms of Issue, preventing BAO from paying a distribution on BAOF units or redeeming, reducing, cancelling or buying-back or acquiring for any consideration any issued BAOF units, shall cease to apply, on and from the date of the completion of transfer of Sale Assets to BAO for the Sale Price, unless BAO consents otherwise, and that the Manager be authorised to sign all documents and do all things necessary to give effect to this resolution".

RESOLUTION 4
INSERTION OF ADDITIONAL CLAUSE IN THE TERMS OF ISSUE

To consider, and if thought fit, pass the following resolution as an ordinary resolution in accordance with the Terms of Issue:

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, an additional clause is inserted in the Terms of Issue to reflect the removal of the Distribution Stopper as follows:

"2.5A Holders resolution regarding restrictions on distributions

If Holders pass resolution 4 described in the notice of meeting of the Income Fund, effective 24 November 2011 (**Distribution Stopper Suspension Date**), then even though the conditions in sub-clauses 2.5(a) and (b) have not been satisfied in relation to one or more Distribution Periods, the restrictions set out in clause 2.5, preventing MPF from paying a distribution on MPF Units or redeeming, reducing, cancelling or buying-back or acquiring for any consideration any issued MPF Units, shall cease to apply, on and from the Distribution Stopper Suspension Date, unless MPF consents otherwise.""

4. Information for Unitholders

4.1 VOTING

Resolutions 1 and 3 are special resolutions and can only be passed if at least 75% of the votes cast by Unitholders entitled to vote either in person or by proxy are in favour of the relevant resolution.

Resolutions 2 and 4 are ordinary resolutions and can only be passed if at least 50% of the votes cast by Unitholders entitled to vote either in person or by proxy are in favour of the relevant resolution.

The Chairperson has advised that she intends to demand a poll so that all the Resolutions are to be decided on a poll.

On a poll, each Unitholder present in person, or Unitholder's proxy, attorney or representative, has one vote for each one dollar of the value for the Units held by the Unitholder.

The Manager has determined that the persons who are entitled to vote at the Meeting will be determined by reference to Units and Unitholders recorded in the Fund's register as at 5.00pm AEDT on 18 November 2011.

4.2 VOTING EXCLUSIONS

The Manager will disregard any votes cast by a person who is not entitled to vote because of Section 253E of the Corporations Act. This section provides that the Manager and its associates are not entitled to vote on a resolution if they have an interest in the resolution other than as a Unitholder. Accordingly, BAO (as the Ordinary Unitholder) will not be able to vote on any of the resolutions proposed in this Notice of Meeting and the Manager will disregard any votes cast by BAO. However, associates of the Manager may vote as a proxy for another Unitholder who is not excluded from voting if the proxy specifies the way they are to vote on the relevant resolution.

4.3 EXPLANATORY MEMORANDUM

The Notice of Meeting set out in Section 3 should be read in conjunction with the balance of this Explanatory Memorandum. This Explanatory Memorandum contains an explanation of the Resolutions and further information about the Proposal to enable you to make an informed decision on how to vote on the resolutions.

4.4 PROXIES

A Unitholder may vote by attending the meeting of Unitholders or appointing a proxy. If you wish to appoint a proxy and you are entitled to vote, you may:

(a) appoint one or two proxies (who do not need to be a Unitholder); and
(b) specify the proportion or number of votes each proxy may exercise. If you do not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of your votes.

The Chairperson encourages all Unitholders who submit proxies to direct their proxy how to vote in each Resolution. However, if proxies are not directed, the Chairperson intends to vote in favour of all the Resolutions.

4.5 HOW DO I APPOINT A PROXY

A copy of a proxy form is attached. If you wish to appoint a proxy, you need to:

(a) fill out the proxy form;
(b) sign it or arrange for your attorney to sign it; and
(c) deliver that form by one of the following:

BY MAIL – Unit Registry
Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

BY FAX – + 61 2 9290 9655

IN PERSON – Unit Registry
Boardroom (Victoria) Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

by 1.00pm AEDT on 20 November 2011.

If you have signed the proxy form through an attorney, you must also give the Manager either:

(a) the document that appoints the attorney; or
(b) a certified copy of it.

This document must be attached to the proxy form and delivered to any of the addresses outlined above.

4.6 QUORUM

The quorum for the Meeting is at least two members present in person or by representative or proxy, holding or representing the holders of at least 10% of the Units on issue and present at all times during the meeting.

As authorised under the Fund's constitution, if a quorum is not present within 15 minutes after the scheduled time for the Meeting, the Chairperson will adjourn the Meeting to 1.00pm AEDT on 29 November 2011 at the same place (or at another place notified to Unitholders) and at the adjourned Meeting, those Unitholders present in person or proxy will constitute a quorum.

5. Explanation of Resolutions

5.1 RESOLUTION 1

It is a condition of the Offer that the Fund commences winding up from the date that is two Business Days after the Meeting on the understanding that the Manager will sell the Fund's assets as soon as possible following commencement of winding up.

Under the Terms of Issue of the Income Units, distributions to Income Unitholders are capped at $0.085 per Income Unit per year, with any excess distributions to be paid to the Ordinary Unitholder. Accordingly, if the Fund's assets were sold prior to the termination of the Fund, and the Manager thought it was in the best interests of Unitholders to return cash to Unitholders, the majority of the sale proceeds would be paid to BAO as the sole Ordinary Unitholder. However, on the termination and winding up of the Fund, the sale proceeds must first be distributed to Income Unitholders to the extent required for Income Unitholders to receive no more than $1.00 per Income Unit.

To facilitate the return of capital to the Income Unitholders, the Manager intends to commence winding up the Fund pursuant to the provisions set out in the Constitution as amended by the Sixth Supplemental Deed (which is attached to this Explanatory Memorandum as Annexure A).

By passing Resolution 1, the Unitholders are directing the Manager to commence realising the assets of the Fund (as part of the winding up of the Fund) on the date stipulated in the Sixth Supplemental Deed. The other amendments to the Constitution allow the Manager to distribute the proceeds of realisation of the assets first to Income Unitholders to the extent required for Income Unitholders to receive no more than $1.00 per Income Unit. The Fund shall terminate when the final distribution is made to Unitholders.

The Manager is of the opinion that it is unlikely that Income Unitholders will receive the full $1.00 per Income Unit from the proceeds of realisation of the assets of the Fund. See Section 7.2 for risks associated with approving the Proposal.

5.2 RESOLUTION 2

Brookfield Capital Management Limited is the responsible entity for both the Fund and BAO. The Manager is treating the Proposal as a related party transaction for the purposes of the Corporations Act.

The Corporations Act requires Unitholders to approve any related party transaction and for the Manager to disclose all matters that are material and necessary for Unitholders to make an informed decision on the related party resolution being put to Unitholders unless an exception applies. For more information please refer to Section 9.

5.3 RESOLUTION 3

It is a condition of the Offer that the Distribution Stopper is removed. The Distribution Stopper will otherwise continue to operate if the PDP payable in the preceding 12 months remains unpaid, or the Income Unitholders pass a special resolution that the Distribution Stopper no longer apply.

The Distribution Stopper acts as an incentive for BAO to ensure that the PDP is paid. By passing Resolution 3, the Distribution Stopper will be removed from the date of the completion of transfer of Sale Assets to BAO for the Sale Price unless BAO consents otherwise. Upon the removal of the Distribution Stopper, BAO would be free to pay a distribution on the BAO units or redeem, reduce, cancel or buy-back or acquire for any consideration any issued BAO units.

See Section 7.2(a) for the risks around the removal of the Distribution Stopper.

5.4 RESOLUTION 4

It is a condition of the Offer that the Distribution Stopper is removed. To give effect to the removal of the Distribution Stopper as contemplated in Resolution 3, an additional clause will be inserted in the Terms of Issue. The removal of the Distribution Stopper could be construed to be adverse to the rights of Income Unitholders. Accordingly, the Manager is seeking an Ordinary Resolution to insert an additional clause in the Terms of Issue to give effect to the removal of the Distribution Stopper.

By passing Resolution 4, an additional clause will be inserted in the Terms of Issue to give effect to Resolution 3.

6. Implementation of the Proposal

6.1 BACKGROUND ON THE FUND

The Fund was opened to investors in March 2007. The objective of the Fund was to provide Income Unitholders with a steady income distribution return of 7.5% to 8.5% per annum that would be paid in priority to the holder of the Ordinary Units. Income Units were issued at a price of $1.00 per unit and had a redemption price of $1.00 per unit. BAO contributed $30.08 million in assets to the Fund in return for 30.08 million Ordinary Units in the Fund.

The Fund has not been able to achieve the targeted level of return since December 2008. The distribution yield to Income Unitholders over the year to 30 June 2011 on the $1.00 invested per Income Unit has been 4.2%. As a consequence of Income Unitholders not receiving the PDP, the Distribution Stopper is in effect and the Ordinary Unitholder (BAO) has been unable to make distributions to its unitholders.

The Manager is of the opinion that the Fund is unlikely to meet target distributions of 7.5% to 8.5% to Income Unitholders in the short to medium term (see Section 8.4 for the relevant assumptions and further information).

One of the other objectives of the Fund was to provide capital stability to Income Unitholders. The net asset value of each Income Unit has fallen below $1.00 and the Net Assets of the Fund at 30 June 2011 were approximately $41.0 million or $0.78 per Income Unit. The Manager is of the opinion that it is unlikely that the net asset value of an Income Unit will return to $1.00 in the short to medium term. (see Section 8.4 for more information).

6.2 BACKGROUND ON BAO

BAO is an ASX listed unit trust (ASX code: BAO) with a market capitalisation as at 18 October 2011 of $34.9 million. It predominantly invests in unlisted property securities and A-REITs.

The Fund is linked to BAO in the following manner:

- the Distribution Stopper;
- BAO holds all the Ordinary Units on issue in the Fund;
- the Fund's initial assets were bought from BAO in consideration for the Ordinary Units and BAO has an option to acquire those assets at market value in certain circumstances;
- the Manager may satisfy a withdrawal request from a direct Income Unitholder by converting Income Units to an equivalent dollar value of BAO units; and
- the Fund and BAO have the same responsible entity, being Brookfield Capital Management Limited.

6.3 THE OFFER

BAO has offered to acquire the Sale Assets for a price of $12,187,471 on the following conditions:

(a) Unitholders passing the Resolutions to approve the Proposal;
(b) BAO unitholders' approval being obtained to approve the Proposal;
(c) all regulatory approvals being obtained which the Manager and BAO RE agree are necessary or desirable to implement the Proposal;
(d) no court or regulatory authority having issued an order or ruling preventing the Proposal;
(e) the Manager receiving an independent expert report under which the Independent Expert opines that the Proposal is fair and reasonable to Income Unitholders and the Independent Expert does not change the opinion in a materially adverse way expressed in that report on or prior to the date of the Meeting;
(f) BAO receiving an independent expert report under which the independent expert opines that the Proposal is fair and reasonable to BAOF unitholders, is in the best interests of BAOF unitholders and is on arm's length terms and the independent expert does not change the opinion in a materially adverse way expressed in that report on or prior to the date of the BAOF meeting; and
(g) BAO obtains FIRB approval for the Proposal,

(Offer).

As at the date of issue of this Explanatory Memorandum conditions (c), (e), (f) and (g) have been satisfied and, in relation to condition (d) the Manager is not aware of any steps taken to restrain or otherwise impose legal restraint or prohibition preventing the Proposal. However, the Manager will keep Unitholders advised if it becomes aware of such steps prior to the Meeting.

6.4 THE PROPOSAL

The Manager has entered into an Implementation Deed (subject to certain conditions, including Unitholders' approval) to effect the transfer of the Sale Assets to BAO and is now seeking Unitholders' approval to:

- amend the Constitution to commence termination and winding up of the Fund on and from two Business Days after the Meeting;
- complete the transfer of the Sale Assets to BAO for the Sale Price;
- remove the Distribution Stopper; and
- include an additional clause in the Terms of Issue to reflect the removal of the Distribution Stopper,

(Proposal).

See Section 10.1 for more information.

If the Resolutions are passed, the Manager will take the following steps to implement the Proposal:

- transfer the Sale Assets to BAO and pay the proceeds of approximately $12.2 million (being 23.09 cents per Income Unit) as well as cash reserves of approximately $3.0 million (being 5.68 cents per unit) to Income Unitholders within 30 days of the date of the meeting;
- sell the Fund's investment in its A-REIT Portfolio on the ASX. As at 18 October 2011 this portfolio is trading at a value of $4.2 million. If these securities were sold at that value this would realise a further 7.95 cents per unit and the Manager would distribute those proceeds to Income Unitholders within 30 days of the date of the meeting (unless the Manager forms a reasonable view that the market conditions and timing are adverse to the realisation of those liquid assets in that time frame, in which case realisation will take place as soon as practicable after that) (see Sections 7.2 and 8.1(ii) for more information);
- undertake an orderly sale process to sell the remaining non-liquid assets of the Fund and distribute the proceeds to Income Unitholders as and when those investments are sold. Where the assets cannot be sold on the open market at a price the Manager considers to be in the best interests

of Unitholders, the Manager may continue to manage the investment until a 'review date' arises and the Fund may be able to exit its investment. Further information in relation to the 'review dates' for these investments is provided in Section 8.2. Unitholders should note that it may take a number of years to realise the remaining non-liquid assets (see Sections 7.2 and 8.2 for more information);

– continue to pay distributions to Income Unitholders from earnings of any investments owned by the Fund until the Fund is wound up. There can be no guarantee that the Remaining Assets will continue to generate income (see Section 8.2(iii) for more information); and
– continue to waive management fees associated with the Fund for the duration of the wind up. In accordance with the PDS and Constitution, costs incurred by the Fund will be borne in the Fund, though under the Implementation Deed, BAO will pay all reasonable costs actually incurred in connection with implementing the Proposal (which includes fees and costs associated with convening the Meeting and consideration of the Proposal by the Manager) unless the Manager recommends or implements a Competing Proposal or a Superior Proposal. However, the costs associated with the winding up of the Fund after the transfer of Sale Assets to BAO will be borne by the Fund.

6.5 THE SALE ASSETS TO BE SOLD TO BAO AND THE SALE PRICE

The following table contains details of the Sale Assets and the carrying value at 30 June 2011.

SALE ASSETS	ARSN	% OF TOTAL PORTFOLIO (2)	% OWNERSHIP	CARRYING VALUE AS AT 30 JUNE 2011 $M	INCOME YIELD (%) (3)
APN Regional Property Fund	110 488 821	1.3	2.2	0.5	4.3
Australian Unity Diversified Property Fund (1)	119 620 674	1.3	0.3	0.6	7.4
BlackWall Telstra House Trust	128 288 291	0.9	2.6	0.3	8.9
Charter Hall Diversified Property Fund	113 339 503	9.0	4.7	3.4	4.5
Charter Hall Umbrella Fund	127 457 738	8.3	2.6	3.1	5.9
Investa Diversified Office Fund	113 369 627	7.0	1.7	2.6	5.4
PFA Diversified Property Trust	097 860 690	6.4	1.1	2.4	7.5
The Orchard Childcare Property Fund	106 891 641	5.0	1.5	1.9	8.4
Stockland Direct Office Trust # 3	124 439 925	1.3	1.6	0.5	0.0
		40%		$15.2	

(1) This reflects the holding as at 30 June 2011 adjusted for the redemption of 141,777 units in August 2011
(2) Total portfolio of unlisted and listed investments
(3) Income Yield is calculated based on distributions received (including special and one-off distributions) during the financial year divided by the carrying value of the investment as at 30 June 2011

(a) Valuation methodology

As at 30 June 2011, for statutory accounting purposes, the value of the investments has been determined by taking net asset values supplied by the underlying investment managers. Where this has not been recently provided, the Manager has analysed the underlying assets of each investment, and applied known movement in comparable assets to determine a revised value.

Each of the Sale Assets is an interest in a registered managed investment scheme with a 30 June year end which is subject to independent audit. Each of the underlying managers of the Sale Assets valued the assets held in that entity as at 30 June either through a process of independent valuation or responsible entity valuation as at that date.

Each investment has been valued as if the Fund is holding to natural maturity, therefore no liquidity discount has been applied. The Manager has only considered applying a discount to entities where an entity is determined to be in financial difficulties.

APN Regional Property Fund is valued on this basis even though it is listed on the BSX as the stock has had limited trading with only one transaction being undertaken since 1 January 2011 for 20,000 units (0.06% of the units on issue) at a price of $0.12 per unit.

See Section 7.1(c) for more information.

(b) Transfer of beneficial interest in Sale Assets to BAO

The transfer of the Sale Assets to BAO will be via a transfer of beneficial interest. See Section 10.5 for more information.

(c) Sale Price

Income Unitholders should be aware that in considering whether the Sale Price is reasonable, the Manager has considered the Proposal (including the disposal of the Sale Assets and all associated conditions) as a whole. The Independent Expert has considered the value of the Sale Assets and the Distribution Stopper separately in its assessment of whether the Proposal is fair and reasonable to Income Unitholders (see Section 11 for further details).

7. Risks and Benefits of the Proposal

7.1 ADVANTAGES AND BENEFITS OF APPROVING THE PROPOSAL

(a) Enables a return of cash now to Income Unitholders

The NTA of each Income Unit as at 30 June 2011 is approximately $0.78. The Manager is of the opinion that it is unlikely the NTA of an Income Unit will return to $1.00 in the short to medium term (refer to Section 8.4(i)).

Approving the Proposal provides the Fund with a defined exit option for its investment in the Sale Assets and enables the Fund to monetise 46% by value of the unlisted portfolio held in the Fund as at 30 June 2011.

The Fund would realise a total of approximately $12.2 million from the Sale Assets and the Fund is intending to sell its A-REIT Portfolio (value at $4.2 million as at 18 October 2011) and return cash reserves ($3.0 million as at 18 October 2011) to investors.

In these circumstances Income Unitholders can expect to receive approximately 36.7 cents per unit within 30 days of the meeting. This would represent 47% of the NTA at 30 June 2011 of approximately $0.78 per unit.

Thereafter, the Fund would still hold 15 unlisted investments with a total value of $17.8 million based on the carrying value as at 30 June 2011[1]. The Manager intends to continue to manage the remaining investments in the Fund until all investments are realised and proceeds returned to Income Unitholders. Income earned from these investments will continue to be distributed to Income Unitholders until completion of the wind up of the Fund. Expenses relevant to the operations of the Fund will continue to be borne in the Fund and are expected to be in the order of $200,000 per annum. The Manager has agreed to continue to waive management fees for the duration of the winding up period.

The Manager intends to seek to sell the remaining investments in circumstances that are in the best interests of Unitholders. An assessment has been made of each of the remaining assets and the alternatives available to seek an exit from those investments when a 'review date' in the investment arises (refer to Section 8.2). Where this is considered the optimal outcome for Income Unitholders the Manager may retain the investment until that review date.

Due to the operation of the PDP (where any excess distribution over 8.5% per income period is to be for the account of the Ordinary Unitholder), the commencement of winding up and return of capital will enable the payment of cash to Income Unitholders to take priority over Ordinary Unitholders.

(b) Accepting the Proposal takes away the uncertainty of how and when certain investments would be realised and whether they can be realised within a reasonable time frame.

The Sale Assets are currently non-liquid or listed on the BSX (where liquidity is limited) and most do not contain a process that would readily allow the Fund to liquefy its total investment in the respective fund in the next four years.

Unlisted investments in certain circumstances contain a 'review' process where investors are able to seek to have their interest redeemed or the fund will terminate at a particular date. Any change to this process may require a special resolution of members of the fund (75% of those voting) in order to extend the fund and prevent those wishing to exit their investment from doing so.

In the case of the Sale Assets, these investments have one or more of the following characteristics:

- have no defined review date;
- are listed on the BSX where liquidity is limited;
- require a special resolution of investors to terminate the investment;
- have limited or suspended withdrawal facilities; or
- have a defined review date after 2015.

By selling the Sale Assets, the risk around being able to sell the investments at a particular point in time is now removed.

The Manager has reviewed the potential exit mechanisms for the Sale Assets and the likelihood of obtaining liquidity for Income Unitholders using those exit mechanisms, and has formed the view that it is unlikely that Income Unitholders will realise a return comparable to that resulting from the disposal of the Sale Assets at the Sale Price. In forming this view, the Manager has considered, among other things, the opportunity cost of the return of capital, current market conditions and other alternatives to the Proposal described in this Explanatory Memorandum.

(c) The Sale Price offered for the Sale Assets is reasonable

The Independent Director considers that the Sale Price is reasonable when considering the terms and conditions attaching to the Proposal in their totality. The Sale Price of approximately $12.2 million represents a 20% discount to the carrying value of the Sale Assets in the Fund as at 30 June 2011.

There is limited evidence of transactions in unlisted property securities that could act as a benchmark in assessing the proposed purchase price for the Sale Assets. The investments are minority interests and as such are not likely to attract a premium from a buyer seeking to exercise influence or control over the underlying fund manager. In assessing the Proposal the Manager has had regard to the current market for such securities and following management assessment and discussions with market participants has concluded that it would not be possible to obtain a superior price to that provided under the Proposal should the Sale Assets be proposed for sale in the open market.

(1) The Fund also holds interests in Rubicon America Trust, Rubicon Japan Trust and Rubicon Europe Trust. These have been delisted from ASX, are in wind up and have liquidators appointed. They are carried at nil value in the financial statements of the Fund as at 30 June 2011.

A review of the broader A-REIT market indicates a significant discount between the intra-day trading price as at 16 September 2011 and the last reported underlying net asset value of the entities.

A-REIT SECTOR[1]	MARKET CAP ($M)	PRICE/NTA (%)	GEARING (%)
Commercial	5,418.93	(14.9)	23.5
Retail	29,303.91	(6.3)	31.1
Industrial	4,179.4	29.6	36.0
Diversified	21,987.29	(19.3)	25.2
S&P/ASX 200 Property Index	60,889.54	(9.3)	28.6
S&P/ASX 200 Property Index excluding Westfield entities (being Westfield Group (WDC) and Westfield Retail Trust (WRT)	37,346.74	(12.1)	26.7

(1) Sourced from SG Hiscock and Company Limited

The above table shows the weighted average discount/premium to NTA of entities contained in the S&P/ASX 200 Property Index and of A-REITs within that index by sector categorisation. It demonstrates a discount to NTA as at 16 September 2011 for the entities comprising the S&P/ASX 200 Property Index of 9.3%. Excluding the two Westfield entities (being Westfield Group (WDC) and Westfield Retail Trust (WRT)) that represent 38.7% of the S&P/ASX 200 Property Index it reflects a discount to NTA of 12.1%.

The Sale Assets have exposure to the following sectors: 63% commercial, 11% industrial, 7% retail and 19% other (predominantly childcare). The discount to NTA in the commercial sector of the S&P/ASX 200 Property Index of 14.9% is therefore considered by the Manager to be of most relevance to the present analysis.

The listed A-REIT market provides some guidance as to the market's pricing of similar securities to the Sale Assets, although it must be recognised that each fund has differing characteristics relevant to the underlying assets (e.g. property sector, location, lease terms, age of properties) and the structure of the fund itself (e.g. size of fund, gearing, currency).

A clear differentiating factor between the Sale Assets and A-REITs is liquidity. In the current market, conditions such as liquidity provide flexibility to take advantage of opportunities that may arise, re-weight portfolios or generally manage the Fund. Since the market downturn in 2008, liquidity facilities that existed in the unlisted sector have largely been exhausted or frozen. The traditional sources of liquidity open to the Manager no longer exist and as a result the Manager has taken most opportunities in the last two years to exit from unlisted investments and has reinvested in the A-REIT market where the existence of liquidity provides valuable flexibility to the Manager.

A review of certain listed funds provides some guidance as to the perceived discounts to NTA in the current market. As mentioned above numerous factors make direct comparison difficult. The table below shows a number of listed funds which have been identified as having characteristics similar to the Sale Assets. The data is shown as at 19 September 2011, unless otherwise indicated.

