

31 October 2011

Dear Investor

**Re: Investor Update - Brookfield Australian Opportunities Fund (Fund)**

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

**Unitholder Meeting**

A Notice of Meeting and Explanatory Memorandum regarding the restructuring proposal between the Fund and Multiplex Property Income Fund was released on 21 October 2011. The unitholder meeting will be held at 10.00 am on 22 November 2011 at The Mint, Auditorium, 10 Macquarie Street, Sydney.

Information regarding the unitholder meeting can be found at the following link:

<http://www.au.brookfield.com/investment-platform/listed-securities/brookfield-australian-opportunities-fund/asx2011>.

**Financial Position**

The Fund's unaudited standalone Net Tangible Asset (NTA) as at 30 September 2011 was 13.7 cents per unit (cpu) compared to 13.5 cpu at 30 June 2011.

On a standalone basis, cash increased by \$4.6 million between 30 June 2011 and 30 September 2011. The investment portfolio of the Fund had a carrying value of \$137.0 million at 30 September 2011 compared to \$138.4 million at 30 June 2011. The decline is predominantly due to the redemption of two million Australian Unity Diversified Property Fund units, the write down in carrying value of the FKP Core Plus Fund after a further return of capital in August 2011 and the disposal of all Stockland Group (SGP) securities.

**Debt Position**

At 30 September 2011 the Fund was in compliance with all its debt covenants, and the Loan to Value Ratio (LVR) was 22.2% (based on net bank debt/market value of listed and unlisted investments).

BCML announced on 6 October 2011 that it has agreed, subject to documentation, to a new three year \$35 million debt facility with the Fund's current financier. The current debt facility of \$37.1 million carries a maturity of 1 December 2012 subject to satisfaction of a number of financial covenants. BCML sought a new three year term to provide certainty to the Fund. Key terms of the new debt facility are as follows:

- Facility limit of \$35 million, a term of three years from execution of documentation and subject to terms including the following financial covenants:
  - Loan to Value Ratio limit at 30%; and
  - Interest Cover Ratio no greater than 1.60.
- Margin of 3% per annum over BBSY.

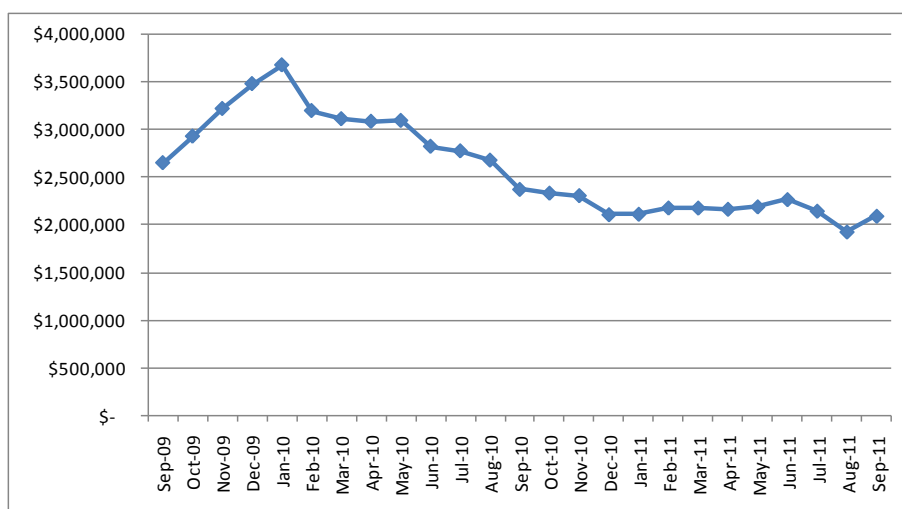
In addition, the Fund has entered into an interest rate swap for a two year period to hedge \$26.25 million (75% of the facility limit) at a fixed rate of 3.75% resulting in an effective rate of 6.75% for the hedged amount.

## Multiplex Property Income Fund

The Fund owns 100% of the Ordinary Units in Multiplex Property Income Fund (MPIF). Income Unitholders in MPIF have a targeted monthly priority distribution payment (PDP). In circumstances where MPIF distributes less than the PDP, the Fund is prevented from making distributions to its unitholders 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 of MPIF.

