

24 February 2017

Dear Investor

Re: Multiplex European Property Fund (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 had \$21.3 million of assets under management (30 June 2016: \$29.5 million). The Fund's Net Asset Value (NAV) was \$18.9 million or 7.7 cents per unit (30 June 2016: \$26.6 million or 10.8 cents per unit).

The movement in NAV during the period was due to distribution payments totalling 2.6 cents per unit, movement in exchange rates and higher than expected costs incurred in winding up the Fund's German Partnerships.

Wind Up Update

The German Partnerships were dissolved on 31 December 2016, completing the first step of the wind up process. The assets and liabilities of the seven partnerships have been absorbed by the Fund's Luxembourg subsidiary. The next step is to collapse remaining European subsidiaries and this is expected to take until June 2018.

Release of Escrow

Subsequent to 31 December 2016, €0.5 million (~A\$0.7 million) retained from the sale of the Fund's properties was released to the Fund's wholly-owned Luxembourg entity as no claims were made by the purchaser.

VAT Audit

In September 2016, the Fund was notified that the German Tax office was conducting a special VAT audit on one of the German Partnerships, for the period of 1 January 2015 to 31 December 2015. The audit did not affect the dissolution of the German Partnerships, however the audit is still ongoing and investors will continue to be updated.

German Tax re-assessment

As previously advised, the Trade Tax audit concluded that the Fund's subsidiaries have no liability to Trade Tax. A residual issue relevant to corporate income tax continues to be considered by the German Tax office. Final assessments were re-issued for 2007 with no tax to pay. Advisors are seeking information relating to potential liability for later years and our expectation is that no material liability will arise for the Fund.

Revised Net Asset Value

The Fund's 31 December 2016 NAV of \$18.9 million (7.7 cents per unit) excludes \$4.5 million of forecast wind up costs and taxes yet to be incurred. These costs are not recognised in the financial statements as a liability or provision as there is no obligation as at 31 December 2016.

The revised estimated NAV to be distributed during the wind up is approximately 5.8 cents per unit:

	\$ million	CPU
Net asset value as at 31 December 2016	18.9	7.7
Australia operating costs *	(0.3)	(0.2)
Non-Australia operating costs (including taxes)	(3.4)	(1.4)
Wind up costs (Australia and Europe)	(0.8)	(0.3)
Revised NAV on wind up	14.4	5.8

* Australia operating costs includes management fees of approximately \$40,000

We previously estimated 9.1 cents per unit, however:

- two distributions totalling 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 cost of 0.2 cents per unit; and
- 0.2 cents per unit has been allowed for costs associated with completing of the VAT and corporate tax audits.

Wind up of the Fund's subsidiaries will continue in line with the strategy advised in July 2015. Cash distributed during wind up may be higher or lower than current expectations of 5.8 cents per unit. Future distributions are subject to:

- movements in exchange rates;
- 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.

Future Distributions

BCML is working with German advisors to release additional cash held in the Fund's European subsidiaries to enable further distributions. Investors will be advised of the outcome in due course.

Further Information and Financial Results

The Fund's audited 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 including information regarding the timing and quantum of distributions.

Yours sincerely

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