Brookfield

Brookfield Capital Management Limited
ABN 32 094 936 866
Level 22, 135 King Street
Sydney NSW 2000

Brookfield Australian Opportunities Fund
ARSN 104 341 988

GPO Box 172
Sydney NSW 2001

Tel +61 2 9322 2000
Fax +61 2 9322 2001
www.au.brookfield.com

16 May 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 March 2011 quarter.

Net Tangible Asset (NTA)

Utilising the valuation methodologies set out in this update the Fund standalone NTA as at 31 March 2011 was 13.42 cents per unit (13.36 cents per unit at 31 December 2010).

Loan Covenants

At 31 March 2011 the Fund was in compliance with all its debt covenants, and the Loan to Value Ratio (LVR) was 19.2% (based on net bank debt/market value listed and unlisted investments excluding units held in Brookfield Prime Property Fund).

Investment in Brookfield Prime Property Fund

To enable the Fund to take advantage of participating in the Brookfield Prime Property Fund (ASX:BPACB) Entitlement Offer in November 2009, Brookfield Australia Investments Group (Brookfield) provided the Fund with a loan of $4.965 million to acquire 4.965 million units and increase its total holding in BPACB to 9.9%. After a number of extensions, this loan is due on 6 June 2011. If the Fund's current holding of BPACB units is retained, the Fund is obligated to repay $6.1 million to Brookfield by 6 June 2011 and pay the final instalment on BPACB units of $11.1 million on 15 June 2011.

After a review of this investment, BCML has determined to retain a 5% interest in BPACB and has agreed, subject to documentation, to accept an offer from Brookfield to acquire the balance of the holding at a price at the upper end of recent trading of $1.45 per unit. This decision reflects a need to balance the desire to retain an investment in a quality asset and the need to continue to prudently manage the Fund's liquidity to meet reduced debt covenants and refinancing obligations.

Key factors in making this important decision were:

- BPACB provides the Fund with an exposure to prime commercial property in the key markets of Sydney and Melbourne with 100% portfolio occupancy through premium tenants, weighted average lease expiry (WALE) by income of 7.7 years and the potential to reinstate a cash yield after refinancing the portfolio;

- The Fund acquired the majority of its interest in BPACB through the November 2009 Entitlement Offer when valuations were historically low for that fund. The investment therefore provides the opportunity to remain invested while valuations improve;

- Due to the amount of cash required to retain the existing BPACB holding, BCML considers that retaining the entire 9.9% holding in BPACB brings a reduction in flexibility of the Fund to manage its obligations under its debt facility. In particular:

    - Retaining the entire holding in BPACB would require a total cash payment of $17.2 million. While the Fund could, on a short term basis use cash or other liquid assets to satisfy these obligations and subsequently sell down BPACB units to rebalance its portfolio, it is BCML's view that likely liquidity issues in quickly monetising the BPACB investment represent a risk to the Fund in pursuing this option.

- The LVR covenant reduces from 30% to 20% as at 1 December 2011. Based on asset valuations as at 31 March 2011 the LVR was calculated at 19.2% but would increase to approximately 25% if total cash reserves plus $3.8 million from the sale of AREITs were utilised to retain the entire BPACB interest (largely due to the fact that cash reserves reduce the facility balance in the calculation of the LVR).

- The Fund's $37.1 million debt facility is due to be refinanced in December 2012 and there is a preference to maintain a level of liquidity in the Fund to meet potential requirements.

The strategy to sell part of the holding allows the Fund to realise part of the profit to assist with repayment of the Brookfield loan and to continue to hold the investment for future growth. This has no direct impact on Fund reported NTA as the investment at 31 March 2011 is carried with reference to the ASX closing price of $1.45 per unit. However, in calculating the NTA, the investment has earned the Fund a net profit of $1 million on an unrealised basis.