	ASX CODE	SECTOR SPLIT	MARKET CAP ($M)	TOTAL ASSETS ($M)	TRADING PRICE ($)	NTA[1] ($)	PREMIUM (DISCOUNT) %	YIELD[2] (%)
Australian Education Trust	AEU	Education Property Owner	147	353.9	0.84	1.18	(29.2)	5
APN Property Group Limited	APD	Fund of Funds	25	37.9	0.16	0.20	(21.0)	8
Aspen Group	APZ	Diversified	254	660.5	0.43	0.68	(37.5)	10
The Australian Social Infrastructure Fund	AZF	Social Infrastructure/ Childcare, Medical	43	106.8	1.50	2.28	(34.2)	5
Challenger Diversified Property Group	CDI	Diversified	454	876.3	0.51	0.67	(24.6)	8
Commonwealth Property Office Fund	CPA	Commercial	2,261	3,249.4	0.92	1.11	(17.1)	6

(1) NTA as at 30 June 2011
(2) Yield is calculated as distributions declared for the year ended 30 June 2011 divided by the closing price on ASX on 30 June 2011

7. Risks and Benefits of the Proposal continued

Orchard Childcare Property Fund

The following shows a comparison of the characteristics of Orchard Childcare Property Fund (Orchard) with listed funds with similar assets. Both are trading at a significant discount to NTA.

	AEU	AZF	ORCHARD
Market Cap ($m)	147	43	n/a
Gearing (%)	41	38	45.2
FY 11 Distribution Yield (%) (1)	5.0	5.0	8.4
Total Assets ($m)	353.9	106.8	241
Trading Price ($)	0.84	1.50	n/a
NTA ($) (2)	1.18	2.28	0.95
Premium (Discount) to NTA (%)	**(29.2)**	**(34.2)**	**n/a**

(1) Distribution yield for Orchard is based on cash received divided by investment carrying value at 30 June 2011 and for listed securities is calculated as at 30 June 2011
(2) NTA as at 30 June 2011

Australian Unity Diversified Property Fund and Charter Hall Diversified Property Fund

The following shows a comparison of listed diversified property funds with Australian Unity Diversified Property Fund and Charter Hall Diversified Property Fund. Both are trading at a significant discount to NTA.

	CDI	APZ	AUSTRALIAN UNITY DIVERSIFIED	CHARTER HALL DIVERSIFIED
Market Cap ($m)	454	254	n/a	n/a
Gearing (%)	27.0	39.0	51.2	48.1(3)
FY 11 Distribution Yield (%) (1)	8.0	10.0	7.4	4.5
Total Assets ($m)	876.3	660.5	373.6	127.2
Trading Price ($)	0.51	0.43	n/a	n/a
NTA ($) (2)	0.67	0.68	0.82	0.71
Premium (Discount) to NTA (%)	**(24.6)**	**(37.5)**	**n/a**	**n/a**

(1) Distribution yields for the Australian Unity Diversified and Charter Hall Diversified investments are based on cash received divided by investment carrying value at 30 June 2011 and for listed securities is calculated as at 30 June 2011
(2) NTA as at 30 June 2011
(3) Based on the manager of Charter Hall Diversified Fund's expected look through gearing post sale of Coles Distribution Centre

Charter Hall Umbrella Fund

The following shows a comparison of a listed property 'fund of funds' with Charter Hall Umbrella Fund.

	APD	CHARTER HALL UMBRELLA FUND
Market Cap ($m)	25	n/a
Gearing (%) (1)	n/a	39
FY 11 Distribution Yield (%) (2)	8	5.9
Total Assets ($m)	38.0	153.0
Trading Price ($)	0.16	n/a
NTA ($) (3)	0.20	0.61
Premium (Discount) to NTA (%)	**(21.0)**	**n/a**

(1) Look through gearing
(2) Distribution yield for Charter Hall Umbrella Fund is based on cash received divided by investment carrying value at 30 June 2011 and for listed securities is calculated as at 30 June 2011
(3) NTA as at 30 June 2011

Investa Diversified Office Fund, Stockland Direct Office Trust 3 and Blackwall Telstra House Trust

The following shows a comparison of the largest listed commercial property fund with Investa Diversified Office Fund, Stockland Direct Office Trust 3 and Blackwall Telstra House Trust. The fund trades at a significant discount to NTA.

	CPA	INVESTA DIVERSIFIED OFFICE FUND	STOCKLAND DIRECT OFFICE TRUST 3	BLACKWALL TELSTRA HOUSE TRUST
Market Cap ($m)	2,261	n/a	n/a	n/a
Gearing (%)	26.4	45	59	60
FY 11 Distribution Yield (%) (1)	6.0	5.4	0.0	8.9
Total Assets ($m)	3,249.4	290.1	92.9	32.5
Trading Price ($)	0.92	n/a	n/a	n/a
NTA ($) (2)	1.11	0.91	0.55	1.04
Premium (Discount) to NTA (%)	**(17.1)**	**n/a**	**n/a**	**n/a**

(1) Distribution yield for the Investa Diversified Office Fund, Stockland Direct Office Trust 3 and Blackwall Telstra House Trust investments are based on cash received divided by investment carrying value at 30 June 2011 and for listed securities is calculated as at 30 June 2011

(2) NTA as at 30 June 2011

Having regard to this analysis a discount of 20% to the carrying value as at 30 June 2011 for the Sale Assets is considered reasonable when viewed in the context of the totality of the Proposal.

7.2 DISADVANTAGES AND RISKS OF APPROVING THE PROPOSAL

(a) Removal of the Distribution Stopper

The operation of the Distribution Stopper acts as an incentive for BAO to ensure that the PDP is paid. However, if the Proposal is approved, the Distribution Stopper will be removed and BAO will no longer have an incentive to ensure that the PDP is paid.

Income Unitholders should note that the Distribution Stopper has been in operation since December 2008 and BAO has not paid the PDP shortfall so as to put the Fund in a position to pay the PDP at any time since December 2008. As disclosed in the PDS, although Income Unitholders have priority in entitlement to income distributions and return of capital on winding up, there is no guarantee that income distributions will be made and a capital return of $1.00 is not guaranteed.

The PDP shortfall is $1.9 million as at 30 August 2011 and since December 2009 has remained above $1.9 million at all times. On the basis of the analysis and assumptions set out in Section 8.4, the Manager does not consider that the PDP shortfall will reduce to nil until at least February 2019 (assuming the minimum required return of 7.5%). As such, the Distribution Stopper would otherwise remain in place until that time, unless BAO chooses to pay the PDP shortfall or the Income Unitholders pass a special resolution to remove it.

BAO has reported a net loss of $2.1 million on a standalone basis for the year ended 30 June 2011, although it is noted that reserves increased by $3.4 million such that BAO's standalone comprehensive income was reported as $1.3 million for the year. The Manager is of the opinion that regardless of whether the Proposal is approved or not, BAO may not pay the PDP shortfall in the short term as:

– the relative size of the PDP shortfall, and potential profitability in BAO make the payment of the shortfall appear uneconomic in the present market conditions; and
– BAO could manage its own investments in order to minimise the possibility that the fund would be subject to income tax where it was unable to distribute its taxable income to its investors. This would remove or reduce the impact of this potential cost to BAO in not distributing to its investors.

Income Unitholders should note that the Independent Expert has made an assessment of the projected financial and tax positions of BAO in assessing the likelihood of BAO paying the PDP shortfall over a longer period. Income Unitholders should refer to Section 5.2.3 of the Independent Expert's Report (see Section 11 for further information).

(b) Capital return

If the Proposal is approved, the Manager will realise the assets of the Fund and distribute the proceeds of realisation to Income Unitholders as part of the wind up of the Fund. The Manager is of the opinion that it is unlikely that Income Unitholders will receive the full $1.00 per Income Unit from the proceeds of realisation.

7. Risks and Benefits of the Proposal continued

(c) Income Unitholders will not receive the Priority Distribution Payment of between 7.5% and 8.5% per annum on the $1.00 invested

Since the closure of the Fund to applications and redemptions in 2008, the Fund has not been able to meet its target level of distribution rate of 7.5% and 8.5% per annum. The Fund has yielded 4.2% in the year ended 30 June 2011 on an issue price of $1.00 and the Manager considers that if the Proposal is accepted, Income Unitholders are unlikely to receive a return in the target level of distribution rate of 7.5% and 8.5% per annum.

In the unlikely event that the Priority Distribution Payment exceeds, at the relevant time, the target range of 7.5% to 8.5% per annum on the $1.00 invested by Income Unitholders, any excess distributions will be distributed to the Ordinary Unitholder.

(d) The NTA of the Fund will decrease as the assets are being sold below their carrying value at 30 June 2011

The sale of the Sale Assets will realise cash to the Fund of approximately $12.2 million and will result in a realised loss of $3.0 million, equating to 6 cents per unit as the Sale Assets are being sold below the 30 June 2011 carrying value (refer to Section 8.2).

(e) Default by BAO

There is a risk that BAO could default on completion on the realisation of the Sale Assets. However, the Manager believes this risk to be low.

(f) Market risks

The realisation of the Sale Assets is for below NTA as at 30 June 2011. However, the Independent Expert has opined that the Proposal is fair and reasonable to Unitholders.

The realisation of the Remaining Assets will be affected by a range of economic factors, including changes in interest rates, exchange rates, inflation, general market conditions, government policy (including monetary and taxation policy and other laws), fluctuations in general market prices for property, shares, bonds and other tradeable investments, and the general state of the domestic and world economies. The value of the Fund's assets can go down as well as up, due to circumstances affecting the economy generally, or other factors which may affect the value of these securities. There is no guarantee that the Remaining Assets or the A-REIT Portfolio may be realised, whether within the specified time frame and for the estimated sale price or otherwise.

(g) Property market risks

The assets of the Fund are investments in other funds holding property assets. The value of property assets will be affected by a number of risks, some of which include, without limitation:

- the level of tenancy vacancies may fluctuate with market forces;
- a downturn in the value of a property, or in the property market in general;
- pricing or competition policies of any competing properties or tenants;
- increased competition from new or existing property; and
- increases in supply or falls in demand in any of the sectors of the property market to which the Fund is exposed.

There can be no certainty that the current NTA of the assets can be realised and returned to Unitholders.

(h) Risks associated with realising the Remaining Assets held in the Fund

There is a possibility that other investors of the underlying funds in which the Fund retains an interest may vote for the continuation of those underlying funds. Whilst the current intention of the Manager is to take action to realise the Fund's investment (e.g., by voting against the extension) the intentions of other investors may prevail. In those circumstances, the Manager will have to seek other alternatives to realise those assets.

While the Manager intends to take advantage of any reasonable exit mechanisms available, there is no guarantee that the exit mechanisms for those underlying funds would operate.

In the event that the underlying funds are terminated, it may take time for the winding up proceeds of those underlying funds to be distributed to the Fund. Unitholders should note that it may take a number of years to realise the remaining non-liquid assets. However, as noted above, there is no guarantee that the investments in the underlying funds will be realised (whether within the specified time frame or otherwise) and any assumptions or projected returns made by the Manager are based on the Manager's best estimate, with the Manager's knowledge of the underlying fund.

(i) Carrying value of assets for Fund accounting purposes

In circumstances where the statutory accounts are prepared in the future on a wind up basis, the basis of measurement of the assets and the corresponding carrying value of the investments may need to recognise certain costs associated with realisation of the underlying assets and may therefore be lower than the current carrying value.

(j) Reduction in diversification of the Fund's investments

The diversification of the portfolio will be reduced with the disposal of the Sale Assets. Diversification provides the Fund with exposure to different managers and property assets.

8. Overview of the Fund – Pre and Post-Proposal

8.1 SUMMARY OF THE FUND'S PORTFOLIO PRE-PROPOSAL

(i) The Fund NTA and distribution history

As at 30 June 2011, the Fund's portfolio is carried in the financial statements at $41.2 million. The portfolio is made up of $2.8 million of cash, $4.7 million of A-REITs, $0.5 million of trade receivables and $33.2 million of interests in unlisted property securities. The Fund has no bank debt.

$ MILLION	AS AT JUNE 2011
Cash Assets and Receivables	3.3
A-REIT Portfolio	4.7
Unlisted Investments	33.2
Total Assets	**41.2**
Total Liabilities	**(0.2)**
Net Assets	**41.0**
Units on Issue – Ordinary units	30.1
Units on Issue – Income units	53.0
Reserves/Retained Earnings/(losses)	(42.1)
Total Equity	**41.0**
NTA per Unit	**$0.78**

The Sale Assets represent approximately $15.2 million of the carrying value of the unlisted property securities held by the Fund at 30 June 2011.

As at 18 October 2011, the A-REIT investments are valued at $4.2 million (on the basis of the closing price on the ASX at that date) and cash reserves are $3.0 million (excluding cash set aside to be distributed for the month of October 2011).

Distributions over the year to 30 June 2011 were approximately $2.2m, which represents a yield of 4.2% on the $1.00 per unit originally invested.

The NTA of the Income Units of the Fund since Fund inception is shown in the following table:

	JUN-07	DEC-07	JUN-08	DEC-08	JUN-09	DEC-09	JUN-10	DEC-10	JUN-11
NTA	$1.00	$1.00	$1.00	$1.00	$0.86	$0.79	$0.74	$0.77	$0.78

The annual yield to Income Unitholders on the $1.00 per Income Unit originally invested in the Fund is shown in the following table:

	JUN-07	JUN-08	JUN-09	JUN-10	JUN-11
Yield on $1.00	2.19% (1)	8.28%	5.63%	3.14%	4.19%

(1) Distribution for the period from March to June 2007

8. Overview of the Fund – Pre and Post-Proposal continued

(ii) The Fund's A-REIT Portfolio

The A-REIT Portfolio consisted of 12 investments valued at $4.7 million as at 30 June 2011, with 62% in commercial office trusts, 24% in retail trusts, 11% in industrial trusts and the balance of 3% in other asset classes. Each holding represents less than 0.1% of the respective fund. Based on values at 30 June 2011, the annualised weighted yield from these investments is 6.41%.

As at 18 October, the value of these investments is $4.2 million (on the basis of the closing price on ASX at that date).

INVESTMENTS	CARRYING VALUE AS AT 30 JUNE 11 $ M	CARRYING VALUE AS AT 18 OCT 11 $ M
Abacus Property Group	0.2	0.14
Aspen Group	0.2	0.14
Australand Property Group	0.2	0.14
Challenger Diversified Property Group	0.3	0.25
CFS Retail Property Group	0.1	0.13
Charter Hall Retail REIT	0.5	0.46
Commonwealth Property Office Fund	0.9	0.88
Dexus Property Group	0.7	0.64
GPT	0.2	0.23
Investa Office Trust	0.8	0.73
Mirvac Group	0.5	0.46
Stockland Property Group	0.2	–
Total	**$4.7**	**$4.20**

8.2 SUMMARY OF THE FUND PORTFOLIO POST-PROPOSAL

(i) NTA and assets of the Fund

If the Proposal proceeds and a total of $19.4 million is returned to investors (Sale Assets $12.2 million, cash reserves $3.0 million and A-REITs $4.2 million) the net assets of the Fund will be reduced to $18.1 million. The adjustment of $3.0 million reflects the loss on sale of the Sale Assets from the carrying value at 30 June 2011. Other adjustments reflect the movement in certain assets and liabilities since 30 June 2011.

$ MILLION	AS AT 30 JUNE 2011	ADJUSTMENTS	INITIAL DISTRIBUTION	ASSETS POST DISTRIBUTION
Cash Assets and receivables[1]	3.4	(0.1)	(3.0)	0.3
A-REIT Portfolio	4.7	(0.5)	(4.2)	0.0
Unlisted Investments acquired by BAO[1]	15.2	(3.0)	(12.2)	0.0
Balance of unlisted investments	17.8	0.0	0.0	17.8
Distribution Payable	(0.2)	0.2	0.0	0.0
Net Asset Value	**40.9**	**(3.4)**	**(19.4)**	**18.1**
NTA of Income Units (cents per unit)	**77.57**	**(6.44)**	**(36.73)**	**34.4**

(1) Adjusted for the redemption of Australian Unity Diversified Fund units in August 2011 for $0.1 million

(ii) The Fund assets post initial distribution to Income Unitholders

INVESTMENTS AS AT 30 JUNE 2011	REVIEW DATE	CARRYING VALUE $ M	NTA OF INCOME UNIT (CENTS PER UNIT)
APN Champion Fund	Oct-13	5.4	10.3
APN National Storage Property Trust	Jun-12	1.2	2.2
APN UKA Poland Retail Fund	Dec-16	nil	nil
APN UKA Vienna Retail Fund	Sep-13	1.4	2.7
BGP Holdings plc	n/a	nil	nil
Blackwall Property Funds Limited	Proposed listing on ASX	nil	nil
Investa Fifth Commercial Trust	May-15	2.9	5.4
MAB Diversified Property Fund	Mar-12	1.4	2.7
MCS 21 – Centro Roseland Holding Trust	Jul-12	1.1	2.1
MCS 22 – Centro Kidman Park Investment Trust	Mar-12	1.0	2.0
MCS 28 Investment Trust	Jun-12	1.0	1.8
Multiplex New Zealand Property Fund	May-12	0.6	1.3
Pengana Credo European Property Trust	May-13	nil	nil
P-REIT	Proposed listing on ASX	1.2	2.2
Rimcorp Property Trust No.3	Sep-12	0.6	1.1
Cash and receivable assets		0.3	0.6
Total		**18.1**	**34.4**

The Manager will undertake an orderly sale process to sell the remaining non-liquid assets of the Fund and distribute the proceeds to Income Unitholders as and when those investments are sold. Where the assets cannot be sold on the open market at a price the Manager considers to be in the best interests of Unitholders, the Manager may continue to manage the investment until a 'review date' arises in the underlying asset and the Fund may be able to exit its investment. Where this is considered the optimal outcome for Income Unitholders, the Manager may retain the investment until the review date, but will be trying to realise these assets as soon as possible. In the present circumstances, a review date may take the form of either:

– a proposed listing of the underlying investment;
– circumstances where there will be a meeting of unitholders of the underlying investment where a special resolution (or in one case a two-thirds majority) would be required to be passed to continue the investment for a further period, merge the fund with another fund, enter into an orderly sale or an alternative exit mechanism;
– the responsible entity of the underlying investment has announced a wind up and is in the process of realising the assets; or
– unitholders being granted options to dispose of, or the right to divest, their units, within a prescribed time frame.

In the case of the investment in the Pengana Credo European Property Trust, the investment is currently carried at nil value. The exit mechanism for this investment in May 2013 may not be activated and the fund may continue past the current May 2013 date. In these circumstances the Manager will consider other mechanisms to realise the investment.

In the case of the beneficial interest in BGP Holdings plc (BGP), this interest was acquired from a distribution in specie of shares in the entity from the GPT Group (comprising GPT Management Holdings Limited (ACN 113 510 188) and the General Property Trust (ARSN 090 110 357)). The interest in BGP is currently carried at nil value and the Manager will attempt to realise the investment during the course of the wind up.

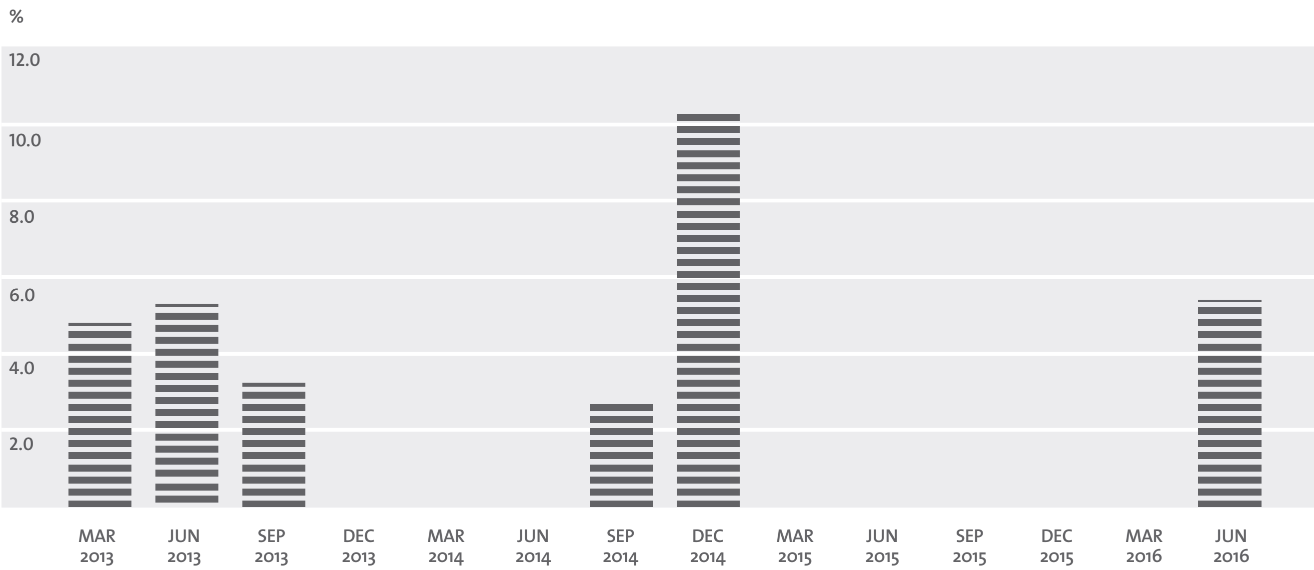
8. Overview of the Fund – Pre and Post-Proposal continued

The Manager intends to take advantage of any reasonable exit mechanisms available and cast its vote in favour of any proposed termination of the underlying funds. The Manager will then distribute the proceeds (less any expenses) from the realisation of non-liquid assets to Income Unitholders as and when realisation occurs and cash is received. However, there is no guarantee that the exit mechanisms would operate or that the realisation of the non-liquid assets will occur at or close to carrying value (see Section 7.2 for more information). Unitholders should also note that it may take a number of years to realise the remaining non-liquid assets and return the proceeds of realisation to unitholders.

If all assets are disposed at a value equal to NTA at 30 June 2011, Income Unitholders will receive a further 34.4 cents per unit. There is no guarantee that the NTA will be able to be returned to Income Unitholders. From a timing perspective, the table below shows the potential return of capital to investors from the above assets assuming:

- assets are realised at a price equal to 30 June 2011 NTA; and
- cash proceeds from the sale flow to the Fund and then to Income Unitholders within 12 months of the review date of the underlying fund (considered to be a reasonable estimate of time, based on the Manager's recent experience of the time to complete the wind up and return of capital to investors).

ESTIMATED CAPITAL TO BE RETURNED – CENTS PER UNIT



* Assumes P-REIT is listed on ASX and the Fund disposes of its investment in December 2012 based on 30 June 2011 carrying value

(iii) Rights to future income and payment of expenses

Ongoing management fees associated with the Fund would continue to be waived by the Manager for the period of winding up of the Fund. Expenses relevant to the operations of the Fund will continue to be borne in the Fund and are expected to be in the order of approximately $200,000 per annum.

Income received from investments retained in the Fund will continue to be distributed to Income Unitholders on a monthly basis. If the investments were to continue to distribute income in line with the annual yield for the year ended 30 June 2011 then the following distributions (denominated in cents per unit per annum) may be expected to be received over the course of the wind up:

	FY12	FY13	FY14	FY15	FY16
Distribution Per Income Unit (cents)	1.501	1.361	0.859	0.418	0.254

There can be no guarantee that distributions will remain at the projected level. See Section 7.2 for more detail.

