

24 February 2012

Dear Investor

RE: Multiplex Property Income Fund (Fund) - Investor update for the half year ended 31 December 2011

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the half year ended 31 December 2011.

Key messages in this update are as follows:

- distributions up 16% to 1.9252 cents per unit (31 December 2010: 1.6532 cents per unit);
- net loss of \$3.0 million (31 December 2010: \$0.8 million profit);
- total assets of the Fund down 11% to \$36.8 million (30 June 2011: \$41.2 million); and
- net tangible asset (NTA) per Income Unit down 11% to \$0.6946 (30 June 2011: \$0.7761).

Key financials

A summary of the Fund's performance is as follows:

	As at 31 December 2011	As at 30 June 2011	Six month movement
Total asset (\$'000)	36,764	41,178	11% decrease
Total liabilities (\$'000)	96	205	53% decrease
Net assets (\$'000)	36,668	40,973	11% decrease
Number of Income Units ('000)	52,791	52,791	No Change
Number of Ordinary Units ('000)	30,076	30,076	No Change
NTA Income Units (\$)	\$0.6946	\$0.7761	11% decrease
NTA Ordinary Units (\$)	nil	nil	n/a
	For the half year ended 31 December 2011	For the half year ended 31 December 2010	Variance
Total revenue (\$'000)	1,304	1,245	5% increase
Total expenses (\$'000)	4,264	470	807% increase
Net profit / (loss) for the period (\$'000)	(2,960)	775	482% decrease
Distributions (cents per unit)	1.9252	1.6532	16% increase

Investment portfolio update as at 31 December 2011

The value of the Fund's underlying investment portfolio has decreased by 11% to \$36.8 million and reflects an NTA of \$0.6946 per Income Unit. Ordinary units in the Fund held by Brookfield Australian Opportunities Fund (BAO) have an NTA of nil.

In determining the Fund NTA, the carrying value of unlisted investments is assessed using the net asset value provided as at 31 December 2011, or where this has not been provided, the latest available net asset value for each underlying investment. A-REITs (listed investments) are shown at the ASX closing price on 31 December 2011.

A major reason for the decline in NTA was the Fund's investment in APN Champion Retail Fund which contributed a reduction of \$3.0 million (equating to 5.66 cents per unit) and P-REIT which contributed a reduction of \$0.7 million (equating to 1.34 cents per unit).

APN Champion Retail Fund

This fund has an interest in 16 supermarkets in Greece. Asset values have dropped as a result of ongoing economic and political issues in Greece. Due to tough austerity measures being implemented, the retail sector has been significantly impacted with reduced occupier demand, lower consumer spending and higher unemployment.

Carrefour, the portfolio's single tenant, has responded by deeply discounting its products. At the same time it has faced higher taxes and increased operating costs. Carrefour has sought to reduce costs, taking full advantage of relevant legislation by negotiating price reductions on existing lease agreements and/or terminating the leases of underperforming sites.

The reduction in rent has impacted the capital value of the properties. As at December 2011, the portfolio was independently valued at €56 million, a reduction of €8.6 million from June 2011. The revised valuation resulted in a breach of the Loan to Valuation (LTV) ratio provided in the debt facility with a ratio of 72.6% compared to the covenant of 60%. Discussions with the financier have taken place in relation to this breach and new conditions are expected to be agreed.

As a consequence of these new conditions, distributions have been suspended. APN will continue to closely monitor the Greek market and evaluate prospects for a managed exit and wind-down over the next 18 months.

P-REIT

P-REIT (formerly known as RP Trust) is a listed open-ended trust with a portfolio of direct properties and unlisted property securities. As at 30 June 2011, P-REIT was unlisted and the Fund carried this investment at 20.97 cents per unit (below the audited NTA of 25.00 cents per unit) pending its listing on the ASX. Since listing on 28 October 2011, the stock has only had 2.1 million units traded. Consistent with valuation policies, the ASX closing price on 31 December 2011 of 0.063 cents per unit was used to determine the carrying value of the holding in P-REIT. As a result, this investment has declined by \$0.7 million over the period.

