

8 May 2012

Dear Investor

Re: Investor Update - Brookfield Australian Opportunities Fund (Fund)

Brookfield Capital Management Limited (BCML), as Responsible Entity of the Fund, provides an update to investors for the March 2012 quarter.

Financial Position

The Fund's unaudited standalone net tangible asset (NTA) as at 31 March 2012 was 13.9 cents per unit (cpu) compared to 13.6 cpu at 31 December 2011.

On a standalone basis, the Fund's investment portfolio had a carrying value of \$131.0 million as at 31 March 2012 compared to \$130.5 million as at 31 December 2011. The Fund's cash balance increased from \$14.0 million at 31 December 2011 to \$14.7 million at 31 March 2012.

Debt Position

As at 31 March 2012 the Fund was in compliance with all its debt covenants. The loan to value ratio (LVR) was 15.6%¹ against a covenant of 30% and the interest cover ratio was 2.25 times against a covenant of 1.6 times.

Investment Portfolio Update

At 31 March 2012, of the 22 unlisted funds in which the Fund invests, 14 are paying regular distributions, one fund is nearing completion of wind up and seven funds have suspended distributions. The weighted average yield on the Fund's unlisted portfolio was 4.3%.

Each underlying investment fund has its own reporting timetable, however, based on the latest information available, we offer the following update:

Major updates during the quarter include:

- **MCS 21 Centro Roselands.** Discussions with Centro indicate that the sale of Centro Roselands and wind up of the syndicate will likely take place during the 2013 financial year, rather than the 2012 financial year.
- **Arena Childcare Property Fund (previously Orchard).** On 30 December 2011, Morgan Stanley Real Estate Investing acquired the Orchard funds management business and the fund was renamed Arena Childcare Property Fund (Arena).

Arena also announced in April 2012 that it has settled the sale of its New Zealand property portfolio consisting of 25 childcare centre properties for a net profit of \$1.0 million. Net sale proceeds were used to retire debt and restructure existing interest rate swaps. The fund's LVR has reduced from 48% to 46%.

- **Australian Unity Diversified Property Fund.** In March 2012, Australian Unity sold a 50% interest in their Canning Vale property for \$61.5 million (book value on 100% interest of \$118 million). The fund is continuing to pursue the sale of its remaining 50% interest, which has been valued by the

¹ The loan to value ratio is calculated on bank debt net of cash divided by the market value of the Fund's A-REIT and unlisted investments.

responsible entity at \$63.5 million. The higher valuation incorporates a forthcoming property rental increase.

Sale of the remaining 50% interest would enable the fund to make a limited withdrawal offer during 2012. The fund made two limited withdrawal offers in 2010 and 2011.

- **MAB Diversified Property Fund** is currently in wind up, however we have been advised in February 2012 that the divestment program has been deferred for approximately two to three years to allow time for property markets to stabilise and recover. MAB has experienced difficulty during its divestment program and is seeking to achieve a return of capital to investors in excess of the fund's December 2011 NTA of \$0.64 per unit.

MAB intends to complete the sales of its two New Zealand assets (currently subject to conditional sale contracts) and in the meantime will implement asset improvement strategies on the six remaining assets in a bid to enhance unitholder value. The fund will continue to pay an income distribution of three cents per unit per annum (yield of 4.7%).

A-REIT Portfolio

During the quarter ended 31 March 2012, the Fund sold its investment in Australand Property Group (ALZ). There were no further acquisitions or disposals. Excluding disposals, there was a net increase in the value of the A-REIT portfolio of \$0.42 million.

The following performance table shows BAO's AREIT portfolio outperformed the ASX 300 LPT accumulation index during March 2012 but underperformed for the quarter ended 31 March 2012.

	Month (%)	Quarter (%)	6 Months (%)	1 year (% pa)	2 Year (% pa)	3 Year (% pa)	Incep'n (% pa)
Gross return - BAOF	0.06%	3.85%	8.55%	9.84%	14.11%	20.66%	-20.43%
ASX 300 LPT Accum	-0.59%	7.14%	11.22%	1.67%	3.19%	14.78%	-15.35%
Relative performance	0.66%	-3.28%	-2.67%	8.17%	10.91%	5.88%	-5.08%

Source: SG Hiscocks & Company

The weighted average yield on the Fund's A-REIT portfolio at 31 March 2012 was 4.5% (5.0% at 31 December 2011). The yield now excludes Multiplex European Property Fund's quarterly income distribution, but includes Brookfield Prime Property Fund's quarterly income distribution.

Currently nine of the 12 A-REITs are paying regular distributions. Other than Multiplex European Property Fund, the two Rubicon funds are insolvent and in liquidation.

Summary of Investment Portfolio

A summary of the Fund's A-REIT and unlisted investment portfolio on a standalone basis, and the distribution yield per investment is detailed on the following page.

The carrying value of unlisted investments is assessed utilising the last reported NTA for each investment, generally the audited or reviewed NTA at 31 December 2011. Where audited half year accounts are not provided, the investment's management accounts for the period have been relied upon, except in the case of MCS 28 Investment Trust, the carrying value of which has declined due to a return of capital during the March 2012 quarter. The A-REIT investments are shown at ASX closing price on 31 March 2012.

