

24 February 2016

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 2015.

**Financial Results**

As at 31 December 2015, the Fund had assets under management of \$17.4 million, comprising an investment portfolio of \$17.0 million and cash and other receivables of \$0.4 million. The Net Asset Value (NAV) for the Fund was 2.1 cents per unit (30 June 2015: 2.7 cents per unit) - reflecting distributions made throughout the period.

The Fund recorded a net loss of \$1.1 million over the six months to 31 December 2015 largely attributed to the reduction in carrying value of its investment in Multiplex New Zealand Property Fund.

The Fund distributed \$5.5 million or 0.6806 cents per unit (cpu) to investors during the six months to 31 December 2015.

**Investment Portfolio Update**

As at 31 December 2015, the Fund held units in ten unlisted investments (including five investments which are in wind up and for which no value is expected and APN Regional Property Fund which is listed on the National Stock Exchange) and no ASX listed investments. During the period, the Fund sold its entire holding of National Storage REIT, Multiplex European Property Fund de-listed from ASX and APN Poland Retail Fund wound up.

In determining the value of the Fund's assets, the carrying value of unlisted investments is assessed using the net asset value provided on 31 December 2015, or, when the unlisted fund is in wind up, the anticipated net asset value less wind up costs.

Below is information relevant to the underlying investments for the last six months:

**APN Poland Retail Fund (APN)**

APN completed the sale its sole real estate asset, Manhattan Shopping Centre, in July 2015 and wound up the fund in November 2015. The fund's NAV was nil and no capital was returned to investors.

### **APN Regional Property Fund (APNRPF)**

Two A grade office assets located in regional NSW remain in the fund. APNRPF's current strategy is to maximise the saleability of the two assets by extending leases with impending expiration dates and commence a capital expenditure program to increase the sustainability of both buildings. These works are forecast to complete by mid calendar year 2016.

### **MAB Diversified Property Trust (MAB)**

As at 30 June 2015, the fund held a portfolio of four shopping centers. MAB completed the sale of three assets resulting in the full repayment of the fund's debt and a distribution to investors of 36 cents per unit paid in December 2015.

An unconditional contract has been entered into for the fourth and final asset. This asset is expected to settle by the end of March 2016, and MAB is forecasting a distribution of 25 cents per unit which equates to a \$1.225 million payment to BAO Trust.

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

BAO Trust received a capital return of \$1.8 million from MDOF on 15 September 2015. MDOF has retained cash to meet operating costs until the fund is wound up. On completion of wind up, MDOF will distribute any excess cash.

### **Multiplex European Property Fund (MEPF)**

Completion of the sale of all MEPF's properties occurred on 12 September 2015 and the fund delisted on 17 September 2015. Cash held by the fund in Australia and Europe is being retained pending completion of a German tax audit and finalising contractual obligations arising from property sales. BAO Trust is carrying MEPF at its net asset value (net of wind up costs) of 9.1 cpu.

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

Three office assets located in Wellington remain in MNZPF. Marketing for the sale of HP House continues. Conservation House and 143 Willis Street will be marketed for sale; and a new lease to the Department of Conservation at Conservation House has been executed. MNZPF continues to use cash reserves to fund capital expenditure.

The Fund's investment portfolio as at 31 December 2015 is included in Appendix A.

## Further information and financial results

The Fund's financial report for the half year ended 31 December 2015 is available at [www.au.brookfield.com](http://www.au.brookfield.com) and we recommend that investors review this document.

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

Yours sincerely

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**APPENDIX A - BAO TRUST INVESTMENT PORTFOLIO**

The Fund's investment portfolio (other than investments which are in wind up and for which no value is expected) as at 31 December 2015 is as follows:

<b>Investment Portfolio</b>	<b>December 2015 Carrying Value \$m</b>	<b>Percentage of Total Investment Value (%)</b>
<b>Unlisted Property Securities</b>		
APN Regional Property Fund	2.4	14
MAB Diversified Property Trust	1.2	7
Multiplex Development and Opportunity Fund	0.3	2
Multiplex European Property Fund	1.2	7
Multiplex New Zealand Property Fund	11.9	70
<b>Total Investment Value</b>	<b>17.0</b>	<b>100.0</b>