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Sydney NSW 2000

Brookfield Australian Opportunities Fund
ARSN 104 341 988

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ASX Announcement

21 October 2011

Brookfield Australian Opportunities Fund (ASX: BAO)
Proposed Transaction with Multiplex Property Income Fund
Notice of Meeting

Brookfield Capital Management Limited (BCML) the Responsible Entity of Brookfield Australian Opportunities Fund previously notified investors of its intention to circulate to unitholders a Notice of Meeting and Explanatory Memorandum regarding the restructuring proposal between Brookfield Australian Opportunities Fund and Multiplex Property Income Fund.

In accordance with ASX Listing Rule 3.17, please find attached a copy of the Notice of Meeting, Explanatory Memorandum and Proxy Form sent to unitholders today.

For more information in relation to the restructuring proposal please contact:

Boardroom Pty Limited
Ph: 1800 766 011 or
+61 2 9290 9600

BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

ARSN 104 341 988

Brookfield

Notice of Meeting and Explanatory Memorandum

The BAO Sub-Committee recommends that you VOTE IN FAVOUR of the Proposal

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for Brookfield Australian Opportunities Fund (ARSN 104 341 988)

The meeting of Unitholders will be held at:

Place: The Mint, Auditorium, 10 Macquarie Street, Sydney NSW 2000

Date: 22 November 2011

Meeting registration: 9.30am

Meeting commences: 10.00am

Important Notice

Disclaimers and Important Notices

This explanatory memorandum (**Explanatory Memorandum**) is issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) (**BCML**) as responsible entity for Brookfield Australian Opportunities Fund (ARSN 104 341 988) (**BAO** or the **Fund**) (**BAO RE**). This Explanatory Memorandum provides Unitholders with information about the Proposal. The Notice of Meeting is included as Appendix B.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolution to be considered at the Meeting and, if necessary, consult your investment, tax, legal or other professional adviser.

Defined terms

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 6 of this Explanatory Memorandum.

Disclaimer

The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, neither BAO RE nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with BAO's other periodic and continuous disclosure announcements, including the BAO full year financial results for the year ended 30 June 2011, lodged with ASX Limited (**ASX**) on 26 August 2011, the BAO half year financial results for the period ended 31 December 2010, lodged with ASX on 28 February 2011 and announcements to the ASX available at www.asx.com.au. The information in this Explanatory Memorandum remains subject to change without notice. BAO RE reserves the right to withdraw or vary the timetable for the Proposal without notice. The pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of BAO RE's views on the future financial condition and/or performance of BAO.

No investment advice

This Explanatory Memorandum does not constitute financial product advice.

This Explanatory Memorandum has been prepared without taking account of any person's investment objectives, financial situation or particular needs. Unitholders should consider the appropriateness of any investment, taking into account your investment objectives, financial situation and particular needs and should seek independent financial and taxation advice before making any investment decision in relation to the Proposal or how to vote in respect of the Proposal.

ASIC and ASX involvement

A copy of the proposed Explanatory Memorandum (including the Independent Expert's Report) has been lodged with ASIC under Section 218 of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Responsibility for information

Except as outlined below and subject to the disclaimer above, the information contained in this Explanatory Memorandum has been prepared by BAO RE and is the responsibility of BAO RE. Neither BCML as responsible entity of the Multiplex Property Income Fund (ARSN 117 674 049) (**MPIF**) (**MPIF RE**) nor any of its respective directors, employees, officers or advisers assume any responsibility for the accuracy or completeness of any such information.

The Independent Expert, KPMG Corporate Finance (Aust) Pty Limited, has provided and is responsible for the information contained in Appendix A of this Explanatory Memorandum. None of BAO RE, MPIF RE, or any of their respective directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in Appendix A. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Appendix A.

Contents

Privacy and personal information

BAO RE will need to collect personal information in connection with the Meeting. The personal information may include the names, contact details and details of holdings of Unitholders, plus contact details of individuals appointed by Unitholders as proxies, corporate representatives or attorneys at the Meeting. The collection of some of this information is required or authorised by the Corporations Act. Unitholders who are individuals, and other individuals in respect of whom personal information is collected about them, may have certain rights to access personal information about them which is collected. You can contact the BCML company secretary if you wish to exercise those rights. The information may be disclosed to print and mail service providers, and to BCML and their advisers to the extent necessary to effect the Proposal. If the information outlined above is not collected, BAO RE may be hindered in, or prevented from, conducting the Meeting or implementing the Proposal effectively or at all. Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should inform that individual of the matters outlined above. It is noted that persons are entitled, under Section 173 of the Corporations Act, to inspect a copy of the BAO Register. The BAO Register contains personal information about the Unitholders.

Disclosures regarding forward looking statements

This Explanatory Memorandum contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "might", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this Explanatory Memorandum involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BAO RE, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward looking statements and Unitholders are cautioned not to place undue reliance on such forward looking statements.

Currency and financial data

Unless stated otherwise, all dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

Time

Unless stated otherwise, all references to time are to AEDT.

Date

This Explanatory Memorandum is dated 21 October 2011.

Letter from the Chairman of the BAO Sub-Committee

21 October 2011

Dear Unitholder

As recently advised, Brookfield Capital Management Limited ACN 094 936 866 (**BCML**) in its capacity as the responsible entity of the Brookfield Australian Opportunities Fund (**BAO**) (**BAO RE**) has been assessing its position and investigating strategies aimed at restoring value to your Units and regaining the ability to make distributions.

BACKGROUND

By way of background, BCML is the responsible entity of both BAO and the Multiplex Property Income Fund (**MPIF**). BAO owns 100 per cent of the ordinary units in MPIF (**Ordinary Units**).

RELATIONSHIP WITH MPIF

In March 2007, MPIF was launched as an open-ended, unlisted registered managed investment scheme, predominantly investing into unlisted and listed property trusts managed by a range of property fund managers. At that time, MPIF issued:

(a) the Ordinary Units to BAO in consideration for an initial investment portfolio of 20 unlisted property funds valued at approximately $30.08 million; and
(b) income units (**Income Units**) to third party investors at an issue price of $1.00 per unit (plus any accrued income at the time). Income Units have preferential rights to a return of capital to Ordinary Unitholders on a winding up of MPIF. At the date of issue of this Explanatory Memorandum and Notice of Meeting, there were approximately 52.8 million Income Units on issue.

BAO has no ownership interest in the Income Units.

PRIORITY DISTRIBUTION PAYMENT

Income Units have priority over Ordinary Units in the payment of periodic distributions up to an agreed rate (subject to a minimum monthly payment amount of 7.5% per annum (based on a $1 issue price) and a maximum monthly payment amount of 8.5% per annum (based on a $1 issue price)). If Income Unitholders have not received the priority distribution for the preceding 12 month period, current arrangements between BAO and MPIF prohibit BAO from:

(a) paying distributions to unitholders of BAO (**Unitholders**) on any of its Units (except to the extent such distribution is fully reinvested in further Units); or
(b) redeeming, reducing, cancelling, buying back or acquiring for any consideration any issued Units.

This restriction is known as the distribution stopper (**Distribution Stopper**). The Distribution Stopper will continue to apply until an amount equal to the priority distribution payment for the previous 12 months has been paid.

Since December 2008, the Distribution Stopper has been in place. Amongst other things, this has prevented BAO RE from paying distributions to Unitholders.

BAO RE believes that the inability of BAO to make distributions due to the Distribution Stopper has contributed to the current disparity between BAO's trading price and the net tangible assets (**NTA**) of BAO.

Further details regarding the Distribution Stopper are set out in Section 2 of the Explanatory Memorandum.

OTHER LINKS

In addition to the Distribution Stopper and BAO's ownership of all of the Ordinary Units, BAO and MPIF have a number of additional links including the following:

(a) BCML in its capacity as the responsible entity of MPIF (**MPIF RE**) may satisfy a withdrawal request from certain members by converting Income Units to an equivalent dollar value of Units in BAO, with BAO RE's consent (which conversion may be dilutive to Unitholders); and
(b) BAO RE's management fee is payable out of the assets of BAO and is currently calculated by reference to the gross asset value, not only of BAO Standalone, but also of MPIF.

PROPOSAL

Having regard to the impact of the links referred to above, including the effect of the Distribution Stopper on BAO's trading price (relative to NTA), BAO RE has been giving consideration to restructuring the existing arrangements between BAO and MPIF.

As announced on 27 September 2011, BAO RE has entered into an Implementation Deed with MPIF RE and Brookfield Multiplex Capital Pty Limited to acquire the various investments described in Section 4 (**Acquisition Assets**) from MPIF RE in consideration for $12,187,471 (**Purchase Price**) and on the condition, amongst other things, that:

(a) the Distribution Stopper is permanently removed; and
(b) MPIF RE commences the termination and winding up of MPIF, (**Proposal**).

REVIEW PROCESS

As BCML is the responsible entity of both BAO and MPIF, a sub-committee of the BCML board comprising two Independent Directors (Mr Allan McDonald and Mr Brian Motteram) was established to assess the Proposal (**BAO Sub-Committee**).

The BCML board operated on the basis that it will be bound, insofar as it is acting as responsible entity of BAO, by the advice and decisions of the two independent BCML directors on the BAO Sub-Committee. Accordingly, recommendations and decisions made by the BAO Sub-Committee are the recommendations and decisions of Mr Brian Motteram and Mr Allan McDonald. Mr Russell Proutt, an executive director, along with certain members of management acting on behalf of BAO, assisted the independent directors in assessing the Proposal and will continue to assist in its implementation.

A separate sub-committee was established to consider the position of MPIF, and the abovementioned directors were not involved in that sub-committee's deliberations or decisions.

BASIS FOR BAO SUB-COMMITTEE RECOMMENDATION

In evaluating the Proposal and making its recommendation, the BAO Sub-Committee had regard to a number of factors including the following potential advantages and disadvantages of the Proposal:

BAO RE believes the Proposal has the following advantages:

– The Purchase Price reflects a 20% discount to the cumulative NTA[1] of the Acquisition Assets and is likely to be NTA accretive to BAO Unitholders;
– The Proposal is accretive to BAO's investment portfolio weighted average yield[2];
– The Distribution Stopper will cease to apply and BAO RE will no longer be subject to this restriction on its ability to make distributions to Unitholders;
– On a winding up of MPIF, certain links between BAO and MPIF which are potentially adverse to BAO will cease to exist (see Other Links above and Section 3). This includes a reduction in the management fee paid out of the assets of BAO as MPIF is wound-up and its assets are realised;
– The Acquisition Assets are consistent with BAO's investment policy, being to provide investors with attractive returns by investing, amongst other things, predominantly in unlisted property trusts.

You may consider the Proposal to have the following disadvantages:

– If, over the long term, MPIF's NTA becomes greater than $1 per Income Unit, value may be restored to the Ordinary Units (which currently have nil carrying value). Therefore, if the winding up of MPIF were delayed and value restored, BAO could receive a return in respect of its Ordinary Units;
– Low levels of liquidity in the Acquisition Assets mean that there is no obvious benchmark against which to measure the Purchase Price to determine whether it is reflective of value. Comparisons have been set out in Section 3.2 of the discount to NTA represented by the Purchase Price against the discount to NTA represented by current prices of ASX listed Australian real estate investment trusts (**AREITs**). This comparison, however, is not entirely appropriate given the greater liquidity of AREIT assets;
– It is possible that conditions in the property market and general economy will improve sufficiently to enable MPIF to pay a sufficient amount to allow the Distribution Stopper to be lifted, without any action by BAO; and
– BAO's liquid assets (being cash on hand and, potentially, AREIT investments which will fund the purchase of the Acquisition Assets) are effectively being exchanged for assets that are illiquid in nature.

The advantages and disadvantages referred to above and the bases for each of them are discussed in further detail in Section 3 of the Explanatory Memorandum.

OPINION OF INDEPENDENT EXPERT

The BAO Sub-Committee engaged KPMG Corporate Finance (Aust) Pty Ltd (**Independent Expert**) to provide an independent expert's report in relation to the Proposal (refer to Section 3 for further information).

The Independent Expert's Report has concluded that, in its opinion, the Proposal is:

(a) fair and reasonable to Unitholders;
(b) in the best interests of Unitholders; and
(c) on arm's length terms.

A copy of the Independent Expert's Report is set out in Appendix A to this Explanatory Memorandum.

RECOMMENDATION OF BAO SUB-COMMITTEE

Having regard to the advantages and potential disadvantages of the Proposal (summarised above and described in more detail in Section 3) and provided that the Independent Expert does not change or withdraw its conclusion (set out above), the BAO Sub-Committee is of the opinion that the Proposal is in the best interests of Unitholders and **recommends that you vote in favour of the Proposal**.

MEETING DATES AND CONDITIONS OF THE PROPOSAL

The Meeting of Unitholders to consider the Proposal will be held on 22 November 2011 at:

The Mint
10 Macquarie Street
Sydney NSW 2000

commencing at 10.00am (AEDT).

If the Proposal is approved by Unitholders, and all remaining conditions to implementation of the Proposal are satisfied or otherwise waived, it is expected that the Proposal will be implemented on or around 24 November 2011.

The Proposal is subject to a number of conditions (see Section 5.1) including Income Unitholder approval of:

(a) the Proposal;
(b) the lifting of the Distribution Stopper; and
(c) the commencement of the wind-up and termination of MPIF on and from 24 November 2011.

1 Measured at the 30 June 2011 unaudited NTA of the underlying funds as adopted by MPIF RE for valuation of its investment in the Acquisition Assets. The Acquisition Assets will initially be recognised at their fair value, taking into account any directly attributable transaction costs which may be borne by BAO Standalone. Subsequent to initial recognition, the Acquisition Assets are measured at fair value (see footnotes under Section 4.3 for further details).

2 As at 30 June 2011, if the Proposal had been implemented prior to the 12 months ending on 30 June 2011, then the weighted average investment portfolio yield for the 12 month period ending 30 June 2011 would have been 4.0% on a pro forma basis as against the weighted average investment portfolio yield generated by BAO's current investment portfolio at 30 June 2011 of 3.9%. The reference to a weighted average investment portfolio yield is a reference to the yield of BAO's underlying investments, and is not a forecast or representation in relation to the distribution rate payable on Units. The distribution yields are based on distribution rates as at 30 June 2011 (excluding non-recurring items), the unlisted property funds' unaudited NTA as adopted by BAO RE and the AREIT's closing bid prices as adopted by BAO RE as at 30 June 2011. The yield excludes any special or one-off distributions.

Letter from the Chairman of the BAO Sub-Committee continued

Some of the resolutions of Income Unitholders approving the lifting of the Distribution Stopper and the commencement of the wind-up and termination of MPIF are special resolutions. This means that at least 75% of Income Unitholders entitled to vote, and voting at the relevant meeting, must vote in favour of the resolutions for them to pass.

Other conditions include approval by the Treasurer of the acquisition of Acquisition Units by BAO RE under the *Foreign Acquisitions and Takeovers Act 1975* (Cwlth) and that no order is made by a court or other regulatory authority restraining the Proposal.

BAO RE will announce to the ASX when all of the conditions to the Proposal have been satisfied or waived.

MPIF RE is entitled to terminate the Proposal if a Superior Proposal (as defined in Section 2.3(b) of the Explanatory Memorandum) is received by MPIF RE.

YOUR VOTE IS IMPORTANT

In order for the Proposal to proceed, 50% or more of Unitholders present and voting at the Meeting must approve the Proposal (see Section 2.3).

This Explanatory Memorandum contains important information relating to the Proposal, including the reasons for the BAO Sub-Committee's recommendation and a description of certain advantages and disadvantages of the Proposal. Please read this Explanatory Memorandum carefully and in its entirety before making your decision and voting (whether in person, by corporate representative or attorney or by proxy) at the Meeting.

Enquiries in relation to the Proposal may be directed to the Brookfield Australian Opportunities Fund Information Line on 1800 766 011 (within Australia) or +61 2 9290 9600 (from outside Australia). Alternatively, contact your investment, tax, legal or other professional adviser.

I look forward to your participation at the Meeting on 22 November 2011 and encourage you to vote in favour of the Proposal. Meanwhile, I would like to thank you for your ongoing support of BAO.

Yours faithfully

Allan McDonald
Chairman of the BAO Sub-Committee

1. Information for Unitholders

1.1 KEY DATES

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	20 November 2011 at 10.00am
Meeting record date	21 November 2011 at 7.00pm
Unitholders meeting to be held at The Mint, 10 Macquarie Street, Sydney NSW 2000	22 November 2011 at 10.00am
Meeting of Income Unitholders to approve resolutions of MPIF necessary to implement the Proposal	22 November 2011 at 1.00pm
Implementation Date	24 November 2011

1.2 WHAT YOU NEED TO DO

(a) Step 1 – read the Explanatory Memorandum

The Explanatory Memorandum sets out information relating to the Meeting of Unitholders to consider the Proposal, and includes the Notice of Meeting.

The information contained in this Explanatory Memorandum and Notice of Meeting is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

If prior to 7.00pm (AEDT) on Monday, 21 November 2011 you have sold all of your Units, please disregard this document.

(b) Step 2 – vote

The Meeting is scheduled for 10.00am (AEDT) on 22 November 2011 at The Mint, 10 Macquarie Street, Sydney NSW 2000.

You can vote on the Resolution by either attending the Meeting (or having an attorney or, in the case of a body corporate, corporate representative attend on your behalf) or by completing and returning the Proxy Form accompanying this Explanatory Memorandum. Proxy Forms must be received by 10.00am (AEDT) on 20 November 2011.

For details on how to complete and lodge the Proxy Form, or having your corporate representative or attorney attend the Meeting, please refer to the Notice of Meeting and Proxy Form.

1.3 VOTING DETAILS

Voting Eligibility

All Unitholders on the BAO Register at 7.00pm (AEDT) on Monday, 21 November 2011 are entitled to vote unless they are otherwise excluded in the manner set out in the Notice of Meeting.

In order for the Proposal to proceed, the Resolution must be approved by the requisite majority. If the Resolution is not passed, the Proposal will not proceed.

Having regard to the advantages and potential disadvantages of the Proposal (set out in Section 3), the BAO Sub-Committee is of the opinion that the Proposal is in the best interests of Unitholders and recommends that you vote in favour of the Proposal, provided that the Independent Expert maintains its opinion that the Proposal is fair and reasonable to, and in the best interests of, Unitholders and on arm's length terms.

Details of Meeting

Date: 22 November 2011
Time: 10.00am (AEDT)
Location: The Mint, 10 Macquarie Street, Sydney NSW 2000

The Notice of Meeting is set out in Appendix B of this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

Resolutions

Section 2.3(a) provides details of the Resolution and the requisite voting majority that is required for the Resolution to be approved.

Voting in person or by corporate representative.

If you wish to vote in person, you must attend the Meeting.

If you cannot attend the Meeting, you may vote by proxy, attorney or, if you are a body corporate, by appointing a corporate representative.

Attorneys who plan to attend the Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

A body corporate which is a Unitholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of Section 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

If you cannot attend the Meeting in person, you should complete the enclosed Proxy Form and return it to Boardroom (Victoria) Pty Limited, as set out in the Proxy Form as soon as possible and in any event by 20 November 2011 at 10.00am (AEDT).

You may complete the Proxy Form in favour of the Chair of the Meeting or appoint up to two proxies to attend and vote on your behalf at the Meeting. If two proxies are appointed, and the appointment does not specify the proportion or number of the Unitholder's vote, each proxy may exercise half the votes. If a proxy appointment is signed or validly authenticated by the Unitholder, but does not name the proxy or proxies in whose favour it is given, the Chair of the Meeting will act as proxy.

To be valid, Proxy Forms must be received by no later than 10.00am (AEDT) on 20 November 2011.

1. Information for Unitholders continued

Voting exclusions and intentions

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.

In addition, under the ASX Listing Rules, BAO RE must disregard any votes cast on the Resolution by:

(a) a party to the Proposal; and
(b) an associate of a party to the Proposal.

As a consequence of the above voting exclusions, the BAO Sub-Committee has determined that neither BCML nor any of its associates will be able to vote on the Resolutions. This includes Brookfield Capital Securities Limited, Brookfield Multiplex Capital Pty Limited, Multiplex APF Pty Limited and Mr Brian Motteram (who between them currently hold approximately 62.1% of the Units).

However, BAO RE need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
(b) it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting intentions of Chairman

BAO RE has appointed Allan McDonald, or failing him, Brian Motteram to Chair the Meeting. If the Chair of the Meeting is your proxy and you do not specifically direct how your proxy is to vote on the Resolution, you will be taken (provided you have marked the appropriate box) to have directed the Chair of the Meeting to vote in favour of the Resolution and the Chair of the Meeting will exercise your votes in favour of the Resolution.

2. Details of the Proposal

2.1 BACKGROUND

Unitholders approved the establishment of MPIF in December 2005. In March 2007, BAO RE invested approximately $30.1 million (by way of a transfer of MPIF's initial investment portfolio) in return for the issue to it of all the Ordinary Units in MPIF.

In addition to the Ordinary Units, there are approximately 52.8 million Income Units on issue in MPIF at the present time to approximately 600 Income Unitholders. The Income Units:

(a) were issued at $1 per unit; and
(b) have preferential rights to a return of capital over Ordinary Units on a winding up of MPIF.

Income Units also have priority over Ordinary Units in the payment of periodic distributions. MPIF targets a monthly income distribution to Income Unitholders (**Priority Distribution Payment or PDP**) calculated by reference to a 2.5% per annum margin above the distribution yield on the S&P/ASX 200 Property Trust Index as last published in the Australian Financial Review in the month prior to the commencement of the relevant distribution period. The PDP is subject to a minimum monthly payment amount of 7.5% per annum (based on a $1 issue price) and a maximum monthly payment amount of 8.5% per annum (based on a $1 issue price).

MPIF RE must pay the PDP in priority to any distribution paid to the BAO RE as holder of the Ordinary Units issued by MPIF.

If, in any preceding 12 month period, Income Unitholders have not received a PDP, the current contractual arrangements between BAO RE and MPIF RE prohibit BAO RE, without a special resolution of MPIF unitholders, from:

(a) paying distributions to Unitholders on any of its Units (except to the extent such distribution is fully reinvested in further Units); or
(b) redeeming, reducing, cancelling, buying back or acquiring for any consideration any issued Units, (**Distribution Stopper**).

If activated, the Distribution Stopper will only be lifted where an amount equal to the PDP for the preceding 12 months is or has been paid to Income Unitholders or if the Income Unitholders pass a special resolution to remove it.

Since December 2008, the PDP has not been paid by the MPIF RE and the Distribution Stopper has been in place. This has, amongst other factors, including restrictions in BAO's Debt Facility, prevented BAO RE from paying distributions to Unitholders.

BAO RE believes that the existence of the Distribution Stopper has contributed to the current disparity between BAO's trading price and the net tangible assets of BAO.

In addition to the Distribution Stopper and BAO's ownership of all of the Ordinary Units, BAO and MPIF have a number of additional links including the following:

(a) MPIF RE may satisfy a withdrawal request from certain members by converting Income Units to an equivalent dollar value of Units in BAO, with the consent of BAO RE (which conversion may be dilutive to Unitholders); and
(b) BAO RE's management fee is payable out of the assets of BAO and is currently calculated by reference to the gross asset value not only of BAO Standalone but also of MPIF.

The Proposal described more fully in this Explanatory Memorandum seeks to address a number of the issues faced by BAO in the context of its arrangements with MPIF. In particular, it leads to:

(a) BAO acquiring a significant portfolio of assets from MPIF at a 20% discount to NTA;
(b) the removal of the Distribution Stopper indefinitely; and
(c) the eventual wind-up of MPIF – removing the abovementioned links between MPIF and BAO.

In order for the Proposal to be implemented, 50% or more of the votes cast by Unitholders voting on the Resolution must be in favour of the Proposal. In determining whether to vote in favour of the Proposal, Unitholders should have regard to this Explanatory Memorandum and in particular:

(a) the steps for implementing the Proposal, including the required approvals, conditions and steps described in Section 2.3 below;
(b) the BAO Sub-Committee's evaluation of the Proposal set out in Section 3 (including the advantages and disadvantages of the Proposal);
(c) the description of the assets being acquired set out in Section 4 and Appendix C; and
(d) the Independent Expert's Report set out in Appendix A.

The Independent Expert has concluded that, in its opinion, the Proposal is:

(a) fair and reasonable to Unitholders;
(b) in the best interests of Unitholders; and
(c) on arm's length terms.

Having regard to the advantages and potential disadvantages of the Proposal (described in Section 3) and provided that the Independent Expert does not change or withdraw its conclusion, the BAO Sub-Committee is of the opinion that the Proposal is in the best interests of Unitholders and recommends that you vote in favour of the Proposal.

2. Details of the Proposal continued

2.2 ESTABLISHMENT OF THE BAO SUB-COMMITTEE

In addition to BCML being the responsible entity of BAO, it is also the responsible entity of MPIF. Recognising the significant potential for conflicts to arise in the course of both assessing and implementing the Proposal, the board of BCML established the BAO Sub-Committee to represent BAO and a separate board committee to represent MPIF, being the MPIF Board Committee. The board also adopted protocols and procedures to ensure that the development and consideration of the Proposal by BCML in its capacity as responsible entity of BAO was undertaken independently from BCML's consideration of the Proposal in its capacity as responsible entity of MPIF.

The BAO Sub-Committee is composed of two independent BCML directors, namely Mr Brian Motteram and Mr Allan McDonald.[1] The BCML board operated on the basis that it will be bound, insofar as it is acting as responsible entity of BAO, by the advice and decisions of the two independent BCML directors on the BAO Sub-Committee. Accordingly, recommendations and decisions made by the BAO Sub-Committee are the recommendations and decisions of Mr Brian Motteram and Mr Allan McDonald. Mr Russell Proutt, an executive director, along with other members of management, assisted the independent directors in assessing the Proposal and will continue to assist in its implementation. The MPIF Board Committee is composed of two BCML directors, being Ms Barbara Ward, an independent director, and Mr Shane Ross, an executive director.

Specific procedures adopted by the board committees included:

(a) certain members of BCML management were allocated to the BAO Sub-Committee and others were allocated to the MPIF Board Committee, to assist those committees in developing and considering the Proposal;
(b) the independent director(s) of each committee took responsibility for the negotiation of the terms of the Proposal and the ultimate decision to enter into the Implementation Deed and commit BAO RE and MPIF RE (as applicable) to the Proposal;
(c) the BAO Sub-Committee appointed Mallesons Stephen Jaques to act on behalf of BAO RE in relation to the Proposal. MPIF RE was represented by separate legal advisers; and
(d) separate independent experts were appointed to provide reports to BAO RE and MPIF RE.

2.3 THE RESOLUTION

(a) The Resolution

To be implemented, the Proposal must be approved for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.1 because:

(i) the Proposal constitutes an acquisition by BAO RE of a substantial asset from MPIF RE (which is a related party for these purposes); and
(ii) Chapter 2E of the Corporations Act (as modified by Section 601LA of the Corporations Act) prohibits BAO RE from giving a financial benefit to MPIF RE out of the property of BAO without member approval, unless it occurs pursuant to an exception in the Corporations Act.

The Resolution seeks Unitholders' approval of the Proposal for all purposes (including for the purposes of Chapter 2E (as modified by Chapter 5C.7) and ASX Listing Rule 10.1).

Fifty per cent (50%) or more of the votes cast by Unitholders present in person or by proxy and entitled to vote at the Meeting must be cast in favour of the Resolution for it to be passed. BCML and its associates will not vote on the Resolutions.

(b) Conditions and Termination Rights

The Proposal is subject to a number of conditions. Set out below are the outstanding conditions to implementation of the Proposal, together with a brief description of the status of these conditions. A discussion of the conditions is also set out in Section 5.1.

CONDITION	STATUS OF CONDITION
MPIF member approval: MPIF unitholders entitled to vote, approving, by the requisite majorities, the relevant resolutions to approve the Proposal	To be determined at MPIF meeting scheduled for 1.00pm, 22 November 2011
Unitholder approval: Unitholders entitled to vote on the Resolution approving the Resolution by the requisite majority	To be determined at the Meeting
Regulatory approvals: all regulatory approvals which are desirable or necessary are obtained prior to the Meeting	Satisfied
Court orders: no court or regulatory authority has taken steps to restrain or otherwise impose a legal restraint or prohibition preventing the Proposal on or before the Implementation Deed	As at the date of this Notice of Meeting, BAO RE is not aware of any steps taken to restrain or otherwise impose a legal restraint or prohibition preventing the Proposal. However, BAO RE will keep Unitholders advised if they become aware of such steps prior to the Implementation Date

1 Mr Allan McDonald is also a non-executive, independent director on the board of Brookfield Office Properties Inc. (listed on the New York Stock Exchange and the Toronto Stock Exchange). Brookfield Office Property Inc. is controlled by BCML's ultimate parent, Brookfield Asset Management Inc.

CONDITION	STATUS OF CONDITION
FIRB approval: either the Treasurer of Australia (or his delegate) has provided written advice that there are no objections under Australia's foreign investment policy to the Proposal or he has ceased to be empowered to make any order under Part II of the *Foreign Acquisitions and Takeovers Act 1975* (Cwlth) in respect of the Proposal.	Satisfied

BAO RE and MPIF RE have agreed to use their best endeavours to ensure that the conditions are satisfied.

