

28 February 2013

Dear Investor

Re: BAO Trust (Fund) - Investor Update

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the half year ended 31 December 2012.

Distributions

A distribution of 0.23 cents per unit has been declared and will be paid around 6 March 2013.

Distributions paid to investors to-date:

- 1.5 cents per unit paid on 2 November 2012;
- 0.27 cents per unit paid on 26 November 2012; and
- 0.3 cents per unit paid on 14 January 2013.

Financial Results

As at 31 December 2012 the Fund had assets under management of \$95.0 million and an NTA per unit of approximately \$0.12.

Investment Portfolio Update

At 31 December 2012 the Fund was invested in 24 unlisted investments (including two Rubicon trusts) and one A-REIT investment (Multiplex European Property Fund). The portfolio carrying value was \$91.3 million consisting of \$90.0 million of unlisted property securities and \$1.3 million of A-REITs.

Issues or opportunities regarding certain underlying investments are as follows:

- **Australian Unity Office Property Fund (AUOPF)**
A withdrawal offer of \$3.5 million was made available to unitholders in November 2012. The Fund applied for redemption of its entire holding at a price equal to a discount of 0.5% to current NTA but was scaled back to approximately 6.5% of the amount requested. The Fund redeemed 1,468,180 units and realised \$1,317,398.
- **Australian Unity Second Industrial Trust (AUSIT)**
The Fund accepted an offer for an off market purchase of \$1 million of AUSIT units at a 10% discount to NTA. AUSIT is a 12 year syndicate which expires in June 2014 unless extended by a special resolution. It currently holds two industrial assets and sold a third asset in December 2012. A 10% discount was considered appropriate given the risks associated with realising the current carrying value and time required to sell the assets at the end of the syndicate term.

- **FKP Core Plus Fund (FKPCPF)**

The Fund accepted an offer from FKP Limited to purchase one million FKPCPF stapled securities for \$98,400 which is equivalent to a 20% discount to NTA. FKPCPF is in wind up and has two industrial subdivision sites remaining in its portfolio. The offer was made to all investors in FKPCPF and, in light of the risks in realising the remaining assets and size of the holding, the offer was accepted.

- **Multiplex Development and Opportunity Fund (MDOF)**

The Vale Syndicate, in which MDOF holds a 49.5% interest, is likely to finalise the sale of its last properties prior to 30 June 2013. This will see a progressive return of approximately \$2.5 million in cash to MDOF. The remaining asset in MDOF is its investment in the Little Bay South residential development in Sydney. This multi-stage development is currently planned for completion in 2015. As stages complete it is anticipated that further cash will be returned to the Fund.

- **Multiplex New Zealand Property Fund (MNZPF)**

MNZPF is in wind up. An expression of interest campaign was undertaken in December 2012 for the sale of the majority of the Fund's properties. This process led to a number of parties entering into a formal due diligence review. Stage one of the due diligence is likely to complete in March 2013. There is no guarantee that this process will lead to a sale of the properties in the near future.

- **Multiplex Property Income Fund**

In December 2012 unitholders in MPIF resolved to place the fund into wind up. The Fund carries its investment in the ordinary units in MPIF at nil value and it is not expected that any proceeds will be received from the wind up of MPIF.

- **PFA Diversified Property Fund (PFA)**

A withdrawal offer of \$5 million was made available to unitholders in November 2012. The Fund applied for redemption of its entire holding at a price equal to a discount of 8% to current NTA, but was scaled back to 10.56% of the amount requested. The Fund redeemed 601,670 units and realised \$450,531.

In a bid to continue to deliver some limited liquidity and to reduce debt, the fund has commenced marketing campaigns for the sale of three assets: The Octagon office in Parramatta, Cairns Hypermarket and Civic Tower in Sydney.

- **Retail Direct Property 21 (formerly Centro MCS 21)**

Following from Centro's re-branding to Federation Centres, Centro MCS 21 has recently been renamed Retail Direct Property 21. The sales campaign for the Syndicate's 50% interest in Roselands Shopping Centre continues. The manager is targeting a sale of the asset in 2013.

BAO Trust Investment Portfolio

Investment Portfolio	December 2012 Carrying Value \$m	Distribution Yield ¹ (%)
AREIT		
Multiplex European Property Fund	1.3	0.0
Unlisted		
APN Champion Retail Fund	0.0	0.0
APN National Storage Property Trust	1.1	7.6
APN Poland Retail Fund	0.0	0.0
APN Regional Property Fund	2.0	5.2
APN Vienna Retail Fund	0.8	0.0
Arena Child Care Property Fund	3.0	6.9
Australian Unity Diversified Property Fund	5.9	5.7
Australian Unity Fifth Commercial Trust	13.0	7.1
Australian Unity Office Property Fund	18.8	7.9
Australian Unity Second Industrial trust	1.4	6.9
Centro MCS 22 Kidman Park Investment Trust ²	0.0	0.0
Centro MCS 22 Kidman Park Property Trust ²	0.0	0.0
FKP Core Plus Fund ²	0.1	0.0
Folkestone Childcare Fund (formerly Austock)	1.1	5.3
MAB Diversified Property Trust ²	3.0	6.6
Multiplex Development and Opportunity Fund	3.7	0.0
Multiplex New Zealand Property Fund ³	21.7	0.0
Multiplex Property Income Fund	0.0	0.0
Pengana Credo European Property Trust	0.0	0.0
PFA Diversified Property Trust	3.9	9.4
Retail Direct Property 21 RHT (formerly Centro MCS 21)	8.1	2.7
Retail Direct Property 21 RPT (formerly Centro MCS 21)	1.1	2.7
Rimcorp Property Trust No. 3	0.6	9.3
St Hilliers Enhanced Property Fund No. 2	0.7	0.0
Unlisted Total/Weighted Average	90.0	4.6

NOTES:

1. The distribution yields are based on recurring distribution rates as at 31 December 2012 and the unlisted property funds' unaudited net tangible asset values at 31 December 2012. The yield excludes any special or one-off distributions.

2. At 31 December 2012 these funds were either wound up or were in the process of winding up.

3. Reflects the value of the investment accounted for by using the equity method of accounting .

Future Liquidity

Further withdrawal opportunities may become available from underlying unlisted funds, but there is no guarantee that such offers will continue or be offered on a regular basis.

BCML will continue to provide updates via the website to investors regarding Fund earnings as well as timing and quantum of distributions.

Further information and financial results as at 31 December 2012

The Fund's interim financial report for the half year ended 31 December 2012 is available at www.au.brookfield.com and it is recommended that investors review this document.

Yours sincerely

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