

# MULTIPLEX PROPERTY INCOME FUND

ARSN 117 674 049

**Brookfield**



## Notice of Meeting and Explanatory Memorandum

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809)  
as responsible entity for Multiplex Property Income Fund (ARSN 117 674 049)

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The meeting of Unitholders will be held at:

**Place:** KPMG Tower, Auditorium, 10 Shelley Street, Sydney NSW 2000

**Date:** 18 December 2012

**Meeting registration:** 9.30am AEDT

**Meeting commences:** 10.00am AEDT

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# Important Notice

## What is this document?

This Explanatory Memorandum provides Unitholders of Multiplex Property Income Fund (ARSN 117 674 049) (**Fund**) with an explanation of, and information about, a proposal to wind up the Fund. The Notice of Meeting is included at Section 2.

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

## Personal investment advice

The information contained in this Explanatory Memorandum is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation position or needs. It is important that you read the Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any decision on how to vote on the Resolutions set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial or other professional adviser.

## Privacy

Brookfield Capital Management Limited (ABN 32 094 936 866) (**BCML**) as responsible entity of the Fund (**Manager**) may collect personal information in the process of conducting the Meeting and implementing the Resolutions, if approved. Such information may include the Unitholder's name, contact details and unitholding, and the names of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Manager to conduct the Meeting and implement the Resolutions, if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Manager.

Unitholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Manager in the first instance if they wish to access their personal information.

## Voting exclusion

The Manager will disregard any votes cast by a person who is not entitled to vote because of section 253E of the Corporations Act. This section provides that the Manager and its associates are not entitled to vote on a resolution if they have an interest in the resolution other than as a Unitholder. Accordingly, members of the Brookfield group will not vote on any of the resolutions proposed at the Meeting. However, associates of the Manager may vote as a proxy for another Unitholder who is not excluded from voting if the proxy specifies the way they are to vote on a resolution.

## KEY DATES

Date of issue of this Explanatory Memorandum  
**23 November 2012**

Meeting Record Date  
**5.00pm AEDT, 17 December 2012**

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting  
**10.00am AEDT, 16 December 2012**

## Unitholders' meeting to be held at:

KPMG Tower  
Auditorium, 10 Shelley Street,  
Sydney NSW 2000  
**10.00am AEDT, 18 December 2012**

## Forward looking statements

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of the Manager and its directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the resolutions may have on the results of the Fund's operations, and the advantages and disadvantages expected to result should the Resolutions be passed, are forward looking statements.

These forward looking statements and the financial performance of the Fund are subject to various risks which may be beyond the control of the Fund or the Manager. As a result, the Fund's actual results of operations and earnings following implementation of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are expected in respect of timing, amount or nature, and may never be achieved.

Various business risks could affect future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum. The forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. The Manager cannot assure Unitholders that forward looking statements or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act, the Manager does not give any undertaking to update or revise any change in expectations or any change in events, conditions or circumstances on which any such statement is based.

# Contents

## Disclaimer

Information concerning the Fund and the intentions, views and opinions of the Manager contained in this Explanatory Memorandum have been prepared by the Manager and are the responsibility of the Manager.

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 the Manager 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 the Fund's other periodic and continuous disclosure announcements, including the Fund's full year financial results for the year ended 30 June 2012 and the Fund's half year financial results for the period ended 31 December 2011. The information in this Explanatory Memorandum remains subject to change without notice. The Manager reserves the right to withdraw or vary the timetable for implementing the Resolutions 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 the Manager's views on the future financial condition and/or performance of the Fund.

## ASIC involvement

Neither ASIC 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 the Manager and is the responsibility of the Manager.

## Defined terms

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 8 of this Explanatory Memorandum.

## 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 Australian Eastern Daylight Time (AEDT).

## Date

This Explanatory Memorandum is dated 23 November 2012.

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# 1. Letter from the Chairman of the Manager

## Dear Unitholder

Brookfield Capital Management Limited (**BCML or Manager**) in its capacity as the responsible entity of Multiplex Property Income Fund (**Fund**) has been in discussions with a number of Income Unitholders (representing approximately 31% of Income Units on issue) who have sought the opportunity for Unitholders to determine the future of the Fund by way of a Unitholder meeting to consider a wind up of the Fund.

The purpose of this Explanatory Memorandum is to set out two Resolutions to be considered by Unitholders, and to detail the voting process to be undertaken at a Meeting of Unitholders to be held on 18 December 2012 at 10.00am AEDT.

## BACKGROUND

In March 2007, the Fund was opened to investors with objectives, including to provide Income Unitholders with a steady income distribution return of 7.5% to 8.5% per annum on the \$1.00 per Income Unit invested that would be paid in priority to the holder of the Ordinary Units (**Priority Distribution Payment or PDP**). Income Units were issued at a price of \$1.00 per unit and have a redemption price of \$1.00 per unit. Brookfield Australian Opportunities Fund contributed \$30.08 million in assets to the Fund in return for 30.08 million Ordinary Units.

Since December 2008, the Fund has not been able to achieve the targeted level of return and the NTA of an Income Unit has reduced from \$1.00 to approximately \$0.65 as at 30 June 2012. The annual distribution yield to Income Unitholders to 30 June 2012 on the \$1.00 invested per unit was 3.98%.

As a consequence of Income Unitholders not receiving the PDP, the Ordinary Unitholder at the time (being Brookfield Australian Opportunities Fund (ARSN 104 341 988)) was prevented from making a distribution to its unitholders until October 2012 when the balance of the PDP then payable, being 5.7 cents per unit, was paid to Income Unitholders. The subsequent wind up of Brookfield Australian Opportunities Fund and consequent transfer of Ordinary Units held in the Fund to BAO Trust (ARSN 160 276 559) means that Income Unitholders will not receive any further payments from Brookfield Australian Opportunities Fund.

## THE RESOLUTIONS NOW BEING PUT TO UNITHOLDERS

The Manager is proposing two resolutions for Unitholders to consider.

### Resolution 1

Resolution 1 seeks approval of Fund Unitholders to implement a Proposal to wind up the Fund in the following form:

- the Manager will resolve to commence winding up the Fund;
- the Fund will sell its A-REIT portfolio with the exception of its holdings in P-REIT and Blackwall Property Funds Limited;
- the Fund will make one or more distributions to Income Unitholders of approximately 22.5 cents per unit in total within 28 days of the Meeting (this amount may change depending on amounts realised on sale of the A-REIT portfolio);
- if Resolution 2 is not approved, the Fund will realise the assets within 180 days if practical or otherwise as soon as practical thereafter (in accordance with the current terms of the Constitution);
- if Resolution 2 is approved, the Fund will seek to realise the investments which are not immediately realisable when it is in the best interests of Fund Unitholders to do so. Timing of this realisation will be governed by terms of the underlying investments and the market for investments; and
- it is not intended that the Fund will make any further investments if Resolution 1 is passed. Net income earned from the assets will be distributed when received from underlying investments, likely to be on a quarterly basis.

Further information on Resolution 1, including the advantages and disadvantages of approving the Resolution, is provided in Section 5.

### Resolution 2

Resolution 2 seeks approval of Fund Unitholders to amend the Constitution to permit the Manager to realise the Fund's assets over a timeframe which it considers to be in the best interests of Unitholders.

