Brookfield Funds

Brascan SoundVest Rising Distribution Split Trust

BSD.UN / BSD.PR.A

2006 Annual Report

IN PROFILE

Brascan SoundVest Rising Distribution Split Trust (the "Fund") is managed by a subsidiary of Brookfield Asset Management Inc., a global asset management company focused on property, power and infrastructure assets, with approximately US$70 billion of assets under management.

The Fund's investment advisor and portfolio manager is SoundVest Capital Management Ltd., an established investment advisor with recognized expertise investing in income trusts and equities.

Together, we are partnering for performance, building a track record of sustainable and growing distributions for our unitholders.

BSD.UN / BSD.PR.A (TSX LISTED) UNIT INFORMATION

Units Outstanding (Dec. 31, 2006):	6,591,715 capital units and 6,591,715 preferred securities
Targetted 2007 Monthly Distribution:	Capital units: $0.1167 per unit, payable monthly ($1.4004 per unit annually)
Targetted 2007 Quarterly Distribution:	Preferred securities: $0.15 per security, payable quarterly ($0.60 per unit annually)
Record Date:	Capital units: Last business day of each month Preferred securities: Last business day of February, May, August and November
Payment Date:	Capital units: On or about the 15th day of each subsequent month Preferred securities: On or about the 15th day of March, June, September and December
Termination:	The Fund will terminate on March 31, 2015 and its net assets will be distributed thereafter to unitholders unless unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose.
Redemption:	Units may be redeemed on the last business day of November of each year at 100% of net asset value (less associated fees). Unitholders must provide 15 business days notice when surrendering their units.

REPORT TO UNITHOLDERS

We are committed to providing unitholders with a stable stream of monthly distributions and maximizing long-term total return.

We will continue to seek opportunities to acquire investments in high quality businesses, run by strong management teams at attractive prices.

This approach enabled us to exceed our targetted capital unit distributions for 2006.

Dear Fellow Unitholders,

2006 will be remembered as a year of significant transition for the income trust sector due to the Federal Government's October 31, 2006 announcement of the Tax Fairness Plan for Canadians. We will provide the highlights of the Tax Fairness Plan as it applies to the income trust sector, as well as our views of its implications for the future of income trusts. In addition, we will provide an overview of the performance of income trusts for 2006 and share our outlook for 2007.

MARKET OVERVIEW

On October 31, 2006, the Federal Government announced the Tax Fairness Plan for Canadians, which is expected to come into effect for existing trusts in their 2011 taxation year. The following is a summary of the detailed Plan as it relates to income trusts:

- There will be a Distribution Tax of up to 31.5% on distributions from publicly-traded income trusts and limited partnerships.
- Distributions from income trusts in 2011 will be treated as dividends for tax purposes and thereby taxed at a lower rate than ordinary income.
- The portion of distributions deemed to be "return of capital" will not be subject to the Distribution Tax.
- Effectively all income trusts, other than REITs (additional clarification from the Federal Government is required to assess whether the non-property portion of lodging and seniors housing REITs will be impacted by the Tax), will be subject to the new Distribution Tax.
- For existing income trusts, there will be a four-year transition period and they will not be subject to the Distribution Tax until their 2011 taxation year.
- For income trusts that commenced trading after October 31, 2006, the Distribution Tax will begin in their 2007 taxation year.

On December 15, 2006, the Federal Government provided additional clarification on the Tax Fairness Plan for Canadians. The following is a summary of key points:

- Income trusts will be permitted to issue equity in an amount equal to the greater of: 1) 40% of equity in 2007 and 20% of equity in each of 2008, 2009, and 2010; or 2) $50 million per year; with the benchmark date for the calculation of equity being the October 31, 2006 market capitalization for each individual trust.
- The conversion of an income trust back to a corporation would be considered a tax-free rollover for investors.

Overall, we expect these announcements to result in a tax treatment for income trusts similar to that of corporations, with unitholders being treated more like shareholders from a taxation standpoint, beginning in 2011. In essence, income trusts can now be viewed as corporations with a four year tax holiday. At this time, there is continued pressure on the Federal Government to extend the tax-free grace period for existing trusts. If extended, this would enhance the current value of income trusts.

The following table shows current versus proposed tax rates on income trust distributions and corporate dividends for Canadian and U.S. investors.

