

27 February 2018

Dear Investor

**RE: BAO Trust (Fund) - Investor Update**

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the half financial year ended 31 December 2017.

**Financial Results**

As at 31 December 2017, the Fund's net assets were \$4.0 million (30 June 2017: \$4.8 million) or 0.5 cents per unit (30 June 2017: 0.6 cents per unit). The decrease reflects distributions and capital returns of 0.12 cents per unit made during the period. The Fund reported a net profit of \$0.02 million.

**Investment Portfolio Update**

As at 31 December 2017, BAO Trust's investment portfolio comprised of seven investments – of which five are in wind up and one is in receivership. An update of the status of specific investments follows:

**APN Regional Property Fund (NSX code: APR)**

APR's net asset value increased 10.9% from 30 June 2017 to \$1.32 at 31 December 2017 predominantly due to an increase in the value of the property portfolio. The leasing status of both assets in the APR property portfolio improved during the period, resulting in both properties being 100% occupied. APR continues to pay a quarterly distribution of 9.5 cents per unit per annum.

**Multiplex Development and Opportunity Fund (MDOF)**

Wind up of MDOF continues and progress has been made on the commercial issues relating to the Little Bay South Stage 1 development, however no outcome has been achieved.

The issues surrounding the Little Bay South Stage 2 development have been further delayed due to a request by the Owner's Corporation to re-engage an independent expert to confirm the defects are completed satisfactorily by the builder. Engagement of an independent expert is currently in progress.

**Multiplex European Property Fund (MEPF)**

MEPF's net asset value to be distributed during the wind up has been revised at 31 December 2017 to an estimated 2.4 cents per unit. This is materially in line with the previous estimate provided to investors at 30 June 2017 of 2.3 cents per unit.

## **Multiplex New Zealand Property Fund (MNZPF)**

Wind up of MNZPF continues and completion is conditional on the release of the remaining escrow amount at HP House. Progress has been made on the roof repairs and seismic works at HP House. Formal confirmation that the works have been completed satisfactorily is still pending and the amount held in escrow won't be released until formal confirmation is provided. Further distributions will be made as these matters are finalised.

## **Rubicon Europe Trust (REU)**

The Receivers and Managers of REU have advised that the receivership process is forecast to complete in March 2018, and not December 2017 as previously advised. Once the receivership process is finalised, wind up of REU will commence.

The Fund's investment portfolio as at 31 December 2017 is attached as Appendix A.

## **Further information and financial results**

The Fund's financial report for the half year ended 31 December 2017 is available at [www.au.brookfield.com](http://www.au.brookfield.com) and we recommend that investors review this document.

BCML will continue to provide investor updates via the website 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](mailto:clientenquiries@au.brookfield.com)

**APPENDIX A - BAO TRUST INVESTMENT PORTFOLIO**

The Fund's investment portfolio (other than investments for which no value is expected) as at 31 December 2017 is:

	<b>December 2017 Carrying Value \$m</b>	<b>Percentage of Total Investment Value (%)</b>
<b>Unlisted Property Securities</b>		
APN Regional Property Fund	2.4	65
Multiplex Development and Opportunity Fund	0.1	3
Multiplex European Property Fund	0.3	8
Multiplex New Zealand Property Fund	0.9	24
<b>Total Investment Value</b>	<b>3.7</b>	<b>100</b>