The Constitution currently requires that, if the Fund is wound up, the Manager must realise the assets within 180 days if practical or as soon as practical thereafter. The nature and terms of some of the underlying assets are such that it is not likely to be practical to realise them within 180 days at values in the best interests of Unitholders.

The practical effect of Resolution 2 is to amend the Constitution to expressly permit realisation of Fund assets over a reasonable period assessed by the Manager having regard to the nature of the remaining underlying assets and the market for those assets and to avoid a situation where the Manager may be forced to realise an asset for a lesser value due to timing pressures that the current Constitution may impose.

### IF THE RESOLUTIONS ARE PASSED

If Resolution 1 is passed the Fund will be wound up. The majority of A-REITs owned by the Fund will be sold and one or more distributions of cash made to investors. On the basis of the current value of the A-REITs owned by the Fund and current cash reserves it is expected that a distribution of approximately 13.7 cents per Income Unit will be made to Unitholders around 21 December 2012 and a further distribution of approximately 8.8 cents will be made to Income Unitholders within 28 days of the Meeting.

If Resolution 2 is also passed, the Manager will continue to realise Fund assets on an orderly basis aiming to maximise value for Unitholders over a period expected to be a number of years. Periodic distributions of capital and income will continue to be made to investors as cash is received by BCML.

### IF THE RESOLUTIONS ARE NOT PASSED

If Resolution 1 is not approved, the Fund will not be terminated and will not be wound up and the distribution of 22.5 cents per unit within 28 days of the Meeting will not be made. No redemption of Income Units can be undertaken until the value of the Income Units is restored to \$1.00. The Manager will continue to consider strategies to maximise Unitholder value. This strategy could include winding up of the Fund at some time in the future if considered to be in the best interests of Unitholders.

If Resolution 1 is not approved, Resolution 2 cannot be approved by Fund Unitholders.

If Resolution 1 is approved, but Resolution 2 is not approved, the Fund will be wound up and the assets realised in accordance with the Constitution, which requires the realisation to occur within 180 days if practical or as soon as practical thereafter. This may result in one or more assets being realised for less value than may be achieved if further time were allowed for realisation of those assets.

#### KEY BENEFITS AND RISKS OF RESOLUTIONS 1 AND 2

##### Resolution 1

If Resolution 1 is approved, Income Unitholders will benefit through:

- resolution to the Fund's current position, where as a result of market conditions the Fund's assets have been unable to meet its target capital and income objectives;
- receipt of cash distributions of approximately 22.5 cents per Income Unit in total, equating to approximately 35% of current Income Unit NTA, within 28 days of the Meeting;
- continued management of the remaining non-liquid investments and return of capital to Unitholders from realisation of those investments as part of the winding up;
- continued periodic distribution of income from unrealised assets pending their realisation; and
- income and capital received through the wind up will become available for Income Unitholders to redeploy the cash for other purposes.

Potential risks and disadvantages of approval of Resolution 1 are:

- Income Unitholders are highly unlikely to receive the \$1.00 per Income Unit originally subscribed or to achieve the targeted distribution yield of 7.5% to 8.5% per annum (having regard to the fact that current NTA is approximately \$0.65 per Income Unit and distribution yield at 30 June 2012 was 3.98% on the \$1.00 per Income Unit invested). However, the analysis in Section 6.3 indicates (on the assumptions set out in that Section) that a repayment of original capital and restoration of target yields could not be expected (if at all) before 2024 to 2025 financial years;
- there is no guarantee that the remaining investments in the Fund can be realised at current NTA or in a timely manner;
- the Ordinary Unitholder is unlikely to receive any return of capital or distribution of income from the Fund;
- the Fund will not participate in future capital raising offerings made by the Fund's underlying investments and this may lead to some dilution in value; and
- the Fund has unutilised tax losses that may not be used in full during the course of the wind up.

##### Resolution 2

Under the current Constitution, assets of the Fund must be realised within 180 days if practical or as soon as practical thereafter. The nature of the Fund assets, being largely minority interests in unlisted property trusts, means that it is unlikely to be practical to realise the assets within 180 days at

values in the best interests of Unitholders. It may be difficult to maximise value if the Manager is required to dispose of these assets as soon as practical after the 180 day period.

Resolution 2 aims to benefit Unitholders by enabling the Manager to undertake a progressive sale of assets during the course of the wind up of the Fund, realising investments over a number of years when that is considered to be in the best interests of Unitholders.

##### MANAGER'S VIEW

The Manager believes that, in light of current Fund circumstances, it is in the best interests of Unitholders to put the Resolutions to the proposed Meeting.

Advantages and disadvantages of the Resolutions are described further in Section 5.

##### MEETING TO CONSIDER THE RESOLUTIONS

A meeting of Fund Unitholders to consider the Proposal will be held at 10.00am (AEDT), 18 December 2012 at: KPMG Tower Auditorium, 10 Shelley Street, Sydney NSW 2000

##### YOUR VOTE IS IMPORTANT

Resolution 1 is an ordinary resolution and can only be passed if at least 50% of votes cast by Unitholders entitled to vote and present in person or by proxy are in favour of the resolution.

Resolution 2 is a special resolution and can only be passed if at least 75% of the votes cast by Unitholders entitled to vote and present in person or by proxy are in favour of the resolution.

The Manager and its associates will not vote on either Resolution.

This Explanatory Memorandum contains important information relating to the Resolutions including a description of certain advantages and disadvantages of the Resolutions. Please read this Explanatory Memorandum carefully and in its entirety before making your decision and voting (whether in person, by corporate representative, attorney or by proxy) at the Meeting.

Additional information about the Fund can be found at [www.au.brookfield.com](http://www.au.brookfield.com).

Enquiries in relation to the Resolutions may be directed to Multiplex Property Income 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 18 December 2012. I would like to thank you for your ongoing support of the Fund.

Yours faithfully



Allan McDonald  
Chairman

## 2. Notice of Meeting

### NOTICE OF MEETING

Notice is hereby given by Brookfield Capital Management Limited (ABN 32 094 936 866) as responsible entity for Multiplex Property Income Fund (ARSN 117 674 049) that a meeting of Unitholders (**Meeting**) will be held at:

**Place:** KPMG Tower  
Auditorium, 10 Shelley Street,  
Sydney NSW 2000

**Date:** 18 December 2012

**Time:** Registration 9.30am (AEDT),  
Meeting commencing at 10.00am (AEDT).

In accordance with section 252S(1) of the *Corporations Act 2001* (Cth), Brookfield Capital Management Limited has appointed Mr Allan McDonald, or, failing him, Ms Barbara Ward, to act as Chair.

### BUSINESS OF THE MEETING

The business of the Meeting will consist of the following:

#### RESOLUTION 1 APPROVAL OF THE PROPOSAL

To consider, and if thought fit, pass the following resolution as an ordinary resolution of Multiplex Property Income Fund:

*“That the Proposal (as defined in the Explanatory Memorandum accompanying this resolution) is approved for all purposes and the Manager (as defined in the Explanatory Memorandum accompanying this resolution) is authorised to take all steps and execute all documents that it considers necessary or desirable to give effect to the Proposal.”*

#### RESOLUTION 2 AMENDMENT TO CONSTITUTION

To consider, and if thought fit, to pass the following resolution as a special resolution of Multiplex Property Income Fund:

*“That, subject to the passing of Resolution 1, the constitution of Multiplex Property Income Fund be amended (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) as marked in the draft constitution submitted to the meeting and signed by the Chairman of the meeting for the purposes of identification, with effect on and from the time the modification to the constitution is lodged with the Australian Securities and Investments Commission.”*

### 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 resolutions if they have an interest in the resolution other than as a member.

