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Brookfield Australian Opportunities Fund
ARSN 104 341 988

ASX Announcement

22 November 2010

Brookfield Australian Opportunities Fund (ASX: BAO)
Investor Update Letter

In accordance with ASX Listing Rule 3.17 please find attached a copy of an Investor Update Letter which will be sent today to all Brookfield Australian Opportunities Fund unitholders.

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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.

Completion of Rights Issue

On 31 August 2010, the Fund completed the $30.4 million Rights Issue and repayment of Tranche B debt. The Fund satisfied all conditions required to refinance the residual balance owing under the current facility with a New Debt Facility on the following key financial terms:

- Facility limit of $37.1 million;
- Maturity date of 1 December 2012 subject to the following financial covenants:
    - Loan to Value Ratio (LVR) limit of 30% to 1 December 2011 and LVR limit of 20% from 1 December 2011 until maturity; and
    - Interest Cover Ratio (ICR) of 1.25 or greater until 1 December 2011 and ICR of 1.65 or greater from 1 December 2011 until maturity.

Following completion of the Rights Issue, a wholly owned subsidiary of Brookfield Asset Management Inc. has provided a new $20 million Investment Facility to fund investments by the Fund. The Fund was also renamed Brookfield Australian Opportunities Fund (ASX: BAO).

Pro forma Balance Sheet and Net Tangible Asset (NTA)

For illustrative purposes, the pro forma balance sheet (on a standalone basis i.e. excluding Multiplex Property Income Fund but including all other wholly owned entities) based on the 30 June 2010 audited accounts and post repayment of the Tranche B debt, can be depicted as follows:

	30 June 2010	Post repayment Tranche B Debt
Total assets ($'000)	162,006	162,006
Interest bearing liabilities ($'000)	68,510	42,697
Other liabilities ($'000)	11,850	11,850
Net assets ($'000)	81,646	107,459

Taking into account the additional units issued under the Rights Issue, the pro forma NTA of the Fund as at 30 June 2010 is 13 cents per unit.

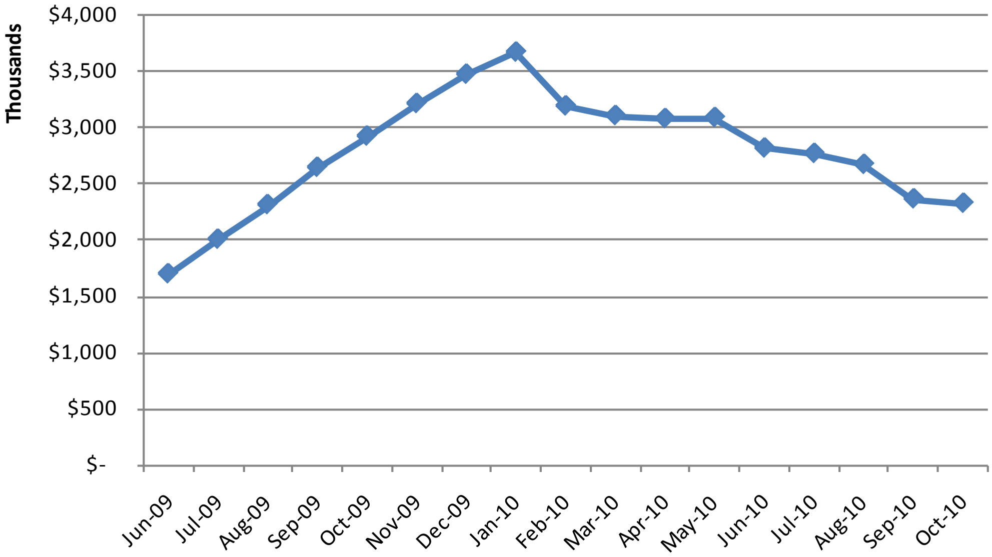
The LVR at 30 September 2010 is 22.4% (based on net bank debt/market value listed and unlisted investments excluding units held in Brookfield Prime Property Fund).

Distribution policy and the effect of the Distribution Stopper

The Fund owns 100% of the ordinary units of 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 will be 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 unit holders of MPIF.

The PDP shortfall for the 12 months to 30 September 2010 was $2.37 million which has declined from the shortfall at 30 June 2010 of $2.82 million. The shortfall amount began declining on a monthly basis from its peak in January 2010 due to an increase in income from MPIF's investment portfolio.

The following graph shows the movement in distribution shortfall to the level of the PDP for the period from June 2009 to October 2010.



BCML continues to 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 the income returns from the underlying investments, debt servicing requirements and the Fund's constitution.

Portfolio Update

The following updates are based on latest information available as at the date of this letter. The underlying investment funds each have their own reporting timetable and not all funds report on a quarterly basis.

