

24 February 2016

Dear Investor

Re: Multiplex European Property Fund (MUE) – 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 2015.

For the six month period to 31 December 2015, MUE made a net loss after tax of \$3.7 million compared to a profit of \$20.2 million for the same period last year.

Net Asset Value (NAV)

As at 31 December 2015, the NAV attributable to investors was \$27.4 million or \$0.11 per unit (30 June 2015: \$30.1 million or \$0.12 per unit). Cash makes up a large component of the current NAV.

MUE presently retains net cash of approximately \$5.3 million (2.1 cents per unit) in Australia and approximately €16 million in the European subsidiaries. This includes €3.5 million held in escrow in Germany which relates to the sale of the nursing homes and balance of the portfolio.

Revised Net Asset Value distributed during wind up

The Fund's NAV is \$27.4 million (11.1 cents per unit) and excludes \$4.9 million of forecast future costs and taxes yet to be incurred in Australia and Europe to complete the Fund wind up. These costs are not able to be recognised in the financial statements as a liability or provision under relevant accounting standards as there is no present obligation as at 31 December 2015.

The revised estimated net asset value to be distributed during wind up is approximately 9.1 cents per unit:

	\$ million	CPU
Net assets as at 31 December 2015	27.4	11.1
Australian Operating expenses	(0.5)	(0.2)
Non-Australian Operating Expenses (including taxes)	(3.3)	(1.3)
Management Fees	(0.2)	(0.1)
Wind up costs	(0.9)	(0.4)
Revised estimate of cash distributed during wind up	22.5	9.1

This estimated distribution to investors has increased from the estimate provided in July 2015 due in part to a favourable movement in exchange rates and operating benefits derived from delayed settlement of the properties and lesser costs incurred.

The cash distributed during wind up may ultimately be higher or lower than current expectations of 9.1 cents per unit. As advised in July 2015, a number of factors will impact the NAV during wind up including:

- Further movements in exchange rates;
- Claims on warranties for the sale of the nursing homes and remainder of the portfolio;
- Changes in previous interpretation of German tax laws or laws in other jurisdictions; and
- Increased costs through delay in any required restructuring or wind up.

German Tax Update

2004 to 2006 income years

Correspondence was received from the German tax office indicating that the German partnerships have been successful in determining that no German Trade Tax should be payable for the 2004 to 2006 years. The assessments show that the assessments issued in 2012 for amounts of approximately €2 million have been cancelled and that no Trade Tax basis exists for those years.

2007 to 2010 income years

Final findings for the German tax audit for 2007 to 2010 have been received for all seven German partnerships and assessments have been issued for six of the seven partnerships. The final findings indicate that no place of management was considered to be in existence in Germany in the 2007 to 2010 years. Independent advice concludes that no Trade Tax should be payable by any of the partnerships

Assessments issued to six of the seven partnerships confirm that no Trade Tax basis has been assessed. However, no assessment has, as yet, been received for the partnership that was subject to the Trade Tax assessment for the 2004 to 2006 years (and which was successfully overturned as set out above). As the final findings are subject to further review in the German tax office before assessments are issued, there is a possibility that the final findings may be altered before being issued. Independent advice is that such course of action is not likely in the present circumstances.

In addition, the final findings and assessments received indicate a liability of approximately €0.1 million (A\$0.15 million) for corporate income tax which would be payable by the Fund's subsidiaries who are partners in the partnerships. There is no liability for VAT payable.

Future distributions

Distributions will be determined in light of the outcome of the German tax audits and completion of warranty periods in relation to the sale of the Fund's properties.

Further information and financial results

The Fund's reviewed financial report for the half year ended 31 December 2015 is available at www.au.brookfield.com and we recommend that investors review this document.

We will continue to keep you informed of updates in relation to the Fund.

Yours sincerely

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