As a consequence of the above voting exclusions, the Manager has determined that neither Brookfield Capital Management Limited nor any of its associates will be able to vote on the Resolutions. This includes Brookfield Capital Management Limited as responsible entity of BAO Trust (which holds all Ordinary Units in the Fund).

However, the Manager 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.



**Mr Neil Olofsson**  
Company Secretary

23 November 2012

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, this Notice and terms used in this Notice have the same meaning as set out in the Glossary in Section 8 of the Explanatory Memorandum.

## 3. Information for Unitholders

### 3.1 KEY DATES

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	<b>16 December 2012 at 10.00am (AEDT)</b>
Meeting Record Date	<b>17 December 2012 at 5.00pm (AEDT)</b>
Unitholders' meeting to be held at: KPMG Tower Auditorium, 10 Shelley Street, Sydney NSW 2000	<b>18 December 2012 at 10.00am (AEDT)</b>

### 3.2 WHAT YOU NEED TO DO

#### Step 1 – read the Explanatory Memorandum

The Explanatory Memorandum sets out information relating to the Meeting of Unitholders to consider the Resolutions, and includes the Notice of Meeting. 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 5.00pm (AEDT) on 17 December 2012, you have sold all of your Units, please disregard this document.

#### Step 2 – vote

The Meeting is scheduled for 10.00am (AEDT) on 18 December 2012 at:

KPMG Tower  
Auditorium, 10 Shelley Street,  
Sydney NSW 2000

You can vote on the Resolutions by 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 16 December 2012.

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

### 3.3 QUORUM REQUIREMENTS

The quorum for the Meeting is at least two members present in person or by representative or proxy holding or representing the holders of at least 10% of the Units on issue and present at all times during the meeting.

As authorised under the Fund's Constitution, if a quorum is not present within 15 minutes after the scheduled time for the Meeting, the Meeting will be adjourned as the Chair directs.

### 3.4 VOTING DETAILS

#### Voting eligibility

All Unitholders on the Fund Register at the Meeting Record Date are entitled to vote unless they are otherwise excluded in the manner set out in the Notice of Meeting.

In order for the steps relevant to each Resolution to be implemented, the Resolution must be approved by the requisite majority.

The Notice of Meeting is set out in Section 2 of this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

#### 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.

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

## 3. Information for Unitholders continued

### 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 rights 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, please deliver your completed Proxy Form:

- (a) **By mail:**  
 Multiplex Property Income 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 10.00am (AEDT), 16 December 2012, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

### Voting intentions of Chairman

The Manager has appointed Mr Allan McDonald, or failing him, Ms Barbara Ward, 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 Resolutions, 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 Resolutions and the Chair of the Meeting will exercise your votes in favour of the Resolutions.

### 3.5 ENQUIRIES

If you have questions about the Resolutions, attending the Meeting, how to vote, or the Proxy Forms, please contact the Fund Registry, Monday to Friday between 8.15am and 5.15pm (AEDT); or consult your financial or other professional advisers.

Information line:  
 1800 766 011 (if you are in Australia)  
 +61 2 9290 9600 (if you are outside Australia)

## 4. Details of the Resolutions

### 4.1 THE RESOLUTIONS

Two resolutions are being put to Unitholders as set out in Section 2.

In order for Resolution 1 to be implemented, 50% or more of the votes cast by Unitholders voting on the Resolution must be in favour of that Resolution.

In order for Resolution 2 to be implemented, 75% or more of the votes cast by Unitholders voting on the Resolution must be in favour of that Resolution.

The Manager and its associates will not vote on the Resolutions.

In determining whether to vote in favour of the Resolutions, Unitholders should read this Explanatory Memorandum and in particular note:

- (a) steps for implementing the Resolutions as described in this Section; and
- (b) evaluation of the Resolutions set out in Section 5 (including advantages and disadvantages of each Resolution).

If Resolution 1 is not approved, Resolution 2 cannot be approved by Unitholders.

If Resolution 1 is approved, the Proposal will proceed whether or not Resolution 2 is approved by Unitholders.

### 4.2 RESOLUTION 1

Resolution 1 seeks the approval of Unitholders to implement a Proposal in the following form:

1. the Manager will resolve to commence winding up the Fund;
2. the Fund will sell its A-REIT portfolio with the exception of its holdings in P-REIT and Blackwall Property Funds Management Limited;
3. the Fund will make one or more distributions to Income Unitholders of approximately 22.5 cents per unit in total within 28 days of the Meeting (although this amount may change depending on amounts realised on sale of the A-REIT portfolio);
4. the Fund will continue to hold the investments which are not immediately realisable and will seek to realise those investments when it is in the best interests of Fund Unitholders to do so. If Resolution 2 is not approved, the assets will be realised within 180 days if practical and if not, as soon as practical thereafter. If Resolution 2 is approved, timing of the realisation will be determined by the Manager recognising the terms of the underlying investments and the market for the investments; and
5. it is not intended that the Fund will make any further investments if Resolution 1 is approved by Unitholders. Net income earned from the assets will be distributed when received from underlying investments, likely to be on a quarterly basis.

#### *Step 1: Wind up the Fund*

The Manager will resolve to wind up the Fund and commence distributing cash and proceeds from the realisation of assets to Income Unitholders.

#### *Step 2: Sale of majority of the A-REIT portfolio*

As at 9 November 2012, the Fund held an interest in 12 A-REITs with an approximate value of \$5.1 million (refer to Section 6 for further details). It is proposed that these would be sold via ASX with the exception of two securities described below.

The interests held in P-REIT (ASX code: PRT) and Blackwall Property Funds Limited (ASX code: BWF) will be retained and realised at some time in the future when value from those holdings can be maximised. The Manager believes that the relative size of the holdings and/or liquidity in the market for those securities means that it would be difficult to monetise at appropriate values in the short term and that a longer-term realisation strategy is in the best interests of Unitholders. If Resolution 2 is not approved, these securities will be realised within 180 days after the Meeting or as soon as practical thereafter, which may result in one or more assets being realised for less value than may be achieved if further time were allowed for realisation.

#### *Step 3: One or more distributions of cash made to Income Unitholders within 28 days of the Meeting*

The Fund has cash reserves of approximately \$7.3 million available for distribution. Assuming that proceeds of \$4.6 million are realised from the sale of the A-REITs there will be approximately \$11.9 million available for distribution (22.5 cents per Income Unit).

It is expected that a distribution will be made on or around 21 December 2012. In the event that A-REITs cannot be sold and settled prior to that date, it is expected that a further distribution will be made within 28 days of the Meeting such that approximately 22.5 cents per unit in total is distributed to Income Unitholders.

#### *Step 4: The Fund will realise other investments when appropriate*

The remaining assets held by the Fund are largely minority interests in unlisted property trusts as set out in Section 6. If Resolution 2 is not approved, the Manager will realise the remaining assets within 180 days if practical and otherwise, as soon as practical thereafter.

If Resolution 2 is approved, the Responsible Entity will have greater flexibility over the course of the wind up to realise assets. It may not be possible to monetise these investments at values in the best interests of Unitholders for a number of years. Timing of this realisation will be governed by the terms of the underlying assets (including any restrictions around transfer) and the market for the assets.

