

20 February 2015

Dear Investor

Re: BAO Trust (Fund) - Investor Update for Half Year End 31 December 2014

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the half year ended 31 December 2014.

Financial Results

As at 31 December 2014, the Fund had assets under management of \$30.9 million, comprising an investment portfolio of \$21.8 million and cash and other receivables of \$9.1 million. The Net Asset Value (NAV) for the Fund was 3.8 cents per unit (30 June 2014: 4.9 cents per unit). The reduction in NAV reflects capital returns made throughout the period.

The Fund distributed \$10.1 million or 1.24 cents per unit to investors during the period and paid a further distribution of 1.05 cents per unit on 14 January 2015.

In determining the value of the Fund's assets, the carrying value of unlisted investments is assessed using the net asset value provided on 31 December 2014, or, when not provided, the latest available net asset value for each underlying investment. Listed investments are shown at the ASX closing price on 31 December 2014.

Investment Portfolio Update

As at 31 December 2014 the Fund was invested in eleven unlisted (including two Rubicon investments in administration) and two listed investments.

Where considered to be in the best interests of investors, the Fund has continued to sell its investments and return proceeds to investors. During the half year, the Fund exited its entire holding in Arena REIT, Australian Unity Diversified Property Fund, PFA Diversified Property Trust and St Hilliers Enhanced Property Fund #2.

Below is information regarding the underlying investments:

APN Regional Property Fund (APNRPF)

APNRPF sold its Parkes Shopping Centre for \$10.2 million, equal to its 30 June 2014 book value. Two A-grade office buildings located in regional NSW remain in the fund's portfolio.

APN Vienna Property Fund (APNVPF)

APNVPF distributed 5 cents per unit in September 2014 from net proceeds from the sale of their shopping centre asset. APN are aiming to wind up the fund by financial year end 2015.

Arena REIT

During the six months to 31 December 2014, the Fund disposed of its remaining Arena REIT holding for net proceeds of \$0.4 million.

Australian Unity Diversified Property Fund (AUDPF)

The Fund sold its entire holding of 5.7 million AUDPF units in November 2014 for \$4.1 million or \$0.71 per unit which was a 7.5% discount on the midpoint between AUDPF's entry and exit price at 31 October 2014. The discount is similar to that previously negotiated for the sale of the Fund's Australian Unity Office Property Fund and Fifth Commercial Trust units at the end of 2013.

MAB Diversified Property Fund (MABDPF)

The fund is in wind up and is continuing with its sale of assets program. At 31 December 2014, five assets remained in the portfolio; one office asset in Parramatta and four shopping centres in regional NSW and QLD. The office asset is currently being marketed for sale while asset management initiatives are being implemented prior to the sales campaign of the retail assets.

Multiplex Development and Opportunity Fund (MDOF)

MDOF paid a capital distribution of 11.0 cents per unit on 31 October 2014. This equated to a payment of \$1.0 million to the Fund.

As at 31 December 2014, MDOF had one remaining investment - the Little Bay South residential development in Sydney. Final stages of Little Bay South reached practical completion in November 2014 and settlement of all apartments is expected by March 2015. On settlement of the remaining apartments, the fund will commence the process of returning capital to investors and winding up the fund.

Multiplex European Property Fund (MUE)

MUE's debt facility matured in April 2014 without repayment. The financier agreed to a standstill in relation to the facility which has now been extended to September 2015, subject to conditions. One of the conditions is implementation of a business plan that will see all of the Fund's properties sold to repay debt. To date, six of the 67 properties in the portfolio have been sold. The German tax audit of the fund continues and the ultimate resolution of this is critical to potential returns to investors.

Multiplex New Zealand Property Fund (MNZPF)

MNZPF paid a distribution of 19.5 cents per unit on 24 December 2014 from net proceeds received from the sale of the Hereford Street and The Plaza assets. This equated to a payment of \$8.6 million to the Fund.

The fund's portfolio as at 31 December 2014 comprised of three office assets, all of which are located in Wellington and with a portfolio value of \$54.8 million. The net asset value of the fund as at 31 December 2014 was \$0.31 per unit. The fund strategy remains to maximise proceeds from sale of these properties and distribute proceeds to investors.

National Storage REIT (NSR)

During the six months to 31 December 2014, the Fund continued to sell down its holding in NSR for net proceeds of \$0.2 million. A staged sell down of the investment valued at \$0.3 million continues.

PFA Diversified Property Trust (PFADPF)

In September 2014 the Fund participated in a withdrawal offer for its entire holding in PFADPF for \$2.7 million, reflecting a 5% discount on the fund's net asset value at 30 June 2014.

St Hilliers Enhanced Property Fund #2

The fund completed its wind up in September 2014.

BAO Trust Investment Portfolio as at 31 December 2014

Investment Portfolio	December 2014 Carrying Value \$m	Percentage of Total Investment Value (%)
Listed Property Securities		
National Storage REIT	0.31	1.4
Multiplex European Property Fund	0.54	2.5
Total Investment Value – Listed Property Securities	0.85	3.9
Unlisted Property Securities		
APN Champion Retail Fund	0.00	0.0
APN Poland Retail Fund	0.00	0.0
APN Regional Property Fund	2.53	11.6
APN Vienna Retail Fund*	0.00	0.0
FCL European Property Trust (formerly Pengana)	0.00	0.0
MAB Diversified Property Trust	2.89	13.3
Multiplex Development and Opportunity Fund	2.05	9.4
Multiplex New Zealand Property Fund	13.49	61.8
Multiplex Property Income Fund	0.00	0.0
Rubicon Europe Trust	0.00	0.0
Rubicon Japan Trust	0.00	0.0
Total Investment Value – Unlisted Property Securities	20.96	96.1
Total Investment Value	21.81	100.0

*Final capital was received, awaiting cancellation of units.

Further information and half year financial results as at 31 December 2014

The Fund's financial report for the half year ended 31 December 2014 is available at www.au.brookfield.com and we recommend that investors review this document.

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

Yours sincerely

Brookfield Client Services Team

Phone: 1800 570 000

Email: clientenquiries@au.brookfield.com