Other significant investment updates include:

MAB Diversified Property Fund (MAB)

MAB is in wind-up and has completed the sale of three assets; the Lionel Murphy building, Canberra, an office warehouse building in Perth and an office building in Brisbane. Some of the proceeds realised were retained to partly fund redevelopment of Mornington Village Shopping Centre and 4 cents per unit was distributed to investors in September 2011.

MAB also entered into conditional contracts to sell two New Zealand assets which, if conditions are satisfied, would settle during the first quarter of 2012. MAB is considering postponing divesting the remaining six portfolio assets until market conditions improve.

MCS 22 Kidman Park Trust

The trust is being wound-up and a sale and marketing campaign has been completed for Kidman Park distribution centre, South Australia. Offers received were below book value and the trust is currently negotiating with one party. The trust has written down the carrying value of the investment property to reflect offers received. An update on the trust's future strategy will be provided by the underlying manager if the sale does not eventuate by the trust's review date of 12 March 2012.

Australian Unity Office Property Fund (AUOPF)

AUOPF has finalised new leases for two of its assets; 10 Valentine Avenue, Parramatta and 80 Stirling Street, Perth (of which it has a 50% interest). This resulted in a valuation uplift on both assets - 10 Valentine Avenue of \$3 million (\$54 to \$57 million) and 80 Stirling Street of \$8.75 million (\$25.5 million to \$34.25 million).

AUOPF's NTA as at December 2011 was materially in line with that reported for June 2011. The uplift in asset values was fully offset by a write down of unamortised stamp duty and a negative impact of the marking to market of interest rate swaps.

Australian Unity Fifth Commercial Trust (AUFCT)

AUFCT is the owner of the other 50% of 80 Stirling Street, Perth. The impact of the valuation uplift is more significant on AUFCT's NTA with an expected increase of circa \$0.14 to \$1.64 per unit. The increase contributed approximately \$0.2 million to the value of the Fund's unlisted portfolio.

Blackwall Property Funds Limited

This is a new investment for the Fund which arose due to an in specie distribution from P-REIT. The company operates in funds management, asset investment, property development and property management businesses and is listed on ASX.

APN National Storage Property Trust

Nine assets were sold for a total price of \$64.73 million (6.1% below book value at 30 June 2011) in the December 2011 quarter. All proceeds were used to reduce debt facilities and other obligations.

APN Poland Retail Fund

This fund held a unitholders meeting in September 2011 and the majority of unitholders voted in favour of an extension of the Fund for up to five years or until December 2016, unless terminated earlier by APN. Although the extension is for up to five years, APN intends to convene a further meeting of unitholders within two years to report on progress of the fund and prospects for recovery.

As at 31 December 2011, the Fund's portfolio consisted of 38 investments including three Rubicon Trusts which have been delisted from the ASX and are in the process of being wound-up. These investments are carried at nil value in the Fund's accounts. The Fund's A-REIT portfolio is valued at \$4.7 million and represents 12% (by value) of the Fund's gross assets.

During the six months to December 2011, the Fund transacted the following:

- sold its investment in Charter Hall Office Trust (CQO) and reinvested \$0.5 million in Commonwealth Property Office Fund. The Fund realised a gain of circa \$0.2 million on disposal;
- sold its investment in Stockland Group (SGP) for \$0.2 million and realised a gain from sale of \$0.06 million;
- received capital returns from Charter Hall Diversified Property Fund, Essential Healthcare Property Fund and Australian Unity Diversified Property Fund of approximately \$0.4 million; and
- participated in redemption offers from Charter Hall Umbrella Fund (at a 3% discount to NAV) realising \$0.8 million and Australian Unity Diversified Property Fund realising \$0.4 million.

The Fund's investment portfolio is as follows:

	Investment portfolio (%)	Normalised cash distribution yield to the Fund ¹ (%)
Listed Property Securities		
Abacus Property Group	0.39	8.7
Aspen Group	0.44	9.9
Australand Property Group	0.39	9.2
BlackWall Property Funds Limited	0.20	0.0
Challenger Diversified Property Group	0.65	8.5
Charter Hall Retail REIT	1.29	8.1
Colonial First State Retail Property Trust	0.33	7.7
Commonwealth Property Office Fund	2.47	6.1
Dexus Property Group	1.79	6.4
GPT Group	0.62	5.8
Investa Office Fund (formerly ING Office Fund)	2.00	6.5
Mirvac Group	1.24	6.8
P-REIT (formerly RP Trust)	1.23	0.0
Unlisted Property Securities³		
APN Champion Retail Fund	6.77	3.5
APN National Storage Property Trust	3.04	7.3
APN Regional Property Fund ²	1.33	4.8
APN UKA Poland Retail Fund	0.00	0.0
APN UKA Vienna Retail Fund	3.28	0.0
Australian Unity Office Property Fund (formerly Investa Diversified Office Fund)	7.19	6.7
Australian Unity Diversified Property Fund	1.37	4.9
Australian Unity Fifth Commercial Trust (formerly Investa Fifth Commercial Trust)	8.63	5.3
BGP Holdings Beneficial Interest Share	0.00	0.0
BlackWall Telstra House Trust (formerly Pelorus Telstra House)	0.94	10.6
Centro MCS 21 Roseland Investment Trust	3.05	2.5
Centro MCS 22 Kidman Park Investment Trust	2.51	18.3
Centro MCS 28 Investment Unit Trust	2.51	2.0
Charter Hall Diversified Property Fund	7.78	5.8
Charter Hall Umbrella Fund	6.50	6.9
MAB Diversified Property Trust	3.71	3.1
Multiplex New Zealand Property Fund	1.74	0.0
Pengana Credo European Property Trust	0.00	0.0
PFA Diversified Property Trust	5.98	8.4
Rimcorp Property Trust No.3	1.57	9.9
Stockland Direct Office Trust No.3	1.47	0.0
The Orchard Childcare Property Fund	5.24	5.8
Cash Asset	12.36	2.9
Total	100.00	5.3

1. Distribution yield to the Fund is calculated based on the distributions received by the Fund excluding special distributions annualised divided by the investment carrying value as at 31 December 2011.
2. APN Regional Property Fund is listed on the National Stock Exchange of Australia with limited trading activity and is therefore accounted for as an unlisted investment.
3. Excludes three Rubicon Trusts which have delisted from the ASX and are in the process of being wound-up.

Distributions

The Fund paid distributions of 1.9252 cents per unit for the six months to 31 December 2011. This equates to an annualised distribution yield (normalised) of 3.9% on an issue price of \$1.00 and 5.3% on the Fund's current NTA. For the corresponding period in 2010, the distribution was 1.6532 cents per unit.

This increase in distribution rate is largely due to a number of the Fund's underlying investments recommencing distribution payments and special distributions made. Major contributors were:

- Australian Unity Fifth Commercial Property Trust declared a special distribution of 18 cents per unit (an additional \$0.3 million to the Fund); and
- APN National Storage Property Trust increased distributions from 2 cents per unit per annum to 6.3580 cents per unit per annum from the quarter ended September 2011 (an additional \$50,000 to the Fund on an annual basis).

Return of capital

The Fund can expect to receive future returns of capital from the following investments:

- Centro MCS 22, MCS 28 and MCS 21 syndicates who are approaching the end of their respective investment terms and are proposing a termination on or around 31 March 2012, 30 June 2012 and 31 July 2012 respectively; and
- Stockland Direct Office Trust No. 3 who announced in February 2012 that it is proposing to hold a unitholder meeting in April 2012 to seek approval to sell the remaining assets over the next 12 to 18 months and wind-up the trust.

The Fund continues to actively engage with all managers of the unlisted portfolio and where possible, exert influence to the maximum benefit of unitholders.

Priority distribution payment

Despite the increased distribution rate as at 31 December 2011, the Fund did not meet the targeted monthly priority distribution payment (PDP) to Income Unitholders. The PDP 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).

The shortfall in PDP as at 31 December 2011 was \$2.3 million. Therefore, Brookfield Australian Opportunities Fund, 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.

Future direction and redemption policy

As a result of the unfavourable outcome of the Unitholders' Meeting held on 22 November 2011, the Fund will continue in its current form with redemptions suspended while BCML continues to consider options available to provide liquidity to investors.

Financial results

The interim financial report for the half year ended 31 December 2011 is available at www.au.brookfield.com. It is recommended that investors review the financial statements.

BCML will continue to provide updates via the website to investors regarding Fund earnings as well as timing and quantum of distributions.

Yours sincerely



Sue Ly
Fund Manager
Multiplex Property Income Fund