8.3 INCOME UNITHOLDERS CURRENT RIGHTS VS RIGHTS IF THE PROPOSAL IS APPROVED

(i) Summary of rights of Income Unitholders

NO.	RIGHTS OF INCOME UNITHOLDERS	CURRENT RIGHTS (AND RIGHTS IF PROPOSAL IS NOT APPROVED)	RIGHTS IF THE PROPOSAL IS APPROVED
1.	Distributions from the Fund – PDP	The Fund is currently returning a distribution to Income Unitholders of less than the 7.5% to 8.5% range contemplated in the PDP. The return to Income Unitholders over the year ended 30 June 2011 was 4.2%. As the Fund is not in a position to pay the PDP to Income Unitholders, it is currently paying distributions to Income Unitholders in proportion to the PDP applicable to their respective Income Units. The distributions are non-cumulative (i.e. no entitlement accrues on any part of the PDP payment which is not payable because the Fund does not have sufficient income to pay the PDP).	As described in Section 6.4 of this Explanatory Memorandum, the Manager intends to distribute the proceeds from the sale of the Sale Assets to Income Unitholders of approximately $0.2309 per Income Unit by way of return of capital to Income Unitholders within 30 days of the Meeting. If the Proposal is approved, rights of Income Unitholders to receive the PDP will not be affected, as Income Unitholders will continue to hold their respective Income Units. However, Income Unitholders should note that the income distributions from the Fund will fall as the Fund will no longer be entitled to income from the Sale Assets once they are sold to BAO.
2.	Redemptions/ withdrawal from the Fund	Income Unitholders have no right to require a redemption or conversion in any circumstances. Withdrawals and redemptions are currently suspended. Income Units can only be redeemed for $1.00 cash per Income Unit (or, at the Manager's discretion, by conversion to an equivalent dollar value of units in BAO for Income Units that are not held through an Administration Service). Further consideration will be given to reopening redemptions if the value of the underlying portfolio increases to $1.00 per Income Unit. At the date of this Explanatory Memorandum, the Manager is of the opinion that the value of the underlying portfolio will not increase to $1.00 per Income Unit in the short to medium term and that withdrawals and redemptions are therefore unlikely to become available to Income Unitholders. Any redemption of Income Units will require BAO's consent.	The Proposal will not involve any withdrawal or redemption of Income Units. If the Proposal is approved, withdrawals and redemptions will continue to be suspended. However, as described in Section 6.4 of this Explanatory Memorandum, if the Proposal is approved, the Manager intends to return capital to Income Unitholders by distributing the proceeds from the realisation of the Sale Assets to Income Unitholders and embark on an orderly realisation process for the remaining assets in the Fund. Income Unitholders will continue to hold their respective Income Units and participate in any distributions until the Fund is fully wound up (i.e. the final distribution is made out of the Fund). Any redemption of Income Units will require BAO's consent.
3.	Conversion	Withdrawals and redemptions are currently suspended and will remain suspended until the Manager is in a position to reopen the Fund to redemptions or withdrawals. As stated in the PDS, Income Units held through an Administration Service may not be converted. Any conversion of Income Units will require BAO's consent.	If the Proposal is approved, the Fund will be in the process of winding up and withdrawals and redemptions will continue to be suspended. The Manager believes that there is no reasonable prospect that conversion of Income Units to units in BAO will occur. Any conversion of Income Units will require BAO's consent.

8. Overview of the Fund – Pre and Post-Proposal continued

NO.	RIGHTS OF INCOME UNITHOLDERS	CURRENT RIGHTS (AND RIGHTS IF PROPOSAL IS NOT APPROVED)	RIGHTS IF THE PROPOSAL IS APPROVED
4.	Return of capital to Income Unitholders on termination of the Fund	The Constitution provides that if the Fund is terminated, the Manager must realise the assets of the Fund and distribute the net proceeds of realisation (after making allowances for all liabilities of the Fund and meeting the expenses of the termination of the Fund) firstly to Income Unitholders to the extent required for Income Unitholders to receive $1.00 per Income Unit, with any excess to be distributed to the Ordinary Unitholder. If there is insufficient payment to return $1.00 per Income Unit to the Income Unitholders, the proceeds from realisation are to be paid to Income Unitholders on a pro rata basis in proportion to their Income Unit holdings at termination of the Fund.	If the Proposal is approved, the Fund will commence termination and winding up and Income Unitholders will receive a priority return as described in Section 6.4 of this Explanatory Memorandum and in priority to any distributions to Ordinary Unitholders as set out in the Constitution. In the unlikely event that the return of capital to Income Unitholders exceed $1.00 per Income Unit, the excess of the return of capital will be distributed to the Ordinary Unitholder.
5.	Distribution Stopper	Currently, the Distribution Stopper is in operation to prohibit BAO from paying distributions to or redeeming, reducing, cancelling, buying back or acquiring for any consideration any issued BAO units until an amount equal to the PDP for the preceding 12 months is paid.	If the Proposal is approved, the Distribution Stopper will be removed on and from the date of the completion of the transfer of Sale Assets to BAO for the Sale Price unless BAO consents otherwise. This means that BAO will be able to pay distributions to unitholders of BAO or redeem, reduce, cancel, buy back or acquire any issued BAO units. Unitholders should note that the removal of the Distribution Stopper is a condition of the Offer.

The Constitution will continue to apply and the Fund will continue to exist until the Fund is fully wound up (i.e. the final distribution is made out of the Fund). The Proposal does not involve any other changes to the rights of Income Unitholders as set out in the Constitution and Terms of Issue.

(ii) Summary of rights of the Ordinary Unitholder

If the Proposal is approved, it is unlikely that the Ordinary Unitholder will receive any income distributions on the original $30.08 million investment in the Fund. In the unlikely event that the return of capital to Income Unitholders exceeds $1.00 per Income Unit, the excess of the return of capital will be distributed to the Ordinary Unitholder.

(iii) Fees and Expenses

BAO has agreed to reimburse the Manager for the Manager's reasonable costs in relation to the Manager's consideration of the sale of the Sale Assets to BAO and any Unitholder approval to implement the Proposal.

The Manager estimates the costs of the sale of the Sale Assets to BAO (in addition to the costs as indemnified by the BAO) to be nil. However, there will be additional costs associated with implementing the other steps after approval of the Proposal (such as costs associated with the winding up of the Fund) and these costs will be borne by the Fund and will be deducted from the realisation proceeds of the Remaining Assets.

If the Proposal is approved, the fees and other costs currently charged to Unitholders will remain unchanged.

The Manager further estimates the costs of operating the Fund, if the Proposal is approved, to be approximately $200,000 per annum. As the income of the Fund is less than the PDP, Income Unitholders will bear the costs of the operation and winding up of the Fund which will be deducted from the distributions to Income Unitholders. Unitholders should note that the Manager will continue to waive the management fee for the duration of the winding up process. Costs and expenses associated with the realisation of the Remaining Assets will be deducted from the proceeds of that realisation before distributions are made to Income Unitholders.

8.4 WHAT IF THE PROPOSAL IS NOT APPROVED

If the Proposal is not approved, the rights of Income Unitholders (as set out in the middle column in the table in Section 8.3) will remain unchanged. In the event that the Proposal is not approved, the Manager intends to continue to explore options regarding the future of the Fund and does not rule out a future termination and winding up of the Fund at the discretion of the Manager if there is no other alternative in the best interest of Unitholders.

(i) View of the Fund in the short to medium term

(a) Restoring the NTA to $1.00 per Income Unit

The redemption price for an Income Unit provided in the Fund's Constitution is $1.00. Financial modelling has been undertaken to estimate the time expected to restore the NTA of an Income Unit back to $1.00 per unit if the Proposal is not approved.

On the basis of the assumptions below and using the same valuation methodology as currently utilised, it is expected that the value of an Income Unit would not be restored to $1.00 for at least seven years. In any case, restoration of the NTA to $1.00 per Income Unit does not guarantee that all Income Unitholders wishing to exit the Fund will be able to be accommodated at that time. This will be dependent on the liquidity of the Fund's underlying investments at that time.

Fundamental to the analysis are the following assumptions as to how much can be realised for the investments and when the proceeds become available to the Fund for reinvestment:

- for those investments considered to have a review date it has been assumed that the Fund can exit at NTA adopted by the Fund at 30 June 2011 adjusted for growth and that proceeds are received by the Fund within 12 months of the review date. Review dates assumed for unlisted assets other than the Sale Assets are set out in Section 8.2(ii). In addition for the purposes of the analysis it is also assumed the following review dates in respect of Sale Assets:

INVESTMENTS	REVIEW DATE
BlackWall Telstra House Trust	January 2019[1]

(1) Seven years from the original date of issue and subject to a further two year extension at the discretion of the manager of the trust

- for those investments not considered to have a review date for these purposes (refer to Section 7.1 (b)) it has been assumed that these continue to be held by the Fund at adopted NTA adjusted for growth as set out below;
- with the exception noted below, NTA in each case is calculated as being the NTA of the investment as at 30 June 2011 adjusted for growth rates assumed for the properties owned by respective investments and assuming that foreign exchange rates and all other assets and liabilities remain constant (other than where a sale of an asset has been announced where proceeds are assumed to reduce debt);
- No growth has been assumed for properties held by the APN Champion Retail Fund (with assets held in Greece), APN Poland Retail Fund and APN Vienna Retail Fund;
- cash returned as capital to the Fund when realised from the investments is assumed to be reinvested in A-REITs (to retain it in a more liquid form than reinvesting in unlisted securities);
- the value of A-REITS are calculated as being the market price of the securities as at 30 June 2011, adjusted for assumed growth rates; and
- distributions received from the underlying investments will continue to be paid to Income Unitholders as and when they are accrued or received.

In determining appropriate growth rates for unlisted investments (and those listed on the BSX) the Manager has adopted a growth rate of 3% per annum, which references the historical 10 year average property growth rates, together with a review of the underlying assets of the funds for unlisted investments held by the Fund.

In the case of A-REITs the assumption is an annual growth rate in security price of 3% per annum. Historical growth rates for the ASX/S&P 200 Property Index indicate negative growth in security prices over the past 10 years of –5% and over 15 years of –2% to August 2011.

A 1% increase in the annual growth rate across the portfolio would have the effect of shortening the period to reach an NTA of $1.00 per unit by approximately 19 months and a 1% decrease in the annual growth rate would have the effect of lengthening the period to reach an NTA of $1.00 per unit by approximately three-and-a-half years.

8. Overview of the Fund – Pre and Post-Proposal continued

From the analysis performed by the Manager, the table below indicates the following outcomes for Income Unitholders:

- an Income Unitholder would remain invested until January 2019 before a value of $1.00 per Income Unit is achieved;
- an Income Unitholder may receive distributions of 43 cents per unit over the period from 1 July 2011 to January 2019;
- assuming an Income Unit is then redeemed for $1.00, this would equate to an undiscounted cash flow to an Income Unitholder of $1.42 per unit over the period from 1 July 2011 to January 2019; and
- the present value of the cash flow is dependent on the discount rate to be applied, as per the table below:

Sell A-REIT Portfolio	January 2019
Realise Sale Assets	January 2019
Realise other unlisted investments	12 months from review date
Date when NTA is projected to be $1.00	January 2019
Target distribution income reached at minimum 7.5% and maximum 8.5% per annum	Not prior to January 2019
Priority Distribution Payment Outstanding on termination	$1.3 million
Return to investor from inception	5.76%

FINANCIAL ANALYSIS	$ M	CPU
Cash realised from A-REIT Portfolio	5.6	10.5
Cash realised from open-ended funds	23.5	44.6
Cash realised from closed-ended funds	20.2	38.3
Distribution Received	22.9	43.6
Open cash balance	3.1	5.7
Total cash available to return to investors	**75.3**	**142.7**
Net Present Value @ 10% discount rate	**41.3**	**78.3**
Net Present Value @ 20% discount rate	**25**	**47.2**

Fundamental to the analysis above is the assumption that cash can be realised such that all investors wishing to withdraw at an NTA of $1.00 per unit could be accommodated. As stated previously, there is no guarantee that assets held by the Fund can be realised at NTA. In such circumstances it may take longer to realise assets at a value that permits all investors to withdraw at an NTA of $1.00 per unit.

(b) Restoring distributions to the target range of 7.5% to 8.5% per annum

Financial modelling has been undertaken to estimate the time expected to restore distributions to the target range of 7.5% to 8.5% per annum for Income Unitholders if the Proposal is not approved.

On the basis of the assumptions below, and using the same valuation methodology as currently utilised, it is expected that it may take to at least February 2019 to achieve returns of 7.5% per annum or greater than 10 years to achieve returns of 8.5% per annum on the $1.00 per Income Unit invested. There is no guarantee that distributions will return to the target range of 7.5% to 8.5% per annum.

Fundamental to this analysis are the following assumptions:

Unlisted investments (and those listed on the BSX)

- distributions from underlying investments are set at the relevant yield for the year to 30 June 2011 and adjusted each year for growth in the value of the underlying asset and income growth until the investment is realised (if at all);
- income growth is assumed to be 3% per annum on the operating income of the investments;
- for those investments considered to have a review date it has been assumed that the Fund can exit at NTA adopted by the Fund at 30 June 2011 adjusted for growth and that proceeds are received by the Fund within 12 months of the review date. Review dates assumed for unlisted assets other than the Sale Assets are set out in Section 8.2(ii). In addition for the purposes of the analysis it is also assumed the following review dates in respect of Sale Assets:

INVESTMENTS	REVIEW DATE
BlackWall Telstra House Trust	January 2019[1]

(1) Seven years from the original date of issue and subject to a further two year extension at the discretion of the manager of the trust

- for those investments not considered to have a review date for these purposes (refer to Section 7.1 (b)) it has been assumed that these continue to be held by the Fund at adopted NTA adjusted for growth as set out below;
- with the exception noted below, NTA in each case is calculated as being the NTA of the investment as at 30 June 2011 adjusted for growth rates assumed for the properties owned by respective investments and assuming that foreign exchange rates and all other assets and liabilities remain constant (other than where a sale of an asset has been announced where proceeds are assumed to reduce debt);
- No growth has been assumed for properties held by the APN Champion Retail Fund (with assets held in Greece), APN Poland Retail Fund and APN Vienna Retail Fund;
- cash returned as capital to the Fund when realised from the investments is assumed to be reinvested in A-REITs (to retain it in a more liquid form than reinvesting in unlisted securities);

In determining appropriate growth rates for the investments, the Manager has made reference to historical 10 year average property growth rates (of approximately 3% per annum) together with a review of the underlying assets of the funds for unlisted investments held by the Fund.

A-REIT investments

- the relevant yield for each year is adjusted for growth in the value of the underlying security price and distribution yield growth;
- distribution yield from underlying investments are set for the next four years in accordance with the consensus estimates compiled by Thomson Reuters Datastream:

YEAR COMMENCING	YIELD%
1 July 2012	7.2
1 July 2013	7.5
1 July 2014	7.8
1 July 2015	8.1

- for years after the year commencing 1 July 2015 the relevant yield grows by 3% per annum; and
- the value of A-REITS are calculated as being the market price of the securities as at 30 June 2011 adjusted for assumed growth rates.

In the case of A-REITs the assumption is an annual growth rate in security price of 3% per annum. Historical growth rates for the ASX/S&P 200 Property Index indicate negative growth in security prices over the past 10 years of –5% and over 15 years of –2% to August 2011.

It is assumed for the purposes of the analysis that no Income Units are redeemed or issued.

8. Overview of the Fund – Pre and Post-Proposal continued

(ii) Other options available to the Manager

The following represent some of the alternative courses of action the Manager has considered in determining that the Proposal is in the best interests of Unitholders.

(a) Seek a buyer for the Income Units in the Fund

The Constitution currently limits any person (other than an Administration Service holding on behalf of its customers who are indirect investors) from holding a:

- beneficial interest in Income Units of more than 10% of all Units on issue;
- legal interest in Income Units of more than 19.9% of all Units on issue; or
- legal and beneficial interest in Income Units of more than 10% of all Units on issue.

In the event of an offer from a third party, Income Unitholders would not all be entitled to sell their holdings in the Fund to the third party and the Manager will be required to consider an amendment to the Constitution in order to effect this.

Even in circumstances where greater than 19.9% could be acquired by one party, the Manager believes that achieving a transaction that would provide Income Unitholders with a return close to the current NTA per Income Unit would be unlikely because:

- the current Fund yield is 5.4% when measured against the NTA at 30 June 2011. An investor would therefore seek a purchase price with a significant discount to NTA to ensure it can achieve returns reflecting risk, liquidity and comparable investments available in the market;
- the buyer would be bound by the same terms attaching to the Income Units and would not be able to exit its investment for a number of years;
- a buyer of a substantial stake in the Fund may require a role in the management of the fund. Any notice to change the responsible entity of the Fund to an entity that is not a related body corporate of Brookfield Capital Securities Limited ACN 103 736 081 would provide BAO with the right to serve a notice to wind up the Fund; and
- a change in the responsible entity of the Fund may result in the Fund bearing management fees at a rate up to 0.55% (including GST) (which are currently waived by the Manager) thereby reducing returns to Income Unitholders.

(b) Capital distributions to top up returns

The Manager could consider paying distributions out of capital in order to ensure a yield to Income Unitholders of 8.5% per annum is achieved and the PDP is met. In considering such a course of action the Manager must treat all Unitholders equally. In such circumstances this would reduce the NTA of the Income Units and as a consequence make achieving the $1.00 per Income Unit redemption price even less likely.

(c) Borrow in the Fund to enhance returns

The Constitution and Fund PDS permit the Fund to borrow. This may have the benefit of increasing income and capital returns.

The Manager has assessed the borrowing capacity of the Fund and considers that in light of the nature of the assets held by the Fund and current market conditions, a maximum loan to value ratio of 20% could be achieved. This would permit the Fund to sustain borrowings of approximately $8 million.

Utilising the same assumptions as set out above in Section 8.4 (i) and assuming that the $8 million was invested in liquid A-REITs in order to preserve liquidity, it is unlikely that this would have an impact on the NTA or earnings expectations so as to shorten the period before the NTA of $1.00 per Income Unit is restored by greater than 10 months.

(d) Find a buyer for the assets at a superior price

As set out in Section 7.1(c) there is limited evidence of transactions in unlisted property securities that could act as a benchmark in assessing the proposed purchase price for the Sale Assets.

All unlisted assets held by the Fund are minority interests, and as such are not likely to attract a premium from a buyer seeking to exercise influence or control over the underlying fund manager.

The Fund's portfolio of unlisted investments currently yields 5.4% per annum calculated on carrying value as at 30 June 2011. There are a number of assets that do not contain a process that would readily allow the Fund to liquefy its total investment in the respective fund in the next four years.

As set out in Section 7.1, utilising A-REITs as a benchmark, it could be reasonably expected that a significant discount would be sought by any potential buyer of the portfolio as a whole in excess of the 20% discount provided in the Offer in respect of the Sale Assets.

(e) Raise additional capital

The Manager considers it very unlikely that new investors could be attracted to the Fund in light of the current yield of the Fund and liquidity concerns for Income Unitholders.

9. Related Party Transaction

9.1 BACKGROUND

Chapter 2E of the Corporations Act, as modified by Part 5C.7 of the Corporations Act, regulates the giving of financial benefits to related parties by responsible entities of registered schemes. Relevantly, Section 208 of the Corporations Act (as modified by Section 601LC of the Corporations Act) prohibits a responsible entity of a registered scheme from giving a financial benefit out of scheme property to a related party without member approval, unless it occurs pursuant to an exception under the Corporations Act, e.g., that the transaction is on arm's length terms.

9.2 GIVING A FINANCIAL BENEFIT

A reference in Chapter 2E of the Corporations Act to giving a financial benefit is intended to operate broadly. The financial benefit may be indirect, may arise by making an agreement having no binding effect and need not involve the payment of money.

Section 229(3) of the Corporations Act gives a non-exhaustive list of examples of giving a financial benefit to a related party and includes selling an asset to a related party.

9.3 WHY RELATED PARTY APPROVAL IS SOUGHT

As described in Section 6.2, the Fund is linked to BAO in several ways. If approved, it may be that the Proposal results in a financial benefit being given by the Manager to BAO. However, a responsible entity will be permitted to give a financial benefit to a related party which is not on arm's length terms if it:

(a) obtains the approval of its members as required under sections 217 to 227 of the Corporations Act; and
(b) gives that benefit within 15 months after it obtains member approval.

The responsible entity for both the Fund and BAO is the same legal entity (i.e. Brookfield Capital Management Limited (ACN 094 936 866)). Although the Manager believes the Offer has been negotiated on an arm's length basis and has obtained an opinion from the Independent Expert that it is fair and reasonable in the circumstances, the Manager is seeking the approval of Unitholders before completing the Proposal and disposing of the Sale Assets to BAO as a related party transaction.

9.4 REQUIRED INFORMATION

Section 219 of the Corporations Act (as modified by Part 5C.7 of the Corporations Act specifies matters which must be addressed in this Explanatory Memorandum for the purposes of a notice convening a meeting to obtain the approval of Unitholders before completing the Proposal and disposing of the Sale Assets to BAO. For the purposes of Section 219 of the Corporations Act (as modified by Part 5C.7 of the Corporations Act), the following information is therefore set out.

(a) Related parties to whom the Proposal would permit financial benefits to be given:

If approved by Unitholders, the Proposal will permit completion of the Offer and disposal of the Sale Assets to BAO. The Offer is summarised in Section 6.3 and details of the Sale Assets are described in Section 6.5.

(b) Nature of the financial benefits

The details of the Offer, the Proposal and steps the Manager intends to take to implement the Proposal are set out in sect ion 6. The Manager believes that the sale of the Sale Assets (refer to Section 6.5) to BAO may be considered to be giving a financial benefit to BAO within the meaning of Section 229(3) of the Corporations Act. The Manager also considers that it may be giving a financial benefit to BAO if the Proposal is approved by virtue of:

(i) removal of the Distribution Stopper; and
(ii) the realisation of the Sale Assets at a discount to net asset value.

No transaction fee or additional fees are payable to BCML in its capacity as responsible entity of the Fund or BAO or any of their related parties in respect of the Proposal.

Refer to sections 6. 5 and 7 for further details.

(c) The Manager's recommendations to Unitholders and reasons

The Independent Director at the date of this Explanatory Memorandum is Barbara Ward. The Independent Director considers herself justified in making a recommendation concerning the Proposal and the Resolutions. Having regard to the Independent Expert's opinion, the advantages and disadvantages of the Proposal (see Section 7), the alternatives to the Proposal set out in Section 8.4(ii), the current position of the Fund and the anticipated position of the Fund if the Proposal is either rejected or accepted (see sections 8.1 and 8.2), the Independent Director believes that the Proposal is in the best interests of Income Unitholders and recommends that the Income Unitholders vote in favour of the Resolutions in the absence of a Superior Proposal (see also Section 2.8).

The Executive Director has abstained from voting on the Proposal or making a recommendation in relation to the Proposal or Resolutions, given that entities associated with him are parties to the Proposal. Voting on this resolution will be subject to Section 253E of the Corporations Act. Refer to paragraph (d) in the Important Notice at the front of this Explanatory Memorandum and Section 2.6 for further detail.

(d) Directors' interests in the outcome of the Resolutions

The executive directors receive remuneration from their employment by the Brookfield Australia Investments Group. The independent directors receive directors' fees at market rates. No additional benefit will be received by a director in respect of the approval of the Proposal or the performance of the Fund.

(e) Other information known to the Manager

While Unitholders should consider all information in this Explanatory Memorandum before considering how to vote on the Proposal, a complete copy of the Independent Expert's Report is set out in Section 11. Unitholders are urged to read the Independent Expert's Report and this Explanatory Memorandum in full before considering how to vote on the Proposal.

10. Material Contracts and Additional Information

The PDS described the key terms of the Fund and the material documents relevant to its establishment. This section sets out the terms of the key documentation entered into in connection with the Proposal and the amendments to be made to the terms of the key Fund documents as set out in the PDS.

10.1 SUMMARY OF IMPLEMENTATION DEED

As stated in Section 2.2, the Manager has entered into an Implementation Deed to effect the transfer of the Sale Assets to BAO. Under the Implementation Deed, implementation of the Proposal is conditional on the following conditions being satisfied:

(a) Unitholders passing the Resolutions to approve the Proposal;
(b) BAO unitholders' approval being obtained to approve the Proposal;
(c) all regulatory approvals being obtained which the Manager and BAO RE agree are necessary or desirable to implement the Proposal;
(d) no court or regulatory authority having issued an order or ruling preventing the Proposal;
(e) the Manager receiving an Independent Expert report under which the Independent Expert opines that the Proposal is fair and reasonable to Income Unitholders and the Independent Expert does not change the opinion in a materially adverse way expressed in that report on or prior to the date of the Meeting;
(f) BAO receiving an independent expert report under which the independent expert opines that the Proposal is fair and reasonable to BAOF unitholders, is in the best interests of BAOF unitholders and is on arm's length terms and the independent expert does not change the opinion in a materially adverse way expressed in that report on or prior to the BAO meeting date; and
(g) BAO obtains FIRB approval for the Proposal.

