

25 August 2014

Dear Investor

Re: BAO Trust (Fund) - Investor Update for Financial Year End 30 June 2014

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the year ended 30 June 2014.

Financial Results

As at 30 June 2014, the Fund had net assets of \$39.4 million (30 June 2013: \$75.0 million), comprising an investment portfolio of \$38.4 million and cash and other receivables of \$1.0 million. Net tangible asset (NTA) for the Fund was 4.8 cents per unit (30 June 2013: 9.2 cents per unit).

The reduction in NTA reflects payment of capital returns and distributions of \$41.0 million or 5.1 cents per unit to investors during the year to 30 June 2014.

Investment Portfolio Update

As at 30 June 2014, the Fund was invested in 14 unlisted and three listed investments.

During the year to 30 June 2014, five unlisted investments were disposed of, one listed on the Australian Securities Exchange, four paid a capital return and two offered opportunities for investors to withdraw funds.

In determining the Fund NTA, the carrying value of unlisted investments was assessed using the net asset value provided at 30 June 2014, or where this was not provided, the latest available net asset value. Listed investments are shown at the ASX closing price on 30 June 2014.

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

APN Vienna Property Fund (APNVPF)

APNVPF entered into an agreement to sell its only asset in February 2014 and settlement took place in July 2014. The sale price of €70.25 million reflected a net initial yield of approximately 8.25%. APNVPF is forecasting a distribution to investors of five cents per unit or \$0.2 million to BAO Trust by the end of September 2014, at which time APNVPF will be wound up.

Arena REIT

During the year to 30 June 2014, the Fund disposed of 2.7 million units at circa \$1.11 per unit and realised net proceeds of \$3.0 million. A staged sell down of the investment continues.

Australian Unity Diversified Property Fund (AUDPF)

In May 2014, the Fund redeemed 0.4 million units for \$0.3 million when AUDPF made a redemption offer available to investors.

AUDPF was granted an option to acquire an office in Carlton Melbourne, which, if exercised, will settle in October 2014. The acquisition will be income accretive to the fund and will be funded by existing debt facilities.

MAB Diversified Property Trust (MAB)

MAB commenced wind up in September 2010 and as at 30 June 2014, five properties remain to be sold. MAB sold Mornington Village shopping centre in March 2014 and paid investors a capital distribution of 11 cents per unit and received proceeds of \$0.5 million. MAB has not indicated when the wind up process will complete.

Multiplex European Property Fund (MUE)

MUE's debt facility matured in April 2014 without repayment. The financier agreed to a six month standstill in relation to the facility to 15 October 2014 subject to a number of conditions. One of these conditions is the implementation of a business plan that will see all of the Fund's properties sold over a period of six months to repay the debt. Contracts for sale of one property have been executed to date and discussions are underway to extend the standstill.

Multiplex New Zealand Property Fund (MNZPF)

MNZPF sold Chorus House in June 2014 for NZ\$84 million. Net proceeds were used to fully repay the fund's debt facility and to pay investors a distribution of 15.24 cents per unit. This equated to a payment of \$6.7 million to the Fund. Five office assets remain to be sold.

The decline in MNZPF's NTA during the year to 30 June 2014 from \$0.67 per unit to \$0.50 per unit, reflects a return of capital following the sale of Chorus House. The decline also reflects a decrease in value of the office portfolio due to the portfolio's declining occupancy, higher seismic related capital expenditure and tighter market conditions in Wellington.

National Storage REIT (*previously the APN National Storage Property Trust*)

During the six months to 30 June 2014, the Fund disposed of 0.8 million units at circa \$1.26 per unit and realised net proceeds of \$1.0 million. Similar to the strategy for Arena REIT, a staged sell down of the investment continues.

PFA Diversified Property Trust (PFADPF)

In February 2014, the Fund withdrew 1.2 million units for \$0.8 million when PFA funded a \$7.5 million withdrawal opportunity from asset sales.

PFA have recently sold a further two assets - its 50% interest in Civic Tower office at 66 Goulburn Street Sydney for \$65 million in June 2014 and Tuggeranong Homeworld Shopping Centre in Canberra for \$31 million in July 2014.

Net proceeds, in part, will be used to fund a \$22.5 million withdrawal opportunity in August 2014. The Fund will apply to withdraw all or most of its units in PFA.

Rimcorp Property Trust No 3 (RPT3)

RPT3 completed the sale of its final remaining asset, an industrial facility in Banyo Queensland and paid a return of capital upon cancellation of the investment of \$0.64 per unit. This reflects a 3% discount to the RPT3's audited 31 December 2013 NTA of \$0.66 per unit. The Fund received \$0.5 million of proceeds.

Retail Direct Property 21 (RDP21, formerly Centro MCS 21)

RDP21 paid a final distribution of \$0.1 million (\$0.028 per unit) in June 2014 and was wound up.

St Hilliers Enhanced Property Fund #2 (SHEPF2)

SHEPF2 paid a return of capital of \$0.7 million in May 2014. SHEPF2 has commenced a wind up and expects to complete this by third quarter of 2014.

The Fund's investment portfolio as at 30 June 2014 is attached.

Further information and financial results as at 30 June 2014

The Fund's financial report for the year ended 30 June 2014 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

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Appendix 1

BAO Trust Investment Portfolio

Investment Portfolio	June 2014 Carrying Value \$m	Percentage of Total Investment Value (%)
Listed Property Securities		
Arena AREIT	0.34	0.9
National Storage REIT	0.43	1.1
Multiplex European Property Fund	0.41	1.1
Total Investment Value – Listed Property Securities	1.18	3.1
Unlisted Property Securities		
APN Champion Retail Fund	0.00	0.0
APN Poland Retail Fund	0.00	0.0
APN Regional Property Fund	2.44	6.3
APN Vienna Retail Fund	0.18	0.5
Australian Unity Diversified Property Fund	4.48	11.7
FCL European Property Trust (formerly Pengana)	0.00	0.0
MAB Diversified Property Trust	2.60	6.7
Multiplex Development and Opportunity Fund	2.85	7.5
Multiplex New Zealand Property Fund ¹	21.80	56.8
Multiplex Property Income Fund	0.00	0.0
PFA Diversified Property Trust	2.79	7.3
Rubicon Europe Trust	0.00	0.0
Rubicon Japan Trust	0.00	0.0
St Hilliers Enhanced Property Fund No. 2	0.06	0.1
Total Investment Value – Unlisted Property Securities	37.20	96.9
Total Investment Value	38.38	100.0

NOTES:

1. Reflects the value of the investment accounted for by using the equity method of accounting. The NTA value of the fund at 30 June 2014 is also \$21.8 million.