

26 August 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 year ended 30 June 2016.

Financial Results

As at 30 June 2016, the Fund's net assets were \$14 million (30 June 2015: \$22 million) or 1.7 cents per unit (30 June 2015: 2.7 cents per unit).

The decline in Net Asset Value (NAV) is due to distributions paid of \$8.6 million or 1.05 cents per unit. Subsequent to 30 June 2016, the Fund declared a further distribution of \$7.9 million or 0.9736 cents per unit that was paid on 15 July 2016.

Investment Portfolio Update

As at 30 June 2016, BAO Trust's investment portfolio comprised eight investments, six of which are either being wound up or about to commence wind up. Three investments, APN Poland Retail Fund, FCL European Property Fund and Rubicon Japan Trust wound up during the period.

The following four investments contribute to the NAV of the Fund:

APN Regional Property Fund (Regional Property Fund)

Regional Property Fund is listed on the National Stock Exchange of Australia (NSX), however it is too thinly traded to enable BAO Trust to exit at an acceptable value. APN is currently reviewing its long term strategy for Regional Property Fund. Regional Property Fund currently pays a distribution of nine cents per unit per annum which equates to a yield of 8.2% on the December 2015 net asset value.

Multiplex Development and Opportunity Fund (MDOF)

The commercial issues relating to MDOF's final development project are still being resolved which is delaying the commencement of wind up of the fund.

Multiplex European Property Fund (MEPF)

Final audit findings have been received for the last of MEPF's German partnerships. The audit finding confirms no assessment for Trade Tax for the 2007 to 2010 years.

The findings also indicate a liability of approximately €0.2 million (A\$0.3 million) for corporate income tax which would be payable by the MEPF's subsidiaries. Payment of this assessment will complete the tax audit of all seven partnerships for 2007 to 2010.

MEPF paid a distribution of 1.6 cents per unit on 19 August 2016 from cash held in Australia and it intends to make further distributions as and when cash is released from its subsidiaries. BAO Trust received \$0.2 million from MEPF distributions.

Multiplex New Zealand Property Fund (MNZPF)

During the year, MNZPF completed the sale of its last three office assets. HP House sold for \$NZ15.35 million and Conservation House and 143 Willis Street sold for a combined NZ\$31.35 million.

MNZPF paid a distribution of 4.0 cents per unit on 29 June 2016 and 18.0 cents per unit on 6 July 2016 from which BAOT Trust received \$1.8 million and \$7.9 million respectively.

MNZPF continues to be in wind up. We expect it will take approximately twelve months and during that time any remaining cash will be distributed to investors.

The Fund's investment portfolio as at 30 June 2016 is attached as Appendix A.

Further information and financial results

The Fund's audited financial report for the year ended 30 June 2016 is available at 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

In determining the value of the Fund's assets, the carrying value of unlisted investments is assessed using the NAV provided on 30 June 2016, or, when the unlisted fund is in wind up, the anticipated NAV less wind up costs.

The Fund's investment portfolio (other than investments for which no value is expected) as at 30 June 2016 is as follows:

| Investment Portfolio | June 2016 Carrying Value \$m | Percentage of Total Investment Value (%) |
|--|---|---|
| Unlisted Property Securities | | |
| APN Regional Property Fund | 2.4 | 18 |
| Multiplex Development and Opportunity Fund | 0.3 | 2 |
| Multiplex European Property Fund | 1.2 | 8 |
| Multiplex New Zealand Property Fund | 9.7 | 72 |
| Total Investment Value | 13.6 | 100 |