If the conditions above are satisfied, on implementation, the Manager will:

(a) include an additional clause in the Terms of Issue to reflect the removal of the Distribution Stopper (see Sections 3, 5 and 10.3); and
(b) transfer the beneficial interest of the Sale Assets to BAO (see Section 10.5).

On implementation, BAO will pay the Sale Price to the Fund. In addition, the Manager and BAO will include an additional clause in the Conversion Deed to reflect the removal of the Distribution Stopper (see Section 10.4).

The Implementation Deed contains standard limitation of liability clauses, and also basic representations and warranties being given by both the Manager and BAO.

The Implementation Deed may be terminated if:

(a) implementation of the Proposal does not occur by 31 December 2011;
(b) the timing of any action is delayed by five Business Days or more by reference to the indicative timetable agreed between the Manager and BAO RE;
(c) either the Manager or BAO breaches the Implementation Deed and such breach is not remedied within five Business Days after it becomes aware of the breach;
(d) there is a failure in the satisfaction of a condition under the Implementation Deed;
(e) the Manager:

    (i) enters into an agreement to implement a Competing Proposal;
    (ii) a Competing Proposal is recommended by the Manager to Unitholders; or
    (iii) a Competing Proposal is implemented or completed; or

(f) the Manager determines to recommend and/or implement a Superior Proposal.

Except where the Implementation Deed is terminated due to a Competing Proposal or a Superior Proposal arising, BAO RE will reimburse the Manager for its reasonable costs actually incurred in connection with the consideration of the Proposal, including legal and independent expert fees and costs associated with convening and holding the Meeting.

10.2 SUMMARY OF SIXTH SUPPLEMENTAL DEED

If the Unitholders approve Resolution 1 as a special resolution, the Manager will give effect to the proposed amendments to the Constitution by executing the Sixth Supplemental Deed. The amendments to the Constitution as effected by the Sixth Supplemental Deed occur on the date a copy of the Sixth Supplemental Deed is lodged with ASIC.

The Sixth Supplemental Deed contains amendments to the Constitution which require the Manager to commence termination and winding up of the Fund on 24 November 2011 by realising the assets of the Fund. In addition, the Sixth Supplemental Deed allows the Manager to distribute the proceeds of realisation of the assets first to Income Unitholders to the extent required for Income Unitholders to receive no more than $1.00 per Income Unit and states that the Fund terminates immediately following the final distribution as contemplated by the Constitution.

The Sixth Supplemental Deed is attached as Annexure A to this Explanatory Memorandum.

10.3 SUMMARY OF ADDITION TO TERMS OF ISSUE

If the Income Unitholders approve Resolutions 3 and 4 as a special resolution and an ordinary resolution respectively, the Manager will include an additional clause in the Terms of Issue to reflect the removal of the Distribution Stopper, such removal being a condition of the Offer. That additional clause will be inserted into the Terms of Issue at the same time as the Sale Assets are transferred to BAO for the Sale Price.

10.4 SUMMARY OF ADDITION TO CONVERSION DEED

If the Income Unitholders approve Resolutions 3 and 4 as a special resolution and an ordinary resolution respectively, the Manager and BAO RE propose to insert an additional clause in the Conversion Deed (concurrently with the Manager's insertion of the additional clause into the Terms of Issue) which reflects the removal of the Distribution Stopper, such removal being a condition of the Offer.

10.5 ADDITIONAL INFORMATION ON THE SALE ASSETS, A-REITS AND REMAINING ASSETS

(a) How the assets are held in the Fund

The Funds assets are owned by the Fund and two wholly owned sub-trusts, being the Multiplex Income UPT Domestic Investments Trust (**Multiplex Domestic Sub-trust**) and the Multiplex Income UPT International Investments Trust (**Multiplex International Sub-trust**). The Manager as responsible entity for the Fund, and trustee of the Multiplex Domestic Sub-trust and Multiplex International Sub-trust, engaged JPMorgan Chase Bank, N.A. (**JPMorgan**) under a custody agreement to hold the Sale Assets and Remaining Assets.

BAO has advised that it has a similar custodian agreement with JPMorgan.

(b) Sale Assets

If the Proposal is approved, on completion of the Proposal, JPMorgan will be directed to cease holding the Sale Assets for the Multiplex Domestic Sub-Trust and the Multiplex International Sub-Trust and commence holding them for BAO. While the legal agreement to transfer the beneficial interest in the Sale Assets is set out in the Implementation Deed, this direction will give effect to a transfer of the beneficial ownership of the Sale Assets from the Fund to BAO. Further, the Manager intends to write to the underlying fund managers of the Sale Assets and advise them of the change in beneficial ownership.

The Manager is not aware of any circumstances as at the date of this Explanatory Memorandum that will prevent the transfer of the beneficial interests of the Sale Assets from the Fund to BAO.

(c) Remaining Assets

The constitutions of the funds/trust comprising the Remaining Assets contain the general requirements that must be met to effect a transfer of the units in the relevant fund/trust. In addition, the constitutions of all the funds/trust comprising the Remaining Assets, with the exception of Investa Fifth Commercial Trust, permit the relevant responsible entity/trustee to refuse to register the transfer of units. The discretion of the responsible entities/trustees across the constitutions range from an ability to refuse on the grounds that the transfer is not in the best interests of unitholders (including for tax reasons), to an absolute discretion. Also the constitutions of Pengana Credo European Property Trust, P-REIT, Multiplex New Zealand Property Fund, Centro MCS 21, Centro MCS 22 and Centro MCS 28 restrict the transfer of units during certain periods.

The Manager does not consider it will be likely that the respective fund's responsible entity/trustee will exercise their discretion to refuse such transfers.

One exception is that the constitution of Centro MCS 28 requires that the responsible entity's prior consent to any transfer be obtained. In the event that the Manager wishes to transfer the investment, it intends to seek consent to any transfer of the MCS 28 units from the responsible entity of MCS 28, but if such consent is not given, the MCS 28 units will not be able to be transferred and the Fund will need to participate in the exit mechanisms available to holders on Centro MCS 28. Broadly, under the constitution of Centro MCS 28, the responsible entity of Centro MCS 28 must issue a put option notice (**MCS 28 Put Option Notice**) to each unitholder within five business days of the exit record date (the date notified by the responsible entity, being 15 to 25 business days after 30 June 2012). Within the 20 business days following the issue of the MCS 28 Put Option Notice a unitholder may elect to put its units in Centro MCS 28 to Centro Properties Limited for an amount, generally speaking, calculated by dividing the net assets of the trust by the number of units on issue. The consideration however may be paid in cash, subject to any required approvals, stapled securities comprising of Centro Properties Limited and Centro Property Trust or a combination of both. If any unitholder exercises their put option, then in the 10 business days following the end of the put option period, Centro Properties Limited may exercise its call option to acquire units not the subject of a put option. If all the units are not acquired in the process described above, the responsible entity of Centro MCS 28:

(a) will offer the assets for sale during the disposal period (being the three month period commencing immediately after the acquisition date notified by the responsible entity, which should be no later than 40 business days after the issue of the MCS 28 Put Option Notice) and the net proceeds distributed to investors in proportion to their unit holdings;
(b) may continue running the fund; or
(c) may put a proposal to members to restructure the fund.

The constitutions of Centro MCS 28 and Multiplex New Zealand Property Fund also require that a transfer fee (being a maximum of 1% of the consideration and a minimum of $100) be paid. In the case of the Multiplex New Zealand Property Fund, this must be paid by the Fund. Depending on the agreement with any potential buyer, it may be that the Fund also pays the applicable transfer fee in respect of Centro MCS 28. The applicable transfer fees will be deducted from the proceeds of the realisation of those assets.

A further holding restriction exists in relation to P-REIT. The constitution of P-REIT restricts any unitholder and its associates from having an interest in more than 15% of the units on issue. Accordingly, the aggregate of the Fund's and any potential buyer's interest in P-REIT must not exceed 15%.

The BGP Holdings plc shares held by the Fund are only transferable on death or by operation of law and are otherwise not transferable. Accordingly, the Fund is not able to realise these assets under the winding up process. However, the Manager understands that the directors of BGP Holdings plc intend to sell the company's assets and make distributions if the realisation of the assets would result in proceeds greater than the debt obligations.

11. Independent Expert's Report

INDEPENDENT EXPERT'S REPORT
Multiplex Property Income Fund

17 October 2011

BDO

BDO

Tel: 61 2 9286 5555
Fax: 61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

17 October 2011

The Independent Director
Brookfield Capital Management Limited
Responsible entity of Multiplex Property Income Fund
Level 22, 135 King Street
SYDNEY NSW 2000

Dear Sirs

Independent Expert's Report – Multiplex Property Income Fund

INTRODUCTION

BDO Securities (NSW-VIC) Pty Limited (“**BDO**”) has been engaged by Ms Barbara Ward, one of the Independent Directors of Brookfield Capital Management Limited as responsible entity (“**Manager**”) of Multiplex Property Income Fund (“**MPIF**” or “**the Fund**”) to prepare an Independent Expert’s Report (“**the Report**”) to express an opinion as to whether or not the proposed sale to Brookfield Australian Opportunities Fund (“**BAO**”) of MPIF’s interests in nine property funds (“**Sale Assets**”) for a price of $12,187,471 (the “**Proposal**”) is fair and reasonable to holders of income units in the Fund (“**Income Unitholders**”). The Proposal is subject to certain conditions including:

- the removal of the mechanism known as the Distribution Stopper. Income Unitholders are entitled to receive distribution payments in priority to the Fund’s other unitholder (“PDP”). BAO is restricted from paying distributions to BAO unitholders or redeeming, reducing, cancelling buying back or acquiring for any consideration any issued BAO units when the PDP is not paid in full until such time as an amount equal to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders, or the Income Unitholders pass a special resolution that the Distribution Stopper no longer applies; and
- the commencement of winding up of the Fund.

Our Report is to be included in the Explanatory Memorandum for MPIF to be sent to Income Unitholders to assist them in deciding whether to approve the Proposal.

SUMMARY AND OPINION

We have considered the terms of the Proposal as outlined in the body of this Report and have concluded that the Proposal is fair and reasonable to Income Unitholders.

A summary of our analysis in forming the above opinion is provided below.

Fairness

In accordance with our basis of evaluation (set out in Section 2.2) we have assessed whether or not the Proposal is “fair” to Income Unitholders by comparing the cash consideration offered by BAO to MPIF to:

- the value of the Sale Assets to be sold to BAO; and
- the value of the Distribution Stopper.

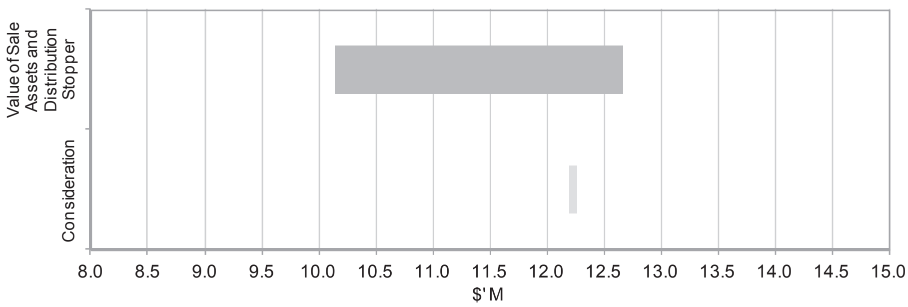
The results of our analysis are summarised in Figures i and ii below.

Figure i: Comparison between cash consideration and sum of the value of Sale Assets and Distribution Stopper

	Section	Value Low ($’000)	High ($’000)
Value of Sale Assets	5.1	9,141	10,664
Value of Distribution Stopper	5.2	1,000	2,000
Value of Sale Assets and Distribution Stopper	5.3	**10,141**	**12,664**
Cash Consideration	1.1	**12,187**	**12,187**

Source: BDO

Figure ii: **Comparison between Cash Consideration and sum of Sale Assets and Distribution Stopper**



Source: BDO

As demonstrated in Figures i and ii, the cash consideration offered by BAO is within the range of the sum of the values of the Distribution Stopper and the Sale Assets.

Based on this, the Proposal is considered fair to Income Unitholders.

Reasonableness

We have considered the analysis in Section 7 of this Report, in terms of both the advantages and disadvantages of accepting the Proposal and the position of Income Unitholders if the Proposal does not proceed.

In our opinion, the position of Income Unitholders if the Proposal proceeds is more advantageous than the position if the Proposal does not proceed. Accordingly, we believe that the Proposal is reasonable for Income Unitholders.

The respective advantages and disadvantages considered are summarised in Figure iii.

Figure iii: Advantages and Disadvantages of approving the Proposal

Section	Advantages	Section	Disadvantages
7.1.1	Improved asset liquidity for MPIF	7.2.1	Removal of Distribution Stopper
7.1.2	Wind up of Fund provides cash to Income Unitholders	7.2.2	Expected proceeds from wind up of Fund lower than issue price
		7.2.3	Fall in Fund's NTA
		7.2.4	Reduction in diversification of Fund's assets

Source: BDO

In addition to considering the advantages and disadvantages of approving the Proposal we have also considered the position of Income Unitholders if the Proposal does not proceed.

If the Proposal is not approved:

- Redemptions from the Fund will remain suspended. The Manager has advised that further consideration will be given to re-commencing redemptions when the value of the underlying investment portfolio increases to $1.00 per Income Unit (currently $0.78 per Income Unit). Under the status quo, the Manager projects this to occur in January 2019 at the earliest. There is, however, no certainty that the Fund will have sufficient asset liquidity at this time to enable some or all redemptions;
- The Distribution Stopper will remain in effect for as long as there is a PDP shortfall;
- Income earned from the Fund's investments will continue to be distributed to Income Unitholders on a monthly basis; and
- All other rights of Income Unitholders will remain unchanged.

Conclusion

Having considered the aforementioned analysis, we believe the advantages of the Proposal to Income Unitholders outweigh the disadvantages and the Proposal is considered **fair and reasonable**.

Yours faithfully
BDO SECURITIES (NSW-VIC) PTY LIMITED

Sebastian Stevens
Director

David McCourt
Director

Independent Expert's Report

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AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BAO	Brookfield Australian Opportunities Fund (ARSN 104 341 988)
BAO RE	BCML
BDO	BDO Securities (NSW-VIC) Pty Ltd
BDO Australia	BDO Australia Limited
BCML	Brookfield Capital Management Limited
CAGR	Compound annual growth rate
Capex	Capital expenditure
CBD	Central business district
CBRE	CB Richard Ellis
CHUF	Charter Hall Umbrella Fund
DCF	Discounted cash flows
Distribution Stopper	Mechanism by which BAO is restricted from paying distributions to BAO unitholders or redeeming, reducing, cancelling buying back or acquiring for any consideration any issued BAO units when the PDP is not paid in full until such time as an amount equal to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders, or the Income Unitholders pass a special resolution that it no longer applies
EM	Explanatory Memorandum to be sent to Income Unitholders of MPIF
FIRB	Foreign Investment Review Board
FME	Future maintainable earnings
FYxx	Financial year ended 30 June 20xx
GFC	Global Financial Crisis
Independent Director	Ms Barbara Ward
Income Unitholders	Holders of Income Units
Income Units	52,791,450 units of the Fund issued pursuant to a PDS dated March 2007
Manager	RE of MPIF - BCML
Meeting	General meeting of Income Unitholders convened by the Notice of Meeting
MPIF, the Fund	Multiplex Property Income Fund (ARSN 117 674 049)
MNZPF	Multiplex New Zealand Property Fund
NoM	Notice of Meeting
NRV	Net realisable value
NTA	Net tangible asset
Ordinary Units	30,075,871 units in MPIF issued to BAO
Ordinary Unitholder	BAO, the sole holder of Ordinary Units in MPIF
PDP	Priority Distribution Payment
PDP Shortfall	Difference between PDP and distribution paid by MPIF
PDS	Product Disclosure Statement
Proposal	The proposed commencement of the termination and winding up of the Fund; the completion of the transfer of the Sale Assets to BAO; and removal of the Distribution Stopper for which Income Unitholder approval is being sought at the Meeting.
RE	Responsible entity
Report	This Independent Expert's Report prepared by BDO
RG	ASIC Regulatory Guideline
Sale Assets	Units in 9 property funds held by MPIF to be purchased by BAO
SDOT3	Stockland Direct Office Trust 3
sqm	Square metres
The Act	The Corporations Act 2001

1 OUTLINE OF THE PROPOSAL

1.1 Proposal

The Manager has received a conditional offer from BAO to acquire the Fund’s interests in nine property funds for a price of $12,187,471. This price represents a discount of 20% to the current carrying value of these investments ($15.2 million).

In order to effect the transfer of the Sale Assets, the Manager has entered into an Implementation Deed dated 27 September 2011. As set out in the Implementation Deed, the implementation of the Proposal is conditional on Income Unitholders passing certain resolutions relating to:

- commencing the termination and winding up of the Fund;
- completing the transfer of the Sale Assets to BAO; and
- removing the Distribution Stopper (together the Proposal).

Implementation of the Proposal is also conditional on satisfaction of certain other conditions being met:

- BAO unitholders’ approval being obtained to approve the Proposal;
- all regulatory approvals being obtained which the Manager and BAO RE agree are necessary or desirable to implement the proposal;
- no court or regulatory authority having issued an order or ruling preventing the proposed transaction;
- the Manager receiving an independent expert report under which the independent expert opines that the Proposal is fair and reasonable to Income Unitholders;
- BAO receiving an independent expert report under which the independent expert opines that the Proposal is fair and reasonable to BAO unitholders, is in the best interests of BAO unitholders and is on arms-length terms and the independent expert does not change the opinion in a materially adverse way expressed in that report on or prior to the BAO meeting date; and
- BAO obtains FIRB approval for the Proposal.

1.2 Effect of Proposal

If the Proposal is approved, the Manager has advised that it will:

- return cash realised from the sale of the Sale Assets and the Fund’s liquid A-REIT investments together with the Fund’s current cash holdings to Income Unitholders within 30 days of the date of the meeting (unless the Manager forms a reasonable view that the market conditions and timing are adverse to the realisation of those liquid assets in that timeframe in which case realisation will take place as soon as practicable after that);
- commence the termination and the winding up of the Fund through undertaking an orderly realisation process for the remaining non-liquid assets of the Fund. The Manager will distribute the proceeds to Income Unitholders as and when those investments are sold; and
- continue to distribute income from the remaining non-liquid investments to Income Unitholders on a monthly basis in the future until the Fund is wound up.

The Manager has also undertaken to continue to waive any management fees associated with the Fund for duration of the wind up. In addition, BAO will pay all reasonable costs incurred by the Fund in implementing the Proposal which includes the costs of convening the Meeting and completing the transfer of the Sale Assets. However, the Fund will bear the costs of winding up following the transfer of the Sale Assets to BAO.

Approval of the Proposal will also result in the removal of the Distribution Stopper. The responsible entity of BAO is currently prohibited from paying distributions to BAO unitholders unless MPIF Income Unitholders have been paid an annualised distribution of between 7.5% and 8.5% for the previous 12 months or the Income Unitholders have passed a special resolution that the Distribution Stopper no longer apply. The removal of the Distribution Stopper means that BAO will now be able to pay distributions to unitholders of BAO or redeem, reduce, cancel, buy back or acquire any issued BAO units without any reference to MPIF.

1.3 Meeting Resolutions

MPIF Income Unitholders are being requested to vote on four resolutions at the Meeting. All resolutions are inter-conditional and must be passed in order to implement the Proposal. If the resolutions are not passed, the Fund will continue in its present form and the rights of Income Unitholders will remain unaffected.

Income Unitholders must pass the following resolutions:

Resolution 1: Amendment of the Fund Constitution

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, the Constitution be modified as set out in the Sixth Supplemental Deed for the purposes of giving effect to the Proposal and that the Manager be authorised to do all things necessary to give effect to this resolution, including executing and lodging the Sixth Supplemental Deed with the Australian Securities and Investments Commission".

Resolution 2: Approve the related party transaction

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, the Proposal be approved for all purposes (including the giving of any financial benefit by the Manager to BAO for the purposes of Chapter 2E of the Corporations Act) and the Manager be authorised to complete the Proposal and dispose of the Sale Assets to BAO".

Resolution 3: Remove the Distribution Stopper

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, even though the conditions in sub-clauses 2.5(a) and (b) of the Terms of Issue have not been satisfied in relation to one or more Distribution Periods (as defined in the Terms of Issue), the restrictions set out in clause 2.5 of the Terms of Issue, preventing BAO from paying a distribution on BAOF units or redeeming, reducing, cancelling or buying-back or acquiring for any consideration any issued BAOF units, shall cease to apply, on and from the date of the completion of transfer of Sale Assets to BAO for the Sale Price, unless BAO consents otherwise, and that the Manager be authorised to sign all documents and do all things necessary to give effect to this resolution".

Resolution 4: Insertion of additional clause in the Terms of Issue

"that subject to and conditional on all other resolutions in this Notice of Meeting being passed and the BAO unitholders approving the Proposal at a BAO general meeting prior to the date of this Meeting, an additional clause is inserted in the Terms of Issue to reflect the removal of the Distribution Stopper as follows:

> *"2.5A Holders resolution regarding restrictions on distributions*
>
> If Holders pass resolution 4 described in the notice of meeting of the Income Fund dated [insert] 2011 (Distribution Stopper Suspension Date), then even though the conditions in sub-clauses 2.5(a) and (b) have not been satisfied in relation to one or more Distribution Periods, the restrictions set out in clause 2.5, preventing MPF from paying a distribution on MPF Units or redeeming, reducing, cancelling or buying-back or acquiring for any consideration any issued MPF Units, shall cease to apply, on and from the Distribution Stopper Suspension Date, unless MPF consents otherwise.""

2 SCOPE OF REPORT

2.1 Report Requirements

The Manager is the responsible entity for both the Fund and BAO. The Manager is therefore treating the Proposal as a related party transaction for the purposes of the Corporations Act.

ASIC's Regulatory Guide 76 '*Related party transactions*' provides guidance on when it may be necessary for directors to include an independent expert report with a notice of meeting for member approval of a proposed related party transaction. These circumstances include where the proposed related party transaction is significant from the point of view of the entity, and when the financial benefit is difficult to value. In such cases, an independent expert report is to be provided to ensure that members are provided with sufficient information to assess the proposed related party transaction and decide how to vote.

The Independent Director has requested that BDO prepare this Report which is to be included with the notice of meeting for member approval of the proposed related party transactions under Part 5C.7 of the Corporations Act.

2.2 Basis of Evaluation

In considering the requirements and content of this Report, we have had regard to the following ASIC guidelines: Regulatory Guide 76 '*Related party transactions*' (RG76), Regulatory Guide 111 '*Content of expert reports*' (RG111) and Regulatory Guide 112 '*Independence of experts*' (RG112).

Paragraph 113 of RG76 states that RG111 provides guidance on the content of expert reports for related party transactions and how experts should assess related party transactions.

Paragraph 52 of RG111 states that experts who are asked to prepare a report for a transaction with a related party that requires member approval should comply with paragraphs 53 to 63 of RG 111.

Paragraph 55 of RG111 states that ASIC generally expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. Further, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Therefore, in relation to the Proposal, we have assessed whether or not the Proposal is "fair" to Income Unitholders by comparing the cash consideration offered by BAO to MPIF to the value of the Sale Assets to be sold to BAO and the value of the Distribution Stopper.

In accordance with paragraph 60 of RG111, a proposed related party transaction is 'reasonable' if it is 'fair'.

However, the transaction might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for members to vote for the proposal. When deciding whether a transaction is 'reasonable', paragraph 63 of RG11 sets out the factors that an expert might consider in determining whether a transaction is reasonable. These factors include the financial situation and solvency of the entity; the alternative options available to the entity and the likelihood of those options occurring and the entity's bargaining position.