Unlisted Investments

<u>NTA</u>

There were no acquisitions or disposal of unlisted investments during the September 2010 quarter. Audited net tangible asset values as at 30 June 2010 are now available for all unlisted funds. Overall, the value of the unlisted investment portfolio, on a Fund standalone basis, was fairly consistent between 30 September 2010 and 30 June 2010 with a slight decline in portfolio investment values of 0.6% or $0.8 million. The largest valuation increases of $0.4 million for St Hilliers Enhanced Property Fund No. 2 and $0.1 million for the APN Champion Fund were offset predominantly by a $1.0 million valuation decrement in the Centro MCS 21 Roselands Property Trust.

Distribution Income

Currently, 16 of the 24 unlisted funds are paying a distribution.

The following two childcare funds recommenced distribution payments during the September 2010 quarter after the successful assignment of former ABC Childcare Centre leases to Goodstart Childcare Ltd:

- Austock Childcare Fund paid a special distribution of 4 cents per unit (cpu) annualised for FY10 and declared a recommencement of quarterly distributions from the September 2010 quarter of 5.6 cpu annualised or a 4.8% yield. This will contribute $56,000 per annum to the Fund's annual distribution income.

- Orchard Childcare Property Fund paid a special distribution of 2.65 cpu for FY10 and declared a recommencement of quarterly distributions from the September 2010 quarter of 4.0 cpu annualised or a 4.6% yield. This will contribute $120,000 per annum to the Fund's annual distribution income.

APN National Storage Fund has not recommenced quarterly distributions, however post-completion of the refinancing of their senior and mezzanine debt have declared a distribution of 0.35354 cpu for FY10 and payment of a promissory note of 0.70258 cpu that was made to unit holders in FY09. Total payment will be circa $12,000.

Return of Capital

During November 2010, the Fund participated in Multiplex New Zealand Property Fund's 2010 Liquidity Facility Offer and received $1.9 million from the redemption of 2,975,448 units.

The following three funds are currently in wind-up:

- FKP Core Plus Fund. A special resolution approving a sales strategy for the sale of the fund's investment properties was passed on 28 June 2010. At the end of June 2010, the fund announced that it had sold 579 Harris Street, Ultimo for $14.5 million, at a premium to the property's June 2010 valuation of $13 million. The fund's main asset, a 22 level office building at 31 Queen Street, Melbourne, which has a June 2010 book value of $76.5 million was placed on the market in an expressions of interest campaign in September 2010. Offers received were below price expectations and the property was taken off the market. The property will be considered for sale in the next financial year. The fund continues to work towards achieving a premium for each property through its asset realisation program.

- Gordon Property Fund. A formal sales campaign for the retail asset concluded in April 2010 with a number of offers, however at below book value. The fund will continue to seek an acceptable sale value, however, in the meantime will continue to operate and pay distributions.

- MAB Diversified Property Fund. A unitholder meeting was held in September 2010, with the fund seeking an extension of the term of the fund for a further three year period. Unitholders did not approve this recommendation and an orderly wind up of the fund is proceeding with a forecast completion date of March 2012.

Orchard's Essential Health Care Trust (EHCT) has entered into a conditional sale agreement with the Vital Healthcare Property Trust to sell the investment properties owned by the fund for $160 million plus reimbursement for all approved capital expenditure actually paid by the fund from 1 July 2010 to completion. A unitholder meeting is being held on 25 November 2010 to seek approval for this transaction. If approved, the Fund will receive a return of capital of approximately $6.86 million or $0.926 per unit (6% discount to June 2010 NTA). The majority of net proceeds would be distributed to unit holders in EHCT in January 2011 with a final distribution expected to be paid in the second quarter of calendar 2011.

Other major investments

- Investa Diversified Office Fund (IDOF). Whilst IDOF's portfolio is almost fully occupied (96% as at 30 September 2010) distributions are suspended to preserve capital for future expenses and contingencies as IDOF's gearing ratio is considered too high by the manager. At 30 September 2010, the gearing ratio was 55.5% compared to the targeted gearing ratio of between 40% and 45%. As a result, reducing the level of borrowings is important. The main strategy to reduce borrowings is to sell assets and use the net sale proceeds to reduce borrowings. The manager is assessing the sale of various IDOF assets.

- Multiplex New Zealand Property Fund (MNZPF). MNZPF's primary objective in the short to medium term is to address the requirement to further reduce gearing levels, taking into account the possibility of further valuation decrements and the need to maintain sufficient levels of cash to meet its financial commitments. The terms of the debt facility prohibit payment of distributions unless there is financier consent. As a result, it is unlikely distributions will be paid during the remainder of 2010. MNZPF is due to be reviewed by investors on 1 September 2011. At that time, investors will be given the opportunity to withdraw from MNZPF. Alternatively, the period may be extended by up to 12 months if this is considered by the responsible entity to be in the best interests of investors in MNZPF.