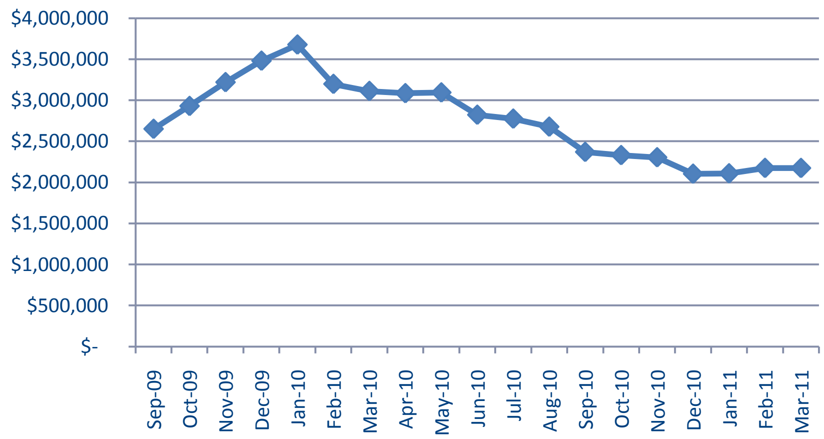
In accepting the offer from Brookfield to acquire units held in BPACB at $1.45, BCML has benchmarked the offer price against recent BPACB trading, assessed the appropriate discount to net tangible assets and sought independent support for the offer price. In this regard, the offer price is at the highest point that BPACB has traded since 1 January 2011 with a range of $1.25 to $1.45 and a volume weighted average price (VWAP) over the period of $1.32.

Distribution Policy and the Effect of the Distribution Stopper

The Fund owns 100% of 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 for the 12 months to 31 March 2011 was $2.17 million. The shortfall has declined from its $3.68 million peak in January 2010 but has increased marginally since December 2010. This increase in shortfall can be attributed to the APN Champion Fund deferring payment of distributions for the half year ended December 2010 to manage any uncertainty being caused by current economic issues in Greece.

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



BCML continues to actively review strategies to allow distributions to be restored to investors and will assess the costs and benefits of implementing any strategy prior to restoring distributions. The future distribution policy will be dictated by circumstances at the relevant time such as income returns from underlying investments, debt servicing requirements and the Fund's constitution.

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.

Unlisted Investments

Redemptions

The Fund was not offered any redemption opportunities during the period.

Distribution Income

Of the 24 unlisted funds, as at 31 March 2011:

- 15 are paying a distribution;
- seven have suspended distributions (although APN Vienna Retail Fund paid a one off distribution during April 2011); and
- two funds have wound up and ceased paying distributions (although a small residual payment is expected from the Gordon and Essential Healthcare Funds on final windup of both funds).

The weighted average yield on the Fund's unlisted portfolio was 3.5%.

APN Vienna Retail Fund declared a one off distribution payment of 3.11 cpu which was paid in April 2011. This reflects a $111,960 payment to the Fund. There was a slight increase in value of the investment property during the 2010 calendar year which reflects a stabilisation of the Austrian economy. Distributions had been suspended since June 2008 as part of the fund's capital management strategy.

APN National Storage Fund reinstated distributions from the March 2011 quarter. A distribution of 2 cpu annualised (2% yield) was paid, which equates to an annual distribution of $22,857. Future distribution rates will be reviewed on a quarterly basis. Distributions had been suspended in this fund since June 2009.

Return of Capital

As mentioned in Fund's 2011 Interim report, Orchard's Essential Health Care Trust paid $7.3 million in distributions and other proceeds in February 2011 for wind up of the fund.

The Fund also received $2.35 million from the wind up of the Gordon Property Trust.

FKP Core Plus Fund is currently in wind up with good progress on the sale of assets, including settling on their major asset at 31 Queen Street Melbourne for $81 million on 31 March 2011. The fund paid a return of capital and income of $0.66 million in April 2011 and we are forecasting a residual return of capital of $0.94 million.

MAB Diversified Property Fund is currently in wind up and the carrying value of this investment has been revised from $0.82 to $0.70 per unit to reflect uncertainty in the sale process associated with that fund's New Zealand and Australian assets.