Unlisted Property Funds	Carrying Value (\$'m)	Distribution Yield (%) ¹
APN Champion Retail Fund	0.99	n/a
APN National Storage Property Trust	1.11	6.6
APN UKA Poland Retail Fund	0.00	n/a
APN Regional Property Fund	1.94	4.8
APN UKA Vienna Retail Fund	1.91	n/a
Arena Childcare Property Fund ²	2.82	6.4
Austock Childcare Fund	1.15	6.1
Australian Unity Diversified Property Fund	6.61	5.7
Australian Unity Fifth Commercial Trust	12.53	6.1
Australian Unity Office Property Fund	21.90	7.8
Australian Unity Second Industrial Trust	1.49	6.3
FKP Core Plus Fund ³	0.15	n/a
MAB Diversified Property Fund ³	3.13	4.7
MCS 21 - Centro Roseland Holding Trust	8.73	2.5
MCS 21 - Centro Roseland Property Trust	1.22	2.5
MCS 22 - Centro Kidman Park Investment Trust	0.06	19.4
MCS 22 - Centro Kidman Park Property Trust	0.88	19.7
MCS 28 Investment Trust	1.85	2.3
Multiplex Development and Opportunity Fund	3.88	n/a
Multiplex New Zealand Property Fund	24.65 ⁴	n/a
Pengana Credo European Property Trust	0.0	n/a
PFA Diversified Property Trust	4.95	8.3
Rimcorp Property Trust No. 3	0.58	9.7
St Hilliers Enhanced Property Fund #2	0.82	n/a
Total / Weighted Average	103.35	4.3

1. Distribution yields are based on distribution rates and carrying value as at 31 March 2012 excluding one-off and special distributions.
2. Previously known as Orchard Childcare Property Fund.
3. This fund is in wind up.
4. Reflects the value of the investment accounted for by using the equity method of accounting on a standalone basis (excludes the 0.5% owned by the consolidated MPIF subsidiary).

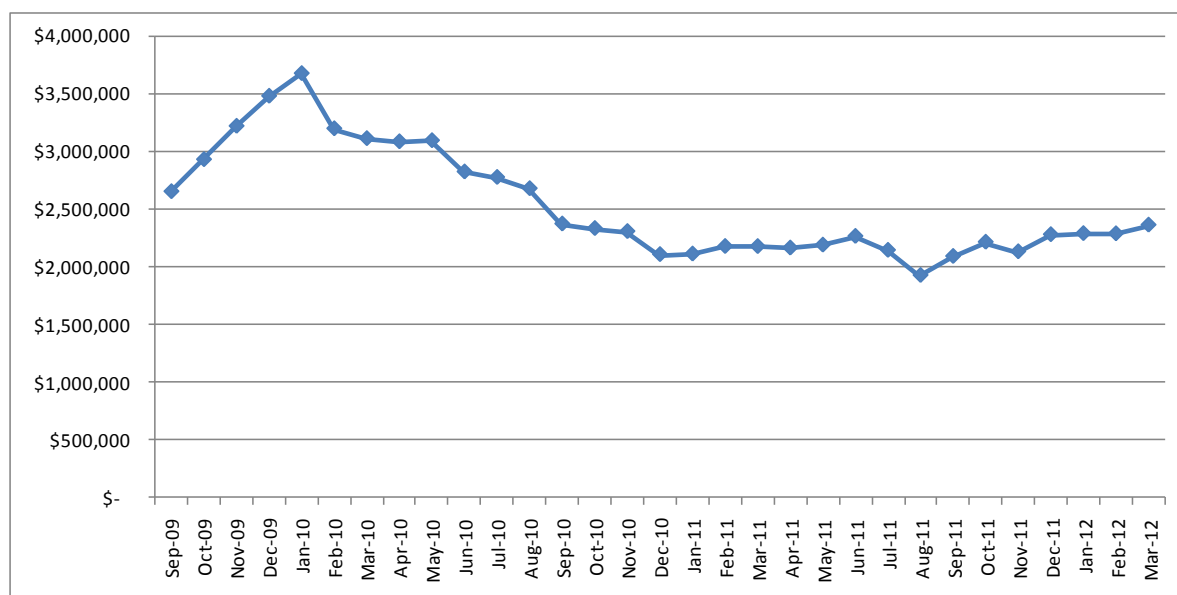
A-REIT Property Funds*	Carrying Value (\$'m)	Distribution Yield (%) ¹
Abacus Property Group	0.25	8.3
Australand Property Group	0.0 ²	n/a
Brookfield Prime Property Fund	10.16	2.0
CFS Retail Property Trust	0.34	7.3
Challenger Diversified Property Group	0.26	7.9
Charter Hall Retail REIT	0.96	8.2
Commonwealth Property Office Fund	4.07	5.9
Dexus Property Group	3.18	6.1
GPT Group	0.86	6.3
Investa Office Fund	3.87	6.1
Mirvac Group	2.38	6.8
Multiplex European Property Fund	1.28	n/a ³
Total / Weighted Average	27.61	4.5

1. Distribution yields are based on distribution rates as at 31 March 2012 and using the AREIT's closing bid prices as at 31 March 2012.
 2. The Fund sold its entire holding of Australand Property Group units during the March 2012 quarter.
 3. Future distribution payments by Multiplex European Property Fund are likely to be considered to be special in nature and are therefore not included in the calculation of weighted average portfolio yield.
- *The above schedule excludes Rubicon Europe Trust Group and Rubicon Japan Trust, both of which are insolvent and in liquidation.

Multiplex Property Income Fund

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) of between 7.5% and 8.5% per annum. 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 peaked at \$3.68 million in January 2010 and was \$2.36 million for the 12 months to 31 March 2012. The graph below shows movement in distribution shortfall to the level of the PDP from September 2009 to March 2012.



Future distribution policies will be dictated by circumstances at the relevant time such as income returns from underlying investments, debt servicing and tax requirements and the Fund's constitution.

Strategy

The Fund continues to focus on resolving structural issues, particularly the distribution stopper. BCML continues to review a number of strategies in relation to its investment in MPIF and will advise the market in due course.

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

Yours sincerely

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