## 4. Details of the Resolutions continued

### *Step 5: Net income distributed periodically*

Net income earned from the assets is expected to be distributed to Unitholders when received from underlying investments, likely to be on a quarterly basis.

Further information in relation to Resolution 1, including advantages and disadvantages of approving the Resolution, is set out in Section 5.

#### **4.2.1 What will happen if Resolution 1 is not approved?**

If Resolution 1 is not approved, Resolution 2 cannot be approved by Unitholders.

If Resolution 1 is not approved, the Fund will remain in its current form and distribution of approximately 22.5 cents per unit will not be made to Income Unitholders.

The Manager's analysis in Section 6 indicates that Income Unitholders may be required to wait until the 2025 financial year before it may be possible to redeem their Income Units for \$1.00 per Unit. Further, the analysis also indicates that it may take until the 2024 financial year to achieve income returns to Income Unitholders of 7.5% per annum and until the 2025 financial year to achieve returns of 8.5% per annum on the \$1.00 per Income Unit invested.

### **4.3 RESOLUTION 2**

Resolution 2 seeks approval of Unitholders to alter the Constitution to permit the Manager to undertake a progressive sale of assets during the course of the Fund wind up, realising investments over a number of years where that is considered to be in the best interests of Unitholders.

The assets held by the Fund are set out in Section 6. Some assets have defined review dates (for example, where the investment may be wound up) while others are open ended with no defined review date. The proposal to amend the Constitution to allow the Manager to exercise discretion when seeking to sell assets aims to enable proceeds from disposal to be maximised.

#### **4.3.1 What will happen if Resolution 2 is not approved?**

If Resolution 2 is not approved but Resolution 1 is approved, the Fund will be wound up. As prescribed in the Constitution, the Manager will realise the assets within 180 days or as soon as practical thereafter. However, in practice it is highly unlikely that it will be practical for all the Fund's illiquid assets to be realised for maximum value within 180 days given the terms of the underlying assets (refer to Section 6.2 for review dates of investments). Until the wind up is complete, the Fund will continue to pay, if possible, the net income of the Fund on a quarterly basis.

## 5. Evaluation of the Resolutions

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

### 5.1 RESOLUTION 1

#### 5.1.1 Advantages of Resolution 1

##### (a) Release of capital for reinvestment

The Fund has not been able to achieve its investment objectives and target returns due to market conditions. Analysis indicates that on the basis of the assumptions set out in Section 6, the Fund is not likely (if at all) to restore NTA to \$1.00 until the 2025 financial year or to achieve its target distribution of 7.5% to 8.5% in each 12 month period until the 2024 financial year at the earliest. In the circumstances, winding up may be preferable to continuing the Fund in its current form, allowing Unitholders to realise their investment and redeploy the proceeds from the wind up for other purposes.

##### (b) Distributions of cash to Income Unitholders within 28 days of the Meeting

If Unitholders approve the Resolution, the Manager will commence winding up the Fund and return cash from the A-REIT portfolio sale (with the exception of P-REIT and Blackwall Property Funds Management Limited) to Income Unitholders within 28 days of the Meeting.

In addition to returning the net sale proceeds from the majority of the A-REIT portfolio (currently valued at \$4.6 million), a further \$7.3 million in cash reserves will also be returned in the same period. At current valuation, this would see approximately 22.5 cents per unit in total returned to Income Unitholders although this could fluctuate with market conditions.

##### (c) Return of proceeds from realisation of investments to Income Unitholders over time

Capital realised from disposal of the underlying investments will be returned to Unitholders. It is not intended that the Fund will make any further investments and the Fund will be managed so as to realise the existing investments as soon as practicable and in the best interests of Unitholders. If Resolution 2 is not approved, the assets will be disposed of within 180 days if practical or as soon as practical thereafter. If Resolution 2 is approved, further time may be allowed to realise assets. This process may take a number of years given the nature of the underlying assets. An estimate of the returns is provided in Section 6 and should be considered in the context of the assumptions set out in that Section.

##### (d) Continued periodic distribution of income from the remaining non-liquid investments to Unitholders

Following the initial distributions of approximately 22.5 cents per unit, until the winding up is complete, Unitholders will continue to receive further returns from income derived from underlying investments less expenses incurred by the Fund. An estimate of those returns is provided in Section 6 and should be considered in the context of the assumptions set out in that Section.

#### 5.1.2 Disadvantages of Resolution 1

##### (a) Income Unitholders are unlikely to receive the \$1.00 per Income Unit subscribed as proceeds from the wind up of the Fund

If the Proposal is approved, the Manager will realise the assets of the Fund and distribute the proceeds to Income Unitholders as part of the wind up. The Manager is of the opinion that it is unlikely that Income Unitholders will receive the full \$1.00 per Income Unit from the proceeds of realisation, as the NTA of the Fund as at 9 November 2012 was approximately \$0.65 per Income Unit.

##### (b) Income Unitholders are unlikely to receive the targeted distribution yield of 7.5% and 8.5% per annum during the wind up

Since the Fund closed to applications and redemptions in 2008, the Fund has not been able to meet its target distribution rate of 7.5% to 8.5% per annum. The Fund has yielded 3.98% in the year ended 30 June 2012 on an issue price of \$1.00. The Manager considers that, if Resolution 1 is approved, Income Unitholders are unlikely to receive a return distribution rate of 7.5% and 8.5% per annum.

##### (c) The Ordinary Unitholder is unlikely to receive any return of capital or distribution of income from the Fund

Ordinary Unitholders are entitled to receive distributions of income where Income Unitholders have received the targeted distribution yield of 7.5% to 8.5% in each 12 month period and have an entitlement to receive excess capital distributed by the Fund upon wind up where Income Unitholders have received \$1.00 per Income Unit subscribed. The Manager considers it highly unlikely that the Ordinary Unitholder will receive any distribution from the wind up of the Fund.

##### (d) There is no guarantee that the remaining Fund investments will be realised at current NTA or in a timely manner

There is a possibility that other investors of the underlying funds in which the Fund retains an interest may vote for the continuation of those underlying funds and thereby delay the return of capital to the Fund. Whilst the current intention of the Manager is to take action to realise the Fund's investment (e.g. by voting against the extension) the intentions of other investors may prevail. In those circumstances, the Manager will have to seek other alternatives to realise those assets.

While the Manager intends to take advantage of any reasonable exit mechanisms available, there is no guarantee that the exit mechanisms for those underlying funds would operate.

In the event that underlying funds are terminated, it may take time for wind up proceeds to be distributed to the Fund. Unitholders should note that it may take a number of years to realise the remaining non-liquid assets. There is no guarantee that the investments in the underlying funds will be realised at any particular time and any assumptions or projected returns made by the Manager are based on the Manager's best estimate, having regard to the Manager's knowledge of the underlying funds.

## 5. Evaluation of the Resolutions continued

**(e) *The Fund may not participate in future capital raising offerings made by the Fund's underlying investments***

The Fund is not expected to make any new investments. By not retaining significant cash reserves, there is a possibility that underlying investments may seek to raise further capital at a price which would dilute the value of the existing investment. In these circumstances the Manager will consider relevant options to retain value where possible.