The responsible entity (RE) of Centro MCS 21 syndicate has notified investors that the syndicate is approaching the end of its investment term and is proposing a termination of the syndicate. However, the RE may consider a sale of the syndicate's 50% interest in Centro Roselands in conjunction with the centre's co-owner to achieve a better sale result. This may require a short term extension of the syndicate term. The RE will outline its strategy to investors prior to 30 June 2011.

The Fund continues to actively engage with all managers of the unlisted portfolio and, to the extent possible, exert influence to the maximum benefit of unitholders. This includes discussions regarding distributions, return of capital as well as potential further investments by the Fund.

Extension of Multiplex New Zealand Property Fund

Brookfield Capital Management Limited as responsible entity of Multiplex New Zealand Property Fund (MNZPF) notified investors on 5 May 2011 that it will extend the period under which investors are given the opportunity to withdraw from the Fund from 1 September 2011 to 30 August 2012.

As a result, investors in MNZPF (in which the Fund holds a 20.13% interest) will be issued a notice prior to 30 May 2012 asking them to advise whether they want to continue to own their units for a further period or whether they want to sell or withdraw from the Fund. Information regarding the responsible entity's decision to extend is available on that fund's website at www.au.brookfield.com.

AREIT Portfolio

During March 2011, the Fund acquired an additional 1.5 million units in Commonwealth Property Office Fund, 1.5 million units in Dexus Property Group and 3 million units in ING Office Trust for a total cost of approximately $4.7 million. The Fund also received consideration of $312,025 ($0.54 per unit) for Goodman Group's acquisition of ING industrial Fund's ordinary units on 28 March 2011. As such, at 31 March 2011, the Fund's AREIT portfolio has declined from 17 to 16 investments.

During March 2011, Investa assumed the management rights of the ING Office Trust which was consequently renamed the Investa Office Trust.

The portfolio has performed positively in the quarter with a $717,000 increase in value from 31 December 2010 (or since acquisition for those acquired post that date). In particular, unrealised gains are noted in Charter Hall Office and ING Office AREITs.

Currently 13 of the 16 AREITs are paying regular distributions. The two Rubicon funds are insolvent and in liquidation. Brookfield Prime Property Fund paid a special distribution of 1.5 cpu for the March 2011 quarter, post the successful renewal of the Defence Plaza lease.

The weighted average yield across the AREIT portfolio (excluding the Fund's investment in BPACB) as at 31 March 2011 was 7.2%. The $4.7 million of new investments are yielding 6.3%.

As disclosed previously, while we continue to identify and evaluate opportunities across the sector, we believe selected investments in the listed AREIT sector offer attractive value for the Fund with the benefit of immediate liquidity. As such, we have increased the Fund's holdings and are pleased with the performance to date.

Summary of Investment Portfolio

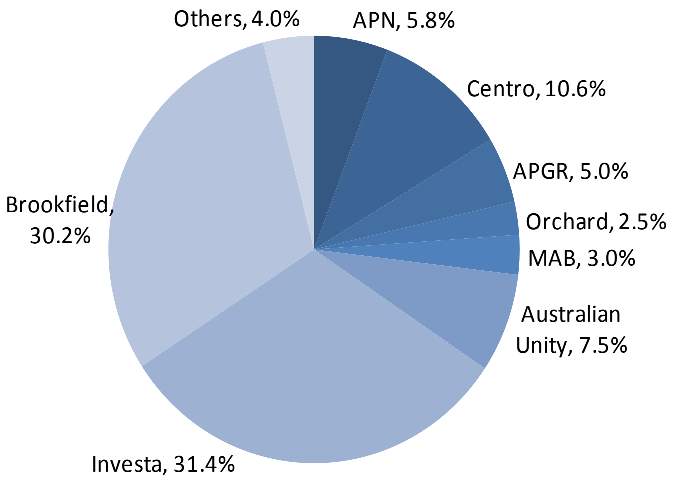
A summary of the Fund's listed and unlisted investment portfolio as at 31 March 2011 and the distribution yield per investment is detailed on the following pages.

