

20 May 2013

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 period 1 January to 30 April 2013.

Distributions

A distribution of 0.10 cents per unit has been declared and will be paid on or around 28 May 2013.

Financial Position

The Fund's reviewed net tangible asset (NTA) at 31 December 2012 was approximately \$0.12 per unit. As at 30 April 2013 there was no material change to the NTA.

Investment Portfolio Update

As at 30 April 2013 the Fund was invested in 25 unlisted investments and one A-REIT investment (Multiplex European Property Fund).

Issues or opportunities regarding certain underlying investments are as follows:

– **Arena Childcare Property Fund (ACPF)**

The Fund holds an interest in ACPF with a carrying value of \$3 million as at 31 December 2012. Arena has announced that they are going to pursue a listing on the Australian Stock Exchange (ASX), raising \$75 million of new equity and providing existing investors with liquidity and an exit option while restructuring and strengthening the fund's position to deliver earnings growth. The fund will be renamed Arena REIT with normal trading on the ASX forecast to commence on 17 June 2013.

– **Australian Unity Diversified Property Fund (AUDPF)**

AUDPF settled on the sale of its remaining 50% interest in 218 Bannister Road Canning Vale, Western Australia (WA) for \$63.5 million. The sale is part of the fund's strategy to reduce its asset concentration in WA. Proceeds from the sale will be available to further improve AUDPF's debt position and provide an opportunity for investors to withdraw funds.

AUDPF has made available to investors a withdrawal offer of \$7 million at the withdrawal price equal to a 2.0% discount on the price at 22 May 2013. The Fund has applied for 100% of its holding in AUDPF to participate in the withdrawal offer, although the actual amount withdrawn may be reduced in accordance with overall investor demand.

– **Australian Unity Office Property Fund (AUOPF)**

A withdrawal offer of \$3.6 million has been made available to investors at a withdrawal price equal to a discount of 0.5% on the price at 31 May 2013. The offer closes on 29 May 2013. The Fund has applied for 100% of its holding in AUOPF to participate in the withdrawal offer, although the actual amount withdrawn will be reduced in accordance with overall investor demand.

– **Australian Unity Second Industrial Trust (AUSIT)**

AUSIT has entered into an unconditional agreement for the sale of 101 Beenleigh Road, Acacia Ridge Queensland for \$4.6 million (December 2012 carrying value of \$5 million). Only one property remains in the fund, an office/industrial facility at 2 Eden Park Drive, North Ryde, New South Wales.

Australian Unity has released an Explanatory Memorandum and Notice of Meeting proposing a merger between AUSIT and AUOPF which would see an investment in AUSIT transferring to AUOPF. The unitholder meeting is scheduled for 24 May 2013.

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

MNZPF is in wind up. An international expression of interest program commenced in December 2012 to sell the majority of MNZPF's properties. This process led to several parties entering into a formal due diligence review of the portfolio and a number of offers were received.

However, it was determined not to sell the majority of the fund's properties in one transaction with the responsible entity being of the view that it is in the best interests of investors to commence a property sales program on an individual basis. This process has commenced.

– **PFA Diversified Property Fund (PFADPF)**

PFADPF completed an off market sale of AAPT Centre in Richmond, Melbourne for \$20.2 million, which was \$1.2 million above book value for the asset. Net settlement proceeds were used to reduce debt as per the requirement under the debt facility agreement. PFADPF also entered into an agreement to sell Cairns Hypermart for \$16.2 million, slightly below book value, with proceeds used to reduce debt.

Management of PFADPF indicated that they will consider short term withdrawal offers subject to available cash from future sales. Management intends to introduce a major liquidity review date in June 2018 to allow all investors to exit their investment entirely if they wish. We await further detail about this matter.

Future Liquidity

Further withdrawal opportunities may become available from underlying unlisted funds, however there is no guarantee that such offers will continue or be offered on a regular basis.

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

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

Yours sincerely

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