The shortfall peaked at \$3.68 million in January 2010. The shortfall for the 12 months to 30 September 2011 was \$2.09 million. The dip in the shortfall in August 2011 to \$1.92 million was due to Australian Unity (formerly Investa) Fifth Commercial Trust paying a substantial special distribution in August.

The graph below shows movement in distribution shortfall to the level of the PDP from September 2009 to September 2011.



## Unlisted Investment Portfolio Update

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

The total number of unlisted investments declined from 23 to 22 with the completion of wind up of the Essential Healthcare Trust. Of the 22 unlisted funds, as at 30 September 2011:

- 14 are paying regular distributions;
- 2 have reinstated distributions but ongoing distribution payments will be ascertained on either a quarterly or half yearly basis; and
- 6 have suspended distributions. FKP Core Plus Fund has essentially ceased paying half yearly distributions as the fund has divested its income producing property as part of its winding up process.

The weighted average yield on the Fund's unlisted portfolio at 30 September 2011 was 3.4%.

Highlights during the quarter include:

- Australian Unity (formerly Investa) Fifth Commercial Trust paid a special distribution of \$1.5 million in August 2011 after completing the sale of 595 Collins Street Melbourne.
- APN Champion Fund paid a distribution for the 6 months to June 2011 of \$11,357 or 0.3916 cents per unit (cpu). The relatively modest payment (the fund paid 2.03 cpu for the 6 months to June 2010) reflects a conservative capital management policy given the limited headroom in that fund's loan to value ratio covenant.
- APN National Storage Property Trust announced during September the sale of 9 storage assets to Southern Cross Storage Trust for \$64.73 million. The net proceeds will be used to fully repay the Gresham mezzanine debt facility and to repay a portion of senior debt. The reduction in financing costs has allowed the fund to increase distributions from 2 cpu to 6.358 cpu per annum.
- Austock Childcare Fund increased their distribution from 6 cpu in FY11 to 6.4 cpu per annum.
- Australian Unity Diversified Property Fund's distribution declined from 5.5 cpu to 4.118 cpu per annum due to higher debt costs post expiry of the previous facility in May 2011 and one off costs incurred from the tenant eviction and reletting of the property at Lorimer Street, Port Melbourne.

### **AREIT Portfolio**

During the quarter ended 30 September 2011, the Fund sold all its investment in the Stockland Group (SGP) and acquired a further 1 million Mirvac (MGR) units at an average purchase price of \$1.06 per unit.

Currently 11 of the 14 AREITs are paying regular distributions. The two Rubicon funds are insolvent and in liquidation. Brookfield Prime Property Fund has not reinstated regular distributions, but paid a special distribution of 2 cpu in September 2011.

Multiplex European Property Fund (MUE) declared a special distribution of 9.5 cpu to be paid in November 2011. MUE unwound its Cross-Currency Interest Rate Swap (CCIRS) which resulted in the fund receiving net proceeds of \$34.8 million. After an initial review of MUE's cash requirements, it was resolved to return approximately \$23.5 million to unitholders. The distribution will result in the Fund receiving approximately \$1.175m.

The weighted average yield across the AREIT portfolio (excluding one-off or special distributions) as at 30 September 2011 was 5.1% (7.7% excluding the Brookfield Prime Property Fund).

### **Summary of Investment Portfolio**

The carrying value of unlisted investments is assessed utilising the last reported NTA for each investment (generally audited 30 June 2011) except in the case of APN National Storage Fund, the carrying value of which has declined due to the fund's sale of 9 of its storage assets and FKP Core Plus Fund, the carrying value of which has declined due to a further return of capital. Listed investments are shown at ASX closing price on 30 September 2011.

A summary of the Fund's listed and unlisted investment portfolio on a standalone basis, as at 30 September 2011 and the distribution yield per investment is detailed in the following table:

