

24 February 2017

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 year ended 31 December 2016.

Financial Results

As at 31 December 2016, the Fund's net assets were \$6.2 million (30 June 2016: \$14.0 million) or 1.0 cents per unit (30 June 2016: 2.0 cents per unit).

The decline in Net Asset Value (NAV) reflects the return of capital made during the period of 0.9736 cents per unit.

Investment Portfolio Update

As at 31 December 2016, BAO Trust's investment portfolio comprised of eight investments, including six investments which are in wind up and one in receivership.

Investment Update**APN Regional Property Fund (Regional Property Fund)**

APN have been investigating an opportunity for a liquidity event. If this does not occur, APN would seek to sell APR's property assets by June 2018 and return the capital to investors.

Two significant trades in APR units took place in the December quarter. A tranche of 4,993,037 units was sold at \$0.90 per unit (19% discount to 30 June 2016 NAV) and a tranche of 4,507,359 units at \$0.94 per unit (15% discount).

In light of the impending liquidity event, the Fund considers a 15% to 19% discount range too substantial to divest its APR holding at this point in time.

MAB Diversified Property Trust (MAB)

MAB paid a final residual distribution of \$25,379 in December 2016 and is expected to complete wind up by the end of February 2017.

Multiplex Development and Opportunity Fund (MDOF)

The builder for Stage 2 of the Little Bay South has entered into an agreement with strata management and the Fund to rectify minor defects at its own expense. The builder is expected to complete rectification works in July 2017.

MDOF has declared a distribution payment of 1.8 cents per unit, subject to the Australian Taxation Office confirming the payment is capital in nature. This equates to a payment of \$167,767 to the Fund.

Multiplex European Property Fund (MEPF)

MEPF paid a distribution of 1.0 cents per unit on 30 December 2016 and the Fund received \$0.13 million.

It is anticipated investors will receive approximately 5.8 cents per unit on wind up. MEPF had previously estimated this to be 9.1 cents per unit, however:

- two distributions totaling 2.6 cents per unit were paid in August and December 2016;
- there has been exchange rate movements of 0.3 cents per unit;
- wind up of the Fund's German Partnerships incurred costs of 0.2 cents per unit; and
- 0.2 cents per unit has been allowed for costs associated with completing VAT and corporate tax audits.

Multiplex New Zealand Property Fund (MNZPF)

Wind up of MNZPF continues and completion is conditional on remaining seismic works and the release of escrow amounts from the sale of the properties. Subject to no claims being made, the wind up process will commence once the warranty period expires in the second quarter of 2017. Further distributions will be made as these activities are finalised.

The Fund's investment portfolio as at 31 December 2016 is attached as Appendix A.

Further information and financial results

The Fund's reviewed financial report for the half year ended 31 December 2016 is available at 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

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APPENDIX A - BAO TRUST INVESTMENT PORTFOLIO

The Fund's investment portfolio (other than investments for which no value is expected) as at 31 December 2016 is:

	December 2016 Carrying Value \$m	Percentage of Total Investment Value (%)
Unlisted Property Securities		
APN Regional Property Fund	2.4	45
Multiplex Development and Opportunity Fund	0.3	6
Multiplex European Property Fund	0.7	13
Multiplex New Zealand Property Fund	1.9	36
Total Investment Value	5.3	100