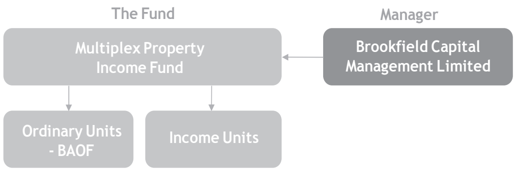
3 PROFILE OF MPIF

3.1 Overview

MPIF is an open ended unlisted unit trust that invests in a range of unlisted and listed property funds.

The Fund is managed by BCML. BCML is a subsidiary of Brookfield Asset Management Inc, and in addition to being the Manager of MPIF, currently also manages 3 ASX-listed and 2 other unlisted property funds.

The structure of the Fund is set out below.



On 8 March 2007, BAO transferred to MPIF interests in a number of unlisted property funds with a total value of $30.08 million. As consideration, BAO was issued 30.08 million Ordinary Units in the Fund. The assets transferred by BAO represented MPIF's seed investments and provided MPIF direct exposure to nine property fund managers and 20 unlisted property funds and indirect exposure to over 300 underlying property assets.

Subscriptions for Income Units in the Fund were subsequently made pursuant to a PDS dated 13 March 2007. Subscriptions for Income Units closed on 29 September 2008.

Accordingly, the Fund has on issue two classes of equity units:

- Income Units - issued to direct and indirect (through a nominee or custody service, or other portfolio service) investors at $1.00 per unit. The Fund had 52,791,450 Income Units on issue at 30 June 2011. Income Units rank in priority to Ordinary Units on winding up and in the payment of distributions (refer Section 3.3.2).

- Ordinary Units - issued to the ASX-listed BAO in March 2007. The Fund had 30,075,871 Ordinary Units on issue at 30 June 2011. Ordinary Units rank behind Income Units on winding up and in the payment of distributions, but are entitled to any excess capital or income after Income Unitholders have been paid.

The objectives of the Fund, as stated in the PDS, was to provide Income Unitholders with:

- A steady level of income distributions of between 7.5% and 8.5% per annum;

- A component of income distributions which is tax deferred; and

- Capital stability on invested funds.

The Fund has held diversified property investments in both listed and unlisted property funds. As at 30 June 2011, the Fund's NTA was approximately $41 million and included investments in 12 ASX listed A-REITs, 26 unlisted property funds and one fund listed on the Bendigo Stock Exchange.

3.2 Performance History

As detailed above, the Fund commenced operations in March 2007.

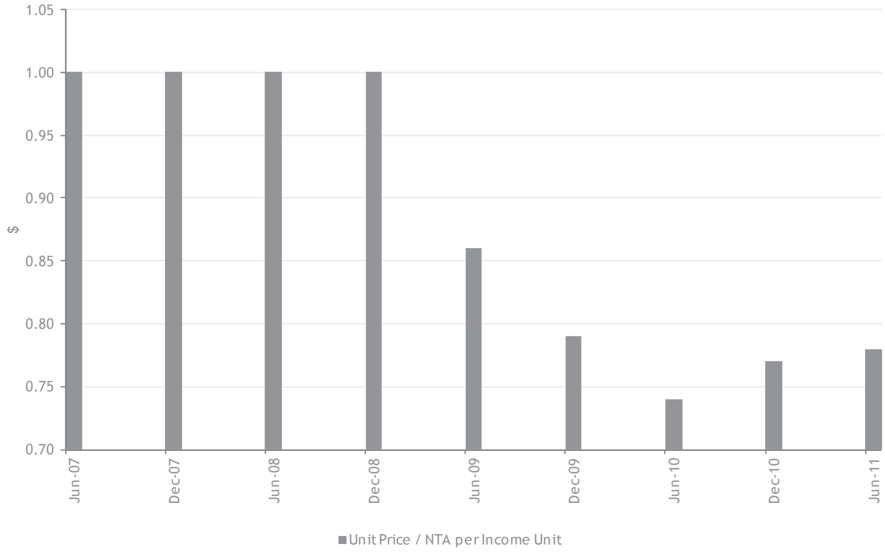
On 17 December 2008, the Fund's Manager advised investors that due to the deterioration in the asset value of a number of the Fund's underlying investments, together with a sector-wide reduction in distribution income, it was in the best interests of investors to suspend redemptions. The Manager advised that redemptions would be suspended until the value of the underlying investment portfolio was confirmed and until redemption at $1 per Income Unit did not adversely impact those investors not seeking to redeem at that time.

11. Independent expert's report continued

Since the closure of the fund to subscriptions and redemptions the unit price for MPIF has not been calculated. The Fund disclosed a unit price until December 2008 and then an NTA per Income Unit, calculated every six months based on reviewed or audited financial results.

Figure 3.2.1 below sets out the disclosed Income Unit price and NTA per Income Unit of the Fund.

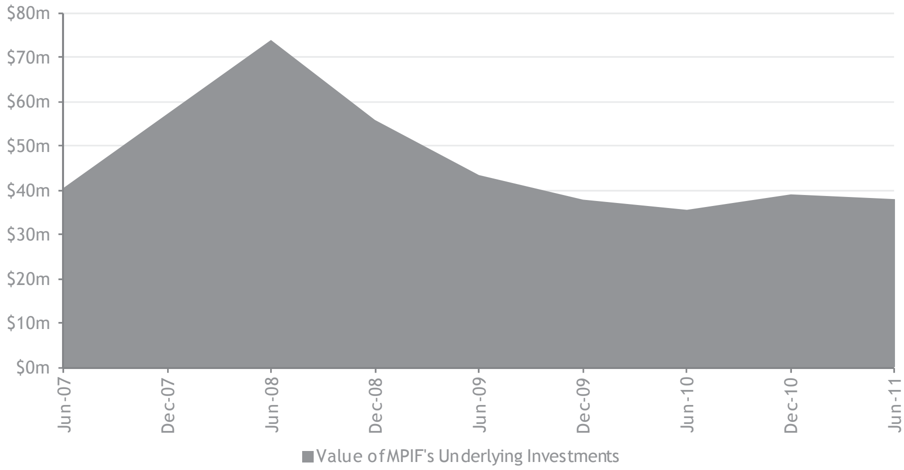
Figure 3.2.1: Income Unit Price and NTA of Income Units – June 2007 to June 2011



Source: Fund's Manager

The performance of the Fund was significantly impacted by the financial market disruption over the period from mid 2008 to late 2009. Falling property values, together with dilutive capital raisings and distressed asset sales undertaken in an attempt to stabilise balance sheets, meant that the unit NTA of the Fund's underlying investments fell. The value of the Fund's underlying investment portfolio reduced after peaking in June 2008 as set out in Figure 3.2.2 below.

Figure 3.2.2: Value of Fund's Underlying Investments – June 2007 to June 2011



Source: Audited and reviewed statutory accounts for Fund

As detailed in the Fund's PDS, any decrease in the equity (net assets) of MPIF was to be initially borne by the Ordinary Unitholder (BAO - which had received Ordinary Units in the Fund of $30.08 million as consideration for providing the Fund's $30.08 million seed investment portfolio) ahead of Income Unitholders. Accordingly, the initial reduction in the value of the Fund (to the extent of $30.08 million) was borne by the Ordinary Unitholder which buffered the fall in value of the Income Unitholders' investment in MPIF.

However, by 30 June 2009, the carrying value of the Ordinary Unitholder's investment in MPIF had reduced from $30.08 million to nil, and accordingly, any subsequent deterioration in the assets of the Fund directly impacted the value of Income Unitholders, as illustrated by the declining NTA in Figure 3.2.1.

After declining between June 2008 and June 2010, the value of the Fund's underlying assets have now stabilised.

3.3 Distributions

3.3.1 Distribution History

MPIF pays distributions to Income Unitholders on a monthly basis.

A summary of the monthly distribution yield (annualised and based on an issue price of $1.00 per Income Unit) received by Income Unitholders since commencement of the Fund in March 2007 is set out below.

Figure 3.3.1: Annualised Distribution Yield on $1 to Income Unitholders based on Monthly Distributions paid by MPIF - March 2007 to June 2011

Source: Fund's Manager

Distributions received by Income Unitholders were initially between 7.5% and 8.5% (refer commentary in relation to the PDP in Section 3.3.2 below). Distributions began to fall from December 2008 as the Fund's underlying investments reduced or suspended payment of their distributions.

As the underlying investments commenced paying distributions again, there has been some recovery in the yield.

3.3.2 Priority Distribution Payment (PDP)

As set out in the PDS, it was the intention of the Manager of the Fund to pay distributions monthly at a rate of 2.50% per annum above the distribution yield on the S&P/ASX 200 Property Trust Index, subject to a minimum yield of 7.5% and a maximum yield of 8.5% (based on an issue price of $1.00 per Income Unit).

Income Unitholders are entitled to receive these monthly income distributions in priority to any distribution paid to the holders of the Ordinary Units. This entitlement is referred to as the Priority Distribution Payment (PDP).

Income Unitholders do not participate beyond the level of distribution as set out in the PDP, regardless of the performance of the Fund's assets. Income generated above the PDP may be paid to BAO as the holder of Ordinary Units.

Income Unitholders also have the benefit of the Distribution Stopper mechanism as set out below, in the event that the PDP is not paid.

3.3.3 Distribution Stopper

The responsible entity of BAO is prohibited from paying cash distributions to BAO unitholders, or redeeming, reducing, cancelling, buying back or acquiring for any consideration any issued BAO units when the PDP is not paid in full until such time as an amount equal to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders. This mechanism is known as the Distribution Stopper.

If activated, the Distribution Stopper will be lifted where an amount equivalent to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders, or, if the Income Unitholders pass a special resolution that the Distribution Stopper no longer applies.

MPIF distributed less than the PDP for the period December 2008 to June 2011 however BAO has not contributed any PDP Shortfall to MPIF. BAO also has not made a distribution to its unitholders since September 2008. BAO will continue to be prevented from making distributions until the shortfall has been met. At 30 June 2011, the shortfall totalled $2,262,000.

3.4 Related Party Relationships

3.4.1 BAO

BAO is an ASX listed property securities fund with a diversified investment portfolio that predominantly invests in unlisted property securities.

The Fund has a number of relationships with BAO including:

- the Distribution Stopper;
- BAO holds all the Ordinary Units on issue in the Fund;
- the Initial Portfolio was acquired by the Fund from BAO in consideration for the issue of Ordinary Units;
- the Fund and BAO have the same responsible entity, being BCML; and
- the Manager may satisfy a withdrawal request from an Income Unitholder by converting Income Units to an equivalent dollar value of BAO Units, which may then be traded on the ASX.

3.4.2 Management Fees

The Manager of the Fund, BCML, may charge up to 0.55% per annum of the gross asset value of the Fund as a management fee.

However, it has been agreed that the Manager will waive the entire management fee while it remains responsible entity of both BAO and the Fund. If the Manager was removed as responsible entity of the Fund, a new responsible entity could begin to charge part or all of the allowable management fee.

As such, no management fees have been paid to the Manager from the assets of the Fund since commencement. All operating costs of the Fund are borne in the Fund.

BDO

3.5 Current Investments and NTA

3.5.1 Fund's NTA at 30 June 2011

A summary of MPIF's NTA at 30 June 2011 as per Management Accounts are set out in Figure 3.5.1. Please refer to ***Appendix C*** for a detailed description in relation to each of these investments.

Figure 3.5.1: MPIF NTA at 30 June 2011 - Management Accounts

($'000)	Notes	Units held by Fund	Price / NTA	Value
Assets				
Cash				2,809
Distribution Receivables				488
Investment Assets				
Listed AREIT Investments				
Abacus Property Group	1	75,000	2.31	173
Aspen Group	1	372,000	0.44	164
Australand Property Group	1	59,000	2.86	169
CFS Retail Property Trust	1	72,000	1.815	131
Challenger Diversified Property Group	1	484,000	0.55	266
Charter Hall Retail REIT	1	146,000	3.2	467
Commonwealth Property Office Fund	1	940,000	0.94	884
Dexus Property Group	1	782,000	0.88	688
GPT Group	1	73,600	3.16	233
Investa Office Fund	1	1,209,000	0.645	780
Stockland Group	1	73,220	3.41	250
Mirvac Group	1	379,846	1.25	475
Total AREIT Investments				4,678
Unlisted Investments				
Closed End Funds				
APN Champion Fund	2	11,000,000	0.4952	5,447
APN National Storage Property Trust	2	1,142,857	1.0396	1,188
APN UKA Vienna Retail Fund	2	2,400,000	0.5911	1,419
Black Wall Telstra House Trust	2	330,988	1.04	344
Investa Fifth Commercial Trust	2	1,908,000	1.4999	2,862
MAB Diversified Property Fund	2	2,100,000	0.69	1,449
MCS 21 - Centro Roseland Holding Trust	2	552,500	1.97	1,088
MCS 22 - Centro Kidman Park Investment Trust	2	645,872	1.61	1,040
MCS 28 Investment Trust	2	909,000	1.05	954
Multiplex New Zealand Property Fund	2	1,125,402	0.5893	663
Rimcorp Property Trust No. 3	2	750,000	0.7568	568
Stockland Direct Office Trust 3	2	963,000	0.4968	478
Total Closed End Funds				17,501
Open End Funds				
APN Regional Property Fund	2	714,286	0.6947	496
APN UKA Poland Retail Fund	3	3,016,840	-	-
Australian Unity Diversfied Property Fund	2	741,117	0.8183	606
Charter Hall Diversified Property Fund	2	4,783,316	0.707	3,382
Charter Hall Umbrella Fund	2	5,150,000	0.6081	3,132
Investa Diversified Office Fund	2	2,896,684	0.9082	2,631
PFA Diversified Property Trust	2	2,500,000	0.9603	2,401
Pengana Credo European Property Trust	3	1,000,000	-	-
P-REIT (formerly RP Trust)	2	5,515,213	0.2097	1,157
The Essential Health Care Trust	2	1,307,076	0.0137	18
The Orchard Childcare Property Fund	2	2,000,000	0.94	1,880
Total Open End Funds				15,702
Total Assets				41,178
Liabilities				
Distribution Payable				205
Total Liabilities				205
Net Assets				40,973
Income Units on Issue				52,791,450
NTA - Income Units ($)				**0.78**

Source: Management Accounts, Bloomberg and other publicly available information

Notes:

1. *Unit/share prices for listed investments per Bloomberg at 30 June 2011*
2. *NTA adopted by the Manager from the latest available accounts for each of the funds*
3. *Book value carried at zero by the Fund, due to the Manager's concerns as to the current financial position of the funds*

11. Independent expert's report continued

3.6 Historical Financial Information

3.6.1 Historical Balance Sheets of MPIF

A summary of MPIF's audited balance sheets at 30 June 2009, 30 June 2010 and 30 June 2011 are set out in Figure 3.6.1.

Figure 3.6.1: MPIF Historical Balance Sheets

($'000)	Notes	June 2009	June 2010	June 2011
CURRENT ASSETS				
Cash and cash equivalents		1,221	3,590	2,809
Trade and other receivables	1	696	478	488
Investments - available for sale	2	-	-	4,678
Total current assets		1,917	4,068	7,975
NON-CURRENT ASSETS				
Investments	3	43,288	35,459	33,203
Total non-current assets		43,288	35,459	33,203
Total assets		45,205	39,527	41,178
CURRENT LIABILITIES				
Trade and other payables		14	-	-
Distribution Payable		-	281	205
Total current liabilities		14	281	205
Total liabilities		14	281	205
NET ASSETS		45,191	39,246	40,973

Source: Audited statutory accounts for FY09, FY10 and FY11

Notes:

1. *Represents dividends and distributions receivable from the Fund's listed and unlisted investments.*
2. *In FY11 the Fund's listed investments have been classified as non-current assets available for sale.*
3. *Represents unlisted and listed investments (FY09 and FY10) and unlisted investments (FY11).*

3.6.2 Historical Income Statements of MPIF

A summary of MPIF's audited income statements for FY09, FY10 and FY11 are set out in Figure 3.6.2.

Figure 3.6.2: MPIF Historical Income Statements

($'000)	Notes	FY09	FY10	FY11
Revenue and Other income				
Distribution Income	1	2,556	1,489	2,047
Gain on disposal of Investments		-	235	368
Interest income		571	105	164
Other income		-	14	-
Total Revenue and Other Income		3,127	1,843	2,579
Expenses				
Impairment expense	2	(26,177)	(8,062)	(1,265)
Loss on disposal of property trusts		(766)	-	-
Other expenses	3	-	-	(13)
Total Expenses		(26,943)	(8,062)	(1,278)
Net profit (loss) for the period		(23,816)	(6,219)	1,301
Other comprehensive income				
Changes in fair value of available for sale financial assets	4	(2,115)	1,933	2,641
Other comprehensive income/(loss) for the year		(2,115)	1,933	2,641
Total comprehensive income (loss) for the year		(25,931)	(4,286)	3,942

Source: Audited statutory accounts for FY09, FY10 and FY11

Notes:

1) *Distributions have increased in FY11 due to a number of the Fund's underlying investments re-commencing distribution payments.*
2) *The large impairment expense in FY09 arose as a result of the value of the Fund's underlying investment portfolio reducing from the 30 June 2008 balance of $73.7 million to $43.3 million at 30 June 2009. As property markets stabilised, the subsequent impairment expense in FY10 and HY11 has reduced.*
3) *The Fund has not incurred any management fees over the past three years.*
4) *Represent fair value movements in the Fund's investments (excluding those movements reflected in the profit and loss).*

4 SECTOR PROFILE

4.1 A-REIT Performance

The A-REIT (ASX listed property trust) sector has stabilised over the past 12 months after it suffered substantial price falls between 2007 and 2009. Capital management initiatives undertaken during 2009 and 2010 repaired the balance sheets and reduced the gearing of a number of entities; and helped to reduce risk and restore a degree of confidence in the sector.

A summary of the performance of the A-REIT S&P/ASX Property 200 Index relative to the All Ordinaries for the period between February 2007 (the date when the Property Index reached its all time high) and 30 June 2011, is set out below.

Figure 4.1: Capital Returns of S&P/ASX 200 Property Index and All ordinaries Index - February 2007 to June 2011

Source: Bloomberg

As illustrated above, despite a modest recovery during 2009, the sector has not recovered relative to other equity indices since the global financial crisis. The total return (capital and dividends) for the S&P/ASX 200 Property Index for the 12 months to 30 June 2011 was 5.8%. The equivalent return for the S&P/ASX 200 All Ordinaries Index was 9.3%.

The one year, three and five year total annual (capital and dividend) returns to 30 June 2011 for each of the A-REITs that are members of the S&P/ASX Property 200 Index are set out below.

Figure 4.2: A-REIT Total Annual Returns to 30 June 2011

A-REIT Name	ASX Code	1 year return	3 year return	5 year return
Stockland Trust Group	SGP	(2.1%)	(5.8%)	(6.3%)
GPT Group	GPT	19.0%	(24.8%)	(24.3%)
Mirvac Group	MGR	1.4%	(17.8%)	(15.4%)
Dexus Property Group	DXS	21.3%	(6.0%)	(2.3%)
Australand Property Group	ALZ	26.9%	(3.4%)	(9.3%)
Charter Hall Group	CHC	(3.8%)	(10.8%)	(8.9%)
Abacus Property Group	ABP	21.8%	(18.1%)	(13.9%)
Westfield Group	WDC	(3.9%)	(5.9%)	(2.6%)
CFS Retail Property Trust	CFX	2.9%	6.3%	6.0%
Charter Hall Retail	CQR	25.8%	1.7%	(8.9%)
Bunnings Warehouse Property Trust	BWP	4.8%	10.8%	5.6%
Commonwealth Property Office Fund	CPA	7.7%	(2.2%)	(1.1%)
ING Office Trust	IOF	18.7%	(7.2%)	(5.5%)
Charter Hall Office	CQO	42.7%	(17.9%)	(17.9%)
Goodman Group	GMG	16.8%	(31.2%)	(28.3%)
S&P/ASX 200 (GICS) Prop Acc. Index		**5.8%**	**(9.7%)**	**(10.0%)**

Source: UBS

The S&P/ASX 200 Property Index has averaged a total annual return of negative 10% over the last 5 years. Only two A-REITs (CFS Retail Property Trust and Bunnings Warehouse Property Trust) recorded positive returns over the past 5 years. The A-REITS with significant offshore exposure (including GPT Group, Goodman Group and Mirvac Group) have recorded some of the lowest returns since 2006. However, we note that Westfield Group, which is the largest Index member (contributing 28% of the index), performed relatively well, recording an average annual return of negative 2.6 percent over the past 5 years.

Many of the entities in the sector had balance sheets that had become over-extended as a result of debt-funded overseas acquisitions at the top of the valuation cycle. Subsequent declining asset values expanded gearing ratios further. Through a combination of capital raisings, asset sales and other capital management initiatives, a number of the more established entities in the sector took the opportunity to repair their balance sheets during 2009 and 2010. While some A-REITS have been able to recover their unit price to a level above NTA per unit, the sector as a whole continues to trade at a significant discount to NTA.

Australian REITs have now significantly reduced their look-through gearing levels from around 40% in June 2008 to approximately 30% currently. This has been done despite capitalisation rates moving higher and properties being devalued. However, smaller entities in the sector have found accessing funding (both equity and debt) more difficult and a number of these entities continue to have very leveraged balance sheet positions.

According to Goldman Sachs (July 2011 A-REIT Sector Review) recent economic data, including weaker than expected retail sales data and weak building approval data has not helped investor sentiment towards A-REITs and suggests that the outlook for A-REITs remains challenging.

4.2 Property Transaction Activity

After an absence of property transactions during and immediately following the financial crisis, asset transaction activity increased significantly during 2010 and into 2011.

Substantial transactions over the past 12 months include:

- Commonwealth Property Office Fund acquired three A-grade office buildings in the Melbourne CBD for $581m in November 2010. These were acquired on a 7.6% weighted average capitalisation rate;

- CFS Retail Property Trust acquired a portfolio of four Direct Factory Outlet (DFO) retail outlet centres for $498m in October and December 2010; and

- In June 2011, the Gandel Group sold its 50% share of Melbourne's Northland Shopping Centre to the Canada Pension Plan Investment Board for $455m.

In addition to Canada Pension Plan Investment Board's recent investment, many other offshore pension funds, sovereign funds and private equity firms have played a key role as buyers in these recent transactions as well as assisting in the recapitalisation of various listed, unlisted and wholesale funds in the property sector. Examples of active offshore investors include the Blackstone Group, and their $207 million acquisition of Valad Property Group in August 2011, K-REIT (a Singapore based Korean REIT that purchased two Sydney office buildings in 2010), NPS (National Pension Service of Korea that acquired 88 Philip Street, Sydney for $685m in 2010) and RREEF (a global property fund that acquired 737 Bourke St, Melbourne for $113m).

Jones Lang LaSalle's '2010 Office Investment Market Review' states that 40% of commercial transactions in 2010 were to offshore investors, with a total transaction value of $2.4 billion compared to $846 million in 2009.

BDO

4.3 Australian Property Sub-Sectors

Annual returns for the key sub-sectors of the Australian commercial property market for the 12 months to 30 June 2011 are set out below:

Figure 4.3: Performance of sub-sectors - 30 June 2011

Sub - sector	Income (%)	Capital (%)	Total (%)
Office	7.5	2.6	10.3
Retail	7.2	3.3	10.7
Industrial	8.5	0.8	9.4
Combined	**7.5**	**2.8**	**10.6**

Source: Investment Property Databank (IPD) Limited

The retail sub-sector, while recording the lowest income yield of the three key sub-sectors, recorded the highest total return on the back of some strong capital growth.

The 10.6% combined annualised return represented the highest annualised return since June 2008, with the annual return now equal to the commercial property market's average long run total return.

We comment below in relation to each of the sub-sectors in the Australian commercial property market.

4.3.1 Office

The overall vacancy rate for the Australian CBD office market (Sydney CBD, Melbourne CBD, Brisbane CBD, Perth CBD, Adelaide Core and Canberra Civic) decreased during the second half of 2010 for the first time since July 2008. According to CBRE, vacancies had peaked during July 2010 at a rate of 8.7%, which was 1.2 percentage points lower than the peak observed during the previous property cycle where vacancies reached 9.9% in July 2004.