Termination
Either BAO RE or MPIF RE may terminate the Implementation Deed:

(i) if the Proposal is not implemented by 31 December 2011 (or such later date as agreed between BAO RE and MPIF RE);
(ii) if the timing of any action specified in the Key Dates is delayed by five Business Days or more;
(iii) if the other party is in material breach of the Implementation Deed and, following notice by the relevant terminating party of the relevant circumstances and their intention to terminate, the relevant circumstances continue to exist five Business Days after being given notice;
(iv) if the Conditions to the Proposal are not satisfied or waived.

In addition, BAO RE may terminate the Implementation Deed if MPIF RE:

(i) enters into an agreement to implement;
(ii) recommends to MPIF unitholders; or
(iii) otherwise implements or completes,

a competing proposal ("**Competing Proposal**"), being a proposal under which:

(i) a person would (directly or indirectly) acquire an interest in 19.9% or more of the Income Units;
(ii) a person would acquire an interest in all (or substantially all) of the assets of MPIF or all (or substantially all) of the Acquisition Assets; or
(iii) in the reasonable opinion of MPIF RE, liquidity is otherwise provided to the holders of MPIF Income Units at an implied valuation in excess of $0.78 per MPIF Income Unit.

Additionally, MPIF RE may terminate the Implementation Deed if it determines to recommend and/or implement a Competing Proposal that the MPIF Board Committee determines (acting in good faith) to be more favourable to unitholders of MPIF (other than BAO RE) and reasonably capable of being completed (a "**Superior Proposal**").

(c) Implementation Steps and Timing

If the Resolution is passed, you will not be required to do anything further in order for the Proposal to be implemented. Subject to the conditions described above being satisfied, the Proposal will become effective. BAO will announce to ASX when the Conditions have been satisfied or waived and the Proposal is implemented.

If the Proposal becomes effective, BAO RE and MPIF RE will become bound to take the steps required for:

(i) the delivery of an executed deed amending the Conversion Deed, which, amongst other things, will remove the Distribution Stopper, by MPIF RE and BAO RE; and
(ii) the notification by MPIF RE to the Custodian of the transfer of beneficial ownership of the Acquisition Assets.

BAO RE will become bound to pay the Purchase Price into an account nominated by MPIF RE in cleared funds on the Implementation Date.

MPIF RE will become bound to amend the constitution of MPIF to commence the wind up and termination of MPIF on and from 24 November 2011 and execute the Terms of Issue Amendment on the Implementation Date to remove the Distribution Stopper.

On the Implementation Date, following receipt by MPIF RE of the Purchase Price, MPIF RE's interest in the Acquisition Assets will be transferred to BAO RE. As BAO and MPIF have the same Custodian, JPMorgan Chase Bank, N.V. (Sydney Branch), the Proposal will not result in any legal transfer of the Acquisition Assets. Instead, the Custodian's records will be amended to reflect that the Acquisition Assets under the Proposed Acquisition are to be beneficially held for BAO rather than for MPIF.

3. Evaluation of the Proposal

This section is a summary only and is not intended to address all the relevant issues for Unitholders in respect of the Proposal. Unitholders should read the Explanatory Memorandum in its entirety. This section should be read in conjunction with the other sections of this Explanatory Memorandum.

The BAO Sub-Committee has appointed KPMG Corporate Finance (Aust) Pty Ltd as an independent expert (**Independent Expert**) to provide a report for Unitholders expressing an opinion as to whether the Proposal is fair and reasonable to Unitholders, on arm's length terms and in the best interests of Unitholders.

The Independent Expert has concluded that the Proposal is:

(a) fair and reasonable to Unitholders;
(b) in the best interests of Unitholders; and
(c) on arm's length terms.

The Independent Expert's report is set out in full in Appendix A.

In light of the Independent Expert's opinion and the advantages and potential disadvantages of the Proposal set out below, the BAO Sub-Committee is of the opinion that the Proposal is in the best interests of Unitholders and recommends that you vote in favour of the Proposal, provided that the Independent Expert maintains its opinion that the Proposal is fair and reasonable to, and in the best interests of, Unitholders and on arm's length terms.

3.1 ADVANTAGES OF THE PROPOSAL

(a) At the Purchase Price, the cumulative NTA of the Acquisition Assets is accretive to BAO Unitholders

BAO Standalone's audited NTA at 30 June 2011 was $0.135 per unit. If BAO RE had purchased the Acquisition Assets at 30 June 2011, BAO Standalone's NTA on a pro forma basis would have been higher by approximately $0.003 (or 2.1%) per unit. This includes the impact from estimated directly attributable transaction costs of $0.7 million due to be borne by BAO Standalone.[1]

(b) At the Purchase Price, the Proposal is accretive to BAO's investment portfolio weighted average yield[2]

On the basis of the Purchase Price, the weighted average yield of the portfolio of Acquisition Assets is 6.8%. The weighted average investment portfolio yield generated by BAO's current investment portfolio at 30 June 2011 was 3.9%.

As at 30 June 2011, if the Proposal had been implemented prior to the 12 months ending on 30 June 2011, then the weighted average investment portfolio yield for the 12 month period ending 30 June 2011 would have been 4.0% on a pro forma basis.[3]

(c) Following the implementation of the Proposal, the Distribution Stopper will cease to apply and BAO will have the ability to reinstate distributions

Following implementation of the Proposal, the Distribution Stopper will be removed and BAO RE will have the ability to reinstate distributions to holders of Ordinary Units. The payment of any distribution by BAO RE is always subject to the approval of BAO RE after consideration of factors such as current market conditions, the terms of BAO's debt facility, BAO's constitution and taxation requirements.

(d) On the wind up of MPIF, links (in addition to the Distribution Stopper) between BAO and MPIF that are potentially adverse to BAO will cease to exist

Significant links between BAO and MPIF, which are potentially adverse to BAO, will cease to apply. In particular, that portion of the BAO RE management fee which is referable to MPIF's gross asset value will not be payable once MPIF is wound up.

The cost of these fees for the 12 months to 30 June 2011 was approximately $0.2 million. Prior to final wind-up, the quantum of this fee should progressively decline as MPIF's assets are realised and capital distributed.

As disclosed in the MPIF notice of meeting issued in connection with the Proposal, it is anticipated that the wind up of MPIF will occur in or about 2016.

(e) The Acquisition Assets are consistent with BAO's investment policy

The Acquisition Assets are consistent with the investment policies of BAO. BAO's investment policy is to invest predominantly in unlisted property securities, ASX listed property securities and other property assets and securities.

BAO currently has interests in five of the nine funds forming part of the Acquisition Assets. In determining which assets of MPIF should form part of the Acquisition Assets, BAO RE considered, among other things, the liquidity of the assets and the extent to which a transfer of these assets would assist MPIF in winding up. The Acquisition Assets were selected as being amongst the most difficult for MPIF to realise with a reasonable time frame.

Further information in relation to the Acquisition Assets is provided in Section 4 and Appendix C.

3.2 POTENTIAL DISADVANTAGES OF THE PROPOSAL

(a) You may disagree with the conclusions of the BAO Sub-Committee and the Independent Expert

You may consider that there is a better solution to remove the existing arrangements between BAO and MPIF, including the Distribution Stopper, than that outlined under this Proposal. However, in this regard, it is noted that BAO RE has considered the following alternative strategies to restore distributions to Unitholders:

1 This analysis assumes that on completion of the Proposal, BAO Standalone's unlisted investments will increase by the fair value of the Acquisition Assets, in return for payment of the Purchase Price and directly attributable transaction costs. The Acquisition Assets are initially recognised at their fair values plus directly attributable transaction costs borne by BAO Standalone and, subsequent to initial recognition, are measured at their fair values. All other factors are assumed to be the same as that at 30 June 2011. Refer to Section 4.3 for a pro forma asset position on or around the proposed date of purchase of the Acquisition Assets, which is based on a combination of data including audited data from 30 June 2011 and unaudited data subsequent to that date.

2 The distribution yields are based on distribution rates as at 30 June 2011 (excluding non-recurring items), the unlisted property funds' unaudited NTA as adopted by BAO RE and the AREIT's closing bid prices as adopted by BAO RE as at 30 June 2011. The yield excludes any special or one-off distributions.

3 Measured for the 12 month period ending 30 June 2011. This is a reference to the yield of BAO's underlying investments and is not a forecast or representation of the distribution repayable on Units.

(i) BAO RE making an offer to acquire all Income Units. As at 30 June 2011, the net assets of MPIF are approximately $41 million; and
(ii) BAO RE making an offer to exchange Units for Income Units.

BAO RE considers that neither of the above two alternatives are in the best interests of Unitholders. In the case of the first alternative, BAO does not have sufficient cash reserves to make an offer of $ 41 million. In the case of the second alternative, if the Income Units were exchanged into Units at or close to their NTA, Unitholders would be significantly diluted.

Consequently, BAO RE considers the Proposal to be the most appropriate strategy to restore distributions to Unitholders.

(b) You may consider that the Purchase Price is too high

The Purchase Price reflects a 20% discount to the NTA of the Acquisition Assets. The NTA values are based on BAO RE's assessment of the underlying funds' unaudited NTA at 30 June 2011.

The Acquisition Assets being acquired include eight unlisted funds and one fund that is listed on the Bendigo Stock Exchange. There is no active market currently available in which to trade minority interests in unlisted property funds and there is little liquidity in relation to the Acquisition Assets that are units trading on the Bendigo Stock Exchange. Consequently, there is no readily observable benchmark for the value of any of the Acquisition Assets against which to compare the Purchase Price.

One readily observable metric that BAO RE considers may assist in this regard, is information about the discount to NTA at which listed real estate investment trusts trade on ASX. This information is set out below.

It should be noted, however, that the discount to NTA of AREITs is not an entirely appropriate benchmark for the purposes of assessing the Purchase Price. Primarily, this is because the AREITs are generally much more liquid than the Acquisition Assets. In addition, differences in asset composition and gearing levels can impact the applicability of this benchmark.

As shown in the table below, liquid AREITs trading on ASX are, at the date of this Notice of Meeting, trading at a weighted average discount to NTA of approximately 9.3% with an average income yield of 6.8%. If Westfield Group and Goodman Group are excluded, the discount to NTA is even more pronounced at 18.2% with an average income yield of 7.0%. Unitholders should also note that, as shown in the table below, some AREITs do currently trade at weighted average discounts to NTA in excess of 20%.

AS AT 16 SEPTEMBER 2011

	MARKET CAPITALISATION $M[1]	SHARE PRICE $	NTA/ SHARE[2]	DISCOUNT TO NTA[3]	DIVIDEND YIELD 12[4]
Abacus Property Group	514.1	2.0	2.8	–28.6%	8.2%
Australand	538.0	2.3	3.6	–35.5%	9.7%
Bunnings Warehouse	697.4	1.7	1.9	–9.5%	7.8%
CFS Retail Property	4,176.6	1.8	2.1	–13.7%	7.4%
Charter Hall Group	446.0	1.8	2.2	–16.7%	10.2%
Commonwealth Office	2,359.9	1.0	1.1	–15.0%	6.3%
Charter Hall Office	1,408.0	3.3	3.8	–12.1%	6.2%
Charter Hall Retail	887.2	3.3	3.5	–7.5%	7.9%
Dexus Property Group	4,052.9	0.8	1.0	–17.1%	6.4%
Goodman Group	4,179.4	0.6	0.5	29.6%	5.7%
GPT Group	5,400.2	3.2	3.6	–12.5%	5.7%
ING Office Fund	1,651.0	0.6	0.7	–17.1%	6.5%
Mirvac Group	4,006.3	1.2	1.6	–27.6%	7.1%
Stockland	7,029.7	3.0	3.7	–19.2%	8.1%
Westfield Group	16,547.0	7.8	7.6	2.7%	6.6%
Westfield Retail	6,995.8	2.5	3.2	–22.4%	6.8%
S&P/ASX 200 Prop	**60,889.5**			**–9.3%**	**6.8%**
S&P/ASX 200 Prop (ex WDC)				**–13.7%**	**6.9%**
S&P/ASX 200 Prop (ex WDC & GMG)				**–18.2%**	**7.0%**

1 Market Capitalisation is the share price multiplied by the number of shares on issue
2 Net tangible assets per share. Calculated as *total assets less liabilities divided by the number of shares on issue*
3 Calculated as *share price divided by NTA per Share minus one*
4 Calculated as *forecast dividend paid in FY divided by current share price*

3. Evaluation of the Proposal continued

In assessing the information in this Section 3.2(b), Unitholders should note that the Independent Expert has formed the view that net assets is the most appropriate methodology to adopt in valuing the Acquisition Assets (refer to Sections 11.2.1 and 11.4 of the Independent Expert's Report).

The Independent Expert's Report provides further analysis regarding the trading discounts of a range of AREITS and notes that the vast majority of AREITS trade at an average discount of between 20% to 25% of their NTA (refer to Appendix 4 Independent Expert's Report). Unitholders should note that the tabulated AREIT data referred to in Appendix 4 of the Independent Expert's Report is based on:

(a) a trading price as at 31 August 2011;
(b) a different sample of AREITS; and
(c) an arithmetic average discount (rather than a weighted average discount, calculated by reference to market capitalisation).

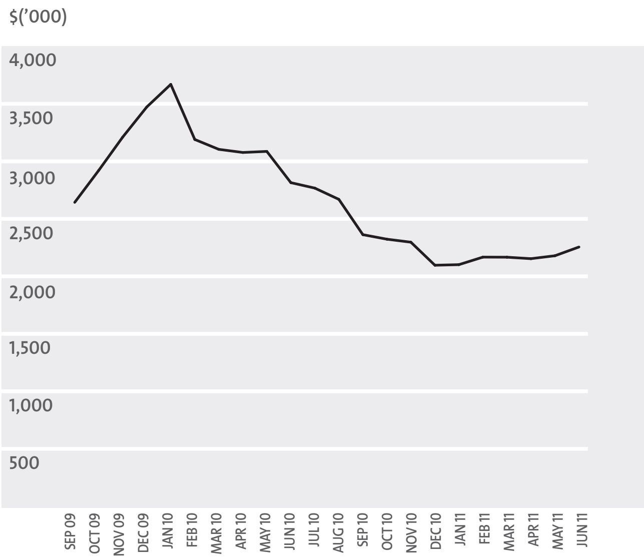
Accordingly, there is some variance between the average discounts to NTA referred to above and those contained in the Independent Expert's Report.

(c) You may consider that conditions in the property market and general economy will improve to enable MPIF to pay the PDP in full to Income Unitholders, enabling the Distribution Stopper to be lifted without action from BAO RE

The Distribution Stopper applies on a rolling 12 month basis. This means that it will remain in place until any shortfall in the PDP for the previous 12 months has been paid to Income Unitholders.

Since December 2008, distributions made by MPIF to Income Unitholders have been below their target returns and the Distribution Stopper has been in effect. The PDP shortfall for the 12 months to June 2011 was approximately $2.26 million. The following graph shows the movement in distribution shortfall for the level of the PDP for the period from September 2009 to June 2011.

PDP SHORTFALL SEPTEMBER 09 TO JUNE 11



For the PDP shortfall to be nil, distributions to Income Unitholders would need to increase by $2.26 million, or 102% from the amounts paid for the 12 months to 30 June 2011. At annual distribution growth rates on Income Units of 3% to 5%, which we believe to be appropriate long-term growth rates, it would take 20 and 12 years, respectively to achieve a 7.5% yield on Income Units (the lower bound on the minimum distribution level). While the actual outcomes in the future are not easily predicted, and can differ materially from these calculations, it is not readily foreseen what factors could contribute to materially shortening this period.

For illustrative purposes, it would require an annual growth rate in distributions of 12.4% to achieve 7.5% within a five year period.

This analysis assumes that:

(i) the MPIF investment portfolio at 30 June 2011 remains unchanged;
(ii) investments currently not paying distributions do not reinstate distributions; and
(iii) funds received by MPIF in the event that underlying investments wind up and return capital are not reinvested into higher yielding investments.

In addition, Unitholders should note that in the event that the shortfall in any PDP for a 12 month period are paid to Income Unitholders, this would not prevent the Distribution Stopper from being reinstated in a subsequent period (if there is a shortfall in the amount paid in that period).

By contrast, the Proposal (if implemented) will lead to the Distribution Stopper being lifted indefinitely and immediately.

(d) You may consider that the Proposal is detrimental to BAO because implementing the Proposal results in BAO's liquid assets being exchanged for those that are illiquid in nature

BAO is proposing to use cash anticipated to be on hand on the date that the Proposal is likely to be implemented to fund the Purchase Price.

Cash on hand is anticipated to comprise of cash reserves of approximately $14.5 million as at 18 October 2011. If additional cash is required this may be sourced on a short-term basis through the sale of AREITs.

Accordingly, BAO will effectively be exchanging liquid assets (cash and/or interests in AREITs on a short-term basis) for the illiquid Acquisition Assets.

Additionally, it should be noted that, as a consequence of the Proposal, the use of cash reserves will increase the LVR of BAO to approximately 23.6% from 16.4%. This is because LVR is calculated with regard to the amount of cash reserves that BAO holds. If circumstances arise in which there is a need to reduce the LVR, it is expected that this can be managed by the sale of AREITs and expected cash inflows from the underlying investments.

(e) You may believe that it is not appropriate to wind up MPIF at this time, because over the long term, MPIF's NTA may be greater than $1 per Income Unit and restore value to the Ordinary Units

It is considered that it would take a significant period of time for MPIF's NTA to reach $1 per Income Unit. Utilising the same assumption as in 3.2(c), if growth of the capital base of MPIF as at 30 June 2011 (NTA of $0.7761) was 3% to 5% per annum, the NTA of the Income Units would reach $1 in nine or six years, respectively. While the actual outcomes in the future are not easily predicted and can differ materially from these calculations, it is not readily foreseen what factors could contribute to materially shortening this period.

For illustrative purposes, it would require an annual growth of 5.4% in the NTA of the Income Units to reach an NTA of $1.00 within a five year period.

3.3 IMPLICATIONS FOR BAO IF THE PROPOSAL IS NOT IMPLEMENTED

If the Proposal is not implemented, BAO RE will not acquire the Acquisition Assets and will not make a payment of the Purchase Price to MPIF. In addition, the Distribution Stopper will remain in place until any shortfall in the PDP for the previous 12 months has been paid to Income Unitholders.

If the Proposal is not implemented, BAO RE will continue to consider strategies to maximise Unitholder value having regard to BAO's position as the holder of all the Ordinary Units and the Distribution Stopper.

Whilst it is possible that the Distribution Stopper may be lifted through an increase in investment returns in MPIF, and therefore without a cost to BAO, this may take considerable time (see Section 3.2(c)).

The other contractual obligations (including the Distribution Stopper) could also be removed (absent any alternative proposal approved by Income Unitholders) if MPIF were terminated and subsequently wound up. Under MPIF's constitution, MPIF may be terminated in any of the following ways, none of which are in the immediate control of BAO RE:

(a) the MPIF RE may terminate MPIF by notice to its unitholders;
(b) if the members of MPIF holding 5% of the Income Units submit a proposal to change the responsible entity of MPIF to a company that is not a related body corporate of Brookfield Capital Securities Limited, the holder or holders of all the Ordinary Units may give notice to terminate MPIF; or
(c) as otherwise permitted by law or in accordance with the MPIF constitution, which may include, but is not limited to, winding up if MPIF's purpose has been accomplished, or cannot be accomplished or by order of a court.

4. Acquisition Assets

4.1 ACQUISITION ASSETS

As at 30 June 2011, the MPIF asset portfolio comprised of 12 AREIT investments and 28 unlisted investments.

The Proposal involves the acquisition of MPIF's interests in nine funds (comprising eight unlisted funds and one fund that is listed on the Bendigo Stock Exchange) which are characterised as "open ended" funds, on the basis that one or more of the following apply:

(a) the fund has no defined Review Date;
(b) the fund is either unlisted or listed on the Bendigo Stock Exchange where liquidity is limited;
(c) unitholders of the fund must pass a special resolution to terminate the investment;
(d) the fund has limited or suspended withdrawal facilities; and/or
(e) the fund has a defined Review Date after 2015.

In each of these circumstances it would be expected that MPIF may have difficulty realising the fair value of the Acquisition Assets should MPIF, under a wind up strategy, seek to sell them on a short-term basis.

As a long term investor that is not seeking to wind-up BAO, BAO RE is in a position to hold the assets for that period of time which it determines will maximise the value of each asset.

As at 30 June 2011, the Acquisition Assets have a combined NTA[1] of approximately $15 million and are summarised in the following table:

MPIF INVESTMENT	NO OF UNITS TO BE ACQUIRED FROM MPIF	JUNE 11 NTA $/UNIT[1]	JUNE 11 NTA VALUE $	PURCHASE PRICE AT 20% DISCOUNT TO NTA $	PURCHASE PRICE $	DISTRIBUTION YIELD ON DISCOUNTED UNITS ACQUIRED[2] %
APN Regional Property Fund	714,286	0.6947	496,214	0.5558	396,972	5.4
Australian Unity Diversified Property Fund	599,340	0.8183	490,440	0.6546	392,352	7.9
Blackwall Telstra House Trust	330,988	1.0400	344,228	0.8320	275,382	11.8
Charter Hall Diversified Property Fund	4,783,316	0.7070	3,381,804	0.5656	2,705,444	6.0
Charter Hall Umbrella Fund	5,150,000	0.6081	3,131,715	0.4865	2,505,372	7.4
Australian Unity Office Property Fund	2,896,684	0.9082	2,630,768	0.7266	2,104,615	5.0
Orchard Child Care Property Fund	2,000,000	0.9400	1,880,000	0.7520	1,504,000	7.3
PFA Diversified Property Trust	2,500,000	0.9603	2,400,750	0.7682	1,920,600	9.4
Stockland Direct Office Trust No. 3	963,000	0.4968	478,418	0.3974	382,735	0.0
Total	**19,937,614**		**15,234,338**		**12,187,471**	**6.8**

1 The NTA values in the above table are based on MPIF RE's assessment of the underlying Acquisition Assets' unaudited NTA for its valuation purposes as at 30 June 2011.
2 The distribution yields are based on distribution rates as at 30 June 2011 (excluding non-recurring items) and BAO RE's assessment of the unlisted property funds' unaudited NTA at 30 June 2011, discounted by 20%.

4.2 HOLDING IN THE RELEVANT ASSETS POST PROPOSED ACQUISITION

A summary of BAO's unlisted investment portfolio before and after the implementation of the Proposal is detailed in the following table:

UNLISTED	JUNE 2011 CARRYING VALUE $M	JUNE 2011 CARRYING VALUE ADJUSTED FOR ACQUISITION ASSET UNITS $M
APN Champion Retail Fund	1.4	1.4
APN National Storage Property Trust	1.2	1.2
APN Regional Property Fund	2.0	2.5
APN Poland Retail Fund	0.0	0.0
APN Vienna Retail Fund	2.1	2.1
Austock Childcare Fund	1.2	1.2
Australian Unity Diversified Property Fund	8.6	7.5[1]
Blackwall Telstra House Trust	0.0	0.3
Centro MCS 21 Roselands Holdings Trust	8.6	8.6
Centro MCS 21 Roselands Property Trust	1.2	1.2
Centro MCS 22 Kidman Park Investment Trust	0.1	0.1
Centro MCS 22 Kidman Park Property Trust	1.1	1.1
Centro MCS 28	2.2	2.2
Charter Hall Diversified Property Fund	0.0	3.4
Charter Hall Umbrella Fund	0.0	3.1
FKP Core Plus Fund	0.7	0.7
Investa Diversified Office Fund	22.1	24.7
Investa Fifth Commercial Trust	11.5	11.5
Investa Second Industrial Trust	1.5	1.5
MAB Diversified Property Trust	3.4	3.4
Multiplex Development and Opportunity Fund	7.7	7.7
Multiplex New Zealand Property Fund	25.3	25.3[2]
Orchard Child Care Property Fund	2.8	4.7
Pengana Credo European Property Trust	0.0	0.0
PFA Diversified Property Trust	5.5	7.9
Rimcorp Property Trust No. 3	0.6	0.6
St Hilliers Enhanced Property Fund No. 2	1.1	1.1
Stockland Direct Office Trust No. 3	0.0	0.5
The Essential Health Care Trust	0.1	0.1
Total	**111.9**	**125.5**

A detailed summary of each of the Acquisition Assets is included in Appendix C.

1 This includes the redemption of 2,014,027 units in August 2011.
2 Reflects the value of the investment accounted for by using the equity method of accounting on a standalone basis (excludes the 0.5% owned by the consolidated MPIF subsidiary).

4. Acquisition Assets continued

4.3 FINANCIAL INFORMATION

The purchase of the Acquisition Assets is anticipated to be funded entirely by cash held by BAO on the date that the Proposal is implemented. Sufficient cash is forecasted to be available as a result of net cash from operations, expected returns of capital from underlying investments and, if required, the sale of AREIT investments.

Subsequent to the purchase of the Acquisition Assets, BAO Standalone's cash position will reduce by the Purchase Price and any direct costs of the Proposal borne by BAO Standalone. The Acquisition Assets will increase BAO Standalone's unlisted investment portfolio and will be accounted for in accordance with BAO's accounting policy.[1]

The pro forma asset positions set out below demonstrate the effect of this Proposal on certain assets of BAO Standalone.

PRO FORMA ASSET POSITIONS FOR SELECTED ASSETS	NOTES	BAO STANDALONE IMMEDIATELY PRIOR TO ACQUISITION OF THE ACQUISITION ASSETS (a) $M	BAO STANDALONE IMMEDIATELY POST ACQUISITION OF THE ACQUISITION ASSETS (b) $M
Cash and cash equivalents	(c)	14.5	1.5
Investments – available for sale (listed)	(d)	28	28
Investments – available for sale (unlisted)	(e)	81	96
Investments accounted for using the equity method (unlisted)	(f)	25	25
Total[2]		**148.5**	**150.5**

Notes:
(a) This column represents the unaudited pro forma asset positions for selected assets of BAO Standalone as at 30 June 2011 adjusted to reflect certain known and expected balances as at 31 August 2011 or 18 October 2011 prior to the acquisition of the Acquisition Assets.
(b) This column represents the unaudited pro forma asset positions for selected assets of BAO Standalone as at 30 June 2011 adjusted to reflect certain known and expected balances as at 31 August 2011 or 18 October 2011 after the acquisition of the Acquisition Assets.
(c) This represents the unaudited pro forma available cash and cash equivalents prior and subsequent to the acquisition of the Acquisition Assets, including the impact of estimated directly attributable transaction costs of $0.7 million due to be borne by BAO Standalone. The cash and cash equivalents are based on the unaudited 18 October 2011 position.
(d) The AREIT portfolio is valued at fair value, being the closing bid price as at 18 October 2011, based on the quantum of holdings at 31 August 2011.
(e) The investments – available for sale represents BAO Standalone's unlisted investments excluding the investment in the Multiplex New Zealand Property Fund, which is equity accounted (refer to (f)). This unlisted portfolio is valued at fair value as adopted at 30 June 2011, adjusted for any actual and expected returns of capital received or to be received subsequent to 30 June 2011, but prior to the acquisition of the Acquisition Assets. The quantum of holdings is as at 31 August 2011, adjusted for one redemption for which the cash was received during September 2011 and one return of capital received in October 2011. Immediately post the acquisition of the Acquisition Assets, the Acquisition Assets are initially recognised at fair value plus the impact of estimated directly attributable transaction costs of $0.7 million due to be borne out of the assets of BAO Standalone and, subsequent to initial recognition, are measured at their fair values.
(f) The investment accounted for using the equity method represents BAO Standalone's equity accounted investment in Multiplex New Zealand Property Fund at the 30 June 2011 carrying value.

1 Under BAO's accounting policy, listed and unlisted investments classified as available for sale investments are initially recognised at fair value plus directly attributable transaction costs and, subsequent to initial recognition, are measured at their fair values. Fair value of the AREIT portfolio is measured by reference to the closing bid price at period end. Fair value of the unlisted portfolio is assessed by reference to the latest available net asset value provided by managers of the underlying funds subject to BAO RE making an assessment of the appropriateness of the value and an amendment may be made to the net asset value provided by managers of the underlying investments. In the event that the unlisted investments were the subject of a forced sale, it may not be possible to realise the current book value of the assets.

2 This total excludes BAO Standalone's trade and other receivables.

5. Additional information

5.1 IMPLEMENTATION DEED

BAO RE, MPIF RE and Brookfield have entered into the Implementation Deed under which, subject to the satisfaction of the Conditions, the Proposal will be implemented.

(a) Conditions

The Proposal remains subject to the following Conditions:

(i) MPIF unitholders entitled to vote approving, by the requisite majorities, the relevant resolutions to approve the Proposal on or before 30 December 2011;
(ii) Unitholders entitled to vote on the Resolution approving the Resolution by the requisite majority on or before 30 December 2011;
(iii) all regulatory approvals which BAO RE and MPIF RE agreed (prior to the date of the Implementation Deed) were necessary or desirable are obtained prior to the Meeting;
(iv) no court or regulatory authority has taken steps to restrain or otherwise impose a legal restrain or prohibition preventing the Proposal on or before the Implementation Date; and
(v) either:

A. the Treasurer of Australia (or his delegate) has provided written advice that there are no objections under Australia's foreign investment policy to the Proposal; or
B. the Treasurer of Australia has ceased to be empowered to make any order under Part II of the *Foreign Acquisitions and Takeovers Act 1975* (Cwlth) in respect of the Proposal.

