

REPORT TO UNITHOLDERS

Dear Fellow Unitholders,

2005 was a year in which we maintained steady performance through a turbulent period for the income trust industry. We are pleased to share with you an overview of the income trust market, the performance for Brascan SoundVest Rising Distribution Split Trust (the “Fund”), which launched during the year, as well as our view for 2006.

MARKET OVERVIEW

2005 was another strong year for income trusts with the S&P/TSX Capped Income Trust Total Return Index gaining 31.0% for the year, the seventh straight year of positive returns for this Index. However, the performance was not consistent across all sectors of the income trust market. According to the CIBC WM Income Trust Group Indices, Oil and Gas Trusts returned 51.3%, REITs returned 24.1%, Business Trusts returned 15.0%, and Power and Pipeline Trusts returned 7.5%.

2005 was marked by two major events: (1) the consultation process on income trusts by the Department of Finance; and (2) the inclusion of income trusts into the S&P/TSX Composite Index.

The Department of Finance issued a White Paper on September 8, 2005 entitled “Tax and Other Issues Related to Publicly Listed Flow-Through Entities (Income Trusts and Limited Partnerships)” to “promote discussion and third party input on a number of key questions” related to income trusts. On September 19, 2005, the Federal Government imposed a moratorium on the issue of advance tax rulings by the Canada Revenue Agency with respect to conversions by corporations into income trusts while the consultation process was ongoing.

The Federal Government’s action, combined with some fundamental factors (including a temporary increase in interest rates and a temporary decrease in oil and gas prices) acted as catalysts for the decline in the S&P/TSX Capped Income Trust Total Return Index from a peak of 228.36 on October 3, 2005 to a trough of 194.67 on October 20, 2005. The Index closed the year at 230.30 (compared with 175.83 on December 31, 2004).

On November 23, 2005, the Department of Finance issued a press release officially responding to the status of income trusts. In summary, the announcement was good news for income trust investors and confirmed:

- (1) there will be no new taxes on income trusts;
- (2) the Canada Revenue Agency will resume providing advance tax rulings for income trusts;
- (3) approval for dividends to be taxed at a reduced rate starting in 2006 to better level the playing field between income trusts and corporations; and
- (4) the official end of the consultation process.

The Department of Finance stated that these actions were aligned with the overwhelming consensus of submissions received during the consultation process. The announcement to maintain the status quo for income trusts and to reduce the effective tax rate on corporate dividends is positive for all investors.

Standard & Poor’s added income trusts to the S&P/TSX Composite Index in 2005, a positive development for this asset class that will broaden the market acceptance of income trusts, especially among institutional investors. On December 16, 2005, as a result of the quarterly S&P/TSX Composite Index Review, 72 income trusts were added to the S&P/TSX Composite Index, based on a 50% weighting of their market capitalization. The remaining 50% weighting was added at the S&P/TSX Composite Index Review in 2006 and effective close of business on March 17, 2006.

INCOME TRUSTS – AN ATTRACTIVE INVESTMENT

We continue to believe that income trusts represent an attractive investment opportunity from both a structural and a financial perspective. As of December 31, 2005, there were over 230 income trusts trading on the TSX with a market capitalization of over \$187 billion.

From a structural perspective, investors benefit from the discipline required by management to pay distributions and from the increased transparency required when undertaking growth initiatives. In a proper income trust model, a large percentage of a fund's pre-tax cash flow is used to pay monthly (or quarterly) cash distributions to unitholders after allocating the appropriate amount of cash flow required for maintenance capital expenditures.

In addition, most income trusts typically maintain a certain amount of pre-tax cash flow as a financial cushion or to finance growth-related capital expenditures; however, income trusts have less flexibility to undertake high risk projects and/or projects with uncertain returns. Income trusts cannot generally fund major growth initiatives and payout a large portion of their pre-tax cash flow at the same time. For significant growth initiatives, most management teams are dependent on raising additional capital which requires the approval of unitholders. This "capital markets test" acts as an additional financial screen for determining the merits of a major growth or expansion project and typically will reduce the likelihood of an inadequate major capital investment.

From a financial perspective, income trust unitholders benefit from the opportunity of increased distributions and the high average yield for the overall income trust market. Distributions of income trusts are not fixed but tend to vary over time based on the economic performance of the business underlying the income trust and its distribution policy. While the headlines in the newspapers tend to focus on distribution cuts and trusts with problems, the figures presented in the table below show the opposite. Over the past two years, the majority of trusts have either maintained or increased their distributions:

Percentage of TSX Trusts	2005	2004
Increased distributions ¹	44.9%	38.3%
Maintained distributions ¹	46.6%	52.0%
Decreased / omitted / no distribution	8.5%	9.7%

¹ Based on date of announcement of change in distributions for each trust.

At year end, the average yield on all income trusts totalled 9.4%. The long-term historical performance for equities over the last 45 years was 10.4% per annum and somewhat lower for bonds.

FUND PERFORMANCE

Our Fund was fully invested prior to year end. During 2005, the net asset value of our Fund has remained fairly consistent and we met our distribution targets. Although fund performance may vary during the year as detailed on the table below, our performance is in line with the objectives for our Fund:

	2005
Beginning NAV	\$ 13.79
Ending NAV	\$ 13.79
Change in NAV	\$ —
Beginning monthly distribution	\$ 0.1125
Ending monthly distribution	\$ 0.1125

OUTLOOK

2005 proved to be a turbulent but strong year for both income trusts and common equities. We expect this instability to continue in 2006 especially in the oil and gas sector. As a result, our Fund has a lower weighting in the oil and gas royalty trust sector as compared to the S&P/TSX Capped Income Trust Index, which had an average weighting of 47% in this sector in 2005. We continue to believe that it is not prudent to have nearly half of a fund invested in this attractive but historically very volatile sector. However, given the strength of the economy in the West, we have positioned the portfolio with a Western Canadian bias in businesses other than oil and gas which should bode well for the future performance of our funds.

As always, capital preservation is our top priority. We will continue to seek opportunities to acquire high quality businesses run by strong management teams at attractive prices. We believe that investors who are able to withstand the ups and downs of equity market prices will eventually be rewarded with both strong absolute and relative returns over the long term from a prudently selected and well balanced portfolio.

Thank you for your continued support.



Bruce Robertson
On behalf of the Manager



Kevin Charlebois
On behalf of the Investment Advisor

Forward Looking Statements

The Report to Unitholders and Management Report of Fund Performance contain "forward-looking statements" and information. The words "believe," "typically," "generally," "anticipate," "expect," "will," "potential," "positioned," "should," "seek," and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify forward-looking statements. Although the Fund Manager and Investment Advisor believe that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements or information include: general economic conditions; changes in interest and exchange rates; changes in legislation or practices governing the income trust sector, and other risks and factors described from time to time in the documents filed by the Manager with the securities regulators in Canada. The Manager undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.