CBRE expect the Australian CBD office market to enter a period of stability, which is expected to continue over the next five years. Net additions to office supply are forecast at between 200,000 sqm and 300,000 sqm in each year from 2011 to 2015. CBRE expect prime net face rents to grow by a compound average of 3.8% over the 2011-2015 period. Low vacancy rates and supply levels are expected to be the main drivers of rental growth.

CBRE conclude that the fundamentals in most Australian CBD office markets have returned to a position of relative strength and any improvement in business sentiment locally is expected to continue the strength of recovery in the office market.

4.3.2 Retail

Although its share of GDP has fallen in recent years as a result of the strength of business investment, consumer retail spending still accounts for over half of total economic output. Retail turnover is a key driver of profits, business investment, employment and incomes.

The recent collapse of several household names in Australian retailing (including clothing retailer Colorado, Borders and Angus & Robertson bookstores) and relatively poor consumer confidence is likely to impact growth in retail sales in 2011. Colliers International note that occupancy costs are an ongoing issue for retailers, with rents increasing faster than sales turnover. Colliers International consider that if retailer margins continue to weaken and there is no sustained recovery in sales growth, future capacity for rental increases may come under some pressure.

However, despite the somewhat negative outlook for retailing, Australia's largest retail landlord Westfield Group recently reported continued growth in rents across its portfolio as well as high occupancy rates, and low arrears. Other major shopping centre owners have also reported stronger than expected centre performance.

In addition, the sale of Gandel's 50 per cent interest in Northland shopping centre (as discussed above) is the largest direct property transaction to occur in Australia in 2011. According to Colliers International, this is a strong vote of confidence for retail property markets and demonstrates that Australian retail assets are firmly back on the radar of foreign investors. Demand for prime retail assets remains strong from both domestic and increasingly offshore investors, despite the stronger Australian dollar.

4.3.3 Industrial

After showing largely positive trends at the start of 2010, the strength of Australia's economic recovery has been somewhat patchy. Rising interest rates have impacted domestic growth, with measures such as consumer and business sentiment, retail trade and building approvals showing mixed results, although employment growth has been solid.

According to CBRE, key industrial drivers are showing mixed results across all major markets. Challenging financial and economic conditions are still dictating development activity. Completed industrial developments in 2010 were 61% below the 2008 peak. New developments are still largely driven by pre-commitments with only a small percentage of speculative development. 2011 has seen many larger projects delayed or abandoned.

While the Australian economy appears to have come through the global economic downturn well, uncertainty continues to exist in financial markets and corporate earnings remain under pressure.

According to CBRE, owner-occupiers are likely to continue to drive the industrial sub-sector in the short term, although investors will most likely re-emerge to seek opportunities once banks relax restrictions on finance. Transaction volume is expected to gradually increase as credit returns and market confidence picks up, although this is likely to take some time. Yields are likely to firm as businesses and investors move to capitalise on attractive buying opportunities. This will also help underpin an improvement in capital values for industrial properties.

5 FAIRNESS

As set out in Section 2.2 (Basis of Evaluation), we have assessed whether or not the Proposal is "fair" to Income Unitholders by comparing the cash consideration offered by BAO to MPIF to:

- the value of the Sale Assets to be sold to BAO; and
- the value of the Distribution Stopper.

In valuing the Sale Assets we have considered the current carrying value of the assets, the observed discount to NTA that ASX listed property funds are currently trading at, and any discount relating to the illiquidity of the Sale Assets. We consider this to be the only appropriate methodology to value the Sale Assets for the following reasons:

- except for units in APN Regional Property Fund (which is listed on the Bendigo Stock Exchange and has very limited liquidity), the Sale Assets are not listed on any official exchange and therefore no market prices are readily available for the Sale Assets;
- the historical earnings of the underlying funds of the Sale Assets have been impacted by asset impairments, capital restructurings and generally high gearing levels. In addition, limited publicly available information exists in relation to the medium to long term forecast earnings of the underlying funds and there is uncertainty around the forecast earnings as a result of their levels of gearing and forecast rental income profile. Therefore, given the limited reliance we can place on the historical and forecast earnings of the underlying funds, we have been unable to adopt an earnings based valuation methodology to value the underlying funds of the Sale Assets, and therefore the Sale Assets; and
- we are advised by the Manager that they have not undertaken a sale process in relation to the Sale Assets. As a result, we are unable to analyse alternative offers for these assets and use these as a basis to value the Sale Assets.

In valuing the Distribution Stopper, we have assessed the net present value of the PDP Shortfall payments projected to be received by MPIF Income Unitholders pursuant to the Distribution Stopper under certain scenarios. We consider this to be the only appropriate methodology to value the Distribution Stopper.

We comment below in relation to the value of the Sale Assets, and the value of the Distribution Stopper.

5.1 Value of Sale Assets

As set out in Section 1.1 and in the Implementation Agreement, it is proposed that MPIF sell its interests in 9 property funds to BAO.

In order to value the Sale Assets, we have considered the current carrying value of the assets, the observed discount to NTA that ASX listed property funds are currently trading at, and any discount relating to the illiquidity of the Sale Assets.

5.1.1 Sale Assets

The audited carrying value of the Sale Assets as at 30 June 2011 was $15.3 million. 141,777 units in the Australian Unity Diversified Property Fund were redeemed by the Fund in August 2011 which has reduced the carrying value of the Sale Assets to $15.2 million.

The audited carrying value of the Sale Assets is based on the net asset values of the underlying property funds as at 30 June 2011, or where this had not been provided as at the date the MPIF accounts were audited, the latest available net asset value as provided by the manager of the underlying fund to the Manager. The underlying funds of the Sale Assets are audited and record their net asset values in accordance with the Australian equivalent of International Financial Reporting Standards. In particular, property values are recorded at fair value based on either independent or directors' valuations in accordance with AASB 140. This treatment is consistent with that adopted by the ASX listed property funds.

Figure 5.1.1 below summarises the Sale Assets, together with key financial information for each of the underlying funds.

Figure 5.1.1: Sale Assets and Underlying Funds

Fund	Asset location	Open /Closed	Sub - Sector	MPIF interest	No Units held	NTA (1)	Value at NTA ($'000)	Gear-ing (2)	Total assets (2) ($'000)	FY11 dist'n yield
APN Regional Property Fund	Australia	Open	Diversified	2.2%	714,286	0.69	496	59%	57,329	4%
Australian Unity Diversified Property Fund	Australia	Open	Diversified	0.3%	599,340	0.82	490	51%	371,600	7%
Charter Hall Diversified Property Fund	Australia	Open	Diversified	4.7%	4,783,316	0.71	3,382	49%	153,414	4%
Charter Hall Umbrella Fund	Australia	Open	Diversified	2.6%	5,150,000	0.61	3,131	- (3)	152,376	6%
Investa Diversified Office Fund	Australia	Open	Commercial	1.7%	2,896,684	0.91	2,631	45%	289,750	5%
PFA Diversified Property Trust	Australia	Open	Diversified	1.1%	2,500,000	0.96	2,401	56%	533,118	8%
The Orchard Childcare Property Fund	Australia	Open	Other	1.5%	2,000,000	0.94	1,880	45%	242,000	8%
Black Wall Telstra House Trust	Australia	Closed	Commercial	2.7%	330,988	1.04	344	60%	33,320	9%
Stockland Direct Office Trust No.3	Australia	Open	Commercial	1.6%	963,000	0.50	478	59%	92,926	-
Total / Average							15,234	53%		

Source: Manager, BDO and publicly available information
Note: 1) As per MPIF's 30 June 2011 audited accounts
2) Per latest reported results (generally 30 June 2011)
3) CHUF has no gearing at the fund level but has look through gearing of 39%

The Sale Assets are characterised by the following:

- Minority interest (non controlling interests - between 0% to 5%) holdings;
- Holdings are all in unlisted funds (except for APN Regional Property Fund which is listed on the Bendigo Stock Exchange where liquidity is limited);
- Underlying funds have limited or suspended withdrawal facilities;
- Underlying funds have termination review dates no earlier than 2015;
- Underlying funds all directly own property (except for CHOF which owns interests in a portfolio of funds which directly own property);
- Properties held by underlying funds are all domiciled in Australia;
- Underlying funds (except for CHUF) have gearing levels of between 45% and 60%;
- Underlying funds sizes range from $33 million to $533 million;
- Properties of the underlying funds are weighted towards commercial sub-sector followed by the industrial and retail sub-sectors;
- Underlying funds (except for SDOT3) currently pay distributions; and
- FY11 distribution yield (on net assets) is generally between 4% to 9%.

5.1.2 Observed Discount to NTA of A-REITs

The Proposal contemplates the sale of 9 minority interests in property funds to BAO. No market exists to enable the pricing of minority interests in these funds (except for APN Regional Property Fund which is listed on the Bendigo Stock Exchange where liquidity is limited). Limited meaningful information is publicly available in relation to transactions involving minority interest holdings in the underlying funds or other unlisted property funds.

Accordingly, in order to assess the value of the Sale Assets, we have considered the pricing of A-REITs on the ASX. The observed ASX pricing for A-REITs represents the market price for a minority, non controlling interest in a listed property owning fund. The Sale Assets also represent minority, non-controlling interests in illiquid property owning funds.

A-REITs are required to regularly value the property assets in their portfolio. Properties are generally valued by independent valuers every two to three years, while internal valuations are undertaken at those balance dates where independent valuations have not been carried out. Based on these property valuations and the carrying value of other balance sheet items, the net tangible assets (NTA) can be calculated (on a per unit basis) for each of the A-REITs.

Since late 2007, the ASX market prices of entities within the A-REIT sector have generally been lower than the calculated NTA - that is, the A-REIT sector has been trading at a discount to its NTA.

Whilst there has been some large scale recapitalisations of A-REITs post GFC, which has reduced leverage and gearing risk, and while underlying property fundamentals have stabilised, the sector as a whole continues to trade at approximately a 15% discount to its NTA.

While the extent of these discounts is often entity specific, some general reasons for this discount include:

- Negative market sentiment and uncertainty in relation to the global economic environment and its impact on property valuations – while capitalisation rates increased and property valuations fell post GFC, concerns remain that some valuations remain overstated and assumptions around rental incomes adopted in property valuations are not sustainable. Accordingly, the ASX pricing reflects a discount applied to the property valuations incorporated in the NTA calculation. This is particularly the case for smaller entities that may own lower quality grade or less attractive property assets;

- Gearing levels and recapitalisation risk – during the GFC, falling property valuations and increasing gearing ratios triggered the breaching of debt covenants and raised concerns regarding the ability of funds to re-finance existing facilities. This resulted in many A-REITs undertaking large dilutive capital raisings to raise equity, or alternatively, being forced to sell assets in a relatively poor market;

- While many of the larger A-REITs have repaired their balance sheets, gearing levels within the sector are mixed. The largest A-REITs have gearing levels within the order of 25% to 30%, which is considered to be a sustainable level, however, smaller A-REITs continue to have gearing ratios in excess of 40%. The possibility of further dilutive capital raisings or asset sales being undertaken, particularly for smaller and higher geared A-REITs, impacts the prices investors are prepared to pay for A-REITs. A-REITS which currently have high gearing therefore tend to be subject to greater NTA discounts; and

- A-REIT distribution payout ratios – historically, the steady cash flow and consistent dividend payouts associated with property securities made them an attractive option to many investors. However, many entities either voluntarily or at the request of their financiers, suspended distributions to focus on improving gearing ratios or generally adopted more prudent distribution policies. For many A-REITs, (in particular smaller A-REITs) distributions have yet to be re-instated to the levels pre GFC. There is therefore a lack of a yield differential between A-REITs and other lower risk investments. A-REITs therefore represent a less attractive investment from an income yield perspective and are discounted accordingly.

As discussed above, smaller A-REITs and those with higher gearing levels are observed to be priced at a greater discount to their NTA than other A-REITs.

5.1.3 Application of Discount to NTA to Sale Assets

As outlined in Section 5.1.1, the assets to be sold by MPIF represent minority (non controlling) interests in property owning funds. These assets are similar to those for which market prices are being determined on the ASX (except to the extent that interests in an ASX listed property fund have benefits associated with liquidity and marketability that interests in unlisted funds do not have).

The underlying funds of the Sale Assets are therefore subject to the same factors that contribute to the NTA discount observed for A-REITs. Accordingly, if liquidity was available in these funds, they would be expected to trade at a similar discount to NTA to their listed counterparts.

As discussed in Section 5.1.2 above, a fund’s gearing level and size can impact the extent of the NTA discount observed. Generally, the funds MPIF are invested in are of a size ($33 million to $533 million) that is towards the smaller end of the A-REIT sector, and have gearing levels (45% to 60%) that is towards the higher end of gearing levels for the A-REIT sector. Therefore, in order to assist in determining an appropriate NTA discount for the funds MPIF are invested in, we have identified those A-REITs that have broadly similar characteristics to certain of the funds which MPIF are selling their interests in.

In particular, we have considered those A-REITS that:

- Have market capitalisations of less than approximately $1,000m;
- Have gearing levels of up to 60%;
- Focus on the ownership of Australian properties; and
- Derive the majority of their income from passive property ownership (i.e. not from fund management or property development activities).

11. Independent expert's report continued

A summary of the selected A-REITs is set out below:

Figure 5.1.3: Selected A-REITs

A-REIT Name	Market Cap $m (1)	NTA per unit (last reported)	Price 30 Day VWAP (2)	Premium/ (Discount) to NTA (3)	Gearing (4)	Total Assets $m	Net Assets $m
Abacus Property Group	772	2.760	1.997	(28)%	26%	1,602	1,093
Centro Retail Group	666	0.440	0.291	(34)%	46%	1,790	1,012
Challenger Diversified Property Group	446	0.670	0.496	(26)%	27%	876	612
Thakral Holdings Ltd	297	0.930	0.508	(45)%	38%	1,084	545
Carindale Property Trust	266	5.540	3.807	(31)%	16%	488	388
Aspen Group	246	0.670	0.421	(37)%	28%	598	390
Brookfield Prime Property Fund	154	5.280	3.051	(42)%	58%	656	266
Australian Education Trust	148	1.180	0.845	(28)%	41%	354	207
Trafalgar Corporate Group	67	1.240	0.786	(37)%	30%	153	105
Trinity Consolidated Group	39	0.286	0.192	(33)%	57%	152	59
Average				**(34%)**	**37%**	**775**	**468**

Source: Bloomberg and other publicly available information
Notes: 1) As at 16 September 2011
2) 30 trading days to 16 September 2011
3) Calculated as (VWAP - NTA)/ VWAP
4) Latest reported debt / latest reported total assets

The discount to NTA for those A-REITs that display broadly similar characteristics to certain of the funds which MPIF are selling their interests in, averages 34%.

5.1.4 Liquidity Discount

There is empirical evidence that suggests that securities of unlisted entities are traded at a discount to their listed counterparts. The discount primarily reflects the illiquid nature of the unlisted entity's securities as there is no ready market available for these securities to be traded in, unlike its listed counterparts as well as other commercial factors.

Various studies refer to the discounts for the non-negotiability of shares not listed on exchanges. It is generally acknowledged that a reasonable discount for non–negotiability would be in the range of 10 to 25 per cent.

It is common for unlisted funds to have a redemption facility to enable those investors that wish to sell their interest to do so. However, due to the financial impact of the GFC, many funds were unable to satisfy redemptions and suspended them. The assets being sold currently do not have any active redemption facilities.

Accordingly, given the:

- lack of any market to enable holders of minority interests in unlisted funds to sell their interest;
- lack of any suitable redemption mechanisms; and
- an absence of any publicly available information in relation to buy/sell transactions of minority interests in unlisted funds,

there is very limited liquidity available to holders of interests in unlisted property funds. Therefore, we consider that it is appropriate to apply a further discount to the carrying value of the Sale Assets to the discount observed in relation to the comparable A-REITs to reflect this lack of liquidity.

5.1.5 Assessment of Value Sale Assets

Having considered the analysis in Section 5.1.3 and 5.1.4 above, we believe a discount of between 30% and 40% should be applied to the carrying value of the Sale Assets.

This discount reflects the following:

- The discount to NTA for those A-REITs that display not dissimilar characteristics to the funds which MPIF are selling their interests in, averages 34%;

- The additional gearing observed in relation to funds in which MPIF are selling their interests in (average of 53%) and the gearing of the selected A-REITs in Figure 5.1.3 (average of 37%); and

- A liquidity discount.

Our assessment of the value of the Sale Assets is set out in the table below.

Figure 5.1.5: Value of Sale Assets

	Section	Low ($'000)	High ($'000)
NTA - Sale Assets	5.1.1	15,234	15,234
Discount applied	5.1.4	40%	30%
Market value - Sale Assets		9,141	10,664

Source: BDO Analysis

5.2 Distribution Stopper

5.2.1 Distribution Stopper

As set out in the Implementation Deed, the implementation of the Proposal is conditional on Income Unitholders passing certain resolutions including removing the Distribution Stopper.

As discussed in Section 3.2, Income Unitholders in MPIF have a targeted monthly priority distribution payment (PDP) before the Ordinary Unitholders have any entitlement to a distribution. In circumstances where MPIF distributes less than the PDP, BAO is prevented from making distributions to its own unit holders unless the shortfall has been met. The Distribution Stopper remains in place until any shortfall in the PDP for the preceding 12 months has been paid to Income Unitholders or the Income Unitholders have passed a special resolution that the Distribution Stopper no longer applies.

As discussed in Section 3.3, MPIF has distributed less than the PDP for the period December 2008 to June 2011. During this period BAO has not made up this shortfall through a payment to MPIF. BAO has not made a distribution to its own unitholders since the quarter ending September 2008 (2.25 cents per unit). However, given BAO's financial position during this period, it is unlikely BAO would have been able to pay a distribution for at least the period through to the recapitalisation of BAO in August 2010, even if the Distribution Stopper was not in existence.

During FY11, MPIF paid distributions per Income Unit of 4.20 cents, equating to $2.215 million. The PDP Shortfall (based on a PDP of 8.5% of 52.8 million $1 Income Units) is set out below.

Figure 5.2.1: Distribution and PDP Shortfall in FY11

	$'000
Value of PDP - FY11	4,477
Distributions paid - FY11	2,215
PDP Shortfall - 12 months (unpaid)	2,262

Source: Manager

5.2.2 Projected MPIF Distributions

As discussed above, MPIF paid distributions of $2.215 million during FY11.

On the basis of the assumptions set out in Section 8.4 (i)(b) of the EM, the Manager has projected the Fund's distribution income to grow over the next 11 years and to reach $4.3 million in FY22 (assuming no early realisation of A-REITs or open ended funds). This distribution income growth is based on a combination of the following:

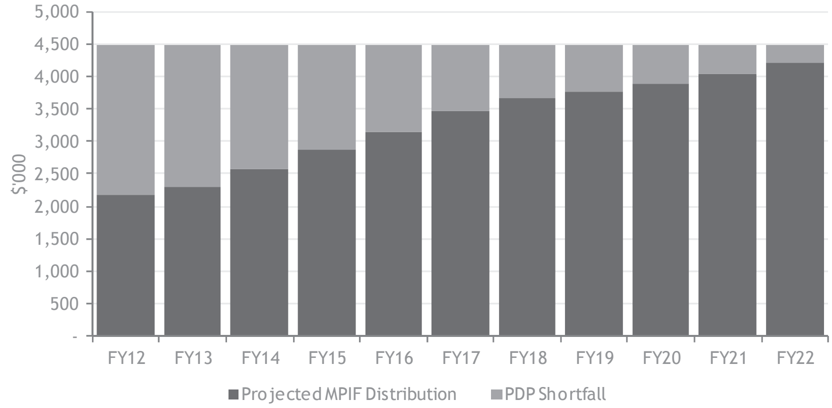
- Projected increases in the distribution payments of each of the Fund's unlisted investments. We understand that the properties in the Fund's underlying investments generally have leases that are subject to annual rental increases ranging from CPI (estimated at 3%) to 5%;

- Projected increases in the distribution yields of A-REITs as distribution payout ratios of A-REITs improve. As discussed in 5.1.2, following the GFC, many entities either voluntarily or at the request of their financiers, suspended distributions to focus on improving gearing ratios or generally adopted more prudent distribution policies. As the gearing risks diminish, payout ratios are expected to improve;

- Increasing capital growth of A-REITs. The Manager has projected an annual growth rate in the security prices of A-REITs of 3%. An increase in the value of A-REITs, given a constant distribution yield, generates a higher distribution per security; and
- A general increase in the weighting of the Fund's investments towards higher yielding A-REITs versus lower yielding unlisted funds, as investments in unlisted funds are redeemed and the proceeds re-invested in A-REITs.

As MPIF's projected distributions increase over the projection period, the value of the PDP Shortfall payable by BAO pursuant to the Distribution Stopper will fall. This is illustrated in Figure 5.2.2.

Figure 5.2.2: Projected MPIF Distribution and PDP Shortfall



Source: Manager and BDO Analysis

The analysis in Figure 5.2.2 is based on the following:

- A PDP of $4.5 million (being 8.5% of the Income Unitholder's contributed equity of $52.8 million). We note that the actual PDP will depend on the distribution yield of the S&P/ASX 200 Property Trust Index. In the event that only the minimum yield of 7.5% is required, the PDP is $3.96 million. Under this scenario, there is no PDP Shortfall from FY20 onwards; and
- MPIF's distributions increasing, as per the Manager's projections, for the reasons set out above.We have analysed the Manager's projections and reviewed their construction and key underlying assumptions. We consider the assumptions not to be unreasonable. We note our review of these projections does not constitute an audit.

5.2.3 Value of Distribution Stopper

Prior to BAO's announcement to the ASX of 27 September 2011, BAO had provided no guidance as to when it intended to restore the payment of distributions to BAO unitholders. BAO had previously advised that it was reviewing strategies to allow distributions to be restored to investors and would assess the costs and benefits of implementing any strategy prior to restoring distributions. In the announcement of 27 September 2011 it was stated that the removal of the Distribution Stopper pursuant to the Proposal would remove a significant restriction on the ability of BAO to reinstate periodic distributions to its unitholders.

Based on publicly available information, it is not known if or when BAO will start paying distributions.

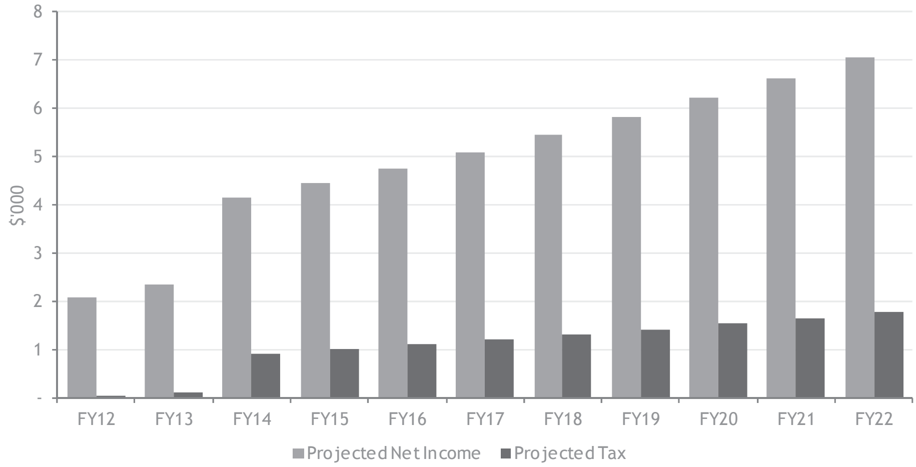
Factors that will influence whether BAO pays a distribution will include:

- BAO's projected net income;
- Any tax payable by BAO pursuant to Section 99A of the ITAA 1937 which taxes undistributed income of a trust at the top personal rate plus medicare levy (46.5%), to encourage trusts to distribute all their income;
- level of projected PDP Shortfall; and
- pressure from BAO unitholders to restore distributions.

Payment of tax on undistributed income represents a cost to BAO of not paying a distribution to its unitholders. Payment of the PDP Shortfall represents a cost to BAO of paying a distribution to its unitholders. We would expect payment of a distribution by BAO to occur when the costs of not paying a distribution (tax on undistributed income) exceeds the costs of paying a distribution (PDP Shortfall).