The carrying value of unlisted investments is assessed utilising the last reported NTA for each investment (generally 31 December 2010) except in the case of MAB Diversified Property Fund which has been reduced as discussed previously and the Multiplex New Zealand Property Fund as set out below. Listed investments are shown at ASX closing price on 31 March 2011.

Unlisted Property Funds	Carrying Value ($'m)	Distribution Yield (%)[1]
APN Champion Retail Fund	1.4	n/a
APN National Storage Property Trust	1.1	2.0
APN Regional Property Fund	2.0	4.3
APN UKA Poland Retail Fund	0.0	n/a
APN UKA Vienna Retail Fund	2.0	n/a
Austock Childcare Fund	1.2	4.8
Australian Unity Diversfied Property Fund	8.4	5.9
FKP Core Plus Fund	1.6	4.8
Gordon Property Investment Trust	0.1	n/a
Gordon Property Trust	0.0	n/a
Investa Diversified Office Fund	22.2	6.6
Investa Fifth Commercial Trust	11.6	4.6
Investa Second Industrial Trust	1.5	5.8
MAB Diversified Property Fund	3.4	5.7
MCS 21 - Centro Roseland Holding Trust	7.9	0.8
MCS 21 - Centro Roseland Property Trust	1.1	0.8
MCS 22 - Centro Kidman Park Investment Trust	0.1	15.9
MCS 22 - Centro Kidman Park Property Trust	1.1	15.8
MCS 28 Investment Trust	1.8	2.4
Multiplex Development and Opportunity Fund	8.2	n/a
Multiplex New Zealand Property Fund	25.8[2]	n/a
Pengana Credo European Property Trust	0.0	n/a
PFA Diversified Property Trust	5.6	7.4
Rimcorp Property Trust No. 3	0.6	9.9
St Hilliers Enhanced Property Fund #2	1.1	n/a
The Childcare Property Fund	2.8	5.4
The Essential Health Care Trust	0.1	n/a
Total / Weighted Average	**112.7**	**3.5**

1. Distribution yields are based on distribution rates as at 31 March 2011.
2. The investment in Multiplex New Zealand Property Fund is classified as an equity accounted investment in the Fund's consolidated results.

Unlisted portfolio allocation by manager



Brookfield

Listed Property Funds	Carrying Value ($'m)	Distribution Yield (%)[1]
Abacus Property Group	0.3	7.0
Australand Property Group	0.3	6.9
Brookfield Prime Property Fund[2]	18.3	n/a
CFS Retail Property Trust	0.3	6.9
Challenger Diversified Property Group	0.2	8.2
Commonwealth Property Office Fund	2.6	6.4
Charter Hall Office REIT	2.1	5.6
Charter Hall Retail REIT	1.0	7.7
Dexus Property Group	3.1	6.1
GPT Group	0.9	5.9
ING Industrial Fund	0.0	n/a
Investa Office Fund (was ING)	3.8	6.3
Multiplex European Property Fund	2.4	13.2
Mirvac Group	1.3	6.4
Stockland Group	0.6	6.4
Total / Weighted Average	37.2	3.7[3]
LESS Loan relating to the Brookfield Prime Property Fund (BPPF) units and the present value of the final instalment in relation to BPPF[2]	17.1	
Net Total	**20.1**	

1. Distribution yields are based on distribution rates as at 31 March 2011 using AREIT's closing bid prices as at 31 March 2011. The above schedule excludes Rubicon Europe Trust Group and Rubicon Japan Trust, both of which are insolvent and in liquidation.
2. For balance sheet disclosure purposes the investment in Brookfield Prime Property Fund is shown at gross value, including the present value of the final instalment of $2.237 per unit due on 15 June 2011. A liability is disclosed in the balance sheet equal to the present value of the liability for the final instalment. At 31 March 2011, this liability was $11.1 million. The balance of the loan (including capitalised interest to date) in respect of this investment at 31 March 2011 was $6.0 million.
3. The weighted average AREIT portfolio yield excluding Brookfield Prime Property Fund as at 31 March 2011 was 7.2%.

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

Yours sincerely

Brookfield Client Services Team
Ph: 1800 570 000
Email: clientenquiries@au.brookfield.com