

25 February 2014

Dear Investor

RE: BAO Trust (Fund) - Investor Update for Half Year to 31 December 2013

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the half year ended 31 December 2013.

Financial Results

As at 31 December 2013, the Fund had assets under management of \$52.9 million, comprising an investment portfolio of \$51.8 million and cash and other receivables of \$1.1 million.

The net assets (NTA) for the Fund are 6.5 cents per unit which is less than the 30 June 2013 NTA of 9.2 cents per unit. This decrease largely reflects capital returns included in total distributions during the period of 3.4 cents per unit.

Investment Portfolio Update

As at 31 December 2013 the Fund held investments in 17 unlisted and three listed investments.

In determining the value of the Fund's assets, the carrying value of unlisted investments is assessed using the net asset value provided as at 31 December 2013, or where this has not been provided, the latest available net asset value for each underlying investment. Listed investments are shown at the ASX closing price on 31 December 2013.

Below is information relevant to a number of the underlying investments:

APN National Storage Property Trust (APNNSPT)

During December 2013, investors approved a proposal to staple APNNSPT to National Storage Holdings Limited. Investors also approved listing of the stapled group on the ASX. The new stapled group is known as National Storage REIT (NSR). Performance of this stock on the ASX will be monitored with the view that the holding will be sold in due course.

Arena REIT (formerly Arena Childcare Property Fund)

During the period, the Fund sold 1.0 million Arena REIT units for an average price of \$1.11 per unit, bringing the total number of units sold since Arena REIT listed to 2.0 million units at an average price of \$1.08 per unit. The Fund holds 1.0 million Arena REIT units at 31 December 2013. This stock will continue to be monitored and the holding will be sold via the ASX in due course.

Australian Unity Diversified Property Fund (AUDPF)

In November 2013, the Fund redeemed 0.4 million units for proceeds of \$0.3 million when AUDPF made a redemption offer available to investors.

Australian Unity Fifth Commercial Trust (AUFCT)

The Fund disposed of 83% of its unitholding in AUFCT during November 2013 for \$7.2 million which reflected a 5.0% to 7.5% discount on AUFCT's 31 October 2013 NTA. The Fund retained 1.3 million units in AUFCT.

A proposal to merge AUFCT with Australian Unity Office Property Fund (AUOPF) was approved by investors and was implemented on 11 February 2014. Prior to the merger, Australian Unity had offered investors the opportunity to withdraw their investment via a \$15.0 million withdrawal offer. The Fund withdrew 0.7 million units for \$0.9 million. The Fund's residual AUFCT unit holding converted to 0.9 million AUOPF units on 11 February 2014.

Australian Unity Office Property Fund (AUOPF)

The Fund disposed of its interest in AUOPF in November 2013 for \$14.8 million which reflected a 7.5% discount on AUOPF's 31 October 2013 NTA. The discount rate was considered acceptable and reflective of the limited liquidity opportunities.

Folkestone Childcare Property Fund (FCPF)

The Fund disposed of its interest in FCPF for \$1.2 million at a price equivalent to FCPF's 30 June 2013 NTA.

Multiplex Development and Opportunity Fund (MDOF)

MDOF paid a capital distribution of 11 cents per unit on 11 December 2013 from proceeds of completed projects.

Multiplex New Zealand Property Fund (MNZPF)

MNZPF's net assets have increased from 59 cents per unit to 67 cents per unit largely due to foreign exchange movements since 30 June 2013 and the retention of net operating cashflow.

MNZPF completed the sale of The Hub retail centre. Net proceeds were predominantly used to reduce the fund's debt. MNZPF also obtained financier consent for payment of a distribution of 2.2 cents per unit to unitholders on 10 September 2013. Plans to dispose of the remaining six properties continue and once the balance of the debt is repaid, distributions are expected to resume. It is not possible to predict when the sale process will be completed and when distributions will be paid.

PFA Diversified Property Trust (PFADPT)

PFADPT have executed a contract of sale on 390 St Kilda Road, Melbourne for \$56.0 million (31 December 2013 book value of \$54.5 million). Net sales proceeds will be used to reduce the fund's debt to achieve an LVR of approximately 50% and fund a \$7.5 million withdrawal offer to investors. Ten properties remain in the portfolio. The Fund has applied to withdraw its entire holding of 5.1 million units, however the amount withdrawn is likely to be scaled back depending on investor demand.

Rimcorp Property Trust No. 3 (RPT3)

RPT3 is forecasting the sale of the one remaining property in the fund and wind up by 30 June 2014.

Further information and financial results as at 31 December 2013

The Fund's investment portfolio as at 31 December 2013 is set out in Appendix 1.

The Fund's financial report for the half year ended 31 December 2013 is available at www.au.brookfield.com and we recommend that investors review this document.

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

Yours sincerely

Brookfield Client Services Team
Phone: 1800 570 000
Email: clientenquiries@au.brookfield.com

Appendix 1

BAO Trust Investment Portfolio

Investment Portfolio	December 2013 Carrying Value \$m	Percentage of Total Investment Value (%)
Listed Property Securities		
Arena AREIT ¹	1.24	2.4
Multiplex European Property fund	0.45	0.9
National Storage REIT	1.18	2.3
Total Investment Value – Listed Property Securities	2.87	5.6
Unlisted Property Securities		
APN Champion Retail Fund	0.00	0.0
APN Poland Retail Fund	0.00	0.0
APN Regional Property Fund	2.24	4.3
APN Vienna Retail Fund	0.00	0.0
Australian Unity Diversified Property Fund ²	4.68	9.0
Australian Unity Fifth Commercial Trust ³	1.57	3.0
FCL European Property Trust (formerly Pengana)	0.00	0.0
MAB Diversified Property Trust	3.13	6.0
Multiplex Development and Opportunity Fund	2.69	5.2
Multiplex New Zealand Property Fund ⁴	29.58	57.1
Multiplex Property Income Fund	0.00	0.0
PFA Diversified Property Trust	3.61	7.0
Retail Direct Property 21 RHT (formerly Centro MCS 21)	0.13	0.3
Retail Direct Property 21 RPT (formerly Centro MCS 21)	0.02	0.1
Rimcorp Property Trust No. 3	0.53	1.0
Rubicon Europe Trust	0.00	0.0
Rubicon Japan Trust	0.00	0.0
St Hilliers Enhanced Property Fund No. 2	0.74	1.4
Total Investment Value – Unlisted Property Securities	48.92	94.4
Total Investment Value	51.79	100.0

NOTES:

1. Decline in carrying value reflects the progressive sale of units since 30 June 2013.
2. Decline in carrying value reflects redemption of units during November 2013.
3. Decline in carrying value reflects the sale of 6.3 million units during November 2013.
4. Reflects the value of the investment accounted for by using the equity method of accounting.