

31 May 2011

Dear Investor

### **Investor Update - Multiplex Property Income Fund (Fund)**

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides the following update to investors for the March 2011 quarter.

#### **Net Tangible Asset (NTA)**

The Fund's unaudited NTA was 0.78 cents per income unit and nil per ordinary unit as at 31 March 2011. (0.77 cents per unit (cpu) and nil respectively at 31 December 2010).

In determining the NTA of the Fund, the carrying value of the unlisted investments is assessed using the last reported NTA for each underlying investment (generally as at 31 December 2010). In the case of MAB Diversified Property Fund the NTA has been reduced to reflect uncertainty in the sale process of the fund's New Zealand and Australian assets as the fund progressively winds up. The listed investments are shown at the ASX closing price on 31 March 2011.

Underlying investment funds each have their own reporting timetable and not all funds report on a quarterly basis. The following updates are based on latest information available as at the date of this letter.

#### **AREIT Portfolio**

The following transactions occurred during the quarter ending March 2011:

- Disposed of 330,000 units in Cromwell Group for a small gain on disposal of \$62,000. The proceeds received were used to acquire the following AREIT securities:
  - o 54,000 units in Dexus Property Group;
  - o 73,000 units in ING Office Trust; and
  - o 80,000 units in Commonwealth Property Office Fund.

As a result of the above transactions, the Fund's AREIT portfolio declined from 14 to 13 investments. The AREIT portfolio is currently yielding circa 6.7% annualised on the current investment carrying value.

#### **Unlisted Portfolio**

There were no redemptions offered during the quarter by the underlying unlisted investments. The unlisted portfolio is currently yielding circa 5.6% annualised on the current investment carrying value. The annualised yield includes one-off distributions such as APN Champion Fund.

The Fund received \$1.5 million in cash as a return of capital from Orchard's Essential Health Care Trust and from the wind up of the Gordon Property Trust.

## Underlying Investments Update

Investa assumed management rights of ING Office Trust which was consequently renamed to Investa Office Trust.

APN Vienna Retail Fund declared a one-off distribution payment of 3.11 cpu which was paid in April 2011. This reflects a \$74,640 payment to the Fund. There was a slight increase in value of the investment during the 2010 calendar year due to a more stable Austrian economy. Distributions had been suspended since June 2008 as part of the fund's capital management strategy.

APN National Storage Fund reinstated distributions during the March 2011 quarter. A distribution of 2 cpu annualised (2% yield) was paid, which equates to an annual distribution of \$22,857. Future distribution rates will be reviewed on a quarterly basis. Distributions had been suspended in this fund since June 2009.

MAB Diversified Property Fund is currently in wind up and the carrying value of this investment has been revised from \$0.82 to \$0.70 per unit to reflect uncertainty in the sale process associated with the fund's New Zealand and Australian assets.

The responsible entity of Centro MCS 21 syndicate has notified investors that the syndicate is approaching the end of its investment term and is proposing a termination of the syndicate. However, the responsible entity, in conjunction with the centre's co-owner, may consider a sale of the syndicate's 50% interest in Centro Roselands to achieve a better sale result. This may require a short term extension of the syndicate term. Centro's responsible entity will outline its strategy to investors before 30 June 2011.

The Fund continues to actively engage all managers of the unlisted portfolio and, to the extent possible, exert influence to the maximum benefit of unitholders. This includes discussions regarding distributions, return of capital and potential further investments by the Fund.

## Distribution Policy and the effect of the Distribution Stopper

Future distributions are dependent on the performance of the Fund's investment portfolio.

Despite a gradual improvement in distribution income from a number of unlisted investments the Fund did not meet the targeted monthly priority distribution payment (PDP) to Income Unitholders. This is calculated on a 12 month rolling basis with reference to a margin of 2.5% per annum above the distribution yield on 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). Therefore, BAO as the holder of the Ordinary Units in the Fund, is prevented from making a distribution payment to its investors unless the shortfall has been met. The distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months has been paid to Income Unitholders.

BCML will continue to keep investors updated on the ongoing assessment of opportunities and progress of the Fund.

Yours sincerely



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