(b) Obligations of the parties

The Implementation Deed places obligations on MPIF RE and BAO RE in relation to implementation of the Proposal, including:

(i) MPIF RE, subject to BAO RE satisfying certain obligations, notifying the Custodian of the transfer of beneficial ownership of the Acquisition Assets and ensuring that the change in beneficial ownership is notified to the Custodian and is recorded in the Custodian's books (and, if necessary, in the registers of the issuers of the Acquisition Assets); and
(ii) BAO RE, subject to MPIF RE satisfying certain obligations, paying the Purchase Price to an account nominated by MPIF RE.

Brookfield Multiplex Capital Pty Limited covenants with MPIF RE and BAO RE that it will use its best endeavours to procure that BAO RE and MPIF RE, respectively, comply with their obligations under the Implementation Deed.

(c) Representations and warranties

Each of the parties to the Implementation Deed have given representations and warranties to the other which are customary for an agreement of this kind.

(d) Termination

Either BAO RE or MPIF RE may terminate the Implementation Deed:

(i) if the Proposal is not implemented by 31 December 2011;
(ii) if the timing of any action specified in the Key Dates is delayed by five Business Days or more;
(iii) if the other party is in material breach of the Implementation Deed and, following notice by the relevant terminating party of the relevant circumstances and their intention to terminate, the relevant circumstances continue to exist five Business Days after being given notice; or
(iv) if the Conditions to the Proposal are not satisfied or waived.

BAO RE may terminate the Implementation Deed if MPIF RE:

(i) enters into an agreement to implement;
(ii) recommends to MPIF unitholders; or
(iii) otherwise implements or completes,

Competing Proposal (as defined in Section 2.3(b)). Additionally, MPIF RE may terminate the Implementation Deed if MPIF RE determines to recommend and/or implement a Superior Proposal (as defined in Section 2.3(b)).

5.2 AMENDING DEED

The Amending Deed amends the Conversion Deed to record that, if Income Unitholders approve the relevant resolutions relating to the Proposal, BAO RE's obligations in relation to the Distribution Stopper will be indefinitely suspended unless BAO RE consents otherwise.

5.3 TERMS OF ISSUE AMENDMENT

The Terms of Issue Amendment amends the Terms of Issue to record that, if Income Unitholders approve the relevant resolutions relating to the Proposal, the rights of Income Unitholders in relation to the Distribution Stopper will be indefinitely suspended unless BAO RE consents otherwise.

5.4 INTERESTS HELD BY BCML DIRECTORS IN MPIF

No BCML director held units issued by MPIF as at the date of this Explanatory Memorandum.

5.5 INTERESTS HELD BY DIRECTORS OF BCML IN BAO

Only one BCML director holds Units as at the date of this Explanatory Memorandum as set out in the table below:

NAME OF DIRECTOR	UNITS HELD	PERCENTAGE SHAREHOLDING
Brian Motteram	1,645,516	0.2%

5. Additional information continued

5.6 OTHER DIRECTORS' INTERESTS IN THE PROPOSAL

Other than as set out in this Explanatory Memorandum, no director of BCML has any interest in the Proposal.

5.7 INTERESTS OF ASSOCIATES (OTHER THAN THE DIRECTORS OF BCML) IN BAO UNITS

The number of Units held by associates of BCML (other than the directors of BCML) in BAO as at the date of this Explanatory Memorandum are set out in the table below:

NAME OF ASSOCIATE	UNITS HELD	PERCENTAGE SHAREHOLDING
Brookfield Capital Securities Limited	328,609,014	40.497%
Brookfield Multiplex Capital Pty Ltd	9,737,640	1.200%
Multiplex APF Pty Ltd	163,751,624	20.180%

5.8 INTERESTS OF ASSOCIATES (OTHER THAN THE DIRECTORS OF BCML) IN MPIF UNITS

The number of Units held by associates of BCML (other than the directors of BCML) in MPIF as at the date of this Explanatory Memorandum are set out in the table below:

NAME OF ASSOCIATE	UNITS HELD	PERCENTAGE SHAREHOLDING
JP Morgan Nominees Australia Limited as custodian for BAO RE	30,075,871 Ordinary Units	100% of Ordinary Units

5.9 OTHER ASSOCIATES' INTERESTS IN THE PROPOSAL

Other than as set out in this Explanatory Memorandum, no associate of BCML has any interest in the Proposal.

5.10 COSTS OF THE PROPOSAL

The costs of the Proposal for BAO RE include legal fees, independent expert fees and other costs. If the Proposal is implemented, the costs for BAO RE will be approximately $0.7 million. Unless the Proposal is not implemented because the Implementation Deed is terminated as a result of MPIF RE entering into an agreement to implement (or otherwise implementing or completing) or recommending a Competing Proposal (as defined in Section 2.3(b)) or as a result of MPIF RE recommending and/or implementing a Superior Proposal (as defined in Section 2.3(b)), BAO RE has agreed to indemnify MPIF RE for certain reasonable costs. These are reasonable costs actually incurred in connection with the consideration of the Proposal, including legal and independent expert fees and costs associated with convening and holding the meeting of Income Unitholders and any legal fees incurred in connection with the Implementation Deed and other related documentation required to convene the meeting of Income Unitholders.

5.11 TAX CONSEQUENCES FOR UNITHOLDERS

The taxation information that follows is general in nature. It is recommended Unitholders seek professional taxation advice in relation to their own position.

This summary is based on the relevant Australian tax legislation and administrative practice in effect as at the date of this Explanatory Memorandum and Notice of Meeting.

Impact of Proposal on the Fund

The implementation of the Proposal should not give rise to any immediate tax consequences for BAO. The Acquisition Assets acquired by BAO will be treated as being on capital account and any gain or loss in respect of these assets should be realized on the eventual disposition of those assets.

On the eventual wind-up of MPIF, BAO should be entitled to claim a capital loss equal to its reduced cost base in respect of the ordinary units held in MPIF less any proceeds received in respect of the wind-up of MPIF. BAO's cost base of the ordinary units should be the amount paid for the investment (approximately $30.08m) together with incidental costs and reduced for the tax deferred component of distributions made in respect of the ordinary units. Capital losses realised on wind-up of MPIF may be used by BAO to reduce any capital gains realised by BAO, but cannot be distributed to investors in BAO.

As a listed trust, BAO's ability to carry forward its revenue losses is dependent on the satisfaction of continuity of ownership requirements or same business criteria. In relation to the same business test, the securities being acquired from MPIF are consistent with BAO's current activity of investment in listed and unlisted securities.

Unitholder considerations

(a) Australian resident Unitholders

The following information applies to Unitholders who hold their units on capital account and does not apply to a Unitholder who holds their units as trading stock or revenue assets.

Following the release of the Distribution Stopper and the receipt of any distributions from BAO, you will be liable to pay tax on the full amount of your share of the taxable income of BAO in the year in which entitlement to that income arises (even if the distribution is not physically paid until the following tax year). A distribution from the BAO may include different components, the taxation of which may differ. Tax deferred components of the distribution are generally not assessable when received, but will reduce your cost base in your Units, thereby affecting the capital gain or capital loss that you make if you dispose of your Units. If the cumulative tax deferred components of the distributions were sufficient to reduce your cost base to nil, any further tax deferred amounts would be treated as capital gains.

In circumstances where the Distribution Stopper is not lifted and distributions to unitholders are not possible, a circumstance may arise where the taxable income of BAO will be taxed in the hands of the trustee of BAO at the rate of 46.5% if there is taxable income to which no unitholder is presently entitled. Such an outcome would be dependent on factors such as the tax profile of the underlying investments, gearing in BAO and the availability of tax losses, if any. In the event this was to occur, management would consider strategies to mitigate the impact of any such liability on BAO.

(b) Unitholders who are not residents of Australia for taxation purposes

Unitholders who are not residents of Australia for taxation purposes are encouraged to seek professional taxation advice specific to their own country of taxation residence, as well as Australian tax consequences.

5.12 FINANCIER CONSENT

The Debt Facility requires that BAO RE only deal with an associate if a person satisfactory to the Financier verifies the adequacy of the consideration. The Financier has confirmed that the Independent Expert, and the Independent Expert's Report, satisfy this requirement.

5.13 OTHER MATERIAL INFORMATION

The BAO Sub-Committee considers that, other than as set out in this Explanatory Memorandum, there is no other information that is known to BAO RE which is material to Unitholders in determining whether or not to vote in favour of the Resolution. BCML as responsible entity of BAO and as responsible entity of MPIF will not receive any transaction fee in respect of the Proposal.

6. Glossary

In this Explanatory Memorandum, and in the Notice, the following expressions have the following meanings unless stated otherwise or the context otherwise requires:

$	means Australian dollars.
ABN	means Australian Business Number.
Acquisition Assets	means the units listed in Section 4.1 and described in Appendix C.
AEDT	means Australian Eastern Daylight Time.
AFSL	means Australian Financial Services Licence.
Amending Deed	means the "Deed of variation Income Units Conversion" between MPIF RE and BAO RE which will be executed in connection with the Proposal.
AREIT	means units issued by Australian real estate investments trusts which are listed on the ASX.
AREIT Portfolio	means the portfolio of ASX listed securities owned by BAO.
ARSN	means Australian Registered Scheme Number.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited or the market operated by it as the context requires.
ASX Listing Rules	means the listing rules of ASX as amended or replaced from time to time, except as waived or modified by ASX.
BAO or **the Fund**	means Brookfield Australian Opportunities Fund (ARSN 104 341 988).
BAO RE or **the Manager**	means BCML in its capacity as responsible entity of BAO.
BAO Register	means the register of Unitholders maintained by Boardroom.
BAO Standalone	means BAO and its subsidiaries except for the consolidated MPIF subsidiary which has not been consolidated but has been carried at the lower of cost or net realisable value.
BAO Sub-Committee	means the committee of directors of the Board comprising Mr Allan McDonald and Mr Brian Motteram established to assess the Proposal.
BCML	means Brookfield Capital Management Limited (ABN 32 094 936 866).
Board	means board of directors of the Responsible Entity.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Chair of the Meeting	means Mr Allan McDonald, or, failing him, Mr Brian Motteram, who will act as the chair of the Meeting or any replacement appointed by BAO RE to chair the Meeting.
Condition	means each of the conditions set out in Section 5.1(a).
Constitution	means the constitution of BAO.
Conversion Deed	means the Income Units Conversion Deed between BAO RE and MPIF RE.
Corporations Act	means the *Corporations Act 2001* (Cwlth).
Custodian	means JPMorgan Chase Bank, N.A. (Sydney Branch) ABN 43 074 112 011 and its nominees.
cpu	means cents per unit.
Debt Facility	means the term facility provided by the Financier to BAO.

Distribution Stopper	means the restriction on BAO being able to make distributions, except where they are to be reinvested, while the Priority Distribution Payment on the Income Units in MPIF for the past 12 months remains unpaid, as further described in Section 2.1.
Explanatory Memorandum	means this document, which forms part of the Notice.
Financier	means National Australia Bank Limited (ACN 004 044 937) in relation to the Debt Facility.
GST	means Goods and Services Tax.
Implementation Deed	means the Implementation Deed entered into between BAO RE, MPIF RE and Brookfield Multiplex Capital Pty Limited on 27 September 2011.
Implementation Date	means the date on which the Proposal will be implemented, being the second Business Day after all of the Conditions (other than in respect of steps by courts or regulatory authorities) have been satisfied or waived.
Income Unitholder	means the registered holder of an Income Unit.
Income Units	means income units issued by MPIF.
Independent Directors	means Mr Allan McDonald, Ms Barbara Ward and Mr Brian Motteram.
Independent Expert	means KPMG Corporate Finance (Aust) Pty Ltd.
Independent Expert's Report	means the report prepared by the Independent Expert set out in Appendix A to this Explanatory Memorandum.
Key Dates	means the key dates set out in Section 1 of this Explanatory Memorandum.
LVR	means the loan to value ratio calculated as the amount owing under the Debt Facility (less cash standing to the credit of BAO) expressed as a percentage of the aggregate value of: – the market values of listed units, shares and hybrid securities (issued by a company or managed investment scheme whose principal business is investing in land or interests in land); – the net tangible asset values of unlisted units and shares (issued by a company or managed investment scheme whose principal business is investing in land or interests in land); – the latest valuation of land or interests in land acceptable to the Financier; and – any other investment agreed by the Financier from time to time, on a standalone basis.
Meeting	means the meeting of Unitholders to be held on 22 November 2011.
MPIF	means Multiplex Property Income Fund (ARSN 117 674 049).
MPIF RE	means BCML in its capacity as responsible entity of MPIF.
MPIF Board Committee	means the committee of directors of BCML established to represent MPIF.
Notice or **Notice of Meeting**	means the Notice of Meeting dated 21 October 2011 included as Appendix B and includes the Explanatory Memorandum.
NTA	means net tangible assets.
Ordinary Units	means the ordinary units issued by MPIF.
Proposal	means the proposal as more fully described in this Explanatory Memorandum.
Proposed Acquisition	means the acquisition of the Acquisition Assets in accordance with the Proposal.
Proxy Form	means the proxy form included with this Notice of Meeting.

6. Glossary continued

Priority Distribution Payment or **PDP**	means the distribution payment to be made to income unitholders in MPIF, as described in Section 2.
Purchase Price	means $12,187,471.
Resolution	means the resolution proposed to be put to Unitholders as set out in the Notice.
Responsible Entity	means Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for BAO.
Review Date	means the date where unitholders of a fund are required to vote at a meeting to determine whether or not that fund should be terminated, and if so, the termination date of that fund.
Terms of Issue	means the document entitled "Terms of Issue of Income Units" dated 27 February 2007.
Terms of Issue Amendment	means the "Deed of variation Terms of Issue of Income Units" which will be executed in connection with the Proposal.
Unitholder	means the registered holder of a Unit.
Unit	means an ordinary unit in BAO.
VWAP	means volume weighted average price.
WALE	means weighted average lease expiry.

Appendix A – Independent Expert's Report

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The Directors
Brookfield Capital Management Limited as responsible
entity for Brookfield Australian Opportunities Fund
Level 22, 135 King Street
Sydney NSW 2000

18 October 2011

Dear Sirs

Independent expert report & Financial services guide

1 Introduction

Brookfield Capital Management Limited (BCML) is the responsible entity of Brookfield Australian Opportunities Fund (BAO), a listed fund-of-funds property trust which holds interests in various listed and unlisted property funds.

BAO holds 100 percent of the ordinary units in Multiplex Property Income Fund (MPIF), a fund established by BAO to raise capital from investors. This was achieved via the issuance of preferred securities (Income Units) in MPIF which entitle the holder (Income Unitholder) to a capped hurdle return. Failure by MPIF to pay this hurdle return restricts BAO's ability to pay ordinary distributions or distribute capital to the ordinary unitholders of BAO (Distribution Stopper) unless an equivalent payment is made. The global financial crisis adversely impacted MPIF's capacity to pay the hurdle return to Income Unitholders, thus triggering the Distribution Stopper. This has contributed to BAO trading materially below its net tangible asset (NTA) value.

In addition to the Distribution Stopper and BAO's ownership of all of the ordinary units in MPIF, there are a number of significant links between BAO and MPIF which are potentially adverse to BAO, including:

- the option for BCML as responsible entity of MPIF to satisfy a withdrawal request from certain Income Unitholders by converting their Income Units into an equivalent dollar value of ordinary units in BAO (subject to BCML's consent). This may have a dilutive effect on current ordinary unitholders in BAO.

- BAO management fees payable out of the assets of BAO are currently calculated by reference to the gross asset value of BAO and MPIF.

Having regard to the effect of the links between BAO and MPIF, in particular the Distribution Stopper, consideration has been given to restructuring the existing arrangements between BAO and MPIF. As announced on 27 September 2011, BAO and MPIF have entered into a deed under which the various investments described in section 9.3 (Acquisition Assets) will be acquired from MPIF for approximately $12.2 million on the condition that:

- the Distribution Stopper is permanently removed.
- MPIF commences a process of winding up (Proposal).

We understand that the Proposal is subject to a number of additional conditions including separate approvals by eligible ordinary unitholders in BAO (Securityholders) and Income Unitholders at separate meetings to be held in October or November 2011.

To assist Securityholders in deciding whether to vote in favour of the Proposal, a sub-committee of BCML directors (comprising two independent directors) (BAO Sub-Committee) have requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG Corporate Finance) prepare an Independent Expert Report (IER) which opines on whether the Proposal:

- is fair and reasonable for Securityholders
- in the best interests of Securityholders
- is on arm's length terms.

The IER will be included in an Explanatory Memorandum to be sent to Securityholders prior to the meeting at which Securityholders will vote on the Proposal. The IER should be considered in conjunction with and not independently of the information set out in the Explanatory Memorandum.

Further details of the Proposal are contained in section 5 and the Explanatory Memorandum.

2 Requirement for our report

Given BAO and MPIF share a common Board and responsible entity, the Proposal triggers the application of Australian Stock Exchange (ASX) Listing Rule 10 and Chapter 2E of the Corporations Act (the Act) (which deal with transactions between related parties):

- ASX Listing Rule 10.1 – A transaction with certain specified persons (including related parties) that requires member approval under ASX Listing Rule 10.1 must include an IER which states whether the transaction is fair and reasonable. On this basis, the BAO Sub-Committee have requested KPMG to prepare a report in accordance with ASX Listing Rule 10.10.2 and regulatory guidance provided by the Australian Securities and Investment Commission (ASIC).

- Chapter 2E – Section 208 of the Act requires the approval of members of registered managed investment schemes in the event a financial benefit is given to the responsible entity of the scheme. An exception applies under section 210 if the terms of the financial benefit would be reasonable in the circumstances if the parties were dealing at arms' length or is more favourable to the registered scheme.

Regulatory Guide (RG) 76 "Related Party Transactions" issued by ASIC sets out a number of circumstances where, before undertaking a transaction with a related party, it encourages the provision of an IER to members. On this basis, the BAO Sub-Committee have requested KPMG to prepare a report in accordance with the guidance provided by ASIC under RG 76, including a determination of whether a transaction is on "arm's length" terms (not withstanding the fact that the BAO Sub-Committee has not determined to rely on the exception in s210).

In undertaking our work, we have referred to guidance provide by ASIC in its Regulatory Guides, in particular RG 111 "Content of expert reports" which outlines principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a related party transaction is 'fair and reasonable' from the perspective of non-associated members.

3 Our opinion

In KPMG's opinion, the Proposal:

- **is fair and reasonable to Securityholders**
- **is in the best interests of Securityholders**
- **is on arm's length terms.**

The principal matters that we have taken into consideration in forming our opinion are summarised in the remainder of section 3 below.

3.1 Background to the Proposal

The issues which emerged in the global economy in 2007 and 2008 resulted in tighter funding conditions and wide spread asset devaluations which adversely impacted the general economy, particularly sectors heavily reliant on gearing such as property. The flow through of property devaluations meant lower earnings, higher gearing levels and greater risk of breaching debt covenants for many Australian property funds. In addition to raising equity capital, managers closed redemption facilities and reduced distributions in an attempt to manage the funds through the crisis.

Fund-of-fund operators, such as BAO and MPIF were significantly impacted by these actions, as their main source of income (distributions) dried up and options to liquidate (especially from unlisted funds) were removed. Eventually, in the December 2008 quarter, MPIF could not pay the hurdle return to Income Unitholders which triggered the Distribution Stopper. This meant that BAO could not pay a distribution or return of capital to its unitholders (including Securityholders) as well as not receive any distribution from MPIF for as long as the Distribution Stopper was in effect.

Appendix A – Independent Expert's Report continued

The Distribution Stopper continues to be in effect, which is perceived as the main reason why BAO trades at a greater discount to NTA than many of its peers. The most immediate option available to BAO to lift the Distribution Stopper is to pay the current shortfall in priority distribution payments (PDP) to Income Unitholders of $2.3 million. However, this is considered a temporary fix which will be costly to BAO over the long term as the shortfall is expected to continue and would need to be paid whenever BAO elects to make a distribution or capital return to its unitholders in the future.

The Proposal represents the culmination of a process whereby BAO considered a range of alternatives aimed at maximising long-term value for Securityholders. In essence, the Proposal which seeks to remove the Distribution Stopper and implement a wind-up of MPIF is considered by BCML to be the best option available to BAO.

3.2 The Proposal is fair

Our fairness assessment has been based on comparing the consideration offered to the value of the assets acquired by BAO under the Proposal. As discussed in section 5, BAO will pay $12.2 million in return for the Acquisition Assets and consent from MPIF to remove the Distribution Stopper and progressively wind-up MPIF. For the purposes of our assessment, we have not explicitly valued the consents provided by MPIF, but rather incorporated these elements into our consideration of the appropriate discount to apply in valuing the Acquisition Assets (refer section 11).

The table below outlines a comparison of the consideration offered by BAO under the Proposal and our assessed value of the Acquisition Assets transferred.

Table 1: Comparison of consideration offered to assessed fair value

$m	Low	High
Purchase price	12.2	12.2
Value of Acquisition Assets (minority basis)	(11.4)	(12.9)
Premium / (discount) paid	**0.8**	**(0.8)**

Source: KPMG Analysis

According to RG 111, the Proposal should be considered fair to Securityholders if the consideration offered to MPIF is equal to or less than the value of Acquisition Assets transferred to BAO. **Since the consideration offered by BAO falls within our assessed value range for the Acquisition Assets, we consider the Proposal to be fair.**

3.3 The Proposal is reasonable

3.3.1 Key considerations

In accordance with RG 111, an offer is reasonable if it is fair. This would imply that the Proposal is reasonable. However, irrespective of the statutory obligation to conclude the Proposal is reasonable simply because it is fair, we have also considered a range of factors which in our opinion support a reasonableness conclusion in isolation of our fairness opinion.

The principal factors which underpin a reasonableness conclusion include:

- the removal of the Distribution Stopper which is expected to lead to a higher BAO security price as investors have the potential to achieve returns commensurate with comparable investments
- the Proposal is accretive to BAO on an NTA and yield basis and works within the limitation of BAO's liquidity and debt covenants
- the absence of a superior proposal which achieves the desired outcome for BAO and which has the agreement of MPIF.

Other considerations which had a lesser impact on our reasonableness conclusion included the increased exposure to illiquid investments, dilution risk for Securityholders and lower management fees. These other considerations are outlined in section 3.3.2.

The key factors which underpin our reasonableness conclusion are discussed in detail below.

The Proposal enables the removal of the Distribution Stopper which will allow BAO to pay distributions or capital returns to Securityholders, therefore providing upside to the unit price as investors can generate returns from their investment in BAO commensurate with comparable investments

Should the Proposal proceed, the Distribution Stopper will be removed. As such, BAO will have control over its distribution policy and have flexibility in paying distributions or returning capital as it deems appropriate.

The ability to pay a sustainable level of distributions provides a "floor" upon which a share price trades as investors would price the entity's shares relative to other comparable yield investments. Whilst management have not provided guidance in relation to the level of distributions it expects to pay in the future, it has advised that normalised annualised cash earnings for the 12 month period ended 30 June 2011 were approximately $2.2 million (0.27 cents per ordinary security). Assuming these cash earnings were fully distributed, then based on a 5% yield, BAO's ordinary units would likely be priced at 5.4 cents[1]. Whilst this is only marginally higher than current trading prices, the benefit will arise in the future as BAO's earnings increase over time due to increased rental income generated by the underlying properties and the gradual reinstatement or increase in distributions from the underlying funds as they recover from the GFC. This increase in earnings will likely drive an increase in unit price. This compares to the status quo whereby no distributions have been paid since December 2008 and BAO's unit price has hovered around current levels, which appear to largely reflect option value only. In the absence of the Proposal, we do not consider it unreasonable for BAO's unit price to continue to trade at current levels given the absence of distributions.

[1] Assumes a 0.27 cents per ordinary unit distribution divided by a 5% yield.

The Proposal therefore improves the extent to which Securityholders can generate returns from their investment in BAO commensurate with comparable investments.

The Proposal is accretive to BAO on an NTA and yield basis and works within the limitation of BAO's liquidity and debt covenants

BAO currently accounts for the Acquisition Assets via its consolidation of MPIF. The underperformance of MPIF in recent years has resulted in retained losses exceeding the value of BAO's equity investment in MPIF, such that MPIF's NTA does not contribute to Securityholders' share of BAO's NTA. By acquiring the Acquisition Assets at a discount of 20% to NTA, the NTA uplift associated with transferring the Acquisition Assets from MPIF to BAO would exceed the cash consideration paid for the Acquisition Assets, resulting in an immediate accretive impact on Securityholders' share of BAO's NTA from 13.50 cents per unit to 13.87 cents per unit[2]. The same applies to yield, whereby acquiring the Acquisition Assets at a 20% discount to NTA causes the weighted average distribution yield from the Acquisition Assets to increase from 5.4% of NTA to 6.8%, and BAO's standalone weighted average portfolio yield increasing from 3.9% of NTA to 4.0%.

In addition, the Proposal can be undertaken using available cash complimented with proceeds from sale of listed securities without breaching its debt covenants.

BAO have considered a number of options and concluded that the Proposal is the most appropriate option available

The Proposal represents the culmination of a process whereby BAO considered a range of alternatives aimed at maximising long-term value for Securityholders. Key alternatives considered by BAO revolve around:

- **offering BAO scrip in exchange for Income Units.** This is expected to be materially dilutive for Securityholders given the current book value of the Income Units ($40 million) and BAO's current market capitalisation ($33 million). Assuming no discount is applied and all Income Unitholders convert, Income Unitholders could obtain up to 56% percent of the ordinary units in BAO with Securityholders being diluted from 38% to 17%.[3]

- **buying the Income Units.** BAO does not have sufficient cash available to fund an acquisition of the Income Units. Furthermore, given the Income Units yielded only 4.2% for the 12 months ended 30 June 2011, BAO would need to acquire the Income Units at a 48% discount in order to generate the hurdle return of 8%. This may not be palatable for Income Unitholders and may create reputational risk for BAO.

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[2] Based on the Proposal occurring on 30 June 2011. Excludes transaction costs.

[3] Market value of Securityholders equity is $13 million (38% x $33 million market cap). Issuing $40 million in BAO scrip to Income Unitholders at the prevailing BAO unit price would dilute Securityholders to 17% (13/(33+40)).

3.3.2 Other considerations

We also considered a range of other factors in our reasonableness assessment though note these factors are, in our view, less material to our overall conclusion.

BAO will increase its exposure to unlisted securities

Whilst Securityholders will have a greater exposure to unlisted securities under the Proposal (from 76% to 84% of total assets[4]), we consider this is offset by:

- the underlying yield earned on the Acquisition Assets of 6.8%, which is materially higher than BAO's weighted average portfolio yield of 3.9%.
- increased influence in the underlying funds. Since BAO holds an existing interest in most of the underlying funds to which the Acquisition Assets relate, the Proposal allows BAO to increase its influence over these funds. This is particularly important for investment vehicles which restrict the options in which investors can generate returns.
- consistency of the Acquisition Assets with BAO's investment mandate of investing a majority of its capital in direct/unlisted property.

The Proposal reduces the risk of dilution to Securityholders as Income Unitholders will no longer have the option to convert their Income Units into ordinary units in BAO

Currently, certain Income Unitholders are permitted to withdraw from MPIF (subject to BCML's consent) by converting their Income Units into an equivalent dollar value of ordinary units in BAO. Given the face value of the Income Units and the current market capitalisation of BAO, this is likely to be materially dilutive to Securityholders. The eventual wind-up of MPIF will mean that this risk of dilution will no longer exist.

Winding up MPIF reduces the level of management fees payable by BAO

Under the status quo, BAO is liable for management fees incurred at the MPIF level. Management fees for MPIF are based on total assets and have been in the order of $0.2 million for the 12 months ended 30 June 2011. This implies that BAO pays management fees to maintain the MPIF structure under which there is no equity value attributable to BAO. It is anticipated that MPIF's management fees will progressively decline as MPIF's assets are realised and capital distributed as part of the wind-up of MPIF.

Winding up MPIF eliminates any chance of BAO receiving value for its equity investment in MPIF

Whilst BAO will still hold the ordinary units in MPIF post the Proposal, these units are unlikely to be of any value given the material shortfall of expected proceeds from liquidating MPIF's assets and the claim by Income Unitholders. On this basis, we do not consider there to be any value attributable to BAO's

[4] Assuming the Proposal occurred on 30 June 2011 (refer section 10).

equity interest in MPIF post the Proposal. Furthermore BAO's equity interest has already been written down to nil.

BAO can restate the Acquisition Assets to NTA for covenant purposes, despite acquiring them at a discount

Under the Proposal, BAO is able to restate the Acquisition Assets to NTA for covenant purposes. This will have the effect of lowering its loan-to-value (LVR) ratio from 25.4% to 24.8%[5] since its asset base will increase by $3.0 million[6] relative to its debt obligations.

There are uncertainties associated with the wind-up of MPIF

Given the illiquid nature of the remaining assets held by MPIF post-Proposal, there will be uncertainties in relation to the timing of the divestment process and value achieved from the sale of assets. Despite this, these uncertainties would have less meaning to BAO since its claim on MPIF's assets will likely be nil.