	Income Trust — Distributions			*Corporation — Dividend*
	Current	Proposed for 2011	Change	Proposed for 2011
Taxable Canadian	46%	45.5%	(0.5%)	45.5%
Tax-deferred Canadian	—%	31.5%	31.5%	31.5%
Taxable U.S. investor	15%	41.5%	26.5%	41.5%

It is important to note that while the proposed changes will result in higher taxes for tax-deferred Canadian investors and taxable U.S. investors, taxable Canadian investors will actually be taxed at a slightly lower rate. In other words, as far as distributions are concerned, taxable Canadian investors will end up in a similar position on an after-tax basis to where they are today.

While the Tax Fairness Plan for Canadians has created a challenge for the income trust sector, its financial impact appears to be a one-time valuation adjustment reflecting the new Distribution Tax that will be applied in 2011. We estimate the average impact of the potential Distribution Tax on underlying capital values to be approximately 15%, however, this figure will vary significantly depending on the tax situation of each individual trust and whether or not the tax-free grace period is extended beyond four years. From the date of the announcement on October 31, 2006 to December 31, 2006, the S&P/TSX Capped Income Trust Total Return Index (the “Index”) had a negative return of 8.6%.

While it is difficult to predict the future, we expect that by 2011 many of the businesses in the income trust sector will continue to exist, however, we expect their form will be different. Some trusts may convert back to corporations and retain their cash flow to fund future growth, while others may become high dividend paying corporations. We also expect some trusts will remain as income trusts. It will ultimately be the business performance, which will most significantly impact the investment performance of each individual income trust.

For 2006, the Index had a loss of 2.8% (its first negative year since 1998 and the first time income trusts did not outperform Canadian stocks since 1999). This loss was largely the result of the October 31, 2006 announcement as the Index had a return of 8.6% in the last two months of the year. With significant market volatility throughout the year, the Index reached its high on August 9, 2006 recording a year-to-date return of 11.4% at that time and reached its low on November 14, 2006 for a year-to-date return of negative 12.5% at that time.

In addition, income trust unit performance was not consistent across all sectors during 2006. According to the CIBC WM Income Trust Group Indices performance summary, REITs were the top performers with a 27.0% return in 2006. All other sectors had negative returns for 2006: power and pipeline trusts lost 4.2%; oil and gas royalty trusts lost 6.1%; and business trusts lost 8.5%. Oil and gas royalty trusts continue to form the largest portion of the S&P/TSX Capped Income Trust Index representing approximately 49% as at December 31, 2006. As a result, the Index is highly sensitive to changes in the prices of oil and gas royalty trusts and therefore changes in the underlying prices of oil and gas.

INCOME TRUSTS — GOOD BUSINESSES CONTINUE TO EXIST WITHIN THE TRUST STRUCTURE

Notwithstanding the challenges faced by the income trust market in 2006, we continue to believe that there are many businesses in the income trust sector that provide attractive long-term investment opportunities.

As shown in the table below, the current income trust market continues to offer investors a diverse group of businesses offering high yields. As at December 31, 2006, the average yield for the income trust sector was 10.9%. This is significantly higher than the 2.4% yield offered from the S&P/TSX Composite Index and the 4.1% yield on the 10-year Canada bond. As a result, there continues to be no better place to satisfy an investor's desire for yield than income trusts.

Sub-sector	# of Trusts	Market Capitalization[1]	Average Yield
Oil and gas royalty trusts	31	$ 71.0	14.5%
Business trusts	168	85.5	11.2%
Real estate investment trusts (REITs)	33	30.3	6.9%
Power and pipeline trusts	23	18.4	9.4%
Total	255	$ 205.2	10.9%

1 In $ billions

The 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 we expect the proposed Distribution Tax to hinder the ability of a trust to maintain its current distribution in 2011, there are still up to four years before the Distribution Tax will be payable and certain trusts may be able to grow their distributable cash over this period to offset the impact of the new Distribution Tax. Over the past three years, approximately 40% of trusts, each year, have increased their distributions:

Percentage of TSX Trusts	2006	2005	2004
Increased distributions[1]	**39.2%**	44.9%	38.3%
Maintained distributions[1]	**45.1%**	46.6%	52.0%
Decreased / omitted / no distribution	**15.7%**	8.5%	9.7%

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

There are a number of income trusts that are strong businesses run by experienced management and possess attractive economics, which have managed to grow their distributable cash and increase their distributions in the past. We are confident that the strongest trusts will continue to perform well in the future. Whether these trusts remain income trusts or convert to a corporate form remains to be seen, however they will continue to remain solid businesses and good investments if purchased at reasonable prices.

