

ASX Announcement

14 June 2017

Brookfield Prime Property Fund (ASX: BPA) Chairman's Address

Please find attached for release to the market the Chairman's address to be made at this afternoon's Unitholder Meeting of Brookfield Prime Property Fund ("the Meeting").

The address will be presented to the Meeting by Mr Allan McDonald, Chairman.

--ends--

Brookfield Customer Service
Ph: 1800 570 000

**Chairman's Address to the Unitholder Meeting of Brookfield Prime Property Fund to be held at
The Pavilion, Darling Park, 201 Sussex Street, Sydney on Wednesday, 14 June 2017 at 3:00pm**

As outlined in the Notice of Meeting and the Explanatory Memorandum that was sent to Unitholders on 18 May 2017, (and which I propose be taken as read) Brookfield Capital Management Limited, as responsible entity of Brookfield Prime Property Fund, announced to the Australian Securities Exchange on 7 April 2017 that it had entered into an Implementation Deed with Brookfield to implement a trust scheme whereby Brookfield will acquire all of the Units in the Fund not currently owned by Brookfield Group (Proposal) subject to certain conditions outlined in section 6.3 and 6.4 of the Explanatory Memorandum, including Unitholder approval.

The cash consideration payable by Brookfield is \$8.815 per Unit.

On receiving the Proposal, the Board recognised that the Proposal would give rise to a potential conflict of interest as a result of Mr Shane Ross being a director of Brookfield and therefore established the Independent Board Committee comprising two independent directors, being myself and Ms Barbara Ward. The Independent Board Committee also adopted protocols and procedures to ensure that the development and consideration of the Proposal, in its capacity as responsible entity of the Fund, was undertaken independently.

The Independent Board Committee was responsible for all recommendations and decisions in relation to the Proposal.

The Explanatory Memorandum that accompanies the Notice of meeting sets out the advantages and disadvantages of the Resolutions proposed for this meeting.

Having regard to those advantages and disadvantages and in light of the opinion of the Independent Expert, the Independent Directors unanimously recommended that you vote in favour of the resolutions.

The Independent Directors note that:

- the offer price represents a significant premium above the market trading price immediately prior to the ASX announcement and is greater than the highest price traded at any time prior to the ASX announcement;
- the offer price is above the estimated current wind up value of the Fund;
- the Independent Expert has determined that the Proposal is fair and reasonable, and in the best interests of Unitholders;
- the Proposal provides superior value compared to other identified alternatives; and
- there are risks associated with not voting for the Proposal and continued ownership of the Units (including that the trading price of Units may fall and Unitholders may have limited opportunities to exit given low levels of liquidity of the Units).

The independent directors have given consideration to the alternatives which were detailed in the Explanatory Memorandum.

I would like to briefly discuss a number of these alternatives.

Continuing the Fund in its current form

If the Proposal is not accepted by Unitholders, the Fund will continue its strategy which is focused on enhancing the performance of the Portfolio through asset management initiatives.

It should be noted that the Fund is unlikely to have the capacity to increase the unit distribution rate further in the short to medium term because of the Fund's capital expenditure requirements (which we estimate to be in excess of \$60 million over the next three years).

Unitholders will continue to face limited liquidity because of Brookfield's 80.47% holding in the Fund - making it likely that the Units will continue to trade at a significant discount to NAV.

If the Proposal is not approved, Unitholders will miss the opportunity to exit the Fund at a significant premium to the closing trading price (prior to the announcement of the Proposal) and the highest traded historic Unit price.

Sale of properties and winding up the Fund

The Independent Directors have considered a sale of properties and winding up the Fund. On a wind up scenario, it is estimated that the net realisable value per Unit is \$8.66 (after fees and wind up costs) which is less than the cash consideration of \$8.815 per unit of the Proposal.

The net realisable value is calculated based on the fair market value of investment properties valued by external independent valuers as at 31 March 2017 and the fair value of the assets and liabilities of the Fund, and after taking account of transaction costs and fees.

It is worth noting that a wind up is not without risks. There is no certainty that the current value of the properties would be realised upon a wind up. The net sale prices realised from disposals may be less than the properties' independent property valuations. The prospect of a premium above valuation may be limited in particular for those assets 680 George Street, 50 Goulburn Street and 108 St Georges Terrace where co-owners carry existing pre-emption or first rights of refusal at valuation. This may limit the properties' disposal values due to the valuation cap on sale price, the possible reduction in competitive tension and an increase in time required to dispose of the assets.

In any event, Brookfield as 80% unitholder has indicated it would not currently support a wind-up. Accordingly, if Brookfield's offer is not approved today, it is not proposed that the Fund be wound up as an alternative.

For completeness, I note Brookfield would be able to acquire up to 3% of Units on issue every six months in compliance with the requirements under the Corporations Act, should it wish to do so. Once Brookfield obtains a holding of 90% of Units on issue, it may be able to compulsorily acquire the remaining Units.

Alternative Offer

As at the date of this meeting no alternative offer has emerged and an alternative third party offer appears highly unlikely in the short to medium term given Brookfield's 80.47% holding in the Fund.

Operation of the Fund post this Meeting

If the Resolutions are not passed at this meeting the Fund will continue to be listed on ASX and will continue to be managed by Brookfield Capital Management Limited for the benefit of all unitholders, as it has been in the past.

Brookfield Capital Management Limited will continue to explore opportunities to enhance value for Unitholders through asset management initiatives.

Implementation Deed conditions

There were a number of conditions (apart from Unitholder approval) outstanding as at the date of the Explanatory Memorandum.

I confirm that those conditions have now been satisfied.

The Explanatory Memorandum sets out the key advantages and disadvantages of the Proposal. The Independent Directors believe the advantages outweigh the disadvantages but ultimately this is a matter for you to decide as independent Unitholders. I trust that you have all considered the reasoning behind the advantages and disadvantages of the Proposal and the Independent Expert's Report which is on pages 25 to 65 of the Explanatory Memorandum. As such, I do not intend to provide any further commentary on the Proposal but will instead open the floor to questions.