BAO will incur costs to implement the Proposal

It is expected that BAO will incur transaction costs in the order of $0.7 million to implement the Proposal. We consider this immaterial having regard to the overall objectives achieved by BAO under the Proposal. Furthermore, any alternative option would likely impose costs on BAO to implement.

3.3.3 Implications if the Proposal does not proceed

In the event the Proposal does not proceed, BAO will continue to be restricted in paying distributions and capital returns to Securityholders and this restriction is expected to continue for some time under the status quo. Other adverse impacts include the requirement to pay the management fees of MPIF, potential risk of dilution by certain Income Unitholders, and the sunk costs incurred.

Whilst BCML will continue to seek other alternatives to resolve these issues, we note the alternatives considered (as outlined in section 3.3.1) are expected to be either less favourable for BAO or not enable BAO to achieve its objectives.

Whilst there are other options available to terminate and wind up MPIF (refer section 3.3 of the Explanatory Memorandum), these options are not in the immediate control of BCML and therefore provide no certainty of outcome.

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[5] LVR covenant based on debt/investments NTA ratio. Pro-forma LVR (including uplift) equals $37 million / ($22.1 million in listed investments + $127.2 million in unlisted investments). Pro-forma LVR (excluding uplift) equals $37 million / ($22.1 million in listed investments + $124.2 million in unlisted investments). Refer section 10 for more information.

[6] Excluding transaction costs.

3.4 The Proposal is in the best interests of Securityholders

According to RG 111, if an expert would conclude that the proposal was 'fair and reasonable' if it was in the form of a takeover bid, it is open to the expert to also conclude that the proposal is 'in the best interests' of the members of the company.

On the basis of our analysis above, we consider it to be in the best interests of Securityholders that the Proposal proceed.

3.5 The Proposal is on arm's length terms

In determining whether the Proposal is on arm's length terms, we considered the guidance provided under RG 76.70 and the scope of section 210 of the Act. In this regard, we note:

- at a minimum, the price paid by BAO under the Proposal is within the range of fair values of the assets acquired. On this basis, the terms of the overall transaction are not inconsistent with those of comparable transactions between parties dealing on an arm's length basis in similar circumstances
- BCML established two sub-committees, one for each of BAO and MPIF, with directors of the BCML Board being allocated to each sub-committee (having regard to conflicts of interest) to ensure that decisions and recommendations made by each sub-committee were made independently.

On the basis of the above, we consider the Proposal is on arm's length terms.

4 Other matters

In forming our opinion, we have considered the interests of Securityholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of an individual Securityholder. It is not practical or possible to assess the implications of the Proposal on an individual Securityholder as their financial circumstances are not known. The decision of Securityholders as to whether or not to approve the Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Securityholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Securityholders in considering the Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

Appendix A – Independent Expert's Report continued

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to Securityholders in relation to the Proposal, without the prior written consent of KPMG as to the form and context in which it appears. KPMG consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Sean Collins	Ian Jedlin
Authorised Representative	Authorised Representative

Brookfield Capital Management Limited as responsible entity for Brookfield Australian Opportunities Fund
Independent expert report & Financial services guide
18 October 2011

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Brookfield Capital Management Limited as responsible entity for Brookfield Australian Opportunities Fund
Independent expert report & Financial services guide
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Financial services guide

Dated 18 October 2011

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (**KPMG**).

This FSG includes information about:

- KPMG and its Authorised Representatives and how they can be contacted
- the services KPMG and its Authorised Representative are authorised to provide
- how KPMG and its Authorised Representative are paid
- any relevant associations or relationships of KPMG and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG.

This FSG forms part of an IER which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG and its Authorised Representatives are authorised to provide

KPMG holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- interests in managed investments schemes excluding investor directed portfolio services; and
- securities,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG to provide financial product advice on KPMG's behalf.

KPMG and the Authorised Representative's responsibility to you

KPMG has been engaged by BCML as the responsible entity of BAO to provide general financial product advice in the form of the IER to be included in an Explanatory Memorandum prepared by BAO in relation to the Proposal.

You have not engaged KPMG or the Authorised Representatives directly but have received a copy of the IER because you have been provided with a copy of the Explanatory Memorandum. Neither KPMG nor the Authorised Representatives are acting for any person other than BCML as responsible entity for BAO and BAO.

KPMG and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the IER.

General Advice

As KPMG has been engaged by BCML, the IER contains only general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the IER having regard to your circumstances before you act on the general advice contained in the IER.

You should also consider the other parts of the Explanatory Memorandum before making any decision in relation to the Proposal.

Fees KPMG may receive and remuneration or other benefits received by our representatives

KPMG charges fees for preparing reports. These fees will usually be agreed with, and paid by, BCML. Fees are agreed on either a fixed fee or a time cost basis. In this instance, BCML has agreed to pay KPMG $70,000 for preparing the IER. KPMG and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the IER.

KPMG entities have provided, and continue to provide, a range of advisory services to BCML and BAO for which professional fees are received. Over the past two years, professional fees of $ 1.6 million have been received from associated entities of Brookfield . None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this IER holds a substantial interest in, or is a substantial creditor of, BCML or BAO or has other material financial interests in the transaction.

KPMG officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the IER.

Further details may be provided on request.

Referrals

Neither KPMG nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with an IER.

Associations and relationships

Through a variety of corporate and trust structures, KPMG is controlled by and operates as part of the KPMG Partnership. KPMG's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the IER is provided by KPMG and the Authorised Representatives and not by the KPMG Partnership.

From time to time, KPMG, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. None of those services are related to the Proposal or alternatives to the Proposal.

No individual involved in the preparation of this IER holds a substantial interest in, or is a substantial creditor of, BCML or BAO or has other material financial interests in the Proposal.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Act.

Contact Details

You may contact KPMG or the Authorised Representatives using the contact details:

KPMG Corporate Finance (Aust) Pty Ltd
10 Shelley St, Sydney NSW 2000
PO Box H67, Australia Square, NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

5 The Proposal

5.1 Key terms

The Proposal involves BAO offering a cash consideration of $12.2 million to MPIF for the Acquisition Assets on the condition that:

- the Distribution Stopper is permanently removed, which will be achieved by a Special Resolution by MPIF Income Unitholders and will be recorded in the Terms of Issue of MPIF Units (Terms) and the ICU Deed which currently prevents BCML from paying distributions to Securityholders.
- BCML commences termination and winding up of MPIF.

5.2 Conditions

The Proposal is subject to conditions including:

- separate approvals by Securityholders and Income Unitholders at separate meetings proposed to be held in October or November 2011.
- the provision of an IER under which the expert opines that the Proposal is fair and reasonable to Securityholders, is in the best interests of Securityholders, and is on arm's length terms.
- BCML obtaining approval from the Foreign Investment and Review Board (FIRB), which is required for acquisitions of interests in Australian urban land by BAO given Brookfield's unitholding in BAO.

Appendix A – Independent Expert's Report continued

6 Scope of the Report

6.1 Purpose

Given BAO and MPIF share a common Board and responsible entity, the Proposal triggers the application of ASX Listing Rule 10 and Chapter 2E of the Act (which deal with transactions between related parties) which have implications in relation to the provision of an IER aimed at assisting the Securityholders to assess the merits of the Proposal.

More specifically, BCML as responsible entity for BAO, has requested KPMG to prepare an IER which opines on whether the Proposal is fair and reasonable for Securityholders, is in their best interests, and is on arm's length terms.

In undertaking our work, we have referred to guidance provided by ASIC under RG 111 and RG 76.

6.2 Basis of assessment

6.2.1 Fair and reasonable

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion on whether a related party transaction is 'fair and reasonable' from the perspective of non-associated members. RG 111 notes:

- in assessing whether a related party transaction is 'fair and reasonable' the assessment should not be applied as a composite test.
- a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the valuation of the consideration being provided to the entity.
- in relation to an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- in valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposal.
- a proposed related party transaction is 'reasonable' if it is 'fair'.
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote for the proposal. In such cases, in accordance with RG 111.61, the expert must clearly explain the meaning of this opinion.
- factors to be considered in deciding whether a proposal is 'reasonable' might include:
  - the financial situation and solvency of the entity
  - opportunity costs
  - the alternative options available to the entity and the likelihood of those options occurring

- the entity's bargaining position
- whether there is selective treatment of any security holder, particularly the related party
- any special value of the transaction to the purchaser, such as particular technology or the potential to write-off outstanding loans from the target
- the liquidity of the market in the entity's securities.

6.2.2 In the best interests

RG 111.19 indicates that in considering whether, in the context of a control transaction, a transaction is "in the best interests" of members, the expert is expected to apply the same analysis that applies to the "fair and reasonableness" test.

According to RG 111.17 to 111.19:

- if an expert would conclude that a proposal was 'fair and reasonable', it will also be able to conclude that the proposal is in the best interests of the members of the company.
- if an expert would conclude that the proposal was 'not fair but reasonable', it is still open to the expert to also conclude that the proposal is 'in the best interests of the members of the company'.
- if an expert concludes that a proposal is 'not fair and not reasonable', then the expert would conclude that the proposal is 'not in the best interests' of the members of the company.

Whilst this is not directly applicable to the Proposal given it does not involve a control transaction, we believe it is appropriate to apply the same analysis.

6.2.3 Arm's length terms

RG 76.70 outlines the factors that should be considered at a minimum when determining whether a proposal can be deemed "arm's length" in nature, despite being negotiated between related parties. These include:

- how the terms of the overall transaction compare with those of any comparable transactions between parties dealing on an arm's length basis in similar circumstances.
- the nature and content of the bargaining process, including whether the entity followed robust protocols to ensure that conflicts of interest were appropriately managed in negotiating and structuring the transaction.
- the impact of the proposal on the company (e.g. the impact of dealing on those terms on the financial position and performance of the company) and non-associated members.
- any other options that may be available to the entity.
- expert advice received by the entity on the transaction (if any).

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of BAO or MPIF for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with BAO's management in relation to the nature of the BAO's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of BAO. Whilst KPMG has relied upon this forward-looking financial information in preparing this report, BAO remains responsible for all aspects of this forward-looking financial information. Achievement of forecast/projected results is not warranted or guaranteed by KPMG. Forward-looking financial information is by its nature uncertain and is dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the forecasts/projections relied on by KPMG. Any variations from forecasts/projections may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Independent Directors of BAO, together with BAO's legal advisers, are responsible for conducting due diligence in relation to the Acquisition Assets. KPMG provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7 Industry overview

BAO and MPIF both hold interests in listed and unlisted property trusts which invest predominantly in the Australian and, to a lesser extent, New Zealand markets. On this basis, we have provided an overview of the following sectors to provide context as to the environment in which BAO and MPIF operate:

- A-REIT sector
- Unlisted property trusts
- Property sector in Australia and New Zealand.

7.1 A-REIT sector

Listed on the ASX, A-REITs are trust structures that provide securityholders the opportunity to invest in a vehicle that has investments in direct and/or indirect property assets, both domestically and internationally.

At 31 August 2011, the market capitalisation of A-REITs listed on the ASX was $74 billion of which the largest 20 listed A-REITs represented 96% of the market capitalisation. Westfield Group (Westfield) is the largest listed A-REIT, representing approximately 25% of the total market capitalisation at the above date.

A-REITs invest in a range of properties in various sub-sectors and geographical locations. Securityholders generally evaluate A-REITs by assessing the security of the income, the quality of the individual properties and tenants, the length of tenant leases, the level of gearing and the quality of management. The relative risk of these elements will generally be reflected in the yield of individual A-REITs.

A-REITs are often sector-specific, concentrating on a particular sub-sector of the property market. However there are some that invest in several sub-sectors, known as diversified A-REITs. Set out below is a summary of the type of properties in each property sub-sector:

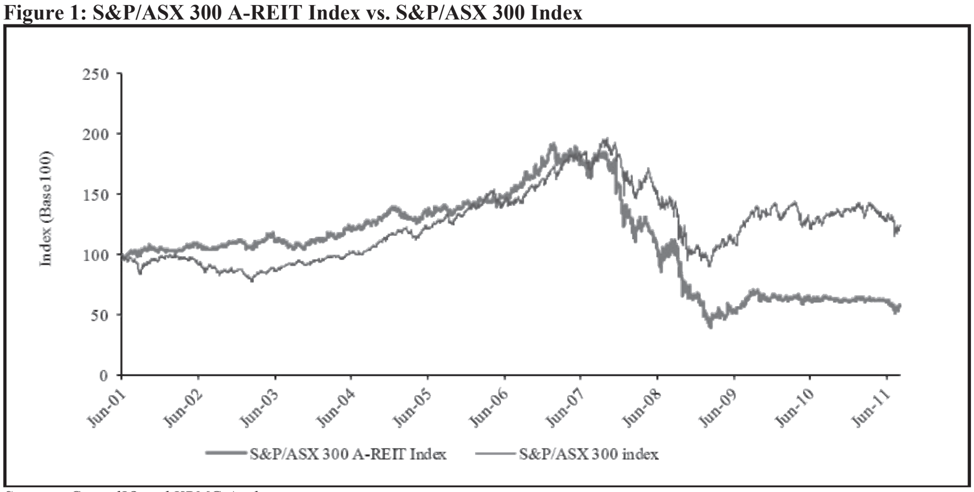
- *Industrial*: investment in industrial warehouses and distribution properties.
- *Office*: investment in office buildings and office parks.
- *Residential*: investment in residential properties including multifamily homes, apartments, manufactured homes and student housing properties.
- *Retail*: investment in shopping malls, outlet malls, neighbourhood and community shopping centres.
- *Hotel*: investment in properties that provide accommodation on a room and/or suite basis.
- *Bulky goods*: investment in retail warehouses which contain whitegoods and hardware.

A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto securityholders through tax deferred distributions.

7.1.1 Historical performance

The figure below outlines the relative performance of the S&P/ASX 300 A-REIT Index (A-REIT Index) and the S&P/ASX 300 Index (300 Index) from June 2001 to August 2011.

Figure 1: S&P/ASX 300 A-REIT Index vs. S&P/ASX 300 Index



Source: CapitalIQ and KPMG Analysis

The A-REIT Index performed in line with the 300 Index between June 2001 and June 2007, after which the A-REIT index underperformed as a result of the ongoing effects of the GFC.

From late 2007, the GFC had a major impact on the A-REIT sector. From its high in February 2007, the A-REIT index declined approximately 79% to its low on 9 March 2009, compared with a high to low decline of approximately 61% for the 300 index over a similar period. The GFC caused changes in debt markets, resulting in tighter gearing requirements, stringent debt covenant conditions, higher cost of debt and lower liquidity. As a result of the crisis, capitalisation rates of properties increased, resulting in large property devaluations. Combined with higher debt costs, this significantly impacted the A-REIT sector, particularly those entities with high gearing levels. As a result, many A-REITs had to recapitalise by raising large amounts of equity at significant discounts to their NTA in order to reduce gearing to more sustainable levels.

Since March 2009, the equity markets have staged a recovery, with the A-REIT Index at 31 August 2011 up 48% from its low, and the 300 Index up 59%.

7.1.2 Price versus net tangible asset backing

A-REITs generally release their NTA per unit on a quarterly or semi-annual basis, depending on the size of the A-REIT. When analysing listed A-REITs, one consideration for brokers and analysts is the difference between the trading price and the last reported NTA per security.

The trading price of a unit in a property fund will typically trade at a further discount to NTA to reflect, amongst other factors:

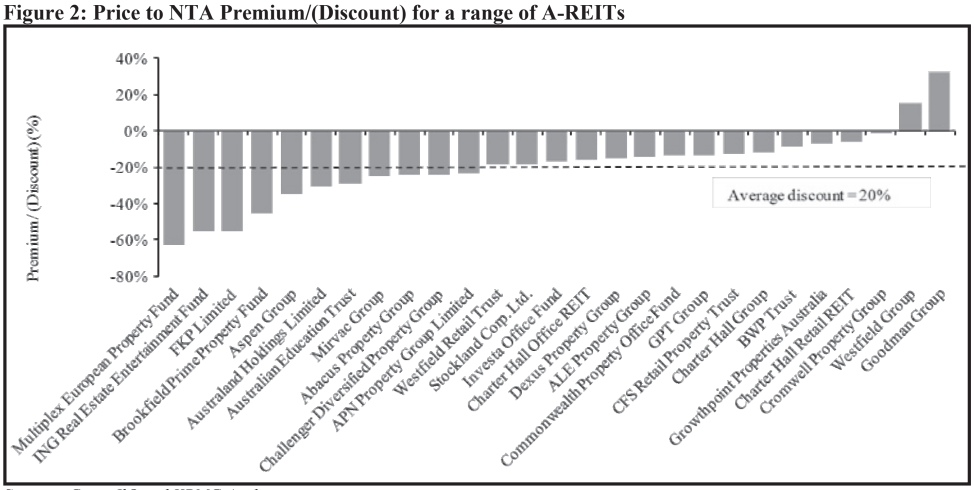
- the non-controlling nature of the traded parcels of units.

- capitalised costs associated with managing a property portfolio.
- the market's perception of the sustainability of the property fund's gearing and other issues related to the capital structure and distribution.
- the market's perception of the adequacy of the valuation policy and the accuracy of the independent property valuations particularly during periods of uncertain market conditions.

It is difficult for pure property funds (funds without significant development or funds management businesses) to trade at a premium to NTA as the uncertain nature of property assets causes investors to discount the underlying property valuations.

The figure below sets out a comparison of the trading discount / premium to last reported NTA of a selection of listed A-REITs as at the close of trading on 31 August 2011 with their last reported NTA as at 30 June 2011.

Figure 2: Price to NTA Premium/(Discount) for a range of A-REITs



Source: CapitalIQ and KPMG Analysis

Of the 27 listed A-REITs analysed, two were trading at a premium to NTA and 25 were trading below their NTA, with the average discount of the sample being 20%. BAO was trading at a 69% discount to its NTA at 31 August 2011. A-REITs with active development pipelines such as Goodman and Westfield typically trade at premiums to NTA as the development businesses offer upside to the existing asset base.

7.1.3 Current themes in the A-REIT sector

Defensive investment proposition

A large portion of the A-REIT sector have relatively stable net operating income as a result of the high and stable occupancy rates, low volatility in market rents and stable net operating income margins currently observed in the market. Combined with the financial deleveraging of the A-REIT sector over the past 12 months and the reduction of refinancing risk through the extension of the weighted average debt maturities, it appears that investor' appetite for the sector has increased with retail investors being net buyers in the A-REIT sector in the months of June and July 2011.

A-REIT yields vs gross bond yield

Recent A-REIT price weakness has resulted in the yield spread for most A-REITs over alternative investments, such as term deposits and bonds, to widen, which increases investor appetite for A-REIT investments. This investment arbitrage proposition is further enhanced as a result of the bond yield compression seen due to sovereign debt issues in the European Union and the downgrade in the US's credit rating by Standard & Poor's to AA+.

Improvement in debt markets

A-REITs have continued to focus on diversifying and extending their debt profiles. There have been signs that the tight credit conditions experienced during the GFC are continuing to ease, with A-REITs recently reporting more favourable bank credit margins on new facilities. Moreover, debt capital markets continue to be an alternative source of funding which is placing pressure on banks to remain competitive.

Supply/demand of space

Market fundamentals remain sound for A-REITs, particularly in the office sector. New office supply has been minimal in recent times, due to the lack of development over the past year, and this is expected to translate to low vacancy rates and high average rents over the medium term. Low consumer sentiment has adversely impacted the retail sector through a reduction in retail consumer spending. Online shopping and increased household saving rates is starting to impact occupancy rates in prime locations. Asset values have been mixed with some stabilised or marginally increasing while some continue to be written-down.

Buy-backs

The onset of the GFC resulted in many A-REITs trading at significant discounts to their reported net tangible asset values (NTA). With few accretive asset acquisition opportunities, low sector gearing, costly line fees on undrawn debt facilities and many A-REIT stocks continuing to trade at a significant discount to their NTA, there is a perception that some A-REITs may use buybacks to boost returns over the next 12 months. This is evidenced by GPT which recently announced its intention to buy-back up to 5% of its ordinary securities over the next 12 months.

Carbon tax

The short-term impact of the proposed carbon tax to the A-REIT sector, which the Federal Government intends to introduce for 1 July 2012, is likely to be limited as the majority of leases in the A-REIT sector are net leases allowing the operator to recover outgoings such as costs relating to common area electricity. However, construction costs will likely increase over time as a result of the carbon tax. As a result, older buildings may bring forward their capital expenditure requirements to avoid this increase in future expenditure.

7.1.4 Outlook for A-REITs

Listed A-REITs have recently underperformed the broader equity market due to lower consumer confidence, weak retail sales and the volatility resulting from weak market sentiment particularly in relation to the current sovereign debt issue in the European Union and the downgrading of the US to a AA+ rating by Standard & Poors'. Further, with brokers downgrading domestic growth forecasts in recent weeks, the immediate outlook for A-REITs, and equities in general, is uncertain. However, the A-REIT sector is fundamentally sound with high occupancy rates, limited new supply entering the market in coming years coupled with an increasing average rent. Whilst A-REITs continue to trade at discounts to their reported NTAs, management have the option to undertake a buy-back as part of its future capital management plans as a means to reduce the size of this discount.

7.2 Unlisted property trusts

Unlisted property trusts differ from A-REITS primarily on the basis that they are not listed on a stock exchange and thus cannot be readily tradeable. Characteristics of unlisted property trusts include the following:

- *Lower liquidity* – Unlisted property trusts offer lower liquidity relative to A-REITs since investors are unable to readily trade units in the trust. Some trusts have redemption facilities in place, though these are modest at best and have been found to be inadequate since the onset of the GFC with funds suspending redemptions thereby offering no option for investors to liquidate. Lack of liquidity is one of the key drivers of negative sentiment towards unlisted property trusts.

- *Lower price volatility* – Unlisted property funds exhibit lower price volatility than their A-REIT peers owing to the inability of investors to readily trade units which reduces the impact of short term market sentiment on pricing. Further, unit pricing is inherently based on the value of the underlying properties which are typically revalued only on a periodic basis and with reference to longer term factors.

- *Open-ended vs Closed-end funds* – Historically, unlisted property trusts were “closed-end” funds whereby equity capital is returned upon liquidation of the fund at expiry, or rolled-over for an additional term. Given their lack of liquidity, closed-end funds were typically the domain of wholesale investors whom tended to have long term investment horizons and invest via syndicates. To improve the appeal of unlisted property trusts to retail investors, “open-ended” funds were introduced, which offer a redemption facility to allow investors to redeem units during certain windows. The ability to redeem units was particularly attractive for retail investors, who could invest in these funds via Master Trust and Wrap platforms. Consequently, open-ended funds were a key driver in the significant growth in unlisted retail funds over the 10 year period to 2009, with assets under management growing at a compound annual growth rate (CAGR) of 35%[7].

- *Long investment terms* – Unlisted property trust have investment terms often exceeding 10 years. The introduction of the redemption facility in open-ended funds essentially offsets the need for an expiry date or liquidation event in order to return capital to investors.

- *Geared structures* – Debt is used to magnify equity returns and to provide investors a favourable tax structure. Unlisted funds historically held leverage ratios in the range of 50 percent to 65 percent, though the impact of the GFC has resulted in gearing levels shifting lower in recent times. At 31 July 2011, gearing on gross asset value basis was 14.3% for the Mercer/IPD Australian Pooled Property Fund Index, which comprises 17 leading unlisted wholesale property funds in Australia.

- *Relatively high yields* – Unlisted funds would typically pay a higher yield to compensate investors for the length of investment term, risk of leverage, reduced liquidity the smaller nature and lower quality of portfolio assets held by unlisted funds. Current distribution yield is 5.9% for the Mercer/IPD Australian Pooled Property Fund Index.

[7] PIR Australian Property Funds Industry Survey, 2009

7.3 Property Industry

BAO holds interests in property funds in which the underlying property assets are predominantly located in Australia (74%) and New Zealand (20%)[8]. The investments acquired from MPIF are also predominantly exposed to the Australian property market. As such, we have provided an overview of the property markets in Australia and New Zealand below.

7.3.1 Australia

Current demand for prime and non-prime properties

The underlying property assets to which BAO and MPIF are exposed predominantly comprise of non-prime grade properties.

Buyers' appetite for prime grade properties continues to be strong with long lease terms and strong lease covenants being attractive to both institutional and private investors. Over the past two years there has been limited supply of new prime grade properties due to a combination of restrictive credit market conditions and uncertainty in asset pricing. As such, the demand for these properties is expected to remain strong.

Whilst there has been strong evidence of supply and demand for prime grade property, the market for non-prime property is considerably less liquid. Assets which are older are typically in need of capital expenditure, have high vacancy rates, low weighted average lease expiries (WALEs) and weak lease covenants. Current yields for non-prime suburban grade property are 2.0% to 3.5% above prime grade property reflecting these issues.

Recent market research reports show limited transactions have occurred in the non-prime property market over the past two years. Sales which have occurred have primarily been to owner-occupiers or opportunistic buyers, which has resulted in a number of properties being pulled from the market. With a shallow pool of potential investors for non-prime grade assets, it may be difficult for these properties to transact, with the majority of owners and financiers holding assets instead of realising lower than book value prices.

Sub-sector overview

Set out below is a summary of the current state and outlook for each main property sub-sector in which BAO and MPIF are ultimately exposed.

- *Office*: The beginning of 2011 saw robust economic conditions prevail with vacancy rates in a number of cities expected to remain low due to a soft development pipeline resulting from reduced property construction. This is expected to feed into a period of above average rental growth and result in property yields above historic averages. This is seen in the recent office property transaction of 8 Bligh St, Sydney, which was sold at a record rate per square metreage, and the sale of 259 George St, Sydney, at a 15% premium to book value. Over the medium term, new supply is expected to come online, and the higher average rent growth is expected to revert back to normal levels. A longer term influence on the future profitability of office A-REITs are the factors that may impact workspace per employee (the workspace ratio). Two themes that may influence this ratio are the move towards activity based workplaces and an increase in the number of people not working in the office. The combined impact of these themes would be

[8] The balance of properties are held in Europe and the US

to reduce the workspace ratio, as well as the total workspace requirement upon lease. If not addressed, these factors may reduce the attractiveness of this sector to investors.

- *Industrial*: The strong Australian dollar and a relatively robust domestic economy in early 2011 saw an improvement in import volumes coupled with low new supply, which resulted in relatively high investment yields in the industrial sub-sector. Further, the increasing number of consumers buying online will be a positive factor for industrial/logistic operators, albeit on a smaller and shorter time scale relative to the requirements of physical retailers. Over the long-term, expected improving economic conditions which fuels construction activity, manufacturing and imports, will result in an improvement in the performance of the industrial property sector.

- *Retail*: Retail consumer spending is the main driver of activity in this sector. The reduction in consumer consumption is driven by a range of factors including increased purchasing via online channels by consumers; failure of retailers to adapt to the shift online (i.e. REDGroup (Borders, Angus & Robertson), Colorado Group (Colorado, Jag, Diana Ferrari)) and increased household saving rates reflecting the current low levels of consumer sentiment.

7.3.2 New Zealand

BAO's exposure to the New Zealand market is principally via its interest in the Multiplex New Zealand Property Fund. The following section discusses the impact of the Christchurch earthquake on the property sector and the current outlook of the office and industrial property sub-sectors in New Zealand.

- *Christchurch:* The Christchurch earthquake created uncertainty in the New Zealand economy as the New Zealand Government has attempted to quantify resources required in Christchurch. This has limited the Government's leasing activity, and transactions have been placed on hold pending the outcome of assessments in Christchurch. It is expected that within 12 months, the Government's position will be clearer and will re-engage in markets outside of Christchurch.

- *Office:* Excluding the impact of Christchurch, vacancy rates increased over the past year in the New Zealand office market and it is expected to increase slightly over the next 12 months. Whilst some tenants are moving to prime office space, the vacated premises have not been filled. However, there is limited new supply of office space coming on over the next year which may help support current rents. In Christchurch, office market vacancy will be low over the short term as damaged buildings are removed from stock. Depending on the speed of reconstruction, a one-off increase in vacancies is expected as buildings are rebuilt/repaired and brought back into supply.

- *Industrial:* The industrial property sector has recovered with improved investor confidence over the last two years. The Christchurch earthquake did reduce investor confidence temporarily, however, property activity has improved in this sector since. Enquiries for new space and the value of new building consents have increased significantly from 2010 and industrial vacancy levels and yields are predicted to improve over the next year in line with improved investor confidence and transactional activity.

8 Profile of Brookfield Australian Opportunities Fund

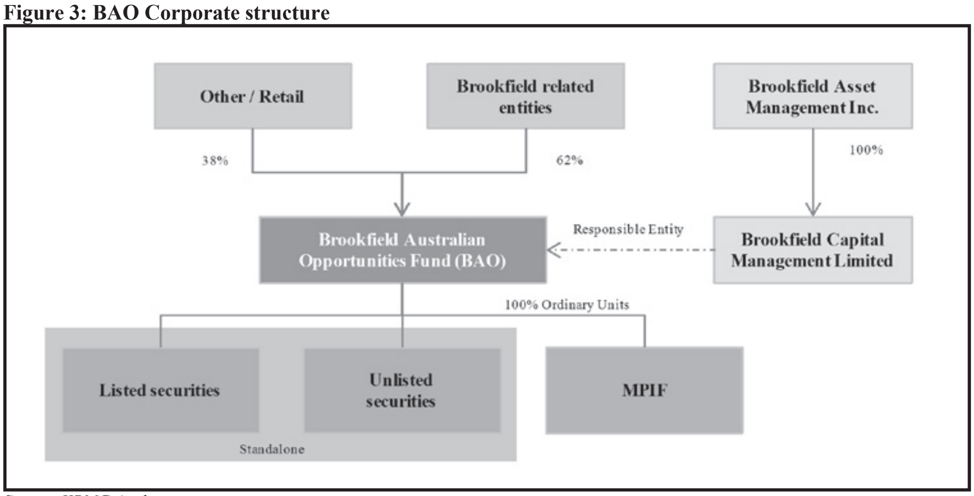
8.1 Introduction

BAO is a fund-of-funds property trust listed on the ASX with a market capitalisation of $32.5 million at the close of trade on 31 August 2011. BAO holds interests in various listed and unlisted property trusts, with no direct property holdings.