FUND PERFORMANCE

The Fund was formed to actively manage a diversified portfolio of selected income trust securities from four primary sectors: business trusts, power generation and pipeline trusts, oil and gas royalty trusts and REITs. We invest in trusts in each of these four sectors that we believe are capable of generating high quality cash flows with minimal sustaining capital requirements and that have the potential to appreciate in value.

For the 12-month period ended December 31, 2006, the Fund's net asset value per unit decreased by 35.3%, resulting in total negative return, including distributions, of 25.3%. During the same timeframe, the Index lost 2.8%.

Distributions

The Fund declared and paid monthly distributions for the first four months of 2006 at its targetted monthly rate of $0.1125 per unit, or $1.35 per unit per year, and increased its distribution to $0.1167 per unit per month, or $1.40 per unit per year, beginning with its distribution paid in June 2006. The Fund has met all its distribution targets since inception and is committed to delivering stable distributions to unitholders. The portfolio is currently expected to generate a reliable flow of cash to sufficiently meet the Fund's targetted annual distribution of $1.40 per unit in 2007.

OUTLOOK

We expect 2007 to be a volatile year for the income trust market given the heavy influence of oil and gas royalty trusts (47% average in 2006) on the Index. While we continue to believe that this weighting in oil and gas royalty trusts of almost 50% is not prudent, we continue to position our Funds with meaningful exposure to the oil and gas sector through direct oil and gas investment, exposure through its service sector, and by investing in businesses that are economically connected with Canada's western economy. For the first two months of 2007, the Fund has benefitted from this strategy as the Fund has outperformed the Index returning 3.81% versus 1.87% for the Index.

We believe that the Fund's holdings of income trusts are run by quality management and possess attractive business economics. Over the long term, for any equity investment — whether it is legally constituted as a corporation, a trust, or another legal form — it is the business performance of the entity that will determine the success of the investment. We will continue to monitor the business performance of the Fund's investments and the status of the income trust sector as the proposed new Distribution Tax on income trusts becomes law. The four-year transition period should provide ample time for the businesses behind the most successful trusts to adjust to the new tax reality.

Thank you for your continued support of our Fund.

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 Fund 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.

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance ("MRFP") is intended to provide readers with the financial highlights and an assessment of the performance of Brascan SoundVest Rising Distribution Split Trust (the "Fund") as at and for the year-ended December 31, 2006.

This annual MRFP contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 416-956-5154, by writing to us at BCE Place – 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3 or by visiting our website at www.brookfieldfunds.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund's investment objectives are to provide holders of preferred securities with fixed quarterly interest payments in the amount of $0.15 per preferred security ($0.60 per annum to yield 6% per annum on the original subscription price of $10.00) and the repayment of the original subscription price at maturity. For unitholders, the Fund's objectives are to provide holders with tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred, and capital appreciation on the portfolio.

The Fund is an actively managed investment fund, which invests in a diversified portfolio of income trusts. The Fund may also opportunistically invest in high-yielding, equity based securities, up to a maximum of 10% of the value of the Portfolio.

RISKS

The risks of investing in the Fund remain as discussed in the Fund's Annual Information Form and Prospectus.

RESULTS OF OPERATIONS

The Fund's net assets decreased $35.6 million or 38%, from $94.4 million as at December 31, 2005 to $58.8 million as at December 31, 2006. Of this change, a decline of $24.0 million is attributable to investment performance (net of expenses) and a further $11.6 million decline is attributable to unitholder activity, comprised of $2.2 million of redemptions and $9.4 million of distributions. The Fund's investment performance and unitholder activity for 2006 are discussed below.

Investment Performance

The Fund had a net loss from operations of $24.0 million, which consisted of net investment income of $8.8 million, offset by realized losses of $20.4 million, unrealized losses of $7.4 million, and return of capital of $5.0 million.

On October 31, 2006 the Canadian Federal Government announced the Tax Fairness Plan (the "Plan"), which if passed into law, among other matters will result in a Distribution Tax of 31.5% on distributions from publicly traded income trusts and limited partnerships effective in 2011. Such a tax would decrease the amount of proceeds available for distribution to investors and hence the Fund. In addition the Plan will also restrict the growth of income trusts through the issuance of their own units which may cause certain income trusts to convert to a corporate structure sooner than 2011, thereby subjecting their earnings to corporate taxes which would ultimately decrease the amount of dividends paid to investors such as the Fund. While the Plan has created a challenge for the income trust sector, its financial impact appears to have resulted in a one-time downward adjustment on the underlying capital values of the income trust sector, including investments held by the Fund.