**(f) *The Fund has unutilised tax losses that may not be used during the wind up***

The Fund currently retains capital losses in the amount of approximately \$10 million as at 30 June 2012. The realisation of Fund assets during the wind up may not fully utilise the capital losses and some capital losses may remain unutilised at completion of the wind up. These will not be available for distribution to Unitholders. However, the use of losses by the Fund in future years would be subject to satisfying relevant tests contained in the tax legislation and the Manager considers in any case that it would be a number of years before the losses could be fully utilised if the Fund were to continue in its present form.

### 5.2 RESOLUTION 2

The Constitution currently provides that on a wind up, the Manager must realise the assets within 180 days if practical and in any event as soon as practical thereafter. The terms of the underlying assets mean that it will not always be practical for the Manager to realise the assets within 180 days at values in the best interests of Unitholders.

Resolution 2 proposes an amendment of the Constitution to allow the Manager a reasonable period to realise all assets in a wind up, having regard to the terms of the remaining underlying assets and the market for the assets.

Resolution 2 is proposed to avoid a situation where the Manager is forced to realise assets during or as soon as practical after the 180 day period, where the Manager believes that the realisation will achieve less value than may be achieved if the assets were realised at some future time.

If Resolution 2 is approved, the Fund Unitholders will benefit through the Manager undertaking a progressive wind up of the Fund, realising investments over a number of years where considered to be in the best interests of Unitholders. If Resolution 2 is not approved, the Manager will realise the assets within 180 days if practical, and if not then as soon as practical thereafter. This may result in one or more assets being realised for less value than may be achieved if further time were allowed for realisation.

## 6. Overview of the Fund – Pre and Post Proposal

### 6.1 SUMMARY OF THE FUND'S PORTFOLIO

#### 6.1.1 The Fund NTA and distribution history

As at 9 November 2012, the Fund has a net asset value of \$34.4 million. The portfolio is made up of \$7.6 million of cash, \$5.1 million of A-REITs, \$0.4 million of trade receivables and \$21.4 million of interests in unlisted property securities. The Fund has no bank debt.

	CARRYING VALUE AS AT 9 NOVEMBER 2012 (\$ M)
Cash Assets and Receivables	8.0
A-REIT Portfolio	5.1
Unlisted Investments*	21.4
<b>Total Assets</b>	<b>34.5</b>
<b>Total Liabilities</b>	<b>(0.1)</b>
<b>Net Assets</b>	<b>34.4</b>
Units on Issue – Ordinary Units	30.1
Units on Issue – Income Units	53.0
Reserves/Retained Earnings/(losses)	(48.7)
<b>Total Equity</b>	<b>34.4</b>
<b>NTA per Unit</b>	<b>\$0.65</b>

\* The unlisted investments are carried at the 30 June 2012 audited NTA of the underlying funds with the exception of the Multiplex New Zealand Property Fund where the NTA has been adjusted for the recent sale of assets.

Distributions over the year to 30 June 2012 were approximately \$2.1 million, which represents a yield of 3.98% on the \$1.00 per Income Unit originally invested.

The NTA of the Income Units since Fund inception is shown in the following table:

	JUN-07	DEC-07	JUN-08	DEC-08	JUN-09	DEC-09	JUN-10	DEC-10	JUN-11	DEC-11	JUN-12
NTA (\$)	1.00	1.00	1.00	1.00	0.86	0.79	0.74	0.77	0.78	0.69	0.65

The annual yield to Income Unitholders on the \$1.00 per Income Unit originally invested in the Fund is shown in the following table:

	JUN-07 %	JUN-08 %	JUN-09 %	JUN-10 %	JUN-11 %	JUN-12 %
Yield on \$1.00	2.19 <sup>(1)</sup>	8.28	5.63	3.14	4.20	3.98

(1) Distribution for the period from March to June 2007.

## 6. Overview of the Fund – Pre and Post Proposal continued

### 6.1.2 The Fund's A-REIT portfolio

The A-REIT portfolio consisted of 12 investments valued at \$5.1 million as at 9 November 2012, with 62% in commercial office trusts, 26% in retail trusts, 8% in industrial trusts and the balance of 4% in other asset classes. With the exception of P-REIT and Blackwall Property Funds Limited each holding represents less than 0.1% of the respective fund. Based on values at 9 November 2012, the estimated distribution yield for the year ending 30 June 2013 for the A-REIT portfolio is approximately 5.62%.

INVESTMENTS	CARRYING VALUE AS AT 9 NOVEMBER 2012 (\$ M)
Abacus Property Group	0.1
Aspen Group	0.1
Challenger Diversified Property Group	0.3
CFS Retail Property Group	0.1
Charter Hall Retail REIT	0.4
Commonwealth Property Office Fund	1.0
Dexus Property Group	0.8
GPT	0.3
Investa Office Trust	0.9
Mirvac Group	0.6
P-REIT	0.4
Blackwall Property Funds Limited	0.1
<b>Total</b>	<b>5.1</b>

### 6.2 SUMMARY OF THE FUND'S PORTFOLIO IF RESOLUTION 1 IS PASSED AND THE FUND IS WOUND UP

#### 6.2.1 NTA and assets of the Fund

If wind up proceeds and a total of \$11.9 million is returned to investors (sale proceeds of the majority of the A-REIT portfolio of \$4.6 million and cash reserves of \$7.3 million) the NTA of the Fund will be reduced to a carrying value of \$22.5 million.

\$ MILLION	AS AT 9 NOVEMBER 2012	INITIAL DISTRIBUTION	ASSETS POST DISTRIBUTION
Cash Assets and Receivables	8.0	(7.3)	0.7
A-REIT Portfolio	5.1	(4.6)	0.5
Unlisted Investments <sup>(1)</sup>	21.4	0.0	21.4
Other Payables	(0.1)	0.0	(0.1)
<b>NTA</b>	<b>34.4</b>	<b>(11.9)</b>	<b>22.5</b>
<b>NTA of Income Units (cents per unit)</b>	<b>65.1</b>	<b>(22.5)</b>	<b>42.6</b>

(1) The unlisted investments are carried at the 30 June 2012 audited NTA of the underlying funds with the exception of the Multiplex New Zealand Property Fund where the NTA has been adjusted for the recent sale of assets.

The portfolio of assets held by the Fund will be as shown in the table below:

INVESTMENTS <sup>(1)</sup>	REVIEW DATE	CARRYING VALUE \$ MILLION	NTA OF INCOME UNITS (CPU)
P-REIT		0.4	0.8
Blackwall Property Funds Limited		0.1	0.1
<b>Total A-REIT</b>		<b>0.5</b>	<b>0.9</b>
APN Champion Retail Fund	Oct-13	0.0	0.0
APN National Storage Property Trust	Jun-14	1.1	2.1
APN Regional Property Fund	NSX/Open-ended	0.5	1.0
APN UKA Poland Retail Fund	Oct-16	0.0	0.0
APN Vienna Retail Fund	Sep-13	1.0	1.9
Arena Childcare Property Fund	Open-ended	2.0	3.8
Australian Unity Diversified Fund	Open-ended	0.4	0.8
Australian Unity Fifth Commercial Trust	May-15	3.2	5.9
Australian Unity Office Property Fund	Open-ended	2.3	4.4
BGP Holdings	Open-ended	0.0	0.0
Blackwall Telstra House	Jan-19	0.3	0.6
Centro MCS 21 Roselands Holding Trust	Jul-12	1.1	2.2
Charter Hall Diversified Property Fund	Open-ended	2.5	4.7
Charter Hall Umbrella Fund	Open-ended	1.7	3.3
MAB Diversified	Feb-14	1.3	2.4
Multiplex New Zealand Property Fund	Nov-12	0.7	1.2
Pengana Credo European Property Trust	May-13	0.0	0.0
PFA Diversified Property Trust	Jun-18	2.0	3.9
Rimcorp Property Trust No.3	Sep-14	0.6	1.1
Rubicon America Trust	Administration	0.0	0.0
Rubicon Europe Trust Group	Administration	0.0	0.0
Rubicon Japan Trust	Administration	0.0	0.0
Stockland Direct Office Trust No.3	Jun-14	0.7	1.2
<b>Total Unlisted Property Securities</b>		<b>21.4</b>	<b>40.5</b>
<b>Total Investment Portfolio</b>		<b>21.9</b>	<b>41.4</b>

(1) The unlisted investments are carried at the 30 June 2012 audited NTA of the underlying funds with the exception of the Multiplex New Zealand Property Fund where the NTA has been adjusted for the recent sale of assets.