BAO was originally named Acumen Capital Property Securities Fund (ACF), and was first listed on the ASX in July 2003 with the aim of providing retail investors the ability to gain exposure to a diversified portfolio of property assets. From an initial portfolio of 11 unlisted property fund investments, BAO expanded via a series of corporate transactions to reach a standalone asset portfolio of 38 securities worth $138.5 million at 30 June 2011 (excludes MPIF). Information on MPIF is contained in section 9.

Set out in the diagram below is an overview of the current structure of BAO.

Figure 3: BAO Corporate structure



Source: KPMG Analysis

BAO's standalone investment assets comprise:

- investments in 13 A-REITS listed on the ASX, with a book value of $26.5 million at 30 June 2011 (refer section 8.2).
- unlisted security portfolio comprising investments in 25 unlisted property funds (three of which are currently in wind-up), with a book value of $111.9 million at 30 June 2011 (refer section 8.3).
- other assets consisting predominantly of cash of $7.8 million at 30 June 2011.

The following figures illustrate the asset, sector, geographical and manager allocations of BAO's property investment portfolio (by value) at 30 June 2011 on a look through basis.

Figure 4: Asset allocation (by value)

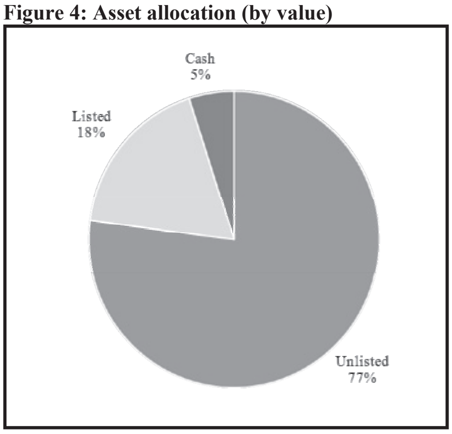


Figure 5: Sector allocation (by value)

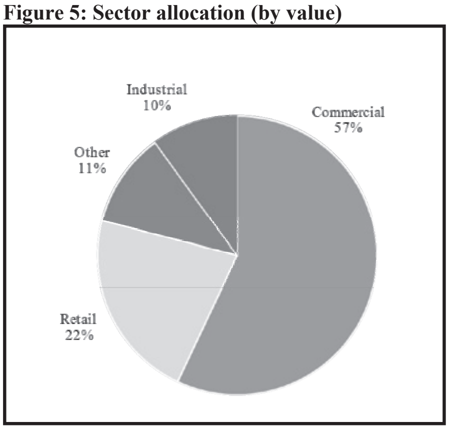


Figure 6: Geographical allocation (by value)

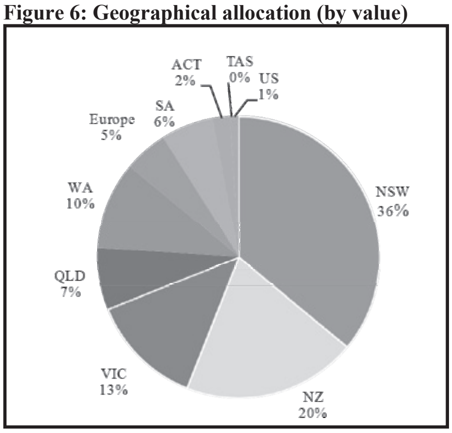
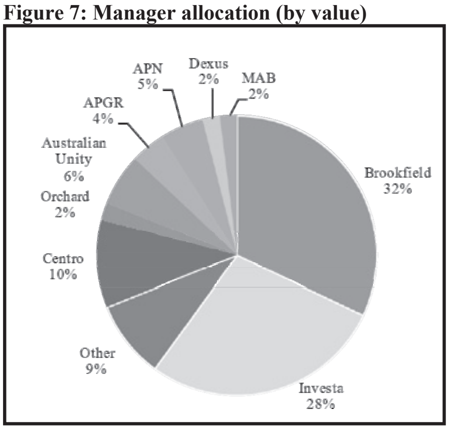


Figure 7: Manager allocation (by value)



Source: Brookfield Australian Opportunities Fund Annual Results 2011

In relation to figures above, we note:

- BAO's asset base is relatively illiquid with 77% of its asset based comprising unlisted securities at 30 June 2011.
- BAO is primarily exposed to the commercial and retail sub-sectors.
- its investment portfolio is largely exposed to local market conditions, with 74% of invested funds in Australia. It holds a lower exposure to the New Zealand market via its interest in Multiplex New Zealand Property Fund (MNZPF) and a small exposure to European and North American markets.
- associated entities of the Brookfield Group manage approximately 32% of the portfolio.

8.2 Listed property portfolio

At 30 June 2011, BAO's held investments in 13 A-REITS funds on a standalone basis (excluding MPIF), as set out in the table below.

Table 2: BAO listed property portfolio at 30 June 2011

Fund name	Invest value ($m)	Interest held (%)	Fund metrics: Fund NTA ($m)	Dist Yield (%)[1]	Cap Rate (%)	WALE[2] (years)	Occupancy (%)
Abacus Property	0.3	0.03%	1,058.1	7.1%	8.5%	4.0	92.8%
Australand Property	0.3	0.02%	2,313.6	7.3%	8.3%	5.3	98.9%
Brookfield Prime Property	8.3	5.00%	266.5	0.0%	7.8%	7.2	92.0%
Challenger Diversified Prop	0.3	0.05%	611.6	7.3%	8.2%	5.0	93.7%
Charter Hall Retail	1.0	0.10%	1,069.8	8.0%	8.1%	6.7	97.5%
CFS Retail Property	0.3	0.01%	5,835.8	7.1%	6.5%	3.6	99.7%
Commonwealth Prop Office	3.9	0.21%	2,707.5	5.9%	7.6%	5.3	96.7%
Dexus Property	3.2	0.08%	576.6	5.9%	7.7%	5.0	88.7%
GPT Group	0.9	0.01%	6,981.5	5.3%	6.2%-8.5%	3.3-6.2	97.5-99.9%
Investa Office (ING)	3.9	0.22%	2,016.8	6.0%	7.2%	4.8	93.0%
Mirvac Group	1.3	0.03%	5,521.0	7.0%	7.6%	6.2	98.1%
Multiplex European	2.3	5.61%	87.3	13.9%	7.8%	7.2	92.0%
Stockland Group	0.5	0.01%	8,682.8	7.1%	7.5%	3.2-4.3	96.0-99.8%
Total/Weighted Average	**26.5**	**n/a**	**n/a**	**7.2%**	**n/a**	**n/a**	**n/a**
MPIF	4.7	100.0%	n/a	0.0%	n/a	n/a	n/a
Total consolidated	**31.2**	**n/a**	**n/a**	**7.2%**	**n/a**	**n/a**	**n/a**

Source: Investment value and distribution yield information sourced from Brookfield Australian Opportunities Fund Annual Results. All other information sourced from company reports / presentations and KPMG Analysis
Note 1: Distribution yields are based on distribution rates as at 30 June 2011 and the A-REITs' closing price as at 30 June 2011. The yields exclude any special or one-off distributions
Note 2: Weighted average lease expiry at 30 June 2011, except for CFS Retail Property which is 31 December 2010

In relation to the table above, we note:

- Brookfield Prime Property Fund's (BPPF) carrying value declined from $15.9 million at 30 June 2010 to $8.3 million at 30 June 2011 ($7.6 million decline). The carrying value at 30 June 2010 included the present value of the instalment due in respect of the security on 15 June 2011 of $10.9 million and was matched by a corresponding liability for the instalment on the balance sheet. BAO sold a 4.9% interest in BPPF to partly repay the $6.1 million recourse loan (including capitalised interest) which was provided by the Brookfield Group, and then subsequently paid $5.6 million for the final instalment amount for the partly paid units in BPPF due in June 2011.
- Rubicon Europe Trust Group and Rubicon Japan Trust are excluded from the table above as both are insolvent and in liquidation.

8.3 Unlisted property portfolio

At 30 June 2011, BAO held investments in 25 unlisted property funds on a standalone basis (excluding MPIF), as outlined in the table below.

Table 3: BAO unlisted property portfolio at 30 June 2011

Fund name	Invest Value ($m)	Interest Held (%)	Fund metrics: Dist Yield (%)[1]	No. of Prop.	Cap Rate (%)	WALE (years)	Occ. (%)
BAO standalone							
APN Champ Retail	1.4	5.2%	4.1%	16	7.8%	6.9	100.0%
APN National Storage	1.2	1.2%	1.9%	37	9.3%	8.4	100.0%
APN Regional	2.0	8.8%	4.3%	4	10.0%	4.9	98.0%
APN UKA Poland Retail	-	11.9%	n/a	1	9.7%	4.6	90.9%
APN UKA Vienna Retail	2.1	7.9%	n/a	1	6.9%	3.6	93.2%
Austock Childcare	1.2	7.4%	6.2%	24	9.8%	9.0	100.0%
Australian Unity Div	8.6	5.0%	5.7%	13	8.5%	7.5	96.0%
FKP Core Plus[2]	0.7	1.5%	5.6%	9	8.6%	2.3	84.4%
Investa Diversified Office	22.1	14.6%	6.6%	8	8.9%	3.3	95.3%
Investa Fifth Commercial	11.5	15.3%	4.7%	3	8.8%	5.1	92.8%
Investa Second Ind	1.5	5.5%	5.8%	3	8.6%	2.6	95.9%
MAB Diversified Prop[2]	3.4	7.4%	5.8%	11	8.8%	3.7	95.6%
MCS21-Cent Rose Hold Tst	8.6	11.0%	0.8%	1	7.3%	4.5	100.0%
MCS21-Cent Rose Prop Tst	1.2	1.5%	0.8%	1	7.3%	4.5	100.0%
MCS22-Cent Kid Inv Tst	0.1	0.4%	15.8%	1	10.0%	5.3	100.0%
MCS22-Cent Kid Park	1.1	4.8%	16.0%	1	10.0%	4.8	100.0%
MCS28 Investment Tst	2.2	2.2%	1.9%	2	7.1%	5.0	94.9%
Multiplex Devel & Opp	7.7	5.7%	n/a	3	n/a	n/a	n/a
Pengana Credo European	-	18.0%	n/a	29	8.0%	7.0	99.0%
PFA Diversified Property	5.5	2.5%	7.5%	16	8.9%	4.3	94.5%
Rimcorp Prop Tst No. 3	0.6	9.3%	9.9%	2	9.0%	7.0	100.0%
St Hilliers Enhanced #2	1.1	10.0%	n/a	2	10.0%	2.3	100.0%
The Childcare Prop Fund	2.8	2.3%	6.4%	202	9.6%	10.2	98.0%
The Essential Healthcare No. 2[2]	0.1	0.0%	n/a	n/a	n/a	n/a	n/a
Total BAO (excl MNZPF)	**86.6**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
MNZPF (equity accounted)	25.3	20.1%	n/a	11	8.8%	4.8	89.9%
Total BAO standalone	**111.9**	**n/a**	**3.5%**	**n/a**	**n/a**	**n/a**	**n/a**
MPIF	33.2[3]	100.0%	n/a	120	8.6%	6.5	97.0%
Total consolidated	**145.2**	**n/a**					

Source: Investment value and distribution yield sourced from Brookfield Australian Opportunities Fund Annual Results 2011. All other information sourced from management, company reports and presentations, and KPMG Analysis

Note 1: Distribution yields are based on recurring distribution rates as at 30 June 2011 and the unlisted property funds' unaudited net tangible asset values at 30 June 2011, excluding special or one-off distributions

Note 2: At 30 June 2011, these funds have either wound up or are in the process of winding up

Note 3: MPIF investment value comprises $32.5 million in unlisted property securities plus MPIF's 0.5% interest in MNZPF of $0.7 million

Appendix A – Independent Expert's Report continued

In relation to the table above, we note:

- BAO's largest unlisted exposures include MNZPF of $25.3 million and Investa Diversified Office Fund of $22.1 million, for which more information is contained in sections 8.3.1 and 9.3.6 respectively.
- at 30 June 2011, 16 of the 25 unlisted property securities were paying a distribution and one was open to redemptions, being Australian Unity Diversity Fund. APN Regional Property Fund is listed on the Bendigo Stock Exchange but is considered illiquid due to limited trading history.
- two unlisted securities are trading at a zero NTA value. APN UKA Poland Retail Fund is in breach of its banking covenants while the value of Pengana Credo European Property Trust's debt is greater than the value of its assets.
- the FKP Core Plus Fund is winding up having made good progress on the sale of assets with the fund having returned $0.9 million of capital.
- the wind up of the MAB Diversified Property Fund is proceeding, but has yet to make a return of capital. The write down in carrying value from $4.2 million at 30 June 2010 to $3.4 million at 30 June 2011 reflects the disappointing market feedback on pricing during the marketing of the property portfolio.
- BAO holds 100% of the ordinary units in MPIF, an unlisted open-ended trust which is consolidated for accounting purposes. Further details on MPIF are contained in section 9.

8.3.1 Multiplex New Zealand Property Fund

MNZPF is an unlisted property fund with investments in 11 properties predominantly in the commercial sector in New Zealand (77% by value), with smaller holdings in the industrial and retail sectors (15% and 8% respectively). At 30 June 2011, the value of the underlying properties in MNZPF's portfolio was $454.9 million.

At 30 June 2011, BAO held a 20.1% standalone interest in MNZPF, which was valued at $25.3 million on an equity accounted basis.

Given the state of the New Zealand property market, MNZPF has been struggling due to underperformance of underlying properties and suspended distributions from the December 2008 quarter. MNZPF's limited liquidity facility has now ceased.

MNZPF's constitution requires investors to be provided with a notice at least three months prior to the period ending 1 September 2011, giving them the option to sell or withdraw from the fund. Alternatively, BCML (the Responsible Entity) may extend the period by up to 12 months. On 5 May 2011, investors were informed that BCML considered it appropriate to extend the period to 30 August 2012. BCML considered that the current environment in New Zealand property market and wider economy mean that the fund's assets cannot be sold on terms which are in the best interests of investors within a reasonable time after 1 September 2011.

In January 2011, MNZPF entered into a new debt facility with its financiers (ANZ and Commonwealth Bank of Australia) for NZ$288.5 million, expiring 30 August 2012. At 30 June 2011, MNZPF was compliant with its debt covenants.

8.4 Responsible entity of BAO

The Responsible Entity of BAO is BCML, a wholly owned subsidiary of Brookfield Asset Management Inc., which is a Canadian based asset management company.

BCML generates the following fee income from BAO:

- Management fee equal to 0.5% per annum (GST inclusive) of the consolidated gross asset value of BAO and (currently) MPIF, payable in arrears.

- Performance fee equal to 20% of the outperformance of the consolidated entity against the benchmark return (S&P/ASX A-REIT Accumulation Index), recognisable on an accrual basis. Any previous underperformance must be recovered before a performance fee becomes payable. To date, no performance fees have been paid.

BCML is also the Responsible Entity of MPIF, MNZPF and other Brookfield funds.

8.5 Financial information

8.5.1 Historical financial performance

Set out in the table below is the audited financial performance of BAO on a consolidated basis for the 12 months ended 30 June 2009, 2010 and 2011 and on a standalone basis for the 12 months ended 30 June 2011.

Table 4: BAO consolidated income statements

Period	BAO			BAO
For the 12 months ended	Consolidated			Standalone
$000	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-11
Revenue				
Distribution income from property investments	10,015	6,462	7,739	5,692
Gain on disposal from property investments	-	2,086	4,159	3,793
Revenue from property investments	**10,015**	**8,548**	**11,898**	**9,485**
Interest & other income	803	271	1,374	1,210
Total revenue	**10,818**	**8,819**	**13,272**	**10,695**
Expenses				
Share of net loss from MNZPF (equity method)	(22,420)	(3,908)	(2,099)	(2,047)
Impairment on investments	(78,443)	(12,374)	(5,442)	(4,186)
Loss on disposal of investments	(2,468)	-	-	-
Net loss on settlement of financial derivatives	(3,623)	-	-	-
Management fees to BCML	(1,030)	(643)	(731)	(731)
Other expenses	(1,196)	(750)	(683)	(670)
Finance costs	(4,995)	(7,088)	(5,165)	(5,165)
Total expenses	**(114,175)**	**(24,763)**	**(14,120)**	**(12,799)**
Total operating loss	**(103,357)**	**(15,944)**	**(848)**	**(2,104)**
Change in reserves of investment (equity method)	1,017	1,424	(1,359)	(1,325)
Effective proportion of changes in FV of CF hedges	(3,198)	-	-	-
Change in FV of available for sale financial assets	(37,286)	9,879	7,511	4,786
Other comprehensive income	**(39,467)**	**11,303**	**6,152**	**3,461**
Total comprehensive income / (loss)	**(142,824)**	**(4,641)**	**5,304**	**1,357**
Total operating (loss)/profit attributable to:				
Ordinary Unitholders	(99,252)	(9,725)	(2,149)	3,461
Minority interest–MPIF Income Unitholders	(4,105)	(6,219)	1,301	-
Weighted average Ordinary Units on issue ('000)	202,861	202,861	709,735	709,735
Basic and diluted earnings per Ordinary Unit (cents)	**(48.93)**	**(4.79)**	**(0.30)**	**(0.30)**

Source: Brookfield Australian Opportunities Fund Consolidated Annual Financial Report for the years ended 30 June 2010 and 2011, Brookfield Australian Opportunities Fund (Stand-alone) Special Purpose Financial Report for the year ended 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)

The difference between the consolidated and standalone accounts reflect the impact of MPIF. Refer to section 9.4.1 for further detail on MPIF.

In relation to the consolidated accounts outlined table above, we note:

- distribution income declined by 35.5% in the year ended 30 June 2010 as the underlying funds cut distributions to fund higher financing charges and / or repair capital structures, before increasing by 19.8% in the year ended 20 June 2011 driven by the reinstatement of distributions by a number of the underlying funds, as well as one-off distributions.

- share of net loss of investment in MNZPF is predominantly driven by the decline in underlying property values, and to a lesser extent, exchange rates and redemptions.

- management fees declined in the years ended 30 June 2009 and 2010 due to the decline in asset values. BCML delayed payment of its management fee entitlements during the years ended 30 June 2009 and 2010 to support the capital position of BAO. This payable has subsequently been reduced to $0.2 million at 30 June 2011.

- finance costs increased in the year ended 30 June 2010 as a consequence of the renegotiated terms of its debt facility which followed a debt covenant breach at 31 December 2008 and BAO entering into a related party borrowing with the Brookfield Group. Interest costs declined during the year ended 30 June 2011 due to the pay down of Tranche B debt in August 2010 using the proceeds from a rights issue.

8.5.1.1 Listed and unlisted property portfolio's share of revenue and loss

Set out in the table below is the profit and loss generated by BAO's listed and unlisted property security portfolios.

Table 5: BAO listed and unlisted property split

Period $000	12 months to 30-Jun-09	12 months to 30-Jun-10	12 months to 30-Jun-11
Revenue & other income			
Listed property securities – distributions & gain on sale	2,749	3,617	5,044
Unlisted property securities – distributions & gain on sale	7,266	4,932	6,854
Other	803	270	1,374
Total revenue	**10,818**	**8,819**	**13,272**
Net operating (loss)/profit after tax			
Listed property securities	(34,585)	3,282	3,814
Unlisted property securities	(63,185)	(11,015)	543
Other	(5,587)	(8,211)	(5,205)
Net operating (loss)/profit after tax	**(103,357)**	**(15,944)**	**(848)**

Source: Brookfield Australian Opportunities Fund Annual Financial Report for the years ended 30 June 2010 and 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)

In relation to the table above, we note:

- profit contributions from BAO's listed and unlisted portfolio's have been materially impacted by write-downs of the underlying properties during the years ended 30 June 2009 and 2010.

- other activities represents costs associated with the management and funding of BAO.

Appendix A – Independent Expert's Report continued

8.5.2 Financial position

Set out in the table below is the audited financial position of BAO on a consolidated basis as at 30 June 2009, 2010 and 2011, and on a standalone basis as at 30 June 2011.

Table 6: BAO consolidated balance sheets

$000	BAO Consolidated			BAO Standalone
As at	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-11
Cash & cash equivalents	2,439	7,822	10,573	7,764
Trade & other receivables	3,551	2,582	1,897	1,446
Investments - available for sale	-	-	31,209	26,531
Total current assets	**5,990**	**10,404**	**43,679**	**35,741**
Investments - available for sale	172,992	158,393	119,172	86,632
Investment in MNZPF (equity accounted)	32,036	32,042	25,997	25,347
Total non-current assets	**205,028**	**190,435**	**145,169**	**111,979**
Total assets	**211,018**	**200,839**	**188,848**	**147,720**
Trade & other payables	1,265	2,363	1,054	1,094
Distribution payable – Income Units	-	281	205	-
Interest bearing liabilities	74,200	27,608	-	-
Deferred settlement (Brookfield Prime Property Fund)	-	10,731	-	-
Total current liabilities	**75,465**	**40,983**	**1,259**	**1,094**
Interest bearing liabilities	-	40,902	37,100	37,100
Deferred settlement (Brookfield Prime Property Fund)	10,299	-	-	-
Total non-current liabilities	**10,299**	**40,902**	**37,100**	**37,100**
Total liabilities	**85,764**	**81,885**	**38,359**	**38,194**
Net assets	**125,254**	**118,954**	**150,489**	**109,526**
Equity				
Contributed equity - Ordinary Units	203,381	203,381	231,827	231,827
Reserves	(10,503)	(1,133)	2,378	2,384
Undistributed losses	(112,815)	(122,540)	(124,689)	(124,685)
Equity attributable to Ordinary Unitholders	**80,063**	**79,708**	**109,516**	**109,526**
Minority interest - MPIF Income Units	52,960	52,960	52,960	-
Reserves	-	1,933	4,574	-
Undistributed losses	(7,769)	(15,647)	(16,561)	-
Equity attributable to MPIF Income Unitholders	**45,191**	**39,246**	**40,973**	**-**
Total equity	**125,254**	**118,954**	**150,489**	**109,526**
Number of Ordinary Securities on issue (thousands)	202,861	202,861	811,444	811,444
NTA per Ordinary Unit ($) - BAO	$0.39[1]	$0.39[1]	$0.13	$0.13
LVR (net debt/BAO standalone investment portfolio)	n/a	42.9%	21.8%	21.8%

Source: Brookfield Australian Opportunities Fund Consolidated Annual Financial Report for the years ended 30 June 2010 and 2011, Brookfield Australian Opportunities Fund (Stand-alone) Special Purpose Financial Report for the year ended 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)
Note 1: NTA is prior to the 3 for 1 Rights Issue undertaken in August 2010

The difference between the consolidated and standalone accounts reflect the impact of MPIF. Refer to section 9.4.2 for further detail on MPIF.

In relation to the consolidated accounts outlined table above, we note:

- trade and other receivables comprise predominantly of distribution income receivable and prepayments.
- investments available for sale comprise listed and unlisted securities, as detailed in section 8.5.2.1.
- trade and other payables comprises management fees and other operating payables. At 30 June 2010, $1.3 million in management fees were deferred in order support the capital position of BAO, before declining to $0.2 million at 30 June 2011.
- interest bearing liabilities:
  - details of the current debt position are outlined in section 8.5.2.2 below
  - during the financial year ended 30 June 2010, BAO refinanced its old external debt facility on the basis that net proceeds from the sale and natural wind-up of investments were used to reduce debt (in line with agreed step-down targets of total debt plus capitalised coupon interest outstanding) to $64.2 million at 31 March 2010, $55 million at 31 December 2010 and $40 million at 30 June 2011. BAO was able to reduce the interest cost by exceeding its March 2010 repayment requirement. Distributions to investors can resume when the amount of the facility is $37.1 million or below
  - Tranche B of the old external debt facility was paid via proceeds of the rights issue which was conducted in August 2010.
- the deferred settlement represents the present value of the final call of $2.237 per unit payable by BAO in June 2011 in relation to its investment in BPPF, which was acquired in two tranches. In May 2006, BAO invested $16.7 million for a 9.9% stake in BPPF (formerly known as Multiplex Acumen Prime Property Fund). In November 2009, BAO acquired further units in BPPF through participation in BPPF's Entitlement Offer. The final call for BAO's partly paid units in BPPF was settled in June 2011.
- during the year ended 30 June 2011, BAO undertook a 3 for 1 rights issue raising $30.4 million. This increased the number of ordinary units on issue from 202.9 million to 811.4 million. The rights issue was underwritten by a wholly owned member of the Brookfield Group. Given the acceptance levels from retail investors, Brookfield increased its holding from 21% to 62%.
- reserves comprise fair value adjustments to investments and movements from foreign exchange translation.

8.5.2.1 Investments available for sale and MNZPF

Set out in the table below is the breakdown of the listed and unlisted securities in BAO standalone, MPIF and MNZPF.

Table 7: Investments available for sale and MNZPF (BAO consolidated)

Period $000	30-Jun-09[2]	30-Jun-10[2]	30-Jun-11
Listed property securities - BAO standalone	19,442	26,142	26,531
Listed property securities – MPIF	1,437	1,838	4,678
Listed – Total	**20,879**	**27,980**	**31,209**
Unlisted property securities - BAO standalone (excluding MNZPF)	111,070	97,609	86,632
MNZPF[1]	32,036	32,042	25,997
Unlisted property securities – MPIF (excluding MNZPF)	41,043	32,804	32,540
Unlisted - Total	**184,149**	**162,455**	**145,169**
Total investments available for sale	**205,028**	**190,435**	**176,378**

Source: Brookfield Australian Opportunities Fund and Multiplex Property Income Fund Annual Financial Report for the years ended 30 June 2010 and 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)
Note 1: Includes MPIF's share
Note 2: The BAO standalone (listed and unlisted) data as well as the unlisted MPIF (excluding MNZPF) data at 30 June 2009 and 30 June 2010 has been calculated and sourced by KPMG

In relation to the table above, we note:

- the value of the investments were based on the net asset values of the underlying funds, with MNZPF being equity accounted.
- at 30 June 2011, the listed securities were classified as current (previously all non-current) reflecting BAO's capacity to actively buy and sell these investments. During the 12 months ended 30 June 2011, BAO sold a 4.9% interest in BPPF and subsequently participated in the final instalment, reducing the carrying value of its interest in BPPF by $7.6 million. The value of BAO's listed portfolio on a standalone basis (excluding BPPF) increased by $8.0 million due to the net acquisition of $5.4 million of securities and a $2.6 million increase in the carrying value of the underlying securities.
- the value of BAO's standalone unlisted securities experienced a net decline by 8.6% during the 12 months ended 30 June 2011 due to:
  - participation in redemption facilities of MNZPF ($1.9 million) and Australian Unity Diversified Property Fund ($1.9 million)
  - proceeds from the wind-up of the Gordon Property Trust and Gordon Property Investment Trust ($2.5 million). Post 30 June 2011, the Orchard Essential Health Care Trust wound-up, with BAO receiving $7.3 million in July 2011. FKP Core Plus Fund and MAB Diversified Property Fund are also in wind-up
  - a reinstatement of the value of APN Vienna Retail Fund to $2.1 million

- an increase in the carrying value of Investa Diversified Office Fund ($1.3 million), Investa Fifth Commercial Trust ($0.8 million), Centro MCS28 ($0.6 million) and St Hilliers Enhanced Property Fund No. 2 ($0.3 million)

- decline in value of the MNZPF on an equity accounted basis of $5.9 million, partly due to a redemption of 3 million units. The decline in value of MCS 22 Centro Kidman Park Investment ($1.3 million), Multiplex Development and Opportunity Fund ($0.4 million) and MAB Diversified Property Fund ($0.8 million).

8.5.2.2 Debt

Set out in the table below is a summary of the debt facilities at 30 June 2011.

Table 8: Interest bearing liabilities

Debt facility	Facility Limit ($m)	Drawn ($m)	LVR (%)	ICR	Expiry	Margin (%)
Bank debt facility	37.1	37.1	<30%-20%	>1.25x-1.65x	1-Dec-12	BBSY+2.5%
Investment facility	20.0	0.0	n/a	n/a	1-Jun-13	BBSY+4.5%
Total	**57.1**	**37.1**				

Source: Brookfield Australian Opportunities Fund Annual Financial Report for the year ended 30 June 2011, Rights and Fund Repositioning 28 July 2010 presentation

In relation to the table above, we note:

- the bank debt facility is subject to an:

  - LVR limit of 30%. If the bank debt facility is extended from 1 December 2011 to 1 December 2012, this falls to 20% from 1 December 2011

  - ICR of greater than 1.25x. If the bank debt facility is extended from 1 December 2011 to 1 December 2012, this increases to 1.65x from 1 December 2011.