<b>Unlisted Property Funds</b>	<b>Carrying Value (\$'m)</b>	<b>Distribution Yield (%)<sup>1</sup></b>
APN Champion Retail Fund	1.7	n/a
APN National Storage Property Trust	1.1	6.4
APN Regional Property Fund	2.0	4.3
APN UKA Poland Retail Fund	0.0	n/a
APN UKA Vienna Retail Fund	1.9	n/a
Austock Childcare Fund	1.1	5.5
Australian Unity Diversified Property Fund	6.9	5.0
Australian Unity Fifth Commercial Trust <sup>3</sup>	11.5	4.7
Australian Unity Office Property Fund <sup>4</sup>	22.1	6.6
Australian Unity Second Industrial Trust <sup>5</sup>	1.5	5.8
FKP Core Plus Fund	0.4	n/a
MAB Diversified Property Fund	3.4	5.8
MCS 21 - Centro Roseland Holding Trust	8.5	0.8
MCS 21 - Centro Roseland Property Trust	1.2	0.8
MCS 22 - Centro Kidman Park Investment Trust	0.1	16.0
MCS 22 - Centro Kidman Park Property Trust	1.1	16.0
MCS 28 Investment Trust	2.1	2.0
Multiplex Development and Opportunity Fund	7.7	n/a
Multiplex New Zealand Property Fund	26.3 <sup>2</sup>	n/a
Pengana Credo European Property Trust	0.0	n/a
PFA Diversified Property Trust	5.4	7.6
Rimcorp Property Trust No. 3	0.6	9.7
St Hilliers Enhanced Property Fund No.2	1.0	n/a
The Childcare Property Fund	2.8	6.4
<b>Total / Weighted Average</b>	<b>110.4</b>	<b>3.4</b>

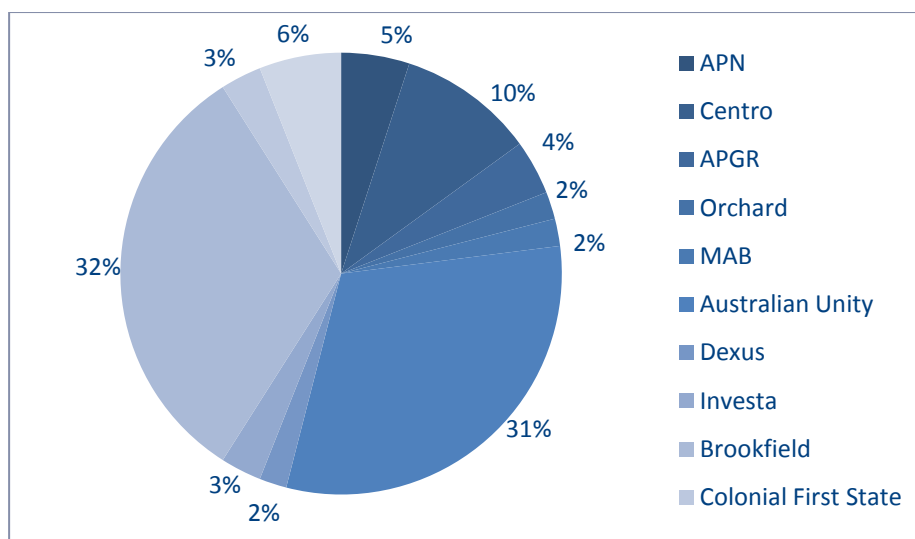
1. Distribution yields are based on distribution rates and carrying value as at 30 September 2011 and excludes one-off and special distributions.
2. Reflects the value of the investment accounted for by using the equity method of accounting on a standalone basis at 30 September 2011 (excludes the 0.5% owned by the consolidated MPIF subsidiary).
3. Previously Investa Fifth Commercial Trust.
4. Previously Investa Diversified Office Fund.
5. Previously Investa Second Industrial Trust.

Listed Property Funds	Carrying Value (\$'m)	Distribution Yield (%) <sup>1</sup>
Abacus Property Group	0.2	8.9
Australand Property Group	0.3	9.1
Brookfield Prime Property Fund	8.8	n/a
CFS Retail Property Trust	0.3	7.3
Challenger Diversified Property Group	0.2	8.1
Commonwealth Property Office Fund	3.7	6.1
Charter Hall Retail REIT	1.0	8.2
Dexus Property Group	3.0	6.3
GPT Group	0.9	5.5
Investa Office Fund	3.7	6.4
Multiplex European Property Fund	2.2	14.7
Mirvac Group	2.3	7.7
Total / Weighted Average	26.6	5.1 <sup>2</sup>

1. Distribution yields are based on distribution rates as at 30 September 2011 using AREIT's closing bid prices as at 30 September 2011. The above schedule excludes Rubicon Europe Trust Group and Rubicon Japan Trust, both of which are insolvent and in liquidation.

2. The weighted average AREIT portfolio yield excluding Brookfield Prime Property Fund as at 30 September 2011 was 7.7%.

## Investment portfolio allocation by manager



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

Yours sincerely

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