## 6. Overview of the Fund – Pre and Post Proposal continued

### 6.2.2 Process to realise assets

The Manager will undertake a sale process to sell the remaining assets and distribute proceeds to Unitholders as and when those investments are sold. As at 9 November 2012, the NTA of the remaining assets to be realised is a net amount of \$22.5 million (42.6 cents per unit) although the NTA may change and the value realised and returned to Unitholders may be higher or lower.

The timing for realisation may depend on whether Resolution 2 is passed. If Resolution 2 is not passed, the assets will be realised within 180 days if practical and otherwise as soon as practical thereafter. If Resolution 2 is approved, then where an asset cannot be sold on the open market at a price considered to be in the best interests of Unitholders, the asset may be retained until a review date or appropriate time arises for the realisation of the underlying asset. In the present circumstances, a review date may take the form of a wind up of the underlying investment or a liquidity event (such as a listing). In some cases it may be open to other investors in the underlying fund to extend the term of that fund past the anticipated date. If this occurs or no review date exists the most appropriate means of realising value will be considered.

It is intended to take advantage of any reasonable exit mechanism available and cast votes in favour of any proposed termination of the underlying funds. However, there is no guarantee that the Fund will be able to exit when expected or that the realisation of the assets will occur at or close to current carrying value. It may take a number of years to realise the remaining assets and return the proceeds to Unitholders.

### 6.2.3 Potential restrictions on the disposal of investments in the future

The constitutions of the Fund's remaining investments contain the general requirements that must be met to effect a transfer of the units in the relevant fund/trust. Certain investments may provide restrictions around transfer of holdings which may affect the capacity of the Manager to realise the investments on a timely basis. Where this is the case the Manager will attempt to meet the requirements of the underlying investments so as to maximise value for Unitholders.

### 6.2.4 Estimates of capital returns to Income Unitholders

The following analysis utilises current expectations for when capital may be realised and returned to Unitholders. The analysis only applies to investments where a review date exists or the fund is currently subject to wind up and there is a reasonable expectation that the Fund will be able to exit its investment at the review date and receive proceeds within 12 months of that date. These assets currently have an NTA of \$11.9 million (22.5 cents per Income Unit).

For assets with no defined review date (including the retained A-REITs) the Manager intends to pursue strategies to realise investments as set out above. These assets currently have an NTA of \$10 million (18.9 cents per Income Unit). Cash retained and net receivables are \$0.6 million or 1.2 cents per Income Unit.

From a timing perspective, the analysis below shows the potential return of capital assuming:

- Resolutions 1 and 2 are approved;
- assets are realised at a price equal to the NTA as at 9 November 2012; and
- cash proceeds flow to the Fund within 12 months of the review date of the underlying fund (this is considered to be a reasonable estimate of time, based on the Manager's recent experience of the time to complete a wind up and return the majority of capital to investors in underlying funds).

Importantly, no assumption has been made of any capital realised from investments that have no defined review date (and for which it is intended that the investment will be realised as soon as practicable at a price in the best interests of Unitholders). At present these investments have a carrying value of \$10 million or 18.9 cents per Income Unit. As such, additional capital may (or may not) be returned to Unitholders in the timeframe set out.

In the highly unlikely event that the return of capital to Income Unitholders exceeds \$1.00 per Income Unit, the excess of the return of capital will be distributed to the Ordinary Unitholders.

FINANCIAL YEAR ENDING	JUN-14 (\$ M)	JUN-15 (\$ M)	JUN-16 (\$ M)	JUN-17 (\$ M)	JUN-18 (\$ M)	JUN-19 (\$ M)	JUN-20 (\$ M)	OPEN- ENDED	TOTAL
Opening cash balance	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Cash received from receivables net of liabilities	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Capital realised	1.9	4.0	3.7	0.0	0.0	2.0	0.3	10.0	21.9
Total cash available for distribution	2.5	4.4	4.1	0.3	0.3	2.3	0.6	10.3	22.5
Return of capital to investors	(2.1)	(4.0)	(3.8)	0.0	0.0	(2.0)	(0.3)	(10.3)	(22.5)
Closing cash balance	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Capital distribution (CPU)	4.0	7.5	7.1	0.0	0.0	3.9	0.6	19.5	42.6

### 6.2.5 Estimate of future income distributions to Unitholders

The following analysis has been prepared to show potential income distributions to be made to Unitholders by the Fund during wind up.

The analysis uses the same assumptions regarding returning capital to Unitholders. For the purposes of estimating income derived from investments, the current yield from the underlying investment has been utilised and adjusted for growth assumptions. This is considered reasonable but there is no guarantee that any distributions will be received.

Ongoing management fees associated with the Fund will continue to be waived by the Manager for the period of winding up of the Fund provided the responsible entity of the Fund is an entity controlled by Brookfield. Expenses relevant to the operations of the Fund will continue to be borne in the

Fund and are expected to be in the order of approximately \$200,000 per annum.

Net income received from investments retained in the Fund will continue to be distributed to Income Unitholders on a quarterly basis and adopts the same distribution growth rates as per those set out in Section 6.3.1(b). If the investments were to continue to distribute income, the distributions set out in the following table (denominated in cents per Income Unit per annum) may be expected to be received in each year over the course of the wind up.

There can be no guarantee that distributions will remain at the projected level.

It is highly unlikely that the Ordinary Unitholders will receive any income distributions on the original \$30.08 million investment in the Fund.

	FY 13 <sup>(1)</sup>	FY 14	FY 15	FY 16	FY 17	FY 18
Amounts (\$ million)	0.9	1.3	1.4	1.3	1.1	1.2
Distribution per Income Unit (cents)	1.6	2.6	2.7	2.4	2.1	2.3

(1) Estimated for the period from November 2012 to June 2013.

### 6.3 WHAT IF THE PROPOSAL IS NOT APPROVED AND THE FUND IS NOT WOUND UP?

If the Proposal is not approved, the rights of Income Unitholders will remain unchanged. In the event that the Proposal is not approved, the Manager intends to continue to explore options regarding the future of the Fund and does not rule out a future termination and winding up of the Fund if there is no other alternative in the best interests of Unitholders.

#### 6.3.1 View of the Fund in the short to medium term

##### (a) Restoring the NTA to \$1.00 per Income Unit

The redemption price for an Income Unit provided in the Fund's Constitution is \$1.00. Financial modelling has been undertaken to estimate the time expected to restore the NTA of an Income Unit back to \$1.00 per unit if the Proposal is not approved.