  Failure to meet these covenants would result in the facility being terminated. At 30 June 2011, BAO was in compliance with the covenants of its debt facility. The LVR at 30 June 2011 was 21.8%.

- the investment facility relates to an extension of credit by a Brookfield related entity as part of the recapitalisation of BAO undertaken in August 2010. This facility is a fully subordinated facility that will allow BAO to capitalise on investment opportunities. If the bank debt facility is not extended, the investment facility will expire on 1 June 2012. This facility was undrawn at 30 June 2011. In addition to the margin of 4.5%, there is a drawdown fee of 0.5% on the amount of each drawdown.

8.5.3 Statement of cash flows

Set out in the table below is the audited cash flow statement for BAO on a consolidated basis for the 12 months ended 30 June 2009, 2010 and 2011 and on a standalone basis for the 12 months ended 30 June 2011.

Table 9: BAO consolidated cash flow statements

Period		BAO		BAO
For the 12 months ended		Consolidated		Standalone
$000	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-11
Cash flows from operating activities				
Cash receipts in the course of operations	16,917	7,479	7,753	5,733
Cash payments in the course of operations	(1,543)	(292)	(2,731)	(2,731)
Interest received	850	255	1,385	1,217
Financing costs paid	(5,231)	(5,710)	(2,645)	(2,645)
Net cash inflow from operating activities	**10,993**	**1,732**	**3,762**	**1,574**
Cash flows from investing activities				
Acquisition of investments	(470)	(11,627)	(18,113)	(14,592)
Sale of investments	11,947	23,691	20,625	17,782
Net cash (outflow)/inflow from investing activities	**11,477**	**12,064**	**2,512**	**3,190**
Cash flows from financing activities				
Net proceeds from Rights Issue	-	-	28,457	28,457
Redemption (net of issue proceeds) of Income Units	(9,462)	-	-	-
Settlement of derivatives	(838)	-	-	-
Net proceeds/(repayment) of borrowings	(6,000)	(7,035)	(29,689)	(29,689)
Distributions paid	(14,249)	(1,378)	(2,291)	-
Net cash inflow/(outflow) from financing activities	**(30,549)**	**(8,413)**	**(3,523)**	**(1,232)**
Net increase/(decrease) in cash	(8,079)	5,383	2,751	3,532
Cash at the beginning of the period	10,518	2,439	7,822	4,232
Cash at the end of the period	**2,439**	**7,822**	**10,573**	**7,764**

Source: Brookfield Australian Opportunities Fund Consolidated Annual Financial Report for the years ended 30 June 2010 and 2011, Brookfield Australian Opportunities Fund (Stand-alone) Special Purpose Financial Report for the year ended 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)

The difference between the consolidated and standalone accounts reflect the impact of MPIF. Refer to section 9.4.3 for further detail on MPIF.

In relation to the consolidated accounts outlined in the table above, we note:

- cash receipts in the course of operations predominantly comprise of distributions received, with MPIF's cash receipts in the course of operations being $2.0 million for the year ended 30 June 2011.
- major cash flows from investing activities comprise:
  - payment of $5.6 million for the final instalment due on the BPPF shares and the acquisition of $9.0 million worth of listed property securities during the 12 months to 30 June 2011, of which CFS Retail Property Trust was a new investment. During the 12 months to 30 June 2010, the A-REIT portfolio was rebalanced, reducing its exposure to the Cromwell Group with the proceeds reinvested in Charter

Hall Office, Abacus Property Group, Challenger Diversified Property Fund, ING Office Fund, Mirvac Group, GPT Group and Stockland

- participation in redemption facilities of MNZPF ($1.9 million) and Australian Unity Diversified Property Fund ($1.9 million) and returns of capital $10.2 million during the 12 months to 30 June 2011[9]. BAO transferred $3.6 million of BPPF units to a related party of Brookfield as consideration for the partial repayment of debt however this did not impact the cash flow statement[9]. During the 12 months to 30 June 2010, BAO received proceeds from the wind-up of the Northgate Property Trust and Northgate Property Investment Trust of $9.4 million as well as proceeds from a partial redemption of BAO's investment in MNZPF of $3.5 million[9].

- proceeds from the rights issue in August 2010 were used to pay off Tranche B debt.
- BAO last paid a distribution on 3 November 2008. Distributions were suspended due to a combination of:
  - prevailing market conditions causing some underlying funds to suspend / reduce distributions
  - constraints due to financial covenants at the time
  - the Distribution Stopper being activated.

[9] All figures are quoted on a standalone basis.

8.6 Capital structure

8.6.1 Units on issue

At 19 August 2011, BAO had 811.4 million fully paid ordinary units on issue.

The following table summarises the top 10 ordinary unitholders at 19 August 2011.

Table 10: Top 10 ordinary unitholders at 19 August 2011

Investor	Number of securities held	Percentage of securities
Brookfield Capital Securities Limited	328,609,014	40.50%
Multiplex APF Pty Limited	163,751,624	20.18%
Aventeos Investments Limited	41,126,899	5.07%
RBC Dexia Investor Services Australia Nominees Pty Limited	24,706,510	3.05%
Mr Claudio Paul Marcolongo & Mrs Diane Marcolongo	24,100,000	2.97%
Pullington Investments Pty Ltd	14,008,277	1.73%
Aventeos Investments Limited	10,890,927	1.34%
Brookfield Multiplex Capital Pty Limited	9,737,640	1.20%
Mr Duncan McKillop	6,535,267	0.81%
Citicorp Nominees Pty Limited	4,663,083	0.58%
Top 10 ordinary unitholders	**628,129,241**	**77.41%**
Other ordinary unitholders	**183,314,479**	**29.70%**
Total ordinary unitholders	**811,443,720**	**100.00%**

Source: BAO registry

We note Brookfield Asset Management (60.7%) and Commonwealth Bank of Australia (5.9%) are the only substantial ordinary unitholders in BAO at 19 August 2011.

The following table outlines the spread of Securityholders of BAO at 19 August 2011.

Table 11: Spread of ordinary unitholders at 19 August 2011

Ordinary units held	Number of security holders	Number of securities held	Percentage of security holders
1 to 1,000	90	25,601	0.0%
1,001 to 5,000	176	575,086	0.1%
5,001 to 10,000	281	2,316,578	0.3%
10,001 to 100,000	1,162	42,527,681	5.2%
100,001 and over	332	765,998,774	94.4%
Total	**2,041**	**811,443,720**	**100.00%**

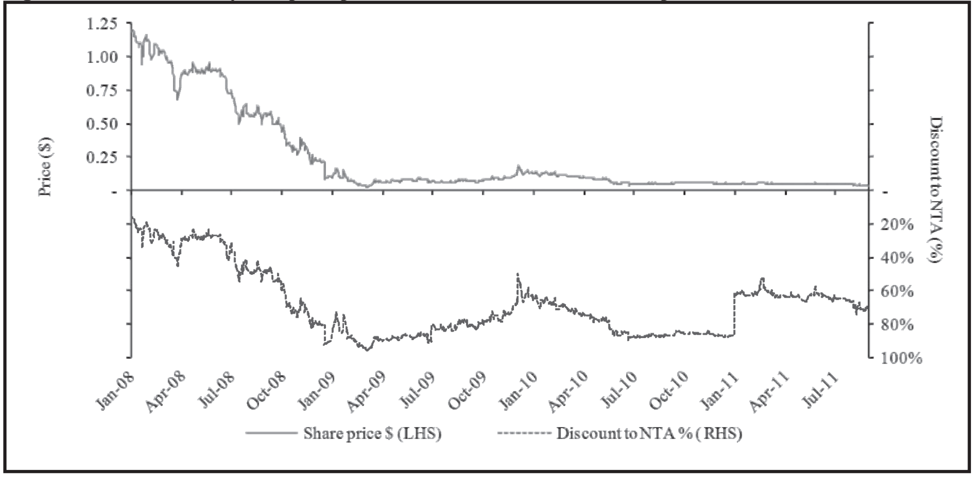
Source: BAO registry

There were 646 ordinary unitholders with less than a marketable parcel worth $500 (based on $0.038 per ordinary unit) on 19 August 2011.

8.6.2 Security price performance

The figure below illustrates the historical trading price of the ordinary units of BAO and also compares the discount to NTA for the period from January 2008 to August 2011.

Figure 8: BAO's ordinary unit price performance and discount to NTA performance[1,2]



Source: Capital IQ
Note 1: The graph has been calculated based on the assumption that BAO's ordinary units have been adjusted for the 3 for 1 rights issue that was completed in August 2010. On 31 August 2010, BAO completed an underwritten 3 for 1 renounceable rights issue of 608.6 million fully paid ordinary units, at an issue price of $0.05 per unit
Note 2: NTA refers to the last reported NTA per ordinary unit for each data point

Since January 2008, BAO has consistently traded at a discount to its reported NTA. In particular, the increase in this discount between January 2008 and January 2009 can be attributable to the decline in property valuations and distribution income which occurred as the GFC intensified during this period.

8.6.3 Volume weighted average price and liquidity analysis

Set out in the table below is an analysis of the VWAP and historical liquidity of BAO ordinary units up to the close of trade on 31 August 2011.

Table 12: BAO's VWAP and liquidity analysis

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued issued capital
1 week	0.04	0.04	0.04	0.0	0.6	0.1
1 month	0.04	0.05	0.04	0.3	6.2	0.8
3 months	0.04	0.05	0.05	0.7	15.3	1.9
6 months	0.04	0.06	0.05	1.3	26.6	3.3
12 months	0.04	0.07	0.05	2.5	50.6	6.2

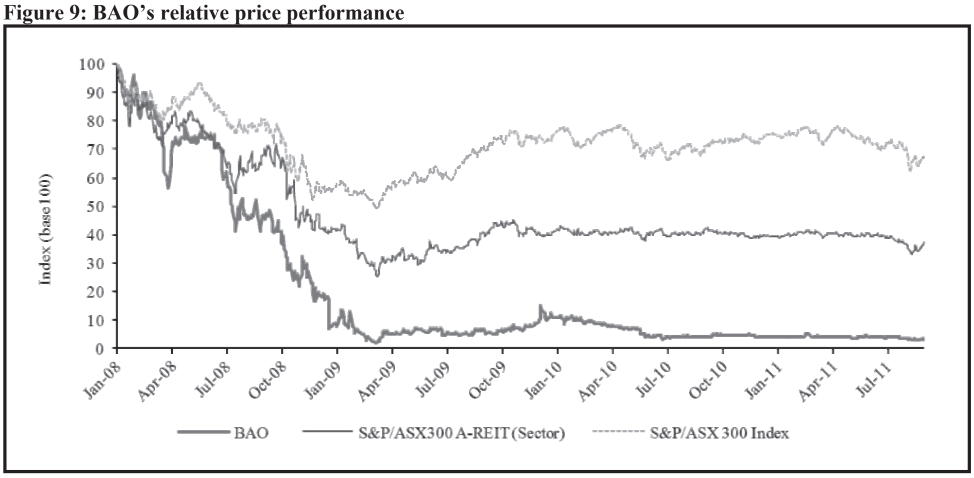
Source: Capital IQ

We note that Westfield Group (Westfield), GPT Group (GPT) and Stockland, generally considered to be liquid A-REITs, traded approximately 59% to 63% of their issued capital in the 6 month period ended 31 August 2011. Therefore, in consideration of the trading volume of BAO and the trading volumes of comparable companies, we can conclude that BAO's shares are illiquid.

8.6.4 Relative price performance

The figure below illustrates a comparison of the trading performance of the BAO ordinary units with the S&P/ASX 300 A-REIT Index (A-REIT Index) and the S&P/ASX 300 Index (300 Index) for the period from 1 January 2008 to 31 August 2011.

Figure 9: BAO's relative price performance



Source: Capital IQ

Between January 2008 and March 2009, BAO significantly underperformed both indexes which can be attributable to:

- the deterioration in the asset value of BAO's underlying investments and the cumulative impact this has on BAO given its propensity to invest on a geared basis
- decline in distribution income from the underlying funds which impacts BAO ability to pay distributions. This is further exacerbated by the triggering of the Distribution Stopper in December 2008 which prevented BAO from paying any distributions
- a combination of lower values and reduced distribution income which resulted in BAO breaching a debt covenant at 31 December 2008.

Whilst BAO's performance improved during the market rebound in 2009, its security price performance was subsequently impacted by issues regarding its debt and the impact of the rights issue initially proposed in June 2010.

8.6.5 Distributions

BAO last paid a distribution on 3 November 2008. Distributions were suspended due to a combination of:

- prevailing market conditions causing some underlying funds to suspend / reduce distributions
- constraints due to financial covenants at the time
- the Distribution Stopper being activated.

Distributions to Income Unitholders are outlined in section 9.5.3.

9 Profile of Multiplex Property Income Fund

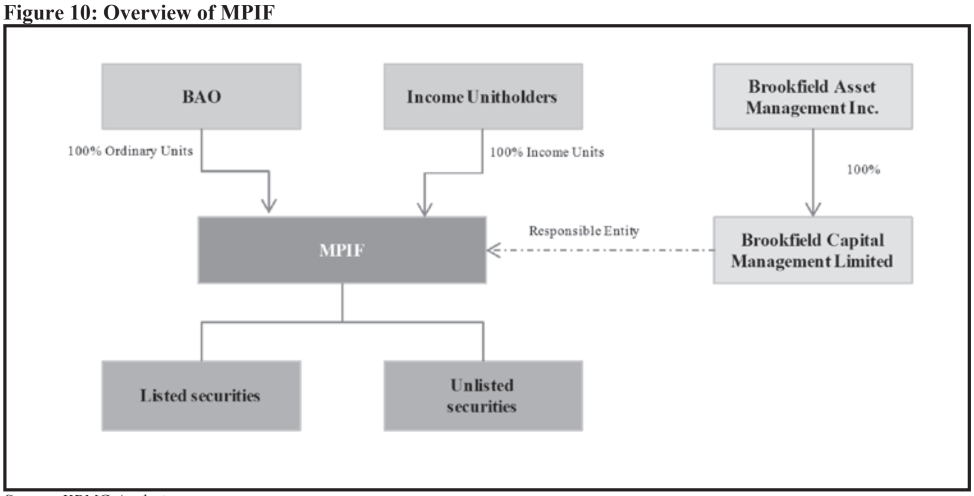
9.1 Introduction

MPIF is an open-ended unlisted trust which substantially invests in unlisted and listed property trusts managed by a range of property fund managers.

MPIF was established in March 2007 for the purposes of raising capital from investors. This was achieved via the issuance of Income Units, which generate a capped priority return for Income Unitholders. BAO seeded MPIF via the investment of $30.1 million of listed and unlisted securities in return for owning 100% of the ordinary units in MPIF. At 30 June 2011, the net assets of MPIF were $41.0 million, comprising investments in 13 A-REITS and 28[10] unlisted property funds.

Set out in the diagram below is an overview of the current structure of MPIF.

Figure 10: Overview of MPIF



Source: KPMG Analysis

In relation to the diagram above, we note:

- MPIF's listed security portfolio had a book value of $4.7 million at 30 June 2011.
- MPIF's unlisted security portfolio comprises 28 unlisted property funds with a book value of $33.2 million at 30 June 2011.
- other assets consist predominantly of cash of $2.8 million at 30 June 2011.
- no management fees are paid out of the assets of MPIF.

[10] Includes Rubicon American Trust, Rubicon Europe Trust and Rubicon Japan Trust that were listed on the ASX but are now delisted

MPIF's investments are illiquid, predominantly comprising of unlisted securities. Its investment portfolio is largely exposed to local property market conditions, with the underlying properties predominantly in industrial and retail property sectors.

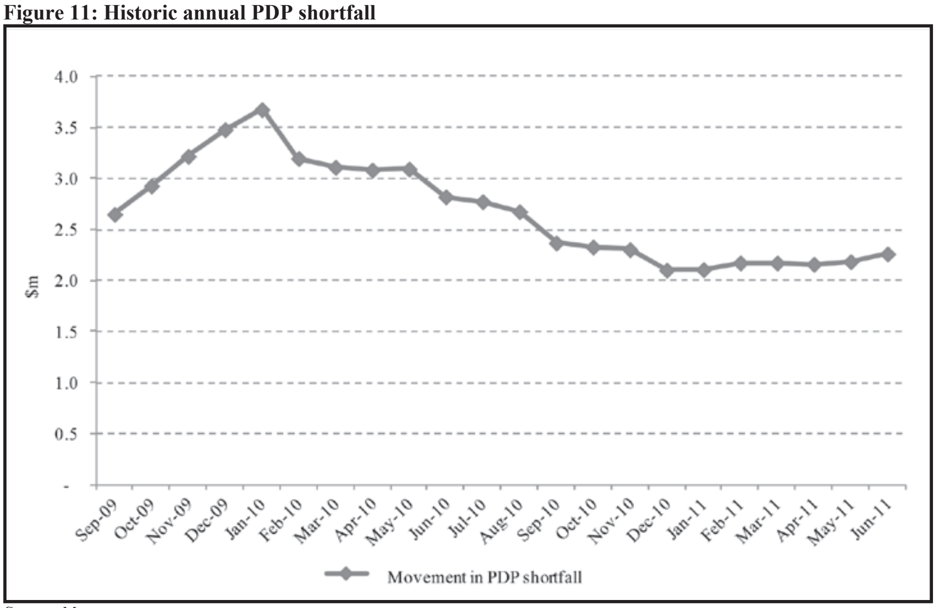
9.2 Distribution Stopper

MPIF was established by BAO to raise capital from retail investors. This was achieved via the issuance of Income Units. MPIF targets a monthly distribution to Income Unitholders (PDP) calculated by reference to a 2.5% per annum margin above the distribution yield of the S&P/ASX 200 Property Trust Index and is subject to a minimum monthly payment of 7.5% per annum (based on a $1.00 issue price) and a maximum monthly payment of 8.5% per annum (based on a $1.00 issue price). Failure to pay the PDP triggers the Distribution Stopper which restricts BAO's ability to pay ordinary distributions and return capital. Since the Income Unit was structured similar to a debt instrument, the Distribution Stopper was put in place to ensure the rights of Income Unitholders were similar to those of debt investors.

In addition, when a PDP is not paid in full, BCML must not pay cash distributions to ordinary unitholders of MPIF (i.e. BAO), or redeem or buy-back any ordinary units. The Distribution Stopper will be lifted where an amount equivalent to the PDP for the preceding 12 months is, or has been, paid in full to Income Unitholders.

The Distribution Stopper has been in effect since December 2008 as the distributions made by MPIF to Income Unitholders have been below their target returns. The following diagram shows the movement in the PDP shortfall since September 2009, with the PDP shortfall at 30 June 2011 being approximately $2.3 million.

Figure 11: Historic annual PDP shortfall



Source: Management

For the PDP shortfall to be nil, distributions to Income Unitholders would need to increase by $2.3 million or 102% from the amounts paid for the 12 months to 30 June 2011. Based on a 5% annual growth rate in distributions, it would take approximately 12 years to generate a 7.5% yield on the Income Units which would lead to a release of the Distribution Stopper.

9.3 Acquisition Assets

Under the Proposal, BAO intends to acquire the Acquisition Assets which comprise MPIF's interests in the following illiquid property funds (Acquisition Funds).

Table 13: Details of the Acquisition Assets and Acquisition Funds

Fund name	Invest Value ($m)	Interest Held (%)	Fund metrics: Fund NTA ($m)[1]	Dist Yield (%)[2]	No. of Prop.	Cap Rate (%)	WALE[3] (years)	Occ. (%)
APN Regional	0.5	2.1%	$22.8	4.3%	4	10.0%	4.9	99.0%
Australian Unity Div	0.5	0.3%	$173.1	5.7%	13	8.5%	7.6	97.0%
BlackWall Telstra House	0.3	2.6%	$13.1	9.4%	1	8.5%	9.2	100.0%
Charter Hall Diversified	3.4	6.3%	$72.2	4.8%	6	8.2%	4.1	91.0%
Charter Hall Umbrella	3.1	2.1%	$149.9	5.9%	55	8.1%	8.1	95.0%
Investa Diversified Office	2.6	1.7%	$152.5	6.6%	8	8.9%	3.3	95.3%
PFA Diversified Property	2.4	1.1%	$220.0	7.5%	16	8.9%	4.3	94.5%
Stockland Direct Office	0.5	1.6%	$33.2	0.0%	4	8.9	4.2	100.0%
The Orchard Childcare Prop	1.9	1.5%	$125.1	6.4%	202	9.6%	10.2	98.0%
Total	**15.2**	**n/a**	**n/a**	**6.3%**	**n/a**	**n/a**	**n/a**	**n/a**

Source: Investment value, interest held and distribution yield (for investments already held by BAO) sourced from Brookfield Australian Opportunities Fund Consolidated Annual Financial Report for the year ended 30 June 2011. All other information sourced from management, company reports and presentations, and KPMG Analysis
Note 1: NTA as at 31 December 2010, except Charter Hall Umbrella (30 June 2010,)The Childcare Property Fund (30 June 2011) and Stockland Direct Office Trust No.3 (30 June 2011)
Note 2: Distribution yields are based on recurring distribution rates as at 30 June 2011 and the unlisted property funds' unaudited net tangible asset values at 30 June 2011, excluding special or one-off distributions
Note 3: Weighted average lease expiry

In determining which investments to acquire, BCML considered the liquidity of these investments and the extent to which a transfer of these investments would assist MPIF in winding up. On this basis, the Acquisition Assets were selected based on being the most illiquid of MPIF's portfolio. These investments are in 'open-ended' funds, which have some or all of the following features:

- there is no defined wind-up date
- the fund is either unlisted or listed on an exchange other than the ASX with low trading volumes
- unitholders of each fund do not have an opportunity to terminate the fund until after 2016 with the fund having a review date beyond 2016
- the fund has a limited review date.

A brief description of each of the Acquisition Funds are set out below.

9.3.1 APN Regional Property Fund

APN Regional Property Fund (APNRPF) is a direct real estate fund listed on the Bendigo Stock Exchange (BSX:APR), comprising of two A-grade office buildings and two retail assets located in regional NSW.

The trading history of APNRPF shows that only 20,000 units were sold this calendar year to date. Low trading volumes of APNRPF indicates that, despite its listed status, the APNRPF units are relatively illiquid.

APNRPF suspended distributions from the March 2009 quarter in light of the prevailing financial and property market conditions and the pending expiry of the APNRPF's debt facility at the time. Following the successful refinancing of the fund's bank debt with the Commonwealth Bank of Australia in October 2009, quarterly distributions to ordinary unitholders were reintroduced from the March 2010 quarter at a rate of 3 cents per unit (cpu) per annum and has remained at this rate since.

Parkes Shopping Centre was marketed for sale late last year but was not sold due to weak market conditions. It is intended the net proceeds from the sale will be used to reduce its net debt LVR to satisfy its debt obligations and begin increasing its distributions.

At 30 June 2011, APNRPF's loan to value ratio was 61% against a covenant of 65% and its interest cover ratio was 1.8x against a covenant of 1.5x. APNRPF's WALE was 4.9 years and occupancy rate was 99%.

BAO currently holds 8.8% of APNRPF, which will increase to 10.9% after acquiring MPIF's units in APNRPF.

9.3.2 Australian Unity Diversified Property Fund

Australian Unity Diversified Property Fund (AUDPF) is an open-end unlisted property fund which owns 13 properties across the industrial, retail and commercial asset sectors. AUDPF's properties are located in Western Australia (8 properties), New South Wales (3 properties), Queensland (1 property) and Victoria (1 property). Prior to 1 October 2010, the fund was known as the Westpac Diversified Property Fund (WDPF). Australian Unity acquired the responsible entity of AUDPF on 30 September 2010.

Following the acquisition, Australian Unity agreed to:

- establish liquidity in the fund via three $10 million withdrawal offers during 2010/11.
- recapitalize the fund via a $40 million entitlement offer, giving eligible unit holders the opportunity to further invest in the fund at a discount to NTA.
- underwrite $10 million of the entitlement offer.

The $40 million entitlement offer was not fully subscribed. Consequently, a public offer consisting of $27.5 million worth of securities at a 7.5% discount to the security price opened 3 January 2011 and will close the earlier of 30 September 2011 or when the target amount has been raised.

Australian Unity made a withdrawal offer in December 2010 for up to a total of $10 million. It made a further withdrawal offer of $8 million which closed on 15 August 2011. BAO participated in both offers withdrawal offers and has received a total of $3.5 million in redemptions to date.

AUDPF paid a distribution of 5.16 cpu per annum for the 2011 financial year.

At 31 May 2011, the portfolio of 13 properties had an occupancy rate of 97% and a WALE of 7.6 years. In May 2011, 9 of the 13 properties were independently valued with a total increase from their previous book value of $3.5 million or 1.5%.

BAO currently holds 3.9% of AUDPF, which will increase to 4.2% after acquiring MPIF's units in AUDPF.

9.3.3 BlackWall Telstra House Trust

BlackWall Telstra House Trust (BWTHT) is a closed-end unlisted property trust. The term of BWTHT is 7 years with expiry in February 2017. The term may be extended by the responsible entity for a further 2 years.

The trust has an interest in an office building on Northbourne Avenue, Canberra which is fully occupied under a long term lease to Telstra (expiring November 2018, with 2 x 3 year option periods).

At 30 June 2011, the fund was 100% occupied with a WALE of 9.2 years. BWTHT paid a distribution of 10.3 cpu per annum applicable for the 12 month period to June 2011.

BWTHT's loan to value ratio at 30 June 2011 was 60% against a covenant of 60%. The property was last independently valued in December 2009.

BWTHT represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 2.6% interest in BWTHT.

9.3.4 Charter Hall Diversified Property Fund

The Charter Hall Diversified Property Fund (CHDPF) is an unlisted open-ended fund that invests in six properties across the office, retail and industrial sectors predominantly in New South Wales and Western Australia.

In May 2011, CHDPF divested its main asset being a 25% interest in the Coles Distribution Centre at Perth Airport (which contributed approximately 26% of fund property income) for $42.9 million. Sale proceeds were used to reduce debt, provide working capital and return capital to investors. The first tranche of the sale proceeds was distributed to investors in August 2011. Agreements have been entered into for the sale of one property and the granting of an option to buy in respect of another. CHDPF's major asset is its 75% interest in the office building at 400 Kent Street Sydney.

CHDPF's portfolio has an occupancy rate of 91% and WALE of 4.1 years. The fund is currently paying a distribution of 3.2 cpu per annum.

CHDPF's gearing was forecast to reduce from 56% to 48% as a result of the sale of the Coles Distribution Centre.

CHDPF represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 6.3% interest in the fund.

9.3.5 Charter Hall Umbrella Fund

Charter Hall Umbrella Fund (CHUF) is a fund-of-fund which invests across a suite of Charter Hall and other listed property funds, which include over 55 properties in the office, industrial and retail markets in Australia and New Zealand.

At 30 June 2011, the fund had a portfolio occupancy of 95% and a portfolio WALE of 8.1 years. CHUF has no gearing itself and look through gearing was 39%.

Charter Hall will continue to implement strategies to increase fund liquidity which may provide an opportunity for CHUF to open withdrawal offers in the fourth quarter of 2011. More significant liquidity for investors will be provided around the major fund review events for Charter Hall Core Plus Office Fund and Charter Hall Core Plus Industrial Fund in 2013 and 2014 respectively. CHUF unitholders do not vote on the underlying fund redemptions. The investment committee on behalf of CHUF would determine the appropriate redemptions from underlying funds.

CHUF invests in the following funds (percentage of portfolio by value):

- Charter Hall Core Plus Office Fund (34%) – open-ended unlisted property fund invested in 15 office properties in major capital cities across Australia. The fund has a review event date in 2013.

- Charter Hall Core Plus Industrial Fund (30%) – open-ended unlisted property fund invested in 16 industrial and logistics properties (core and enhanced investment grade) in major capital cities across Australia. The fund has a review event date in 2014

- Charter Hall Direct Retail Fund (14%) - unlisted property fund invested in retail properties in Australia and New Zealand. The fund has a review event date in 2012/13

- Charter Hall Opportunity Fund No.5 (2%) – closed-ended unlisted property fund invested in six properties across the commercial, industrial, retail, bulky goods retail and infill residential sectors in Australia and New Zealand. The fund has a review event date in 2013/14

- Charter Hall Diversified Property Fund (9%) – unlisted open-ended fund that invests in properties across the office, retail and industrial sectors predominantly in New South Wales and Western Australia. The fund has a review event date in 2012. BAO is seeking to acquiring a direct 6.3% interest in this fund under the Proposal.

- Australand Fund (4%) – Australand Wholesale Property Fund No.6 has an interest in eight commercial and industrial properties in three Australian States. The fund has a review event date in 2012.

- A-REITS (7%).

CHUF is currently paying a distribution of 3.6 cpu per annum.

CHUF represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 2.1% interest in the fund.

9.3.6 Investa Diversified Office Fund

Investa Diversified Office Fund (IDOF) is an open-ended unlisted property fund (although currently closed to new applications) invested in eight office buildings in most of Australia's major centres.

Investa sold Investa Funds Management Limited, the responsible entity of Investa's retail funds to Australian Unity Investments, with the change in manager to be finalised by 30 September 2011.