Set out in Figure 5.2.3 below is the projected BAO net income and projected tax payable on undistributed income pursuant to Section 99A of the ITAA 1937 (calculated after adjusting net income for projected tax deferred income). The assumptions underlying these projections are detailed in Figure 5.2.4. We have not included the impact of any tax losses available to BAO in this analysis as the value of any tax losses (if any) is uncertain.

Figure 5.2.3: Projected BAO net income and projected tax payable on undistributed income



Source: BDO Analysis

BDO

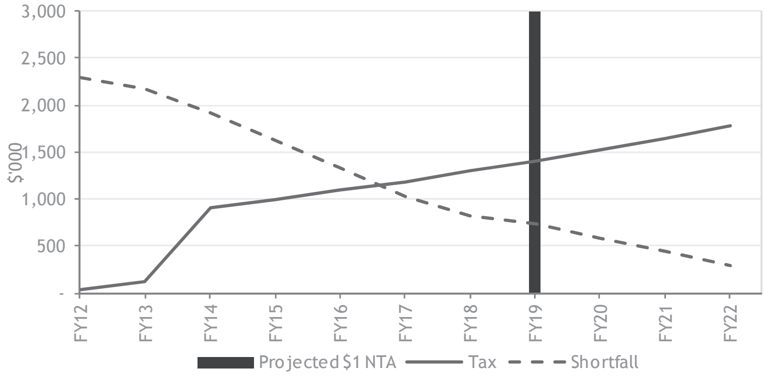
Figure 5.2.4: Projected BAO net income and projected tax payable on undistributed income

Year	Net profit	Tax payable on undistributed income	Assumptions / basis for projection
FY12	$2.1m	$0.03m	In FY11 BAO reported total comprehensive income of $5.3 million and a net loss of $848k. After making the following adjustments: • elimination of the MPIF FY11 profit of $1.3 million attributable to Income Unitholders (as BAO consolidates the MPIF results); • elimination of various one off items including gain on disposal of assets, impairment expenses and share of net losses from BAO's investment in MNZPF (which total $2.5 million); • reduction of interest income from $1.2 million to $350k (calculated as interest of 4.5% on BAOF's closing cash balance of $7.8 million); and • reduction of the FY11 finance cost from $5.2 million to $2.8 million to reflect the lower interest payments following repayment of debt from the proceeds of BAO's FY11 capital raising; we calculate the normalised FY11 net profit for BAO to be approximately $1.8m. BAO generally has a similar set of underlying investments to MPIF, although MPIF is projected to have an increasing proportion of its assets held in higher yielding A-REITs (versus lower yielding unlisted investments). We have projected BAO's net profit for FY12 by adopting the following assumptions: • applying a growth rate of 5% on BAO's normalised FY11 revenues. This is slightly lower than the CAGR implied in projecting the revenue growth of MPIF (approximately 6%) given the projected respective asset weightings for BAO and MPIF; • applying a growth rate of 3% (CPI) to BAO's normalised FY11 non-interest operating expenses; and • adopting interest costs of 7.5% on BAO's current interest bearing liabilities of approximately $37 million. This results in a projected net profit of $2.1m for BAO for FY12. Tax payable on undistributed income is calculated as 46.5% of taxable income. Taxable income is net profit less an estimate of tax deferred income. Tax deferred income has been estimated after considering the percentage of tax deferred income paid by each of BAO's underlying investments.
FY13	$2.3m	$0.1m	Represents a further 5% increase over FY12 revenues and a 3% increase over FY12 non-interest costs.
FY14	$4.1m	$0.9m	BAO's current largest investment (by value) is a 20.1% holding in MNZPF ($25.9 million). Distributions have currently been suspended by MNZPF (In order to comply with that fund's banking covenants). Cash is required by MNZPF to secure re-leasing of properties as vacancies arise and to meet ongoing capital expenditure requirements. Accordingly, no distribution income has been forecast from BAO's investment in MNZPF in FY12 and FY13. Pursuant to a letter dated 5 May 2011, investors in MNZPF were advised that they will be provided with a notice before 30 May 2012 asking them to advise whether or not they want to continue to own their units in MNZPF or whether they want to sell or withdraw from MNZPF. A return of capital from BAO's holding in MNZPF that is applied towards repayment of BAO's debt is likely to significantly decrease BAO's financing costs and increase its net profit (and therefore also any tax paid by BAO on undistributed income). Assuming BAO's investment in MNZPF is redeemed by the end of FY13 (at an estimated 80% of NTA, based on observed discounts to NTA of A-REITs) and the proceeds are applied towards the reduction of BAO's borrowings, BAO's net profit for FY14 will increase to $4.1 million.
FY15 onwards	$4.4m+	$1.0m +	Subsequent to FY14 we have assumed BAO's revenues continue to increase at a rate of 5% per annum and non-interest costs at 3% per annum.

Source: BDO Analysis

Set out in Figure 5.2.5 below is the projected tax payable by BAO if BAO does not distribute its income, together with the projected amount of the PDP Shortfall through to FY22.

Figure 5.2.5: Projected BAO tax payable on undistributed income and projected PDP Shortfall



Source: Manager and BDO Analysis

As set out in Figure 5.2.5 the tax to be paid on undistributed income exceeds the projected value of the PDP Shortfall for the first time in FY17, therefore, based on the above projections, payment of a distribution by BAO would be expected in FY17.

There is no value to Income Unitholders from the Distribution Stopper once the Fund is wound up and/or Income Unitholders have redeemed their interests. Therefore, we have calculated the value of the Distribution Stopper to Income Unitholders under the following base case scenarios:

- Income Unitholders redeem their Income Units when the NTA per Income Unit reaches $1.00 in January 2019. This represents 3 years of potential PDP Shortfall payments to MPIF Income Unitholders pursuant to the Distribution Stopper. The net present value of these payments to Income Unitholders is $1.3 million. The net present value has been discounted using a discount rate of 10% which is the average of the current weighted average cost of capital of all A-REITs held by MPIF; and

- Income Unitholders continue to hold their Income Units. We note that the Fund's projections only continue to FY22, however, any discounted PDP Shortfall after FY22 is projected to be immaterial. Holding Income Units to June 2022 provides 6 years of potential PDP Shortfall payments to MPIF Income Unitholders pursuant to the Distribution Stopper. The net present value of these payments to Income Unitholders, assuming a discount rate of 10%, is $1.9 million.

The above analysis has been calculated using the projections which result in a 6% compounding increase in the Fund's total revenue and assume a 5% compounding increase in BAO's total revenue. We have also considered the above analysis applying a 10% decrease and 10% increase in both the value of the Fund's projected revenues and BAOF's projected revenues across the forecast period. This analysis results in valuations of the Distribution Stopper as set out in Figure 5.2.6 below.

Figure 5.2.6: Value of Distribution Stopper under different scenarios

	Low ($'000)	High ($'000)
Base Case	1,343	1,864
Base Case MPIF and BAO revenues decreased by 10%	518	1,508
Base Case MPIF and BAO revenues increased by 10%	1,422	1,521

Source: BDO Analysis

Based on the above scenarios, we consider it appropriate to value the Distribution Stopper at between $1 million and $2 million.

5.3 Value of Sale Assets and Distribution Stopper

As discussed in Section 2.2, MPIF Income Unitholders are being asked to consider the sale of the Sale Assets to BAO and the removal of the Distribution Stopper.

The assessed values of the Sale Assets and the Distribution Stopper are set out below.

Figure 5.3: Value of Sale Assets and Distribution Stopper

	Section	Low ($'000)	High ($'000)
Value of Sale Assets	5.1	9,141	10,664
Value of Distribution Stopper	5.2	1,000	2,000
Value of Sale Assets and Distribution Stopper		10,141	12,664

Source: BDO Analysis

6 ASSESSMENT OF FAIRNESS

As set out in Section 2.2 (Basis of Evaluation), we have assessed whether or not the Proposal is "fair" to Income Unitholders by comparing the sum of the value of the Sale Assets and the value of the Distribution Stopper; to the cash consideration offered by BAO to MPIF.

This comparison is illustrated in Figure 6.1.

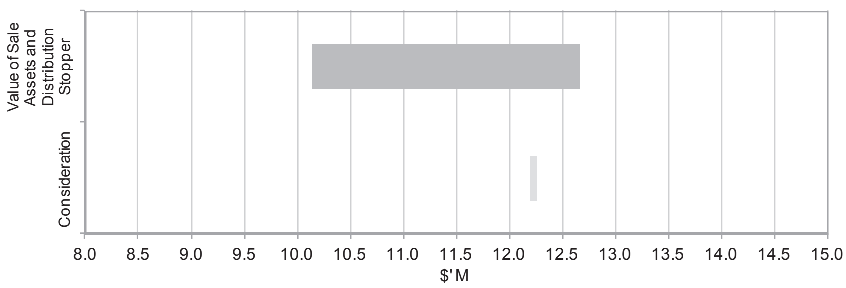
Figure 6.1: Comparison of Cash Consideration to value of Sale Assets and Distribution Stopper

	Section	Low ($'000)	High ($'000)
Value of Sale Assets and Distribution Stopper	5.3	10,141	12,664
Value of Cash Consideration	1.1	12,187	12,187

Source: BDO Analysis

This comparison is shown graphically in Figure 6.2.

Figure 6.2: Comparison of Cash Consideration to value of Sale Assets and Distribution Stopper



Source: BDO Analysis

As demonstrated in Figures 6.1 and 6.2, the cash consideration is within the range of the sum of the values of the Distribution Stopper and the Sale Assets.

Based on this, the Proposal is considered fair to Income Unitholders.

7 REASONABLENESS

RG 111 considers an offer to be reasonable if:

- the offer is fair; or
- despite not being fair, but considering other significant factors, members should approve the offer in the absence of any superior alternative.

Given our conclusion that the Proposal is fair, the Proposal is reasonable.

Notwithstanding this, in accordance with our basis of evaluation (Section 2.2) we have investigated other significant factors to which the Income Unitholders might give consideration prior to approving the Proposal as set out in the following advantages and disadvantages.

7.1 Advantages of Approving the Proposal

Set out below are the potential advantages to the Income Unitholders if the Proposal is approved relative to the position if the Proposal was rejected. The inverse of these advantages also represent the disadvantages to the Income Unitholders in the event that the Proposal is rejected.

7.1.1 Improved Liquidity of Assets for MPIF

Currently no markets exist to enable MPIF to dispose of the Sale Assets (except for APN Regional Property Fund which is listed on the Bendigo Stock Exchange where liquidity is limited). The underlying funds are generally open ended funds with remaining lives in excess of 70 years in certain cases, and currently have no meaningful redemption facilities available to investors.

The Proposal provides MPIF with an opportunity to realise immediate value from the Sale Assets. It is therefore an exit mechanism that provides certainty as to both price and timing of realisation.

At 30 June 2011, MPIF had current assets of $8 million, including cash available of $2.8 million together with investments in A-REITs of $4.7 million. The Proposal will improve the Fund's liquidity by providing additional cash to the Fund in the amount of $12.2 million.

7.1.2 Wind-up of MPIF Provides Cash to Income Unitholders over the Short to Medium Term

MPIF is currently closed to redemptions. The Manager has advised that redemptions are to remain suspended and further consideration will be given to recommencing redemptions when the value of the underlying investment portfolio increases to $1.00 per Income Unit.

Under the status quo, the Manager projects this to occur in January 2019 at the earliest. There is however, no certainty that the Fund will have sufficient liquidity at this time to enable some or all redemptions.

A condition of the Proposal is that Income Unitholders approve a resolution to commence the winding up of MPIF. If Income Unitholders approve the resolutions to give effect to the Proposal, the Manager will commence winding up the Fund and will return cash to Income Unitholders within 30 days of the Unitholders' meeting. The Manager expects further capital to be returned to Income Unitholders primarily over the next 2 to 3 years, with final distributions and wind up of the Fund in or about 2016.

This is an advantage to Income Unitholders who would prefer to realise cash from their MPIF investment over the short to medium term, rather than when the Manager recommences redemptions, which is unlikely to occur prior to January 2019.

The cash returns received by Income Unitholders pursuant to the Proposal will provide Income Unitholders with the opportunity and flexibility to undertake their own investment in property funds or other asset classes as they prefer.

11. Independent expert's report continued

7.2 Disadvantages of Approving the Proposal

Set out below are the potential disadvantages to the Income Unitholders if the Proposal is approved relative to the position if the Proposal was rejected. The inverse of these disadvantages also represent the advantages to the Income Unitholders in the event that the Proposal is rejected.

7.2.1 Removal of Distribution Stopper

As set out in the PDS, an objective of the Fund is payment of a steady level of income distributions to Income Unitholders of between 7.5% and 8.5% per annum.

The Fund currently has two features to assist it in meeting its objective of paying a steady level of distributions:

- The PDP where Income Unitholders are entitled to receive monthly income distributions of between 7.5% and 8.5% per annum in priority to any distribution paid to the holders of the Ordinary Units (BAO); and

- The Distribution Stopper - the RE of BAO is prohibited from paying cash distributions to BAO unitholders unless Income Unitholders of MPIF have been paid the PDP for the past 12 months, or the Income Unitholders pass a special resolution that the Distribution Stopper no longer applies.

The Proposal is conditional upon the removal of the Distribution Stopper. While the PDP remains in place and provides an ongoing benefit to the Income Unitholders, the Distribution Stopper provides MPIF's Income Unitholders with a potential source of additional distributions when there is insufficient income being generated by MPIF to meet the PDP.

Whilst BAO has not yet contributed to MPIF any funds to pay the PDP shortfall, as BAO's financial position improves it may be in a position to pay distributions which could require payment of any PDP Shortfall to Income Unitholders.

At 30 June 2011, the shortfall totalled approximately $2.3 million. Had BAO wanted to pay its unitholders a distribution at 30 June 2011 (and it had the capacity to do so) it would have been required to make a payment to MPIF of approximately $2.3 million pursuant to the Distribution Stopper.

Removing the Distribution Stopper therefore removes a potential source of funding to MPIF.

However, as set out in Section 7.2 of the EM, we note that the Manager is of the opinion that regardless of whether the Proposal is approved or not, BAO may not pay the PDP shortfall in the short term as:

- the relative size of the PDP shortfall, and potential profitability in BAO make the payment of the shortfall appear uneconomic in the present market conditions; and

- BAO could manage its own investments in order to minimize the possibility that the fund would be subject to income tax where it was unable to distribute its taxable income to its investors. This would remove or reduce the impact of this potential cost to BAO in not distributing to its investors.

7.2.2 Proceeds From Wind Up of Fund Lower Than Issue Price

Income Units were issued at $1.00 per unit and were expected to be redeemed for $1.00 per unit.

At 30 June 2011, the Fund's NTA was $0.78 per Income Unit. The Manager has modelled that the Fund's NTA may recover and, at the earliest, reach the redemption price of $1.00 in January 2019.

If Income Unitholders approve the resolutions to give effect to the Proposal, the Manager will commence winding up the Fund and will return some cash to Income Unitholders within 30 days of the Unitholders' meeting and continue through to approximately 2016.

Under the wind up scenario, Income Unitholders will share in some of the forecast recovery in asset values of the Fund. However, Income Unitholders are unlikely to receive total capital returns that equate to the issue price (and redemption price) of $1.00.

However, Income Unitholders may have the opportunity to invest the cash received from the capital returns in other assets.

We also note that Income Unitholders only receive repayments of capital in priority to BAO to the extent required for Income Unitholders to receive $1.00 per Income Unit. Any recovery of the assets of the Fund which generates an NTA in excess of $1.00 will not be distributed to Income Unitholders and instead will accrue to BAO. In this regard, the upside available to Income Unitholders is capped at $1.00.

7.2.3 Fall in Fund's NTA

The Proposal contemplates the sale of the Sale Assets at a 20% discount to their 30 June 2011 carrying value. This will result in a realised loss of $3.1 million on disposal of the Sale Assets, equating to 6 cents per Income Unit.

The NTA per Income Unit at 30 June 2011 was $0.78. Assuming the Proposal took place on 30 June 2011, the Proposal would result in a 7.6% decline in NTA per Income Unit to $0.72.

7.2.4 Reduction in Diversification of Fund's Assets

The Fund has held diversified property investments in both listed and unlisted property funds.

Diversification is important in providing the Fund with exposure to a variety of property fund managers, property funds and underlying property assets.

If the Proposal proceeds, the Fund's investments in non-ASX listed funds will fall from 27 to 18.

Income Unitholders will no longer participate in the risks and rewards of investment in the funds being disposed of, or any increase (or decrease) in value resulting from any refinancing, leasing, and capital management initiatives currently being undertaken and considered by management of those funds.

7.3 Position of Income Unitholders if the Proposal is Rejected

In accordance with our basis of evaluation set out in Section 2.2, we have also considered the position of Income Unitholders if the Proposal is rejected.

If the Proposal is rejected:

- Redemptions from the Fund will remain suspended. As discussed above, the Manager has advised that further consideration will be given to re-commencing redemptions when the value of the underlying investment portfolio increases to $1.00 per Income Unit (currently $0.78 per Income Unit). Under the status quo, the Manager projects this to occur in January 2019 at the earliest. There is however, no certainty that the Fund will have sufficient liquidly at this time to enable redemptions;

- The Distribution Stopper will remain in effect for as long as there is a PDP shortfall;

- Income earned from the Fund's investments will continue to be distributed to Income Unitholders on a monthly basis; and

- All other rights of Income Unitholders as set out in the PDS and as described in Section 8.3 of the EM, will remain unchanged.

In the event that the Proposal is rejected, the Manager has advised that it intends to explore other options regarding the future of the Fund.

The Manager does not rule out a future termination and winding up of the Fund at the discretion of the Manager if there is no other alternative in the best interest of Income Unitholders.

8 QUALIFICATIONS

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO holds an Australian Financial Services Licence, issued by the Australian Securities and Investments Commission, for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sebastian Stevens and David McCourt of BDO. They have significant experience in the preparation of independent expert's reports, valuations and merger and acquisitions advice across a wide range of Industries.

9 INDEPENDENCE

BDO is entitled to receive a total fee of $95,000 (excluding GST and reimbursement of out of pocket expenses) for completion of this Report. Except for this fee, BDO has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO is a member of a national association of separate entities which are all members of BDO Australia. BDO and BDO Australia are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Prior to accepting this engagement BDO considered its independence with respect to MPIF, the Manager and any of their respective associates with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In BDO's opinion it is independent of MPIF, the Manager and its respective associates.

BDO and BDO Australia do not have at the date of the Report, and have not had within the previous two years, any shareholding in or other relationship with MPIF, the Manager or any of its respective associates, except for in September 2009 BDO were engaged to provide corporate advisory services to Brookfield Capital Management Limited as responsible entity for Multiplex Acumen Property Fund in relation to the appraisal of certain offers for securities in Multiplex Prime Property Fund.

A draft of this report was provided to the Manager for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

In addition, BDO has been indemnified by the Manager in respect of any claim arising from BDO's reliance on information provided by the Manager, including the non-provision of material information, in relation to the preparation of this Report.

10 DISCLAIMERS AND CONSENTS

This Report has been prepared at the request of Manager for inclusion in the EM for the Proposal which will be sent to all Income Unitholders. The Manager engaged BDO to prepare an independent expert's report to consider the Proposal on behalf of Income Unitholders.

BDO hereby consents to this Report being included in the EM for the Proposal and to be provided to BAO in its final form. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO.

BDO takes no responsibility for the contents of the EM for the Proposal other than this Report.

BDO has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of MPIF. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

To the extent that our conclusions are based on projections, we express no opinion on the achievability of those projections. Neither BDO nor any member or employee of BDO undertakes responsibility in any way whatsoever to any person in respect of errors in this report arising from incorrect information provided by Management or in respect of the failure of projections to be achieved.

With respect to any taxation implications it is recommended that individual Income Unitholders obtain their own taxation advice, in respect of the Proposal, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Income Unitholders of MPIF, the Manager or any other party.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO has no obligation to update this Report for events occurring subsequent to the date of this Report.

11. Independent expert's report continued

Tel: 61 2 9286 5555
Fax: 61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

Appendix A

Financial Services Guide

Dated 17 October 2011

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 (“**BDO Securities**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to Transaction general financial product advice in the form of a report to be provided to you.

1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to Transaction to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 222438
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients on securities and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to Transaction a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us $95,000 for preparing the Report.

Except for the fees referred to above, neither BDO Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 ASSOCIATIONS AND RELATIONSHIPS

BDO Securities is a wholly owned subsidiary of BDO (NSW-VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of “BDO”.

From time to time BDO Securities or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product Transactionrs in the ordinary course of its business.

8 INDEPENDENCE

BDO Securities is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in the Regulatory Guide 112 Transactiond by the Australian Securities and Investments Commission in March 2011. BDO Securities operates independently of the other members of BDO International in Australia.

9 COMPLAINTS RESOLUTION

9.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Securities, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the Transactions raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“**FOS**”). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Securities is a member of FOS (Member Number 11281).

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001

Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of this FSG.

Appendix B

Sources of Information

BDO has relied upon the following information for the purposes of this Report:

a) Management Information from MPIF (including unaudited management accounts)

b) MPIF Management Projections

c) Bloomberg

d) Australian Stock Exchange

e) Information Available in the Public Domain

f) Discussion with Directors and Management of MPIF

g) Explanatory Memorandum

Appendix C

Fund's Investments

Listed property trusts

Investment	Details
Abacus Property Group	Market Cap: $754 million. Abacus Property Group is a diversified property group that specialises in investing in core plus property opportunities across Australia's commercial property markets. Abacus was established in 1996 and was listed on the ASX in November 2002. Abacus had a portfolio value as at 30 June 2011 of $971 million.
Aspen Group	Market Cap: $246 million. Aspen Group is an ASX listed property investment and funds management group. Aspen directly owns and manages a well diversified portfolio of commercial property assets Australia-wide. The portfolio is spread across the office, industrial and retail sectors.
Australand Property Group	Market Cap: $1,321 million. Australand owns, develops and manages property across Australia and operates in three primary business segments Investment Property, Commercial & Industrial and Residential. The Investment Property portfolio is diversified geographically with the majority of assets located within the major population centers of New South Wales, Victoria and Queensland and is well balanced in the industrial and office sectors. Australand's Property portfolio is valued at $2.1 billion and comprises 73 properties.
CFS Retail Property Trust	Market Cap: $4,884 million. The CFS Retail Property Trust (CFX) property portfolio comprises 29 retail assets in Australia and total gross assets of $8.5 billion as at 30 June 2011.
Challenger Diversified Property Group	Market Cap: $445 million. CDP Group holds gross assets of $876 million (as at 30 June 2011), and holds investments in 29 office, industrial and retail properties located primarily (93%) in Australia.
Charter Hall Retail REIT	Market Cap: $980 million. Charter Hall Retail REIT invests in well located grocery anchored neighbourhood and sub-regional shopping centres together with select household retail centres in Australia. The trust has 138 properties with a portfolio worth $1.96 billion.
Commonwealth Property Office Fund	Market Cap: $2298 million. Commonwealth Property Office Fund is an office sector specific AREIT with a mandate to invest in prime quality office buildings located in central business district and major suburban markets in Australia. The Commonwealth Property Office Fund's property portfolio comprises 29 office assets, with a gross asset value of $3.9 billion as at 30 June 2011.
Dexus Property Group	Market Cap: $3,968 million. DEXUS Property Group is one of the largest property groups listed on the Australian Securities Exchange (ASX), with over A$13 billion of properties under management. Dexus holds 122 property assets in the office, industrial and retail sectors in Australia, New Zealand, the United States, France, Germany and Canada.
GPT Group	Market Cap: $5,792 million. GPT Group is the manager of a $9.8 billion diversified portfolio of Australian retail, office and industrial property assets.
Investa Office Fund	Market Cap: $1,651 million. Investa Office Fund (ASX code: IOF), previously known as ING Office Fund, is an ASX listed real estate investment trust with total assets under management of approximately AU$2.6 billion, with investments located in core CBD markets in Australia, and select offshore markets in USA and Europe. The current Australian assets under management (AUM) in IOF is approximately AU$1.6 billion, with the Fund receiving rental income from a tenant register comprised predominately of government and blue chip tenants.
Mirvac Group	Market Cap: $3,844 million. Mirvac Group has a diverse portfolio of assets across the office, retail and industrial sectors, leased to quality tenants including leading Australian and international companies.