On the basis of the assumptions below and using the same valuation methodology as currently utilised, it is expected that the value of an Income Unit would not be restored to \$1.00 until the 2025 financial year. In any case, restoration of the NTA to \$1.00 per Income Unit does not guarantee that all Income Unitholders wishing to exit the Fund will be able to be accommodated at that time. This will be dependent on the liquidity of the Fund's underlying investments at that time.

Fundamental to the analysis are the following assumptions as to how much can be realised for the investments and when the proceeds become available to the Fund for reinvestment:

- for those unlisted investments considered to have a review date it has been assumed that the Fund can exit at NTA adopted by the Fund at 9 November 2012 (being the audited 30 June 2012 NTA of underlying funds other than the Multiplex New Zealand Property Fund) adjusted for

growth and that proceeds are received by the Fund within 12 months of the review date. Review dates assumed for unlisted assets are set out in Section 6.2.1;

- for those investments not considered to have a review date for these purposes it has been assumed that these continue to be held by the Fund at adopted NTA adjusted for growth;
- with the exception noted below, NTA in each case is calculated as being the audited NTA of the investment as at 30 June 2012 adjusted for growth rates assumed for the properties owned by respective investments and assuming that foreign exchange rates and other assets and liabilities remain constant (other than where a sale of an asset has been announced where proceeds are assumed to reduce debt);
- no growth has been assumed for properties held by the APN Champion Retail Fund (with assets held in Greece), APN Poland Retail Fund and APN Vienna Retail Fund;
- the investment in Multiplex New Zealand Property Fund is carried at the 30 June 2012 audited NTA adjusted for the recent sale of assets;
- cash reserves of \$5.2 million and cash returned as capital to the Fund when realised from disposal of the investments is assumed to be reinvested in A-REITs (to retain it in a more liquid form than reinvesting in unlisted securities);
- the value of A-REITs is calculated as being the market price of the securities as at 9 November 2012, adjusted for assumed growth rates; and
- distributions received from the underlying investments will continue to be paid to Income Unitholders as and when they are accrued or received.

## 6. Overview of the Fund – Pre and Post Proposal continued

In determining appropriate growth rates for unlisted investments (and those listed on the NSX) the Manager has adopted a growth rate of 3% per annum, which references the historical 10 year average property growth rates, together with a review of the underlying assets for unlisted investments held by the Fund.

A 1% increase in the annual growth rate across the portfolio would have the effect of shortening the period to reach an NTA of \$1.00 per unit by approximately 12 months and a 1% decrease in the annual growth rate would have the effect of lengthening the period to reach an NTA of \$1.00 per unit by approximately three years.

From the analysis performed by the Manager, the table below indicates outcomes for Income Unitholders:

- an Income Unitholder would need to remain invested until June 2025 before an NTA of \$1.00 per Income Unit is achieved;
- an Income Unitholder may receive net income distributions of 73 cents per unit over the period from 1 November 2012 to June 2025;
- assuming an Income Unit is then redeemed for \$1.00, this would equate to an undiscounted cash flow to an Income Unitholder of \$1.73 per unit over the period from November 2012 to June 2025; and
- the present value of the cash flow is dependent on the discount rate to be applied, as per the table below:

Sell A-REIT portfolio	June 2025	
Sell all unlisted assets	June 2025	
Date when NTA is projected to be \$1.00	June 2025	
Target distribution income reached at minimum 7.5% and maximum 8.5% per annum	Not prior to 2024 financial year	
Return to investor from March 2007	5.57% per annum	
<b>FINANCIAL ANALYSIS</b>	<b>\$ M</b>	<b>GPU</b>
Cash realised from existing A-REIT portfolio	6.8	12.9
Cash realised from open-ended funds	17.9	33.9
Cash realised from reinvestment of realised investments	25.9	49.0
Net income distributions	38.5	73.2
Cash balance	2.3	4.4
Total cash available to return to investors	91.4	173.4
Net Present Value @ 10% discount rate	36.1	68.5
Net Present Value @ 20% discount rate	17.9	33.9

Fundamental to the analysis above is the assumption that cash can be realised such that all investors wishing to withdraw at an NTA of \$1.00 per unit could be accommodated. As stated previously, there is no guarantee that assets held by the Fund can be realised at NTA. In such circumstances it may take longer to realise assets at a value that permits all investors to withdraw at an NTA of \$1.00 per unit.

**(b) Restoring distributions to the target range of 7.5% to 8.5% per annum**

Financial modelling has been undertaken to estimate the time expected to restore distributions to the target range of 7.5% to 8.5% per annum for Income Unitholders if the Proposal is not approved.

On the basis of the assumptions below, and using the same valuation methodology as currently utilised, it is expected that it may take to at least until the 2024 financial year to achieve returns of 7.5% per annum and a further year to achieve returns of 8.5% per annum on the \$1.00 per Income Unit invested. There is no guarantee that distributions will return to the target range of 7.5% to 8.5% per annum.

Fundamental to this analysis are the following assumptions:

*Unlisted investments (and those listed on the NSX)*

- distributions from underlying investments are set at the relevant yield for the quarter ending September 2012 and adjusted each year for growth in the value of the underlying asset and income growth until the investment is realised (if at all);
- income growth is assumed to be 3% per annum on the operating income of the investments;
- for investments with a review date it has been assumed that the Fund can exit at the NTA as at 9 November 2012 (being the audited 30 June 2012 NTA of underlying funds other than the Multiplex New Zealand Property Fund) adjusted for growth and that proceeds are received by the Fund within 12 months of the review date. Review dates assumed for unlisted assets are set out in Section 6.2.1.
- for investments without a review date for these purposes it has been assumed that these continue to be held by the Fund at adopted NTA adjusted for growth;
- with the exception noted below, NTA in each case is calculated as being the 30 June 2012 audited NTA of the investment adjusted for growth rates assumed for the properties owned by respective investments and assuming that foreign exchange rates and all other assets and liabilities remain constant (other than where a sale of an asset has been announced where proceeds are assumed to reduce debt);
- no growth has been assumed for properties held by the APN Champion Retail Fund (with assets held in Greece), APN Poland Retail Fund and APN Vienna Retail Fund;
- current surplus cash of \$5.2 million as at 9 November 2012 has been assumed to be invested in A-REITs; and
- cash returned as capital to the Fund when realised from the investments is assumed to be reinvested in A-REITs (to retain it in a more liquid form than reinvesting in unlisted securities).

In determining appropriate growth rates for the investments, the Manager has made reference to historical 10 year average property growth rates (of approximately 3% per annum) together with a review of the underlying assets of the funds for unlisted investments held by the Fund. While the above growth rate assumptions are considered reasonable for illustrative purposes, actual growth rates may differ and Unitholders should form their own views on the capital and income growth rates and other assumptions listed (and any other factors Unitholders may consider relevant).

*A-REIT investments*

- estimated portfolio distribution yield for financial year ending 30 June 2013 of 5.62% has been adopted as the commencing yield and a growth rate of 3% is applied annually; and
- the value of A-REITs are calculated as being the market price of the securities as at 9 November 2012 adjusted for assumed growth rates.

It is assumed for the purposes of the analysis that no Income Units are redeemed or issued.

**6.4 OTHER ALTERNATIVES OPEN TO THE MANAGER**

The following represent some of the alternative courses of action open to the Manager if the Proposal does not proceed and the Fund is not subject to wind up.