IDOF suspended distributions from the March 2009 quarter for the stated purpose of preserving capital for future funding requirements.

In October 2010, IDOF sold its 50% interest in its largest asset, 320 Pitt Street Sydney, at a price consistent with IDOF's most recent independent valuation. This allowed IDOF to reduce its level of borrowings and gearing ratio and to reinstate distributions from the December 2010 quarter at a rate of 6 cpu per annum.

IDOF refinanced its debt facility for a further 3 years (expiry in March 2014). IDOF's loan to value ratio at 30 June 2011 was 46.9% against a covenant of 65%.

At 30 June 2011, IDOF's portfolio of 8 properties had an occupancy rate of 95.3% and a WALE of 3.34 years.

BAO currently holds 14.6% of all IDOF units on issue, which will increase to 16.3% after acquiring MPIF's units in IDOF.

9.3.7 PFA Diversified Property Trust

PFA Diversified Property Trust (PFADPT) is a diversified property trust that owns interests in 16 properties in the commercial (68%), retail, hotel and industrial sectors across Australia. Australian Property Growth Fund (APGF) purchased the responsible entity of the fund from Mirvac in April 2010.

PFADPT's loan to value ratio at 30 June 2011 was 56.9% against a covenant of 60%. APGF are targeting an LVR of less than 50% during 2011/12 and will seek to provide a limited redemption facility once this LVR target is reached.

PFADPT's current debt facility expires in November 2011 and the responsible entity has stated in their December 2010 Investor Report that negotiations to extend the facility were well advanced. PFADPT is paying an annual distribution of 7.25 cpu per annum.

Property portfolio fundamentals are strong with an occupancy rate of 95% and WALE of 4.3 years.

BAO currently holds 2.5% of PFADPT, which will increase to 3.6% after acquiring MPIF's units in PFADPT.

9.3.8 Stockland Direct Office Trust No. 3

Stockland Direct Office Trust No. 3 (SDOT3) is an unlisted property fund with a portfolio of four properties (three B-grade office properties and a car park).

The manager of SDOT3 must convene a meeting to be held prior to 30 June 2014 to consider a special resolution to terminate the trust. The special resolution requires approval by members holding at least 75% by value of the units voted on the resolution.

SDOT3 has a limited liquidity facility which is fully drawn.

SDOT3 has suspended distributions since December 2010 and last paid a distribution for the March 2010 quarter.

SDOT3's loan to value ratio at 30 June 2011 was 61.3% and below the funds 65% covenant. The improvement from the 31 December 2010 loan to value ratio of 64.8% was mainly due to an increase in the value of the property portfolio.

Stockland Trust Management Limited provided SDOT3 a loan facility to August 2011, which has since been extended to 31 August 2012. As a consequence of this loan facility, SDOT3's financier, ANZ has waived any future breach of the LVR under its loan facility provided that the LVR does not exceed 80%. The ANZ facility expires on 27 June 2012 and SDOT3 has stated that management has entered into preliminary discussions regarding the extension of the facility.

SDOT3 represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 1.6% interest in SDOT3.

9.3.9 The Orchard Childcare Property Fund

The Orchard Childcare Property Fund (TOCPF) owns 202 child care properties across Australia and New Zealand. The properties are leased on long-term arrangements to 13 tenants. TOCPF's major tenant was previously ABC Learning Centres Ltd (ABC Learning) with 115 Centres though this changed to Goodstart Childcare Limited (Goodstart) when the lease was re-assigned in May 2010. Additional tenants leasing multiple centres include Kids in Care (25 centres), NutureOne (8 centres), ABC Learning NZ (25 centres) and Preschool Services Australia (8 centres).

At 30 June 2011, the fund had a WALE of 10.2 years and an occupancy rate of 98%.

TOCPF paid a distribution of 3.25 cpu for the year ended June 2009 and 2.65 cpu for the year ended June 2010. TOCPF recommenced quarterly distributions from the September 2010 quarter and paid a distribution of 5.5 cpu for the year ended June 2011.

The loan to value ratio of TOCPF at 30 June 2011 was 48.5% against a covenant of 55%.

BAO currently holds a 2.3% interest in TOCPF, which will increase to 3.8% under the Proposal.

9.4 Financial information

9.4.1 Statement of financial performance

Set out in the table below is the consolidated audited financial performance of MPIF for the 12 months ended 30 June 2009, 2010 and 2011.

Table 14: MPIF consolidated income statements

Year ended $000	30-Jun-09	30-Jun-10	30-Jun-11
Revenue			
Distribution income from listed and unlisted property trusts	2,556	1,489	2047
Gain on disposal of listed and unlisted property trusts	-	235	368
Interest income	571	105	164
Other income	-	14	-
Total revenue	**3,127**	**1,843**	**2,579**
Expenses			
Impairment expenses	(26,177)	(8,062)	(1,265)
Loss on disposal of listed and unlisted property trusts	(766)	-	
Other expenses	-	-	(13)
Total expenses	**(26,943)**	**(8,062)**	**(1,278)**
Net operating profit/ (loss) for the period	**(23,816)**	**(6,219)**	**1,301**
Change in fair value of available for sale financial assets	(2,115)	1,933	2,641
Total comprehensive income/ (loss) for the period	**(25,931)**	**(4,286)**	**3,942**
Net operating profit/(loss) attributable to:			
Ordinary unitholders - BAO	(19,711)	-	-
Income unitholders	(4,105)	(6,219)	1,301
Ordinary units on issue ('000)	30,076	30,076	30,076
Income units on issue ('000)	52,791	52,791	52,791
Earnings per Ordinary Unit ($)[1]	**(0.66)**	**-**	**-**
Earnings per Income Unit ($)[1]	**(0.08)**	**(0.12)**	**0.02**

Source: Multiplex Property Income Fund Annual Financial Report for the year ended 30 June 2010 and 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)
Note 1: KPMG Analysis. Net operating profit/(loss) divided by number of units

In relation to the table above, we note:

- distribution income declined by 41.7% in the year ended 30 June 2010, compared to the year ended 30 June 2009, as the underlying property trusts reduced distributions to fund higher financing costs and / or repair capital structures. Distribution income increased by 37.5% during the year ended 30 June 2011, compared to the year ended 30 June 2010, as distributions were reinstated by some funds.

- the impairment charge primarily relates to devaluations in the underlying unlisted investments. The assets are valued based on the most recently provided net asset value and any other knowledge of valuation and transactional movements of the underlying investment's structure, as assessed by management.

- total operating income and losses are allocated to Income Unitholders for the 2010 financial year onwards as ordinary unitholders were not entitled to any income.
- changes in the fair value of investments in the years ended 30 June 2010 and 30 June 2011 relate primarily to gains in the value of its unlisted security portfolio. These gains were carried as reserves in equity attributable to Income Unitholders.

9.4.2 Statement of financial position

Set out in the table below is the consolidated audited financial position of MPIF at 30 June 2009, 2010 and 2011.

Table 15: MPIF consolidated balance sheets

As at $000	30-Jun-09	30-Jun-10	30-Jun-11
Cash and cash equivalents	1,221	3,590	2,809
Trade and other receivables	696	478	488
Listed investments	-	-	4,678
Total current assets	**1,917**	**4,068**	**7,975**
Listed investments	1,437	1,838	-
Unlisted investments	41,851	33,621	33,203
Total non-current assets	**43,288**	**35,459**	**33,203**
Total assets	**45,205**	**39,527**	**41,178**
Trade and other payables	(14)	-	-
Distributions payable to Income Unitholders	-	(281)	(205)
Total current liabilities	**(14)**	**(281)**	**(205)**
Net assets	**45,191**	**39,246**	**40,973**
Equity			
Contributed equity - ordinary units	30,076	30,076	30,076
Undistributed losses	(30,076)	(30,076)	(30,076)
Equity attributable to Ordinary Unitholders – BAO	**-**	**-**	**-**
Contributed equity - income units	52,960	52,960	52,960
Reserves – gains in fair value of investments	-	1,933	4,574
Undistributed losses	(7,769)	(15,647)	(16,561)
Equity attributable to Income Unitholders	**45,191**	**39,246**	**40,973**
Total equity	**45,191**	**39,246**	**40,973**
Ordinary units on issue (‘000)	30,076	30,076	30,076
Income units on issue (‘000)	52,791	52,791	52,791
NTA per ordinary unit ($)	-	-	-
NTA per income unit ($)	0.86	0.74	0.78

Source: Multiplex Property Income Fund Annual Financial Report for the year ended 30 June 2010 and 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)

In relation to the table, we note:

- trade and other receivables comprise predominantly of distributions receivable from the underlying funds.

- at 30 June 2011, the A-REIT portfolio was re-classified as a current asset (previously non-current), reflecting the liquid nature of the investments and the increased ability of the fund to trade in these investments.

- at 30 June 2011, the unlisted investment portfolio consists of direct investments in 28 unlisted property securities funds. These funds exhibit a lack of liquidity with 6 temporarily suspending redemptions, 17 funds closed to redemptions as part of their original constitutions, three funds deemed insolvent, and two with limited liquidity features.

- gains in fair value of investments primarily relate to gains in MPIF's unlisted portfolio.

- there has been insufficient net assets to cover the issued value of the Income Units at the reporting dates, with NTA per income unit being lower than the $1.00 issue price per Income Unit. At 30 June 2011, a deficiency of $12.0 million is required to be recovered before any value can be attributed to ordinary unitholders (i.e. BAO).

9.4.3 Statement of cash flows

Set out in the table below is the consolidated audited cash flow statement for MPIF for the 12 months ended 30 June 2009, 2010 and 2011.

Table 16: MPIF consolidated cash flow statements

Year ended $000	30-Jun-09	30-Jun-10	30-Jun-11
Cash flows from operating activities			
Cash receipts in the course of operations	3,917	1,743	2,020
Interest received	604	106	168
Net cash flows from operating activities	**4,521**	**1,849**	**2,188**
Cash flows from investing activities			
Payments for investments	(239)	(236)	(3,521)
Proceeds from sale of investments	2,461	2,134	2,843
Net cash flows from investing activities	**2,222**	**1,898**	**(678)**
Cash flows from financing activities			
Proceeds from issue of Income Units	8,771	-	-
Redemption of Income Units	(18,234)	-	-
Distributions paid to Income Unitholders	(5,271)	(1,378)	(2,291)
Net cash flows from financing activities	**(14,734)**	**(1,378)**	**(2,291)**
Net increase/(decrease) in cash and cash equivalents	(7,991)	2,369	(781)
Cash and cash equivalents at beginning of year	9,212	1,221	3,590
Cash and cash equivalents at 30 June	**1,221**	**3,590**	**2,809**

Source: Multiplex Property Income Fund Annual Financial Report for the year ended 30 June 2010 and 30 June 2011, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)

In relation to the table above, we note:

- cash receipts in the course of operations predominantly comprise of distributions received. Reductions in the years ended 30 June 2010 and 2011 reflect the suspension in distributions from the underlying funds.

- Income Units issued and redeemed during the year ended 30 June 2009 were undertaken at $1.00 per Income Unit plus any accrued income at the time of issue or redemption. 162,669 income units were also issued via a distribution reinvestment plan valued at $1.00 per unit.
- distribution yield on the Income Units for the year ended 30 June 2009, 2010 and 2011 were 5.6%, 3.1% an 4.2% respectively.
- payments for investments during the year ended 30 June 2011 predominantly comprise of listed investments.
- proceeds from sale of investments during the year ended 30 June 2011 includes the return of capital from MPIF's investment in the Gordon Property Investment Trust ($0.3 million) and the Essential Healthcare Trust ($1.2 million).

9.5 Capital structure

MPIF's equity capital structure comprises Ordinary Units and Income Units.

9.5.1 Ordinary units

In March 2007, BAO launched MPIF by seeding the initial property portfolio of $30.1 million in return for all the ordinary units in MPIF. The ordinary units were issued to BAO at a price of $1.00. Ordinary units carry the following rights:

- The right to vote at general meetings
- The right to income in excess of the PDP
- The right to a capital return on termination in excess of the face value of the Income Units.

9.5.2 Income Units

At 30 June 2011, MPIF had 52,791,450 Income Units on issue. There are two classes of Income Units:

- Direct Income Units, issued to direct investors
- Indirect Income units, issued to administration services.

The Income Units were issued at $1.00 each, redeemable at par (when MPIF is liquid). The Direct Income Units can request redemption as cash at $1.00 per unit, or by converting to BAO ordinary units of the same value, after 12 months from the date of investment. Conversion is subject to the approval of the Responsible Entity of BAO. The Indirect Income Units can only be redeemed as cash at $1.00 per unit, but a request for withdrawal can be made any time. There is a withdrawal limit of 5% of total Income Units per quarter. At the date of this report, MPIF remains closed to applications and redemptions.

The Income Units entitle the holder to a targeted monthly PDP calculated with reference to a margin of 2.5% per annum above the distribution yield of the S&P/ASX 200 Property Trust Index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum). This PDP is paid before any ordinary distributions are payable to BAO.

In circumstances where MPIF is unable to meet its PDP obligations, the Distribution Stopper is triggered which prevents BAO from making ordinary distributions unless the PDP shortfall has been met for the prior 12 months. At 30 June 2011, the shortfall for the prior 12 months totalled $2.3 million.

The Income Units are only exposed to a change in the capital value of the MPIF's investments once the value of the ordinary units reduce to nil. In the event MPIF is wound up, the Income Units have priority over the ordinary units for the repayment of capital, up to the initial investment of $1.00 per unit.

Income Units can vote at MPIF unitholder meetings.

9.5.2.1 Top Income Unitholders

The following table summarises the top Income Unitholders at 22 August 2011.

Table 17: Comparison of consideration offered to assessed fair value

Top Income Unitholders	Number of Unitholders	Number of Units held (m)	Percentage of Units
Direct Units			
Officum Capital I/C Fund	1	3.3	6.2%
Western Pacific Leithner Val Fd	1	1.6	3.1%
Other	591	24.5	46.4%
Total Direct Units	**593**	**29.4**	**55.7%**
Indirect Units			
Asgard Capital Management Ltd	1	14.8	28.0%
HSBC Custody Nominees	1	4.1	7.8%
BT Portfolio Services Ltd	1	3.2	6.1%
Other	8	1.3	2.5%
Total Indirect Units	**11**	**23.4**	**44.3%**
Total Income Units	**604**	**52.8**	**100.0%**

Source: MPIF registry

In relation to the table above, we note substantial Income Unitholders are Asgard Capital Management Ltd, Officum Capital and BT Portfolio Services Ltd representing 28.0%, 6.2% and 6.1% respectively.

9.5.3 Distributions

Set out in the table below are the historical distributions paid by MPIF for the 12 month periods ended 30 June 2008, 2009, 2010 and 2011.

Table 18: MPIF Distributions

Year Ended	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11
Distributions per Income Unit (cents)	8.28	5.63	3.14	4.20
Distributions per Ordinary Unit (cents)	11.03	-	-	-
Total distribution (cents)	**19.31**	**5.63**	**3.14**	**4.20**
Implied yield on Income Units [1]	**8.28%**	**5.63%**	**3.14%**	**4.20%**

Source: MPIF Financial Report for 30 June 2010 and 30 June 2009, Half-year ended 31 December 2010, KPMG Analysis (descriptions and data may not necessarily correspond exactly to the layout as per financial accounts)
Note 1: KPMG Analysis. Based on $1 face value per Income Unit

Distributions per Income Unit were lower than the targeted return of 7.5% to 8.5% (based on $1 face value) from the December 2008 quarter onwards, resulting in no ordinary distributions being made to BAO.

10 Impact of the Proposal

10.1 Pro-forma balance sheet

In determining the financial impact of the Proposal on BAO, we referred to the standalone accounts of BAO as this enables us to isolate the impact of the Proposal. Set out in the table below is the pro-forma balance for BAO at 30 June 2011 assuming the Proposal occurred on 30 June 2011.

Table 19: BAO standalone pro-forma balance sheet

$000	BAO Standalone 30-Jun-11	Proposal Adj.	Post-Proposal Pro-forma BAO Standalone 30-Jun-11
Cash	7,764	(7,764)	-
Receivables	1,446	-	1,446
Listed investments	26,531	(4,423)	22,108
Unlisted investments[1]	111,979	15,234	127,213
Total assets	**147,720**	**3,047**	**150,767**
Payables	(1,094)	-	(1,094)
External debt	(37,100)	-	(37,100)
Total liabilities	**(38,194)**	**-**	**(38,194)**
Net assets	**109,526**	**3,047**	**112,573**
Number of ordinary units on issue - (‘000)	811,444	n/a	811,444
NTA per ordinary security (cents)	13.50	n/a	13.87

Source: BAO standalone accounts sourced from Brookfield Australian Opportunities Fund Standalone Annual Financial Report for the year ended 30 June 2011. Proposal adjustments and pro-forma values based on KPMG Analysis
Note 1: BAO’s unlisted investments include the equity accounted investment in MNZPF

Our pro-forma analysis has been based on the following assumptions:

- the acquisition price of $12.2 million (excluding transaction costs) is funded with available cash with any short fall via proceeds from the sale of A-REITs. We understand that the sale of A-REITs may not necessarily be required as cash available may be sufficient around the time of acquisition.

- the acquisition price of $12.2 million implies a 20% discount to the cumulative NTA of the Acquisition Assets of $15.2 million[11]. We understand the Acquisition Assets can be restated to fair values.

According to our pro-forma analysis, we note that under the Proposal:

- BAO’s standalone NTA increases by 2.8%, with the net asset value uplift of $3.0 million representing the difference between the fair value of the Acquisition Assets ($15.2 million at 30 June 2011) to the consideration paid by BAO ($12.2 million). This results in an uplift in NTA per security from 13.5 cents to 13.87 cents.

[11] Based on the 30 June 2011 unaudited NTA of the underlying funds as adopted by MPIF for the valuation of its investments in the Acquisition Assets

- the weighted average yield of the Acquisition Assets increases from 5.4% to 6.8% as a consequence of the Acquisition Assets being acquired at a 20% discount to cumulative NTA.

- the weighted average portfolio yield of BAO is expected to increase from 3.9% to 4.0% given the 6.8% yield on the Acquisition Assets.

- BAO will have the ability to pay distributions after the removal of the Distribution Stopper, however management have not provided guidance with regards to the level of distributions expected to be declared in the future as this could be subject to factors including portfolio performance, financial commitments, market conditions, restrictions in debt facility agreements and constitution on taxation requirements. Despite this, management have advised that BAO generated approximately $2.2 million in normalised annualised cash earnings (0.27 cents per ordinary unit) for the period ended 30 June 2011. Such normalised cash earnings excludes the effect of gains and losses on sale or revaluation of assets, special and other non recurrent incomes and reflects interest costs in BAO post recapitalisation in August 2010.

- BAO's exposure to unlisted investments increases from 76% to 84% of total assets while their exposure to listed investments decreases from 18% to 15%. However, as noted above, the sale of A-REITs may not necessarily be required as cash available may be sufficient around the time of acquisition.

- the use of cash reserves will increase BAO's LVR. This is because cash reserves reduce the loan for the purposes of the calculation of the LVR. In circumstances where there is a need to reduce the LVR, it is expected that this can be managed by the sale of A-REITs and expected cash flows from the underlying investments.

11 Valuation

11.1 Summary

Our evaluation of the Proposal is based on the assessment of the fair value of the Acquisition Assets. Due to the subjectivity involved in valuing the consents provided by MPIF, we have not explicitly valued these consents but rather incorporated these elements into our assessment of the value of the Acquisition Assets.

The Acquisition Assets represent MPIF's share of the units in the Acquisition Funds. Given the size of MPIF's interest in the Acquisition Funds being less than 6.3%, our valuation of the Acquisition Assets was performed on a minority interest basis.

Minority interests in unlisted vehicles are normally assessed at a discount to the pro-rata control value to reflect:

- the rights of minority investors which are typically less than those of controlling shareholders
- illiquidity given the limitation of investors to readily trade interests in unlisted vehicles.

Lower rights and illiquidity increase the risk profile of a minority investment amongst other factors. Investors typically expect higher rates of return to compensate for this increased risk which is usually reflected in a lower value attributable to a minority interest relative to its pro-rata control value.

On this basis, we have determined the value of the Acquisition Assets at 30 June 2011 by applying a discount to the control value of the underlying units. The table below outlines our assessed fair value of the Acquisition Assets.

Table 20: Value of Acquisition Assets

		Low	High
Control value of Acquisition Assets (based on NTA)	$m	15.2	15.2
Less: Discount	%	25%	15%
Value of Acquisition Assets (minority basis)	$m	11.4	12.9

Source: KPMG Analysis

We have assessed the fair value of the Acquisition Assets to be in the range of $11.4 million to $12.9 million based on applying a discount to the pro-rata control value. Our assessment is outlined in the remainder of section 11 below.

11.2 Value of the Acquisition Funds

11.2.1 Methodology

The value of the Acquisition Assets are based on the value of the Acquisition Funds. In selecting an appropriate methodology to value the Acquisition Funds, KPMG has considered the methodologies outlined in RG 111 as well as generally accepted valuation methodologies as outlined in Appendix 3. The decision as to which methodology to apply generally depends on the nature of the asset being valued and the availability of appropriate information.

KPMG considers the most appropriate methodology to be adopted in valuing the Acquisition Funds is net assets. This methodology is preferred as:

- the Acquisition Funds are property trusts
- the value of a property trust lies in its underlying assets and not the ongoing operations of the trust
- the underlying property assets are typically valued on a cost basis given its capital intensive nature

there is no trading price available which forms a reliable proxy for market value as either the Acquisition Funds are not listed or, in the case of APNRPF, listed on an exchange other than ASX with very low liquidity[12]A net assets methodology requires a valuer to determine the market value of an entities' assets and liabilities, excluding realisation costs, at the valuation date. In this regard, we have determined the value of the Acquisition Funds with reference to its largest assets being the underlying properties.

11.2.2 Assessment of underlying property assets

As discussed in section 11.2.1 above, the net asset values of the Acquisition Funds are largely dependent on the value of the underlying properties. Approximately 80% of the value of the underlying properties of the Acquisition Funds were valued in the 12 months to June 2011, and approximately 66% of the value in the three months to June 2011.

KPMG's real estate advisory group completed a review of the valuations of properties of the Acquisition Funds comprising 67% of the value of the Acquisition Assets on a look through basis. Given the fund-of-fund nature of BAO, BAO was not privy to the valuation reports of the underlying properties and as such, KPMG's review was limited primarily to publicly available information, supporting information provided by BAO and general knowledge of the market. Set out below is a summary of KPMG's findings:

- Observed pricing of recent transactions of property assets approximated book values
- The independent valuers appointed to provide property valuations are considered to be top-tier and highly regarded
- The comments supporting the movement in value of external valuations are logical and are not considered unreasonable
- The capitalisation rates adopted for all properties reviewed are generally within market parameters and are not unreasonable.

Based on publically available information and our general knowledge of the market, there was no evidence to contradict the book values stated by MPIF. On this basis, KPMG considers the valuations of the underlying property assets are not unreasonable. As such, we have adopted the net asset values of the Acquisition Funds as the basis for the pro-rata control values of the Acquisition Assets.

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[12] Approximately 0.06% and 0.25% of issued securities in APNRPF were traded in the six months and 12 months preceding 31 August 2011 respectively. The last trade of 20,000 units occurred on 15 April 2011, which equated to 0.06% of the listed securities on issue.

11.3 Discount considerations

The Acquisition Assets represent minority interests in the Acquisition Funds which are unlisted or illiquid vehicles. Minority interests in unlisted or illiquid vehicles are normally priced at a discount to the pro-rata control value to reflect:

- the lack of control that the minority investor has over the entity. For the same reasons that a premium for control exists, a discount for lack of control is recognised to account for the minority shareholders inability to control the Board, resulting in an inability to make decisions about the strategic direction of the entity, a lack of control over the application of the cash flows of the entity and the dividend policy adopted. In addition, minority shareholders may also have limited access to information.

  For the purposes of determining what level of minority discount may apply to the Acquisition Assets, we referred to the implied discounts at which listed A-REITs trade relative to NTA given:

  - listed A-REITs are highly comparable to the Acquisition Funds
  - the minority discount can be observed by comparing the trading price of a listed A-REIT (which reflects a minority interest value) to the last reported NTA per security (which represents a controlling interest value).
- the relative difficulty at which the investor can trade interests in the entity. In general, investors value liquidity and would typically pay more for an asset that is readily marketable than for an otherwise identical asset that is not readily marketable or able to be liquidated. The lack of liquidity is reflected in a discount to the estimated value of a minority interest.

Determining the level of any applicable discount is a complex and inherently subjective process, which is typically dependent on specific circumstances and may vary significantly depending on factors such as:

- the size of the stake held in the entity
- the nature and terms of any shareholder agreement or constitution
- the historic liquidity in the entity's shares and any mechanism available to facilitate this liquidity
- the level of distributions historically paid and expected.

In determining the level of discount to be applied, we considered the following factors:

- Discounts for minority interests and illiquidity are typically made with reference to the implied discounts at which small shareholdings trade or transact at. For example:
  - the trading and transaction discount of minority interests in listed A-REITs (which are stapled entities) are in the order of 20% to 30% (as outlined in Appendix 4)
  - empirical evidence based on restricted share studies and private share transactions before public offerings suggests that illiquidity discounts averaged between 30% and 40%.

The Acquisition Assets represent interests in managed investment schemes (MIS) as compared to corporate-type entities. The rights of minority members under an MIS are more favourable than those of a corporate, and on this basis, we have referred to the characteristics of MIS in our determination of a relevant discount. More specifically:

- An MIS is a scheme often in the form of a unit trust in which member funds are pooled or used in a common enterprise and members of the scheme do not have day to day control over the operation of the scheme. This compares with a corporate whereby large shareholders have the capacity to exert their influence over the Board, strategy and dividend policy of the entity, often to the detriment of smaller shareholders

- An MIS is managed by a Responsible Entity which performs the combined role of trustee and manager. As such, the Act imposes extensive duties on the Responsible Entity including the duty to act honestly, exercise a reasonable degree of care and diligence, act in the best interest of members of a scheme and to treat scheme members equally

- An MIS is governed by a Constitution, which is similar to a trust deed, but contains at a minimum the matters prescribed by the Act and the policy statements of the ASIC. These include consideration payable for interests in the scheme, powers of the Responsible Entity in dealing with or investing scheme property, complaints resolution and winding up of the scheme. A Compliance Plan must also be prepared, usually in conjunction with the scheme's auditors, which sets out the measures which a Responsible Entity is to apply in operating the MIS to ensure compliance with the Act and the scheme's Constitution. This compares to a corporate which is typically not subject to the same level of compliance

- An MIS is often in the form of a unit trust which is a flow through structure. Furthermore, it is typically optimised for tax purposes, with a requirement to distribute a certain level of earnings in order to ensure these tax benefits flow through to members. Restrictions on distributions are typically limited to the extent that there are insufficient earnings or paying a distribution would impact the solvency of the MIS. This compares to a corporate under which its Board is under no obligation to pay dividends, which tends to adversely impact smaller shareholders to a greater extent as dividends are typically their only source of return.

• The Acquisition Funds are open-ended funds with no review date for the foreseeable future. The ability to liquidate has been limited to withdrawal facilities of which there are currently none available except for APN. Despite the intention of the responsible entities of the Acquisition Funds to provide periodic withdrawal facilities, the ability to withdraw is dependent on:

  - the liquidity of the scheme. According to section 601KA of the Act, a registered scheme is considered liquid if its liquid assets (such as cash, marketable securities, liquid property assets, etc) account for at least 80% of the value of scheme property. Given the nature of the underlying assets of the Acquisition Funds being direct investments in properties, it is unlikely that these funds would be considered liquid

  - the size of the withdrawal facility, which is typically limited to a minor percentage of the funds' assets or units on issue (circa 5%). This, combined with the pro-rata reduction of withdrawal requests when there is excess demand, restricts the ability of MPIF to divest the Acquisition Assets over the short term.

- Recent withdrawal facilities offered by the Acquisition Funds have been priced at only minor discounts to NTA (circa 5%).

- The suspension of redemptions and distributions by unlisted trusts has led to an increased perception of risk despite its lower volatility characteristics relative to listed investments. This has led to a reduced popularity of unlisted investments by retail investors as they place increased importance on liquidity relative to other investment considerations. Despite this, most of the Acquisition Funds have been recapitalised and are paying a weighted average distribution yield of 6.3%, which is expected to continue for the foreseeable future. This is likely to be attractive to longer term wholesale investors who are likely to place a lower premium on liquidity.

- Offers to invest in schemes are typically made at only minor discounts to NTA (circa 5%).

Based on the above considerations, we consider the starting point for an appropriate discount for the Acquisition Assets in an open market to be in the order of 30% to NTA. When considering the additional benefits that the Proposal provides BAO, including the removal of the Distribution Stopper, BAO's increased influence in the Acquisition Funds and the yield provided on the Acquisition Assets of 6.8%[13], we consider the value of the Acquisition Assets to be higher in the hands of BAO than what may be for a typically non-synergistic buyer. To account for these additional benefits, we adopted a discount range in the order of 15% to 25%.