For the 12-month period ended December 31, 2006, the Fund generated a total negative return of 25.3% versus the comparable S&P/TSX Capped Income Trust Total Return Index (the "Index") which declined 2.8% over the same timeframe. The Fund's underperformance relative to the Index was due to two main factors. Given the split share structure of the Fund, the Fund had leverage throughout the year of approximately 1.9x. As such, the impact of this leverage is that it magnifies both positive and negative investment returns by almost two times. In addition, the Fund was approximately 50% invested in business trusts throughout the year. The Business Trust Total Return Index lost 8.5% in 2006 and was the poorest performing trust index group according to the CIBC WM Income Trust Group Indices performance summary. The overweight position in business trusts, combined with the effect of leverage, was largely responsible for the underperformance.

In 2006, the Fund chose to realize its largest loss positions in the portfolio. The Fund sold its positions in Entertainment One Income Fund, Madacy Entertainment Income Fund, Rentcash Inc. and Terravest Income Fund for losses of $6.5 million, $5.3 million, $4.1 million and $3.9 million, respectively. All four positions were sold due to deteriorating business conditions and prospects for the four companies. As at December 31, 2006, the Fund's largest unrealized loss position was $2.8 million in Newport Partners Income Fund. The underperformance of Newport Partners Income Fund was largely due to the poor business performance of its distribution segment, however the Fund continues to hold Newport Partners Income Fund as it continues to execute on its acquisition strategy and there is the expectation of improved operational performance.

As at December 31, 2006, the Fund continues to hold several securities with large unrealized gains due to the continued strong growth prospects of these companies. These include Eveready Income Fund and Westfield REIT, which have generated unrealized gains of $2.9 million and $2.6 million, respectively.

Fees and Expenses

Fees and expenses for the Period totalled $6.8 million, compared to $6.0 million for the period March 16 to December 31, 2005 (the "Prior Period"), representing an annualized management expense ratio of 8.22% as compared to 7.33% in the Prior Period. The $0.8 million increase in the expenses of the Fund over the Prior Period is a result of a full year of operations in 2006. The increase in the management expense ratio is due to the decline in the Fund's net asset value.

Unitholder Activity

To provide liquidity, capital units and preferred securities of the Fund are listed on the TSX under the symbols BSD.UN and BSD.PR.A, respectively. Under terms of the Fund's Declaration of Trust, additional liquidity is provided by way of an annual redemption program, under which the Fund's units and preferred securities, under certain conditions, are redeemable on the last business day of November of each year at 100% of the net asset value per unit. In addition, the Fund has a market purchase program whereby throughout the year the Fund, under certain conditions, is required to purchase shares when the units trade below 95% of their net asset value per unit, to a limit of 1.25% of the outstanding number of shares for a three-month period. During 2006, 250,626 of the Fund units and preferred securities were redeemed and cancelled for proceeds of $2.2 million under the annual redemption program without any units being redeemed under the market purchase program, resulting in a 3.7% reduction in the number of outstanding units from December 31, 2005.

During 2006, the Fund increased its monthly distribution per unit from $0.1125 to $0.1167 beginning with its distribution paid in June 2006. The total annual distributions paid in 2006 of $1.3794 per unit, or $9.4 million in aggregate, exceeded the Fund's original targetted distributions of $1.35 annually. The Fund's distributions to capital unitholders included a return of capital of 73% or $1.01 per unit. During 2006, the Fund also met its targetted quarterly distributions to preferred security holders of $0.15 per unit, or $0.60 per unit annually.

Credit Facility

As at December 31, 2006, the Fund had a 364-day revolving term credit facility (the "facility") available with a Canadian chartered bank bearing variable interest at prime or bankers' acceptance rates. The Fund utilizes the borrowings to purchase additional portfolio investments to increase overall distributions and for general Fund purposes. The maximum draw under the facility is limited to the lower of $15 million and 7% of the net value of the assets of the Fund. The facility is secured by a first-ranking and exclusive charge on all of the Fund's assets. As at December 31, 2006, $5.6 million was drawn on the facility representing 9.5% of the net assets of the Fund. The minimum and maximum amount borrowed under the facility during 2006 was $nil and $9.3 million, respectively. Subsequent to year end, the Fund reduced its maximum borrowing requirements to the lower of $11 million and 7% of the total value of the net assets of the Fund, due to the decline in the Fund's net assets, which resulted in part due to the 10.6% decrease in the Fund's outstanding units since the Fund's inception as a result of units redeemed under the annual redemption program.

RELATED PARTY TRANSACTIONS