Source: Management, ASX and other publicly available information

Unlisted property trusts

Investment	Details
APN Champion Retail Fund	Number of units held: 11,000,000 Expected termination/realisation date: October 2013/2014 APN Champion was established in 2008 to invest in a portfolio of 16 supermarkets across Greece. The funds recent results reflect the fragile market conditions that exist in Europe and in particular Greece.
APN National Storage Property Trust	Number of units held: 1,142,857 Expected termination/realisation date: June 2012/2013 The APN National Storage Property Trust (Trust) is an unlisted direct real estate fund that is invested in a geographically diversified portfolio of 37 storage properties leased to National Storage Operations (NSO) Pty Ltd, one of Australia's largest self storage operators. The storage properties are spread across Victoria, New South Wales, Queensland, South Australia and Western Australia and possess long term leases.
APN Regional Property Fund	Number of units held: 714,286 Fund size as at 31 March 2011: $58 million total assets The APN Regional Property Fund (Fund) is a direct real estate fund listed on the Bendigo Stock Exchange (BSX code: APR). The Fund is invested in a portfolio of retail and office properties located in regional New South Wales. The Fund currently invests in four retail and office assets, all located in regional New South Wales. Major tenants include: Coles Supermarkets, Target, Sparke Helmore Lawyers, various NSW Government departments and PricewaterhouseCoopers. The fund made a distribution of 3 cents per unit for the year ended 30 June 2011.
APN UKA Poland Retail Fund	Number of units held: 3,016,840 (carried at nil by the Fund) Expected termination/realisation date: December 2011/ September 2022 The APN Poland Retail Fund is a fixed-term unlisted property fund established in 2006 to own a majority investment in the Manhattan Shopping Centre - a major established shopping centre in Gdansk, Poland. The Fund's objective is to generate income returns to investors and capital growth through ownership and active enhancement of this investment property. Fund size as at 30 June 2011: $43.4million gross assets. Based on the December 2010 independent valuation of the Manhattan centre, the Fund continues to be in breach of its banking covenants and continues to report a nil net assets position. The Fund's scheduled end date is December 2011.
APN UKA Vienna Retail Fund	Number of units held: 2,400,000 Expected termination/realisation date: September 2013/2014 Fund size as at 31 December 2010: $156.5 million total assets The APN Vienna Retail Fund is a fixed-term unlisted property fund that was created in 2006 to own a majority investment in Shopping Center Nord (SCN) - a major established shopping centre in Vienna. The Fund's objective is to generate income returns to investors and capital growth through exposure to this quality retail investment property. The Fund's scheduled end date is September 2013.
Australian Unity Diversified Property Fund	Number of units held: 599,340 Fund size as at 31 May 2011: $373 million total assets The Diversified Property Fund is an open unlisted property fund focusing on industrial, office and retail property investments.
Blackwall Telstra House Trust	Number of units held: 330,988 Expected termination/realisation date: January 2019/2021 BlackWall Telstra House Trust is a closed-end unlisted property trust. The Trust controls a single property located in Northbourne Avenue, Canberra and fully occupied under a long term lease to Telstra.
Charter Hall Diversified Property Fund	Number of units held: 4,783,316 Portfolio value as at 30 June 2011: $127 million The Diversified Property Fund (DPF), launched in November 2005, is an unlisted open-ended fund that invests in quality assets across office, retail and industrial sectors throughout Australia, with properties generally in the range of $5 million to $30 million in value.
Charter Hall Umbrella Fund	Number of units held: 5,150,000 Charter Hall Umbrella Fund invests in unlisted open ended property trusts that have invested in over 55 office, industrial and retail properties across Australian and New Zealand. Fund size as at 31 March 2011: $154 million

11. Independent expert's report continued

Investment	Details
Investa Diversified Office Fund	Number of units held: 2,896,684 Fund size as at 30 June 2011: $290 million Investa Diversified Office Fund is an open ended unlisted fund which holds interests in office buildings across Australia.
Investa Fifth Commercial Trust	Number of units held: 1,908,000 Expected termination/realisation date: May 2015/2016 Fund size as at 30 June 2011: $97.58 million Investa Fifth Commercial Trust is a closed end unlisted trust established in 2003 which holds interests in four office buildings across Australia.
MAB Diversified Property Fund	Number of units held: 2,100,000 Expected termination/realisation date: March 2012/2013 Fund size as at 31 March 2011: $145 million The MAB Diversified Property Trust (MDPT) is an unlisted Australian unit trust which owns nine retail, office and industrial properties throughout Australia and two retail properties in New Zealand.
MCS 21- Centro Roseland Holding Trust	Number of units held: 552,500 Expected termination/realisation date: July 2012/2013 Centro MCS 21 is a syndicate within Centro MCS property division. The syndicates core asset is the Centro Roselands shopping centre in Sydney's south. In June, the Manager of the fund concluded that in the best interests of investors the fund sell is 50% interest in Centro Roselands and wind up the syndicate.
MCS 22 - Centro Kidman Park Investment Trust	Number of units held: 645,872 Expected termination/realisation date: March 2012/2013 Centro MCS 22 is a syndicate within Centro's MCS property division. The syndicate's core asset is the Centro Kidman Park distribution centre in Adelaide.
MCS 28 Investment Trust	Number of units held: 909,000 Expected termination/realisation date: June 2012/2013 Centro MCS 28 is a syndicate within Centro's MCS property division. The syndicate holds various retail assets in several Australian states.
PFA Diversified Property Trust	Number of units held: 2,500,000 Fund size as at 31 March 2011: $560 million The PFA Diversified Property Trust (PFA) is a diversified property trust across geographic location, property sector, tenant profile and lease expiry within Australia. Direct property sectors include commercial, retail, hotel and industrial. The Trust was established in 2003.
Multiplex New Zealand Property Fund	Number of units held: 1,125,402 Expected termination/realisation date: May 2012/2013. Fund size as at 30 June 2011: $370.7 million. Multiplex New Zealand Property Fund (Fund) owns a portfolio of New Zealand commercial, retail and industrial properties. Brookfield Capital Management Limited (BCML), the responsible entity of Multiplex New Zealand Property Fund (Fund), has resolved to extend the period to provide investors with the option to sell or withdraw from the Fund. The Fund's constitution requires investors to be provided with a notice at least three months prior to the expiry of the period ending 1 September 2011 (being 1 June 2011) giving them the option to sell or withdraw from the Fund. Alternatively, BCML may extend the period by up to 12 months. BCML has considered the current circumstances facing the Fund in New Zealand and is of the view that it is appropriate to extend the period to 30 August 2012. This date coincides with the expiry of the Fund's debt facility.
Pengana Credo European Property Trust	Number of units held: 1,000,000 (carried at nil by the Fund) Expected termination/realisation date: May 2013/September 2022 The Trust's strategy is to invest primarily in retail and office properties. The Initial Portfolio has a diverse tenant base. Major tenants, which represent 83.3% of the rental income of the Initial Portfolio, are the Edeka Group (a leading food retailer in Europe and the largest food retailer in Germany), Rewe Group (one of the leading food retailers in Europe and the second largest food retailer in Germany), Schwarz Group (Germany's second largest network of food discount retailers), Norma (a German discounter), Tengelmann (a grocery, DIY, and a clothing retailer), and Peugeot (Europe's second largest car manufacturer).
P-REIT	Number of units held: 5,515,213 P-REIT (formerly RP Trust) is an unlisted diversified property trust holding a portfolio of industrial, retail and commercial properties and unlisted property securities.

Investment	Details
Rimcorp Property Trust No. 3	Number of units held: 750,000 Expected termination/realisation date: September 2012/2013. The Rimcorp Property Trust No. 3 is a closed end, fixed term property trust owning two properties, one located in each of Brisbane and Melbourne. Both the Trust's properties located in Thomastown, Victoria and Banyo, Queensland continue to be fully tenanted and all leases continue to operate soundly.
Stockland Direct Office Trust 3	Number of units held: 963,000 Expected termination/realisation date: June 2014/2015. Assets under management: $87.85 million Stockland Direct Office Trust No. 3 was established in April 2007 to acquire four commercial properties and a CBD car park. The Trust's four properties are valued at $87.85 million and are located within metropolitan areas in Australia.
The Orchard Childcare Property Fund	Number of units held: 2,000,000 Portfolio Value: $229 million as at 30 June 2011 The Fund provides exposure to 209 child care properties valued at over $228 million. The Fund has a broad geographic exposure across Australia and New Zealand with the portfolio of properties leased on long term arrangements to 15 tenants. The Fund's major tenant was previously ABC Learning Centres Ltd. Goodstart Childcare Limited has signed an agreement to acquire the ABC Learning business subject to obtaining lease assignments over approximately 670 ABC child care centres in Australia including 115 centres owned by the Fund. The fund paid a distribution of 5.5 cents for the year ended 30 June 2011.
BGP Holdings plc	Number of units held: 368,000 Expected termination/realisation date: N/A This interest was acquired from a distribution in specie of shares in the entity from the GPT Group (comprising GPT Management Holdings Limited (ACN 113 510 188) and the General Property Trust (ARSN 090 110 357)). The interest in BGP is currently carried at nil value and the Manager will attempt to realise the investment during the course of the wind up
BlackWall Property Funds Limited	Number of units held: 674,600 (as at 18 August 2011) Expected termination/realisation date: N/A proposed listing on ASX This interest was acquired from a distribution in specie of shares from P-REIT. BlackWall Property Funds Limited is a property funds management business and is currently carried at nil value.
Rubicon investments	The Fund also holds interests in Rubicon America Trust, Rubicon Japan Trust and Rubicon Europe Trust. These have been delisted from ASX are in wind up and have liquidators appointed. They are carried at nil value in the financial statements of the Fund as at 30 June 2011

Source: Manager and other publicly available information

PHONE 1300 138 991
www.bdo.com.au

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12. Taxation

The taxation information that follows is general in nature and Income Unitholders are encouraged to seek professional taxation advice in relation to their own position.

This summary is based on the relevant Australian income tax legislation and administrative practice in effect as at the date of this Explanatory Memorandum.

IMPACT OF PROPOSAL ON THE FUND

It is expected that a capital loss will arise to the Fund on the sale of the Sale Assets equal to the sale proceeds received less the reduced cost base of the assets sold. The reduced cost base will be equal to the direct and incidental costs of acquisition, reduced for the tax deferred and other capital distributions made in respect of the investments that are sold. This capital loss will be trapped in the Fund and will not be available for distribution to Unitholders. In the event that capital gains were to arise in respect of the sale of the Sale Assets, these capital gains should be able to be sheltered by the capital losses available in the Fund. Capital gains or losses will also need to be calculated in relation to other assets of the Fund disposed of during the course of the winding up process.

INCOME UNITHOLDER CONSIDERATIONS

(a) Australian resident Income Unitholders

The following information applies to Income Unitholders who hold their units on capital account and does not apply to an Income Unitholder who holds their units as trading stock or revenue assets.

The tax treatment of distributions of income received by Income Unitholders should not change as a result of the Proposal. If distributions of income are received from the Fund, you will be liable to pay tax on the full amount of your share of the taxable income of the Fund in the year in which entitlement to that income arises (even if the distribution is not physically paid until the following tax year). A distribution from the Fund may include different components, the taxation of which may differ. Tax deferred components of the distribution are generally not assessable when received, but will reduce your cost base and reduced cost base in the Fund Income Units, thereby affecting the capital gain or capital loss that you make if you dispose of your Income Units. If, in respect of an Income Unit, the cumulative tax deferred components of the distributions were sufficient to reduce your cost base to nil, any further tax deferred amounts would be treated as capital gains.

Upon the eventual cancellation of your Income Units (which will occur at the conclusion of the winding up process), a capital loss or capital gain will need to be calculated in respect of that cancellation. If the amount received in respect of the cancellation of an Income Unit does not exceed your then cost base in that Income Unit (reduced for any tax deferred amounts), then no capital gain should arise in respect of the cancellation of that Income Unit.

(b) Income Unitholders who are not residents of Australia for taxation purposes

Income Unitholders are encouraged to seek professional taxation advice specific to their own country of taxation residence, as well as Australian tax consequences.

Glossary

Administration Service	means investor directed portfolio services (IDPS), IDPS-like schemes such as a master trust or wrap account, or a nominee or custody service.
AEDT	means Australian Eastern Daylight Time.
A-REIT	means an Australian Real Estate Investment Trust listed on ASX.
A-REIT Portfolio	means the Fund's holdings in A-REITs as set out in Section 8.1(ii).
ASX	means the ASX Limited (ABN 98 008 624 691).
BAO	means Brookfield Capital Management Limited (ACN 094 936 866) as responsible entity for the Brookfield Australian Opportunities Fund (ARSN 104 341 988).
BAOF	means Brookfield Australian Opportunities Fund (ARSN 104 341 988).
BCML	means Brookfield Capital Management Limited (ACN 094 936 866).
Brookfield Australia Investments Group	means Brookfield Australia Investments Limited (ABN 96 008 687 063) and its related bodies corporate as that expression is defined in the Corporations Act.
BSX	means the Bendigo Stock Exchange.
Business Day	means a day on which banks are open for business excluding Saturdays, Sundays and public holidays in Sydney, Australia.
Competing Proposal	means a transaction which, if completed, would mean: (a) a person would directly or indirectly, acquire an interest in or become the holder of 19.9% or more of the Income Units; (b) a person would directly or indirectly acquire an interest in all or substantially all of the Sale Assets; (c) a person would directly or indirectly acquire an interest in all or substantially all of the assets of the Fund; or (d) in the reasonable opinion of the Manager, liquidity is otherwise provided to the Income Unitholders at an implied valuation in excess of $0.78 per Income Unit.
Constitution	means the Fund's constitution dated 21 December 2005 and as amended from time to time.
Conversion Deed	means the Income Units Conversion Deed dated 8 March 2007 between the Manager and BAO.
Corporations Act	means the *Corporations Act 2001* (Cth).
Distribution Stopper	means the restriction on BAO from paying distributions to BAO unitholders or redeeming, reducing, cancelling, buying back or acquiring for any consideration, any issued BAO units when the PDP is not paid in full until such time as an amount equal to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders, or if the Income Unitholders pass a special resolution that the restriction no longer apply.
Executive Director	means Mr Shane Ross.
Explanatory Memorandum	means this Explanatory Memorandum.
FIRB	means Foreign Investment Review Board.
Fund	means Multiplex Property Income Fund (ARSN 117 674 049).
Implementation Deed	means the implementation deed between the Manager and BAO, the material terms of which are set out in Section 10.1.

Glossary continued

Income Units	means income units in the Fund.
Income Unitholder	means the holder of an Income Unit.
Independent Director	means Ms Barbara Ward.
Independent Expert	means BDO Securities (NSW-VIC) Pty Limited (ABN 82 065 203 492).
Independent Expert's Report	means the report set out in Section 11.
Manager	means Brookfield Capital Management Limited (ACN 094 936 866) as responsible entity for the Fund.
Meeting	means the general meeting of the Unitholders referred to in the notice of meeting set out in Section 3.
NTA	means net asset value of the asset or investment (as context implies).
Notice of Meeting	means the notice of meeting set out in Section 3.
Offer	has the meaning given to that term in Section 6.3.
Ordinary Units	means the ordinary units in the Fund.
Ordinary Unitholder	means BAO as the holder of all the Ordinary Units in the Fund.
PDP or **Priority Distribution Payments**	means the priority distribution payments the Income Unitholders are entitled to under the Terms of Issue.
PDS	means the Product Disclosure Statement of the Fund dated March 2007.
Proposal	has the meaning given to that term in Section 6.4.
Remaining Assets	means all the Fund's assets other than the Sale Assets and the A-REIT Portfolio.
Resolutions	means the resolutions referred to in the notice of meeting set out in Section 3.
Sale Assets	means the assets of Fund as set out in the table in Section 6.5 which are the subject of the Offer.
Sale Price	means the sale price of $12,187,471 for the Sale Assets.
Sixth Supplemental Deed	means the Sixth Supplemental Deed amending the Constitution attached to this Explanatory Memorandum as Annexure A.
Superior Proposal	means a Competing Proposal which the Manager, acting in good faith, determines is: (a) reasonably capable of being completed taking into account all aspects of the Competing Proposal; and (b) more favourable to Income Unitholders than the Offer or Proposal, taking into account all of the terms and conditions of the Competing Proposal.
Terms of Issue	means the terms of issue of the Income Units.
Unitholders	means the Ordinary Unitholders and the Income Unitholders.
Units	means Ordinary Units and Income Units.

Annexure A – Sixth Supplemental Deed

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Sixth Supplemental Deed

Multiplex Property Income Fund

Brookfield Capital Management Limited in its capacity as responsible entity of Multiplex Property Income Fund

Draft

SYDNEY MELBOURNE PERTH

www.gtlaw.com.au

Annexure A – Sixth Supplemental Deed continued

Contents

Annexure A – Sixth Supplemental Deed continued

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Date:

Party

Brookfield Capital Management Limited (ACN 094 936 866) of Level 22, 135 King Street, Sydney NSW 2000 in its capacity as responsible entity of Multiplex Property Income Fund (ARSN 117 674 049) (**Manager**)

Background

(a) The Trust is governed by the Constitution and is registered as a managed investment scheme under Chapter 5C of the Corporations Act.

(b) Section 601GC(1) of the Corporations Act provides that the constitution of a registered scheme may be modified, or repealed and replaced with a new constitution by:

   (i) special resolution of the members of the scheme; or

   (ii) the responsible entity if it reasonably considers the change will not adversely affect members' rights.

(c) Under clause 22.1 (*Manager may amend*) of the Constitution, subject to any approval required under the Corporations Act and to clause 22.3 of the Constitution:

   (i) the Constitution may be amended by a Resolution. The approval required under the Corporations Act, as set out in section 601GC(1)(a), is a Special Resolution, being at least 75% of votes cast by Members entitled to vote on the resolution; and

   (ii) subject to paragraph (i) above, the Manager may give effect to the amendments to the Constitution by executing a supplemental deed.

(d) The Manager proposes to execute this supplemental deed and lodge it with the Australian Securities and Investments Commission to modify the Constitution as set out in this supplemental deed, to give effect to the resolution to modify the Constitution that was passed by Members of the Trust at the meeting held on 22 November 2011.

1 Amendments to the Constitution

On and from the Commencement Date, the Manager declares that by this supplemental deed, the Constitution is amended in the following way:

Clause 21.1 is deleted and replaced with the following clause:

"**21.1 Realisation of Assets**

Following either:

(a) termination; or

(b) the Realisation Date specified in clause 21A,

Annexure A – Sixth Supplemental Deed continued

DRAFT

the Manager must realise the Assets. This must be completed in 180 days if practical and in any event as soon as possible after that."

Clause 21.3 is amended by:

- inserting the phrase "and/or realisation" after "termination" where that word first appears in clause 21.3;
- inserting the phrase "or the Realisation Date (whichever comes first)" after "termination" where that word appears in 21.3(a) and 21.3(b).

The following new clause 21A is inserted after clause 21:

"**21A Realisation Date and termination Date**

(a) The Manager must commence realising Assets on and from 24 November 2011 (the "**Realisation Date**").

(b) The Trust terminates immediately following the final distribution under clause 21.3."

2 No redeclaration

2.1 Ratification and confirmation

The Manager ratifies and confirms the Constitution as varied by this supplemental deed.

2.2 Variations not to affect rights or obligations

Nothing in this supplemental deed affects any right or obligation arising under the Constitution before the date of this supplemental deed.

2.3 No resettlement

The Manager confirms that it is not, by clause 1 of this supplemental deed, resettling or redeclaring the Trust, and that the Constitution continues in effect as amended by clause 1.

3 General

3.1 Governing law

This supplemental deed is governed by the laws of New South Wales.

3.2 Jurisdiction

Each person affected by this supplemental deed must irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of New South Wales.

4 Interpretation

4.1 Interpretation

(a) The terms used in this supplemental deed have the same meaning as in the Constitution unless the contrary intention appears.

(b) The rules of construction set out in clause 28.2 (*Interpretation*) of the Constitution apply to this supplemental deed as if expressly set out in this supplemental deed.

4.2 Definitions

In this supplemental deed:

Commencement Date means the date a copy is lodged with ASIC pursuant to section 601GC(2) of the Corporations Act.

Constitution means the constitution governing the Trust dated 21 December 2005, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Trust means Multiplex Property Income Fund (ARSN 117 674 049).

4.3 Deed supplemental to Constitution

This supplemental deed is supplemental to the Constitution.

4.4 Headings

Headings are inserted for convenience only and do not affect the interpretation of this supplemental deed.

Annexure A – Sixth Supplemental Deed continued

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Execution page

Executed as a deed poll.

Signed and delivered by **Brookfield Capital Management Limited in its capacity as responsible entity of Multiplex Property Income Fund** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

Signature of director	Signature of director/secretary
Name of director (print)	Name of director/secretary (print)

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Corporate Directory

Fund
Multiplex Property Income Fund
ARSN 117 674 049

Responsible Entity
Brookfield Capital Management Limited
ABN 32 094 936 866
AFSL No. 223809

Registered Office
Level 22
135 King Street
Sydney NSW 2000

Directors of the Responsible Entity
Allan McDonald (Chairman)
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

Secretary of the Responsible Entity
Neil Olofsson

Registry
Boardroom (Victoria) Pty Ltd
Level 7
207 Kent Street
Sydney NSW 2000

Telephone enquiries:
1800 766 011 (within Australia) or
+61 2 9290 9600 (from outside Australia)
(Monday to Friday – 8.30am to 5.30pm AEDT)

Fund Website
www.au.brookfield.com

www.au.brookfield.com

Brookfield

Multiplex Property Income Fund
ARSN 117 674 049

FOR ALL ENQUIRIES CALL:
(within Australia) 1800 766 011
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

Name and Address

Your Address
This is your address as it appears on the fund's unit register. If this is incorrect, please mark the box with an "X" and make the correction on the form. **Please note, you cannot change ownership of your securities using this form.**

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 1:00PM SUNDAY 20th NOVEMBER 2011

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a unitholder of the fund. Do not write the name of the fund or the registered unitholder in the space provided.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the fund's unit registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the fund's unit registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form **must** be signed as follows**:**

Individual: This form is to be signed by the unitholder.
Joint Holding: where the holding is in more than one name, all the unitholders must sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **1:00pm on Sunday, 20th November 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting.
Proxies may be lodged using the reply paid envelope or:

BY MAIL - Unit Registry – Boardroom (Victoria) Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Unit Registry – Boardroom (Victoria) Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration**.**

Brookfield

Multiplex Property Income Fund
ARSN 117 674 049

FOR ALL ENQUIRIES CALL:
(within Australia) 1800 766 011
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

<Co Name>
<Address 1>
<Address 2>
<Address 3>
<Address 4>
<Address 5>

<BARCODE>

STEP 1 - Appointment of Proxy

I/We being a member/s of **Multiplex Property Income Fund** and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') **OR** ______

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **General Meeting of Multiplex Property Income Fund to be held at The Mint, Auditorium, 10 Macquarie Street, Sydney, NSW 2000 on Tuesday the 22nd of November 2011 at 1:00pm** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

No		Type	For	Against	Abstain*
1.	Amendment to the Fund Constitution	Sp	☐	☐	☐
2.	Approve the related party transaction	Ord	☐	☐	☐
3.	Remove the Distribution Stopper	Sp	☐	☐	☐
4.	Insertion of additional clause in the Terms of Issue	Ord	☐	☐	☐

The Chair intends to vote 100% of all open proxies FOR the resolutions.

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Type : Ord = Ordinary resolution; SP = Special resolution

STEP 3 - PLEASE SIGN HERE **This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name …………………………………….. **Contact Daytime Telephone** ………………………………….. **Date** / / 2011