11.4 Valuation cross-check

As noted in section 11.2.1, a net assets approach is considered the most appropriate methodology to apply in valuing the Acquisition Assets and given the nature of the Acquisition Assets, an appropriate secondary methodology has not been identified. However, in assessing the reasonableness of our assessed value of the Acquisition Assets, we considered market-based evidence and note the following:

- There is insufficient liquidity and market depth to support the sale of MPIF's interest in APNRPF.

- Other than via redemption facilities or the Proposal, we understand that MPIF has not undertaken a process to divest the Acquisition Assets. Further, BAO has not been seeking to sell its existing interests in the Acquisition Assets and so has no pricing reference point.

- The ability of MPIF to divest the Acquisition Assets via future redemption facilities is likely to be restricted given the illiquid nature of the underlying assets of the Acquisition Funds, the limited size of any redemption facility which may be offered, and the pro-rata reduction of withdrawal requests which is likely to occur given the expected high demand as investors have limited divestment options.

We consider the market observations outlined above, whilst not yielding a valuation alternative, are consistent with the factors considered in applying our net assets methodology.

[13] Based on acquiring the Acquisition Assets at a 20% discount to NTA.

Appendix A – Independent Expert's Report continued

__Brookfield Capital Management Limited as responsible entity for Brookfield Australian Opportunities Fund__
Independent expert report & Financial services guide
18 October 2011

Appendix 1 – KPMG Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG are Sean Collins and Ian Jedlin. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Proposal is in the best interests of Securityholders. KPMG expressly disclaims any liability to any Securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Proposal. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Proposal.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG provided draft copies of this report to BCML as responsible entity of BAO for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG as stated in this report.

Consent

KPMG consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Securityholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

Indemnity

BCML and BAO has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

BCML and BAO has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. BCML and BAO, has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB).

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements, company reports and presentations
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd
- financial information from Capital IQ, Thompson Financial Securities, Aspect Huntley and Connect 4.

Non-public information

- BAO's Proposal to MPIF, including associated correspondence
- Board Strategy Papers
- Unitholder registers

In addition, we have had discussions with the management and Board of BAO and BCML.

Appendix 3 – Valuation methodologies

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and PAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted ('the Discount Rate') should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Brookfield Capital Management Limited as responsible entity for Brookfield Australian Opportunities Fund
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18 October 2011

Appendix 4 – Trading and transactional evidence of A-REITs

Pricing reference from trading evidence

The following table outlines the trading premiums/(discounts) of a range of A-REITS.

Table 21: Trade evidence of listed property trusts

	1 week VWAP	1 month VWAP	1 week VWAP discount to NTA	1 month VWAP discount to NTA
Brookfield Australian Opportunities Fund	0.04	0.04	(71%)	(69%)
Multiplex European Property Fund	0.15	0.16	(60%)	(58%)
Australand Holdings Limited	2.31	2.32	(35%)	(35%)
Mirvac Group	1.15	1.08	(28%)	(33%)
Charter Hall Office REIT	3.17	2.96	(20%)	(25%)
Challenger Diversified Property Group	0.50	0.49	(25%)	(26%)
Abacus Property Group	2.03	2.01	(26%)	(27%)
Westfield Retail Trust	2.55	2.41	(21%)	(25%)
Dexus Property Group	0.82	0.80	(19%)	(21%)
Charter Hall Group	1.80	1.78	(18%)	(19%)
Stockland Corp. Ltd.	2.95	2.83	(19%)	(22%)
Commonwealth Property Office Fund	0.92	0.90	(17%)	(19%)
Investa Office Fund	0.61	0.59	(18%)	(20%)
CFS Retail Property Trust	1.76	1.66	(14%)	(19%)
GPT Group	3.06	2.89	(15%)	(20%)
Charter Hall Retail REIT	3.21	3.02	(9%)	(14%)
Cromwell Property Group	0.67	0.65	(8%)	(10%)
Growthpoint Properties Australia	1.92	1.87	(5%)	(8%)
BWP Trust	1.72	1.69	(10%)	(11%)
Brookfield Prime Property Fund	2.75	3.02	(48%)	(43%)
Westfield Group	7.91	7.84	12%	11%
Goodman Group	0.65	0.63	32%	29%
FKP Limited	0.52	0.51	(58%)	(59%)
ING Real Estate Entertainment Fund	0.08	0.07	(55%)	(56%)
Aspen Group	0.42	0.41	(37%)	(38%)
APN Property Group Limited	0.14	0.15	(27%)	(22%)
ALE Property Group	1.86	1.84	(16%)	(17%)
Australian Education Trust	0.84	0.85	(28%)	(28%)
Average			(24%)	(25%)
Range			(71%) to (25%)	(69%) to (22%)

Source: CapitalIQ, As at 31 August 2011

In relation to the table above, we note:

- the vast majority of A-REITs trade at discounts to their reported NTA, with an average discount of between 20% and 25%
- A-REITs with active development pipelines such as Westfield and Goodman tend to trade at a premium to NTA to reflect the upside potential of the existing property portfolio. Removing Westfield and Goodman from the subset results in an increase in the average discount to approximately 29%.

Pricing reference from transaction evidence

We also considered the implied discount to NTA of minority interests in listed property trusts held by institutional investors which have been transacted over the past year.

Table 22: Minority interest transactions in listed property trusts

Date Completed	Target	% Acquired/Divested	Discount to NTA
4-Apr-11	ING Office Fund	2.50%	(23.0%)
10-Mar-11	Charter Hall Office REIT	1.26%	(19.2%)
14-Dec-10	APN Property Group	0.99%	2.6%
7-Dec-10	ING Real Estate Entertainment Fund	1.00%	(79.0%)
2-Dec-10	Aspen Group	1.06%	(33.3%)
30-Nov-10	ALE Property	1.04%	(27.9%)
30-Nov-10	Commonwealth Property Office Fund	0.82%	(19.5%)
26-Nov-10	Stockland	5.11%	3.3%
19-Nov-10	Australian Education Trust	1.05%	(48.2%)
27-Oct-10	GPT Group	13.10%	(20.3%)
25-Oct-10	Charter Hall Group	1.03%	10.4%
21-Oct-10	ING Industrial Fund	3.88%	(15.8%)
18-Oct-10	ING Real Estate Entertainment Fund	7.51%	(79.2%)
16-Sep-10	FKP Property Group	0.36%	(37.9%)
25-Aug-10	Bunnings Warehouse Trust	0.91%	0.5%
Average			**(25.8%)**
Range			**(79.2%) to 10.4%**

Source: CapitalIQ, Zephyr, MergerMarket

In relation to the table above, we note:

- the majority of transactions involve increases or decreases in existing substantial holdings over a period of time prior to completion
- the majority of transactions appear to be on market at a price close the prevailing security price at the time and thus the implied discounts are consistent with current trading discounts of property trusts
- the following transactions involve a transfer of interests between institutional investors of which had occurred at similar discounts:
  - GPT Group: Stockland sold their 13.1% stake via a book build
  - Charter Hall Office REIT and ING Office Fund: the transactions were between institutional clients.

Appendix B – Notice of Meeting

NOTICE OF MEETING

Notice is hereby given by Brookfield Capital Management Limited (ABN 32 094 936 866) as responsible entity for Brookfield Australian Opportunities Fund (ARSN 104 341 988) that a meeting of Unitholders ("**Meeting**") will be held at:

Place: The Mint
10 Macquarie Street
Sydney NSW 2000

Date: 22 November 2011

Time: Registration 9.30am
Meeting commences at 10.00am

In accordance with Section 252S(1) of the *Corporations Act 2001* (Cwlth), Brookfield Capital Management Limited has appointed Mr Allan McDonald, or, failing him, Mr Brian Motteram to act as Chair.

BUSINESS OF THE MEETING

The business of the Meeting will consist of the following:

Resolution: Approval of the Proposal

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT the proposal described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting (the "Proposal"), which includes:

(A) Brookfield Capital Management Limited in its capacity as responsible entity of Brookfield Australian Opportunities Fund paying an amount of $12,187,471 to Brookfield Capital Management Limited in its capacity as responsible entity of Multiplex Property Income Fund;

(B) Brookfield Capital Management Limited in its capacity as responsible entity of Brookfield Australian Opportunities Fund acquiring the portfolio of assets described in the Explanatory Memorandum from Brookfield Capital Management Limited in its capacity as responsible entity of Multiplex Property Income Fund;

(C) the removal of the distribution stopper which currently prevents Brookfield Capital Management Limited in its capacity as responsible entity of Brookfield Australian Opportunities Fund from making a distribution to members of Brookfield Australian Opportunities Fund in certain circumstances; and

(D) the commencement of the termination and winding up of the Multiplex Property Income Fund,

on the terms and subject to the conditions of the Proposal, is approved for all purposes including ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act 2001 (Cwlth) (as modified by Chapter 5C.7 of the Corporations Act 2001 (Cwlth))."

Mr Neil Olofsson
Company Secretary

21 October 2011

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined in this Notice, terms used in this Notice have the same meaning as set out in the Glossary in Section 6 of the Explanatory Memorandum.

Quorum requirements

The quorum requirement for the Meeting is at least five Unitholders present in person or by attorney, representative or proxy.

If a quorum is not present within 30 minutes after the scheduled time for the Meeting, the Meeting will be adjourned as the Chairman of the meeting directs.

Voting and proxies

Eligibility to vote

For the purposes of determining the entitlement to vote at the Meeting, Units will be taken to be held by those persons registered as holders at 7.00pm AEDT on 21 November 2011. Transactions registered after that time will be disregarded in determining Unitholders' entitlements to attend and vote at the Meeting. Voting exclusions are referred to below.

Voting

The Chair of the Meeting has advised that he intends to demand a poll so that all the resolutions are to be decided on a poll. On a poll, each Unitholder has one vote for each dollar of the value of the Units held by the Unitholder and each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of the Units held by the Unitholder that person represents. Generally speaking, your Unit value is equal to the last sale price of Units on ASX on the last trading day before the Meeting.

You need not exercise all of your votes in the same way, nor need you cast all of your votes.

Jointly held Units

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the BAO Register counts.

Individuals

If you plan to attend the Meeting, we ask you to arrive at the venue at least 30 minutes prior to the time designated for the Meeting so that we may check your Units against the BAO Register and note your attendance.

Corporations

In order to vote at the Meeting, a corporation that is a Unitholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representative must comply with Section 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Appendix B – Notice of Meeting continued

Voting exclusions
Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolution if they have an interest in that resolution other than as a member.

In addition, under the ASX Listing Rules, BAO RE must disregard any votes cast on the Resolution by:

(a) a party to the Proposal; and
(b) an associate of a party to the Proposal.

As a consequence of the above voting exclusions, the BAO Sub-Committee has determined that neither BCML nor any of its associates will be able to vote on the Resolution. This includes Brookfield Capital Securities Limited, Brookfield Multiplex Capital Limited, Multiplex APF Pty Limited and Mr Brian Motteram (who between them currently hold approximately 62.1% of the Units).

However, BAO RE need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
(b) it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Appointing a Proxy
If you are entitled to attend and vote at the Meeting but cannot attend, you can appoint a proxy to attend and vote on your behalf. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Unitholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Unitholders can exercise their right to vote on the proposed Resolution, a Proxy Form is enclosed. The Proxy Form tells you what you need to do to lodge a valid proxy.

A Proxy Form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed Proxy Form:

(a) by mail:
Brookfield Australian Opportunities Fund
Unit Registry
Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

(b) by fax:
+61 2 9290 9655

(c) by hand:
Unit Registry
Boardroom (Victoria) Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000 Australia

The Proxy Form must be received no later than 48 hours before the Meeting, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

How the Chair of the Meeting will vote undirected proxies
BAO RE encourages all Unitholders who submit proxies to direct their proxy as to how to vote on the Resolution. However, if the proxies are not directed and the Chair of the Meeting is your proxy, you will be taken (provided you have marked the appropriate box) to have directed the Chair of the Meeting to vote in favour of the Resolution and the Chair of the Meeting will exercise your votes in favour of the Resolution.

Enquiries
If you have any questions about the Resolution, attending the Meeting, how to vote or the Proxy Forms, please contact the information line on 1800 766 011 (if you are in Australia) or on (+61 2 9290 9600 if you are outside Australia) Monday to Friday between 8.30am and 5.30pm (AEDT) or consult your financial or other professional advisers.

Appendix C – Acquisition Assets

APN REGIONAL PROPERTY FUND (APNRPF)

APNRPF is a direct real estate fund listed on the Bendigo Stock Exchange (**BSX**). It holds a portfolio of two retail and two office properties located in regional New South Wales.

The trading history of APNRPF shows that it has only had nominal trading with one transaction being undertaken in the 12 months preceding 31 August 2011 for only 20,000 units were sold this calendar year to date (being 0.06% of the units on issue). Low trading volumes of APNRPF indicates that, despite its listed status, the APNRPF units are relatively illiquid.

APNRPF suspended distributions from the March 2009 quarter in light of the then prevailing financial and property market conditions and the pending expiry of the APNRPF's debt facility. Following the successful refinancing of the fund's bank debt with the Commonwealth Bank of Australia in October 2009, quarterly distributions to ordinary unitholders were reintroduced from the March 2010 quarter at a rate of 3 cents per unit (cpu) per annum. To date, APNRPF has maintained its quarterly distributions at a rate of 3 cpu per annum.

At 30 June 2011, APNRPF's loan to value ratio was 61% against a covenant of 65% and its interest cover ratio was 1.8 times against a covenant of 1.5 times. APNRPF's weighted average lease expiry (**WALE**) was 4.9 years and occupancy rate 99%.

BAO currently holds 8.8% of APNRPF. BAO's interest will increase to 10.9% after acquiring MPIF's units in APNRPF.

AUSTRALIAN UNITY DIVERSIFIED PROPERTY FUND (AUDPF)

AUDPF is an unlisted property fund that directly invests in a range of income producing properties across industrial, office and retail property markets and holds a portfolio of assets comprising direct property and property securities. Prior to 1 October 2010, the fund was known as the Westpac Diversified Property Fund (**WDPF**). Australian Unity acquired the responsible entity of AUDPF on 30 September 2010.

Following the acquisition, Australian Unity agreed to:

– establish liquidity in the fund by a series of three $10 million withdrawal offers during 2010/11;
– recapitalise the fund via a $40 million entitlement offer, giving eligible unit holders the opportunity to further invest in the fund at a discount to NTA; and
– underwrite $10 million of the entitlement offer.

The $40 million entitlement offer was not fully subscribed. Consequently, a public offer consisting of $27.5 million worth of securities at a 7.5% discount to the security price opened 3 January 2011 and closed on 30 September 2011.

Australian Unity made a withdrawal offer in December 2010 for up to a total of $10 million. It made a further withdrawal offer which closed on 15 August 2011 (with total withdrawals of $8 million).

BAO participated in both withdrawal offers and has received, to date, a total of $3.5 million in redemptions.

AUDPF paid a distribution of 5.16 cpu per annum for FY11.

At 31 May 2011, the portfolio of 13 properties had an occupancy rate of 97% and WALE of 7.6 years. In May 2011, nine of the 13 properties were independently valued with a total increase from their previous book value of $3.5 million or 1.5%.

BAO currently holds 3.9% of AUDPF. BAO's interest will increase to 4.2% after acquiring MPIF's units in AUDPF.

AUSTRALIAN UNITY OFFICE PROPERTY FUND (AUOPF)

AUOPF is an unlisted real estate fund which holds interests in office buildings across Australia. Investa has sold Investa Funds Management Limited, the responsible entity of AUOPF to Australian Unity Investments. The change in manager was finalised on 30 September 2011.

AUOPF suspended distributions from the March 2009 quarter for the stated purpose of preserving capital for future funding requirements.

In October 2010, AUOPF sold its 50% interest in its largest asset, 320 Pitt Street Sydney, at a price consistent with AUOPF's most recent independent valuation. This allowed AUOPF to reduce its level of borrowings and gearing ratio and to reinstate distributions from the December 2010 quarter at a rate of 6 cpu per annum.

AUOPF refinanced its debt facility for a further three years (expiry in March 2014). AUOPF's loan to value ratio at 30 June 2011 was 46.9% against a requirement of 65%.

At 30 June 2011 AUOPF's portfolio of eight properties had an occupancy rate of 95.3% and a WALE of 3.34 years.

BAO currently holds 14.6% of all AUOPF units on issue. BAO's interest will increase to 16.3% after acquiring MPIF's units in AUOPF.

Appendix C – Acquisition Assets continued

PFA DIVERSIFIED PROPERTY TRUST (PFADPT)

The PFADPT is a diversified property trust across geographic location, property sector, tenant profile and lease expiry within Australia. Australian Property Growth Fund (**APGF**) purchased the responsible entity of the fund from Mirvac in April 2010.

PFADPT owns 16 properties, which are well diversified across location and sector, with PFADPT holding a 68% weighting to office property.

PFADPT's loan to value ratio at 30 June 2011 was 56.9% against a covenant of 60%. APGF are targeting an LVR of less than 50% during 2011/12. They will seek to provide a limited redemption facility once this LVR target is reached.

PFADPT's current debt facility expires in November 2011 and the responsible entity has stated in their December 2010 Investor Report that negotiations to extend the facility are well advanced. PFADPT is paying a distribution of 7.25 cpu per annum.

Property portfolio fundamentals are strong, with an occupancy rate of 95% and WALE of 4.3 years.

BAO currently holds 2.5% of PFADPT. BAO's interest will increase to 3.6% after acquiring MPIF's units in PFADPT.

THE ORCHARD CHILDCARE PROPERTY FUND (TOCPF)

During the two years to June 2010, Orchard had been dealing with the impact of the global financial crisis and the collapse of TOCPF's major tenant, ABC Learning Centres Limited (ABC).

During the 18 months to June 2010, Orchard transitioned 164 of the fund's child care centres to new operators on leases that provide for similar rents, but with improved lease terms, including extended initial terms to 15 years and provisions for rent reviews based on at least consumer price index increases.

At June 2010, of TOCPF's original 209 centres:

- 115 centres that were under receiver control had their leases assigned from ABC to Goodstart Childcare Limited (Goodstart). Goodstart is a not for profit organisation whose members include Mission Australia, The Brotherhood of St Lawrence, The Benevolent Society and Social Ventures Australia Limited;
- 35 centres that had continued in operation with the assistance of government funding entered into new leasing arrangements with two experienced operators;
- 11 centres that had been earmarked for closure entered into long-term lease arrangements with four existing operators;
- four other centres that had been earmarked for closure were in the process of being either re-leased or sold;
- one centre that had been earmarked for closure had been sold;
- 25 centres remain connected to the former ABC group through their lease to ABC Developmental Learning Centres (NZ) Ltd, which was not in administration or receivership;
- seven centres composed of vacant development land; and
- 11 operating centres that were under receiver control had their leases assigned to tenants other than Goodstart.

As at 30 June 2011, TOCPF held 202 childcare centres leased to 13 tenants. The WALE was 10.2 years and the fund had an occupancy rate of 98%.

TOCPF paid a distribution of 3.25 cpu for the year ended June 2009 and 2.65 cpu for the year ended June 2010. TOCPF recommenced quarterly distributions from the September 2010 quarter and paid a distribution of 5.5 cpu for the year ended June 2011.

The loan to value ratio of TOCPF at 30 June 2011 was 48.5% against a covenant of 55%

BAO currently holds 2.3% of the units issued by TOCPF. BAO's interest will increase to 3.8% after acquiring MPIF's units in TOCPF.

CHARTER HALL DIVERSIFIED PROPERTY FUND (CHDPF)

CHDPF is an unlisted fund which owns six properties across the Australian office and industrial property sectors. In May 2011 the fund successfully divested its main asset, a 25% interest in Coles Distribution Centre, located at Perth Airport, for $42.88 million. Sale proceeds were used to reduce debt, provide working capital and return capital to investors. The first tranche of the sale proceeds was distributed to investors in August 2011.

CHDPF currently holds six property assets. Agreements have been entered into for the sale of one property and the granting of an option to buy in respect of another. CHDPF's major asset is its 75% interest in the office building at 400 Kent Street Sydney.

CHDPF's portfolio has an occupancy rate of 91% and WALE of 4.1 years. The fund is currently paying a distribution of 3.2 cpu per annum. The 3.2 cpu per annum represents a yield of 4.5% p.a. on the unaudited June 2011 NTA and 5.6% p.a. at a 20% discount to NTA.

CHDPF's gearing was forecast to reduce from 56% to 48% as a result of the sale of the Coles Distribution Centre.

CHDPF represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 6.3% interest in the fund.

A summary of CHDPF's property portfolio as at 30 June 2011 is as follows:

ADDRESS	TYPE	VALUE $M	LEASE STATUS %	WALE (YRS)
400 Kent St, Sydney, NSW	Office	40.3	89	5.9
181 St Georges Tce, Perth, WA	Office	25.0	87	5.6
22 Compark Ct, Mulgrave, VIC	Industrial	6.0	100	1.9
Jets Ct & South Centre Road, Tullamarine, VIC	Industrial	9.3	100	3.1
53 Berry St, Nth Sydney, NSW	Office	20.2	77	3.3
46–50 Kings Park Rd, West Perth, WA	Office	26.4	100	2.2
Total		**127.2**	**91**	**4.1**

CHARTER HALL UMBRELLA FUND (CHUF)

CHUF invests in a range of long-term illiquid unlisted property investments and has an allocation to listed liquid AREITs. CHUF provides exposure to more than 55 underlying office, industrial and retail properties spread across Australia and New Zealand. At 30 June 2011, portfolio occupancy was 95% and the fund had a portfolio WALE of 8.1 years. CHUF has no gearing itself and look through gearing was 39%.

Charter Hall will continue to implement strategies to increase fund liquidity. This may provide an opportunity for CHUF to open withdrawal offers in the fourth quarter of 2011. More significant liquidity for investors will be provided around the major fund review events for Charter Hall Core Plus Office Fund (CPOF) and Charter Hall Core Plus Industrial Fund (CPIF) in 2013 and 2014 respectively.

A summary of CHUF's underlying investments as at 30 June 2011 is as follows:

FUND	SECTOR	% PORTFOLIO	REVIEW EVENT DATE
AREITs		7	Liquid
Australand	Ind/Office	4	2012
Charter Hall Diversified Property Fund	Ind/Office	9	2012
Charter Hall Direct Retail Fund	Retail	14	2012/13
Charter Hall Opportunity Fund No. 5	Development	2	2013/14
Charter Hall Core Plus Office Fund	Office	34	2013
Charter Hall Core Plus Industrial Fund	Industrial	30	2014
Total		**100**	

As a unitholder of CHUF, BAO will not be entitled to vote on the participation in any redemptions offered by the underlying funds which CHUF invests in (as noted in the table above). Instead, the appropriate redemptions from the underlying funds will be determined by CHUF's Investment Committee.

CHUF has a 9% exposure to Charter Hall Diversified Property Fund, in which BAO RE, as part of this Proposal, is considering acquiring a direct 6.3% interest.

CHUF is currently paying a distribution of 3.6 cpu per annum.

CHUF represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 2.1% interest in the fund.

BLACKWALL TELSTRA HOUSE TRUST (BWTHT)

BlackWall Telstra House Trust is a single asset unlisted property trust. The term of the trust is seven years with expiry in February 2017. The term may be extended by the responsible entity for a further two years.

The asset, Telstra House which is located at 490 Northbourne Avenue Canberra ACT, is fully leased to Telstra for a 10 year term from 1 December 2008. Telstra has an option to extend the lease for two separate three year periods.

At 30 June 2011, the fund is 100% occupied with a WALE of 9.2 years. BWTHT paid a distribution of 10.3 cpu per annum applicable for the 12 month period to June 2011.

BWTHT's loan to value ratio at 30 June 2011 was 60% against a covenant of 60%.

BWTHT represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 2.6% interest in BWTHT.

Appendix C – Acquisition Assets continued

STOCKLAND DIRECT OFFICE TRUST NO. 3 (SDOT3)

SDOT3 is an unlisted property fund which holds an interest in a portfolio of four properties (three office buildings and one car park). The manager of SDOT3 must convene a meeting to be held prior to 30 June 2014 to consider a Special Resolution to terminate the trust. The Special Resolution requires approval by members holding at least 75% by value of the units voted on the Resolution.

SDOT3 has a limited liquidity facility which is fully drawn.

SDOT3 has suspended distributions and last paid a distribution for the March 2010 quarter.

SDOT3's loan to value ratio at 30 June 2011 was 61.3% and below the fund's 65% covenant. The improvement from the 31 December 2010 loan to value ratio of 64.8% was mainly due to an increase in the value of the property portfolio.

Stockland Trust Management Limited provided SDOT3 a loan facility to August 2011. This has since been extended to 31 August 2012. As a consequence of this loan facility, SDOT3's financier, ANZ has waived any future breach of the loan to value ratio under its loan facility provided that the LVR does not exceed 80%.

SDOT3's loan facility from ANZ expires on 27 June 2012 and SDOT3 has stated that management has entered into preliminary discussions regarding the extension of the facility.

SDOT3 represents a new investment for BAO. If the Proposal is implemented, BAO will hold a 1.6% interest in SDOT3.

A summary of the underlying assets held by SDOT3 as at 30 June 2011 is as follows:

ADDRESS	TYPE	DATE	VALUE $M	OCCUPANCY %	WALE (YRS)
541 St Kilda Road, Melbourne	Office	Jun-11	25.0	100	1.4
222 Russell Street, Melbourne	Car park	Jun-11	13.3	100	3.7
181 Great Eastern Highway, Belmont	Office	Jun-11	17.0	100	7.6
75 George Street, Parramatta	Office	Jun-11	32.6	100	5.3
Total			**87.9**	**100**	**4.2**

Corporate Directory

Fund
Brookfield Australian Opportunities Fund
ARSN 104 341 988

Responsible Entity
Brookfield Capital Management Limited
ABN 32 094 936 866
AFSL No. 223809

Registered Office
Level 22
135 King Street
Sydney NSW 2000

Directors of the Responsible Entity
Allan McDonald (Chairman)
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

Secretary of the Responsible Entity
Neil Olofsson

Registry
Boardroom (Victoria) Pty Ltd
Level 7
207 Kent Street
Sydney NSW 2000

Telephone enquiries:
1800 766 011 (within Australia) or
+61 2 9290 9600 (from outside Australia)
(Monday to Friday – 8.30am to 5.30pm AEDT)

Fund Website
www.au.brookfield.com

www.au.brookfield.com

Brookfield

Brookfield Australian Opportunities Fund
ARSN 104 341 988

FOR ALL ENQUIRIES CALL:
(within Australia) 1800 766 011
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

<Co Name>
<Address 1>
<Address 2>
<Address 3>
<Address 4>
<Address 5>

☐ **Your Address**
This is your address as it appears on the fund's unit register. If this is incorrect, please mark the box with an "X" and make the correction on the form. **Please note, you cannot change ownership of your securities using this form.**

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10:00AM SUNDAY 20th NOVEMBER 2011

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a unitholder of the fund. Do not write the name of the fund or the registered unitholder in the space provided.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the fund's unit registry.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the fund's unit registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite the resolution. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the resolution by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the resolution and the proxy is not the Chairman, your proxy may vote as he or she chooses. If you mark more than one box on the resolution your vote on that item will be invalid. If the Chairman is your proxy, and you do not specifically direct him how to vote on the resolution, then you may mark the box in Step 2 under the heading "If the Chair is your proxy (by appointment or default)". If you mark that box, you will be taken to have specified that the Chairman votes in favour of the resolution. If you neither mark that box nor specifically direct the Chairman how to vote on a resolution, the Chairman will not be able to vote on the resolution.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: This form is to be signed by the unitholder.
Joint Holding: where the holding is in more than one name, all the unitholders must sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **10:00am on Sunday, 20th November 2011**. Any Proxy Form received after that time will not be valid for the scheduled meeting. **Proxies may be lodged using the reply paid envelope or:**

BY MAIL - Unit Registry – Boardroom (Victoria) Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

BY FAX - + 61 2 9290 9655

IN PERSON - Unit Registry – Boardroom (Victoria) Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Brookfield

Brookfield Australian Opportunities Fund
ARSN 104 341 988

FOR ALL ENQUIRIES CALL:
(within Australia) 1800 766 011
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

<Co Name>
<Address 1>
<Address 2>
<Address 3>
<Address 4>
<Address 5>

<BARCODE>

STEP 1 - Appointment of Proxy

I/We being a member/s of **Brookfield Australian Opportunities Fund** and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') **OR** ☐

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **General Meeting of Brookfield Australian Opportunities Fund to be held at the The Mint, Auditorium, 10 Macquarie Sydney, NSW 2000 on Tuesday the 22nd of November 2011 at 10:00am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

No		Type	For	Against	Abstain*
1.	To Approve the Proposal.	Ord	☐	☐	☐

If the Chairman is your proxy (by appointment or default)

If the Chairman of the Meeting is appointed as your proxy, or is appointed by default, and you do **not** wish to give voting directions in the manner contemplated above, you may mark this box. ☐

By marking this box, you are taken to have specified that the Chairman of the Meeting should vote in favour of the resolution even if he has an interest in the outcome of the resolution and that votes cast by the Chairman of the Meeting for those resolutions other than as proxy will be disregarded because of that interest.

If you do not mark this box, and you have not otherwise give voting directions in the manner contemplated above, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

*If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Type : Ord = Ordinary resolution; SP = Special resolution

STEP 3 - PLEASE SIGN HERE **This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name …………………………………….. **Contact Daytime Telephone** ………………………………… **Date** / / 2011