

28 August 2017

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 2017.

**Financial Results**

As at 30 June 2017, the Fund's net assets were \$4.8 million or 0.6 cents per unit compared to \$14.0 million or 1.7 cents per unit for the 30 June 2016 period. The decrease reflects distributions and capital returns of 1.1136 cents per unit made during the period.

**Investment Portfolio Update**

As at 30 June 2017, BAO Trust's investment portfolio comprised of seven investments, including five investments which are in wind up and one in receivership. An update of the status of specific investments follows:

**APN Regional Property Fund (NSX code: APR)**

The leasing status of both assets in the APR property portfolio improved during the period, resulting in the weighted average lease expiry of the fund increasing from 2.4 years to 2.7 years. APR continues to pay a quarterly distribution of 9.5 cents per unit per annum.

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

The completion of defects at Little Bay South Stage 2 was delayed from July 2017 to September 2017 due to access issues at a number of apartments. The commercial issues relating to Little Bay South Stage 1 are still ongoing. It is anticipated that once these issues are resolved, wind up of MDOF will commence and a final return of capital will be made to investors.

**Multiplex European Property Fund (MEPF)**

It is anticipated investors will receive approximately 2.3 cents per unit on wind up. MEPF had previously estimated this to be 5.8 cents per unit, but this has since been adjusted for the distribution of 3.4 cents per unit that was paid in March 2017 and the impact of exchange rate movement of 0.1 cents per unit.

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

Wind up of the MNZPF continues and completion is conditional on the satisfactory rectification of roof defects identified at HP House and the release of escrow amounts from the sale of the properties. MNZPF declared a distribution of 2.0 cents per unit to be paid on or around 8 September 2017. BAO Trust will receive \$877,814.

**Rubicon Europe Trust (REU)**

The Receivers and Managers of REU have advised that the receivership is forecast to complete by December 2017.

The Fund's investment portfolio as at 30 June 2017 is attached as Appendix A.

**Further information and financial results**

The Fund's financial report for the year ended 30 June 2017 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 for which no value is expected) as at 30 June 2017 is:

	<b>June 2017 Carrying Value \$m</b>	<b>Percentage of Total Investment Value (%)</b>
<hr/> <b>Unlisted Property Securities</b> <hr/>		
APN Regional Property Fund	2.2	49
Multiplex Development and Opportunity Fund	0.1	2
Multiplex European Property Fund	0.3	7
Multiplex New Zealand Property Fund	1.9	42
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<b>Total Investment Value</b>	<b>4.5</b>	<b>100</b>