AREIT Portfolio

A major re-allocation of the AREIT portfolio was completed during the June 2010 quarter. During the September 2010 quarter, the Fund sold its remaining units in the Cromwell Group and in a re-weighting of the portfolio acquired a further 450,000 units in the ING Industrial Fund.

The Fund extended the term of the loan utilised to acquire the Fund's investment in Brookfield Prime Property Fund (BPPF) from 3 November 2010 to 3 May 2011. The Fund borrowed $4.97 million from an entity in Brookfield Multiplex group to acquire the units in BPPF, in which it has a 9.9% stake. The loan was made on commercial terms and conditions and recourse for the loan is limited to the security of the units in BPPF subscribed for under the entitlement offer in November 2009. Interest capitalises during the term of the loan. The balance of the loan at 30 September 2010 was $5.6 million.

Overall, during the September 2010 quarter, the AREIT portfolio increased in value by 9% or $2.4 million. This is mainly due to a 48% increase in the value of the Multiplex European Property Fund units and a 9% increase in the value of Brookfield Prime Property Fund units.

Summary of Investment Portfolio

A summary of the Fund's listed and unlisted investment portfolio as at 30 September 2010 and the distribution yield per investment is detailed below:

Unlisted Property Funds	Carrying Value ($'m)	Distribution Yield (%)
APN Champion Retail Fund	1.5	8.5
APN National Storage Property Trust	1.1	n/a
APN Regional Property Fund	2.1	4.2
APN UKA Poland Retail Fund	0.0	n/a
APN UKA Vienna Retail Fund	0.0	n/a
Austock Childcare Fund	1.2	4.8
Australian Unity Diversfied Property Fund	10.3	6.9
FKP Core Plus Fund	1.6	7.2
Gordon Property Investment Trust	2.5	5.3
Gordon Property Trust	1.0	3.4
Investa Diversified Office Fund	20.8	n/a
Investa Fifth Commercial Trust	10.7	5.0
Investa Second Industrial Trust	1.6	5.7
MAB Diversified Property Fund	4.2	4.7
MCS 21 - Centro Roseland Holding Trust	7.6	0.9
MCS 21 - Centro Roseland Property Trust	1.1	0.9
MCS 22 - Centro Kidman Park Investment Trust	0.1	15.2
MCS 22 - Centro Kidman Park Property Trust	2.4	7.4
MCS 28 Investment Trust	1.6	2.6
Multiplex Development and Opportunity Fund	8.1	n/a
Multiplex New Zealand Property Fund	32.1	n/a
Pengana Credo European Property Trust	0.0	n/a
PFA Diversified Property Trust	5.7	7.3
Rimcorp Property Trust No. 3	0.5	10.3
St Hilliers Enhanced Property Fund #2	1.1	n/a
The Childcare Property Fund	2.6	4.6
The Essential Health Care Trust	7.3	8.6
Total / Weighted Average	**128.8**	**2.8**

Post the redemption of 2,975,448 units from Multiplex New Zealand Property Fund in November 2010, the carrying value would decline from $32.1 million to $30.1 million.

Listed Property Funds	Carrying Value ($'m)	Distribution Yield (%)[1]
Abacus Property Group	0.3	7.2
Australand Property Group	0.4	7.7
Challenger Diversified Property Group	0.2	7.8
Commonwealth Property Office Fund	0.3	6.2
Charter Hall Office REIT (previously MOF)	1.2	6.7
Charter Hall Retail REIT	1.0	7.4
Dexus Property Group	1.5	6.0
GPT Group	0.4	5.6
ING Industrial Fund	0.5	6.5
ING Office Fund	1.4	6.4
Brookfield Prime Property Fund[2]	17.3	0.0
Multiplex European Property Fund	2.6	12.5
Mirvac Group	1.0	5.9
Stockland Group	0.4	5.7
Total / Weighted Average	28.5	3.1
LESS Loan relating to the Brookfield Prime Property Fund (BPPF) units and the present value of the final instalment in relation to BPPF[2]	16.4	
Net Total	**12.1**	

1. The distribution yields are based on distribution rates as at 30 September 2010, the unlisted property funds' audited net tangible asset values at 30 June 2010 and the AREIT's closing bid prices as at 30 September 2010. 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 the Brookfield Prime Property Fund is shown at the 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 30 September 2010 this liability is $10.8 million. The balance of the loan in respect of this investment at 30 September 2010 was $5.6 million.

Outlook and Investment Opportunities

A number of potential investment opportunities are in the process of review. The realisation of a number of investments in the next 6 to 12 months, together with existing facilities available to the Fund, will provide additional capital to pursue these opportunities.

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

Yours sincerely

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