**(a) Seek a buyer for the Income Units in the Fund**

The Constitution currently limits any person (other than an Administration Service holding on behalf of its customers who are indirect investors) from holding a:

- legal interest in Income Units of more than 19.9% of all Units on issue; or
- legal interest in Income Units (on behalf of itself or a beneficiary) of more than 10% of all Units on issue.

In the event of an offer from a third party, Income Unitholders would not all be entitled to sell their holdings in the Fund to the third party and the Manager would be required to consider an amendment to the Constitution in order to effect this, which may require Unitholder approval.

## 6. Overview of the Fund – Pre and Post Proposal continued

Even in circumstances where greater than 19.9% could be acquired by one party, the Manager believes that achieving a transaction that would provide Income Unitholders with a return close to the current NTA per Income Unit would be unlikely because:

- the estimated Fund yield for the year ending 30 June 2013 is 5.49% when measured against the NTA at 9 November 2012. An investor would therefore seek a purchase price with a significant discount to NTA to ensure it can achieve returns reflecting risk, liquidity and comparable investments available in the market;
- the buyer would be bound by the same terms attaching to the Income Units and would not be able to exit its investment for a number of years; and
- a buyer of a substantial stake in the Fund may require a role in the management of the Fund. Any change in the responsible entity of the Fund to an entity that is not an entity controlled by Brookfield would result in management fees being potentially payable by the Fund. This may be adverse to Unitholders who may not approve the change.

### (b) Capital distributions to top up returns

The Manager could consider paying distributions out of capital in order to ensure a yield to Income Unitholders of 8.5% per annum for so long as sufficient capital is available. In considering such a course of action, the Manager must treat all Unitholders equally. This would be a temporary measure only as such action would reduce the NTA of the Income Units, and as a consequence, make achieving the \$1.00 per Income Unit redemption price even less likely.

### (c) Borrow in the Fund to enhance returns

The Constitution and Fund PDS permit the Fund to borrow. This may have the benefit of increasing income and capital returns, but would also increase risk to the extent that those returns were less than the borrowing costs.

The Manager has assessed the borrowing capacity of the Fund and considers that, in light of the nature of the assets held by the Fund and current market conditions, a maximum loan to value ratio of 20% could be achieved. This would permit the Fund to sustain borrowings of approximately \$5 million.

Utilising the same assumptions as set out above in Section 6.3 and assuming that the \$5 million was invested in liquid A-REITs in order to preserve liquidity, it is unlikely that this would have an impact on the NTA or earnings expectations so as to shorten the period before the NTA of \$1.00 per Income Unit is restored by greater than 12 months.

### (d) Raise additional capital

The Manager considers it very unlikely that new investors could be attracted to the Fund in light of the current Fund yield and liquidity concerns for Income Unitholders.

## 7. Taxation

The taxation information that follows is general in nature and Income Unitholders are encouraged to seek professional taxation advice in relation to their own position.

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

### 7.1 IMPACT OF PROPOSAL ON THE FUND

Upon the sale of the assets by the Fund, capital gains or losses will arise equal to the sale proceeds received less the cost base or reduced cost base of the assets sold.

In the event that capital gains were to arise in respect of the sale of the assets, these capital gains should be able to be reduced by capital losses available in the Fund. The Fund has approximately \$10 million in unutilised capital losses as at 30 June 2012. In the event that this capital loss is not fully utilised it will be trapped in the Fund and will not be available for distribution to Unitholders.

### 7.2 INCOME UNITHOLDER CONSIDERATIONS

#### (a) Australian resident Income Unitholders

The following information applies to Unitholders who are tax residents of Australia and who hold their Units as a long term investment on capital account. The comments that follow are not applicable to Unitholders who are subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the Income Tax Assessment Act 1997.

The tax treatment of distributions of income received by Income Unitholders should not change as a result of the Proposal. If distributions of income are received from the Fund, you will be liable to pay tax on the full amount of your share of the taxable income of the Fund 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 Fund 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 and reduced cost base in the Fund Income Units, thereby affecting the capital gain or capital loss that you make if you dispose of your Income Units. If, in respect of an Income Unit, 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.

Upon the eventual cancellation of your Income Units (which will occur at the conclusion of the winding up process), a capital loss or capital gain will need to be calculated in respect of that cancellation.

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

Income Unitholders are encouraged to seek professional taxation advice specific to their own country of taxation residence, as well as advice on the Australian tax implications relevant to their own particular circumstances.

## 8. Glossary

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

\$	Australian dollars.
ABN	Australian Business Number.
AEDT	Australian Eastern Daylight Time.
AFSL	Australian Financial Services Licence.
A-REIT	units issued by Australian real estate investments trusts and the shares held in Blackwall Property Funds Limited which are listed on ASX.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it as the context requires.
BCML	Brookfield Capital Management Limited (ABN 32 094 936 866).
Brookfield	Brookfield Asset Management Inc and/or its subsidiaries as the context requires.
Chair	Mr Allan McDonald, or, failing him, Ms Barbara Ward, who will act as the chair of the Meeting or any replacement appointed by the Manager to chair the Meeting.
Constitution	the constitution of the Fund.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
CPU	Cents per Income Unit.
Explanatory Memorandum	this document, which forms part of the Notice of Meeting issued by the Responsible Entity and is dated 23 November 2012.
Fund	Multiplex Property Income Fund (ARSN 117 674 049).
Fund Register	the register of Unitholders maintained by Boardroom (Victoria) Pty Limited.
Income Units	income units issued by MPIF.
Manager	BCML in its capacity as responsible entity of the Fund.
Meeting	the meeting of Unitholders to be held on 18 December 2012.
Meeting Record Date	5.00pm on 17 December 2012.
Notice or Notice of Meeting	the Notice of Meeting dated 23 November 2012 included as Section 2 and including the Explanatory Memorandum.
NSX	National Stock Exchange of Australia Limited or the market operated by it as the context requires.
NTA	net tangible assets.
Ordinary Units	the ordinary units issued by MPIF.
Priority Distribution Payment	the priority distribution payment described in Section 1.
Proposal	the proposal described in Sections 1 and 4 of the Explanatory Memorandum including the wind up of the Fund and the realisation of its assets in accordance with the Constitution.
Proxy Form	the proxy form included with this Notice of Meeting.
Resolutions	the resolutions proposed to be put to Unitholders as set out in Section 2.
Responsible Entity	Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809).
Unitholder	the registered holder of a Unit.
Unit	an income or ordinary unit in the Fund.

# Appendix A – Amendment to the Constitution

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Clause 21.1 of the constitution of Multiplex Property Income Fund (ARSN 117 674 049) is amended by deleting the text which is struck out and inserting the text which is underlined.

## 21.1 REALISATION OF ASSETS

Following termination, the Manager must realise the Assets. The Manager may realise the Assets over a period of time and in a manner that the Manager considers reasonable, having regard to the nature of the Assets, market conditions and any other factor that is likely (in the Manager's reasonable opinion) to affect the realisation value, with the objective that the Manager will seek to maximise the value achieved on realisation. ~~This must be completed in 180 days if practical and in any event as soon as possible after that.~~

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# Corporate Directory

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**Fund**

Multiplex Property Income Fund  
ARSN 117 674 049

**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 – 8.15am to 5.15pm AEDT)

**Fund Website**

[www.au.brookfield.com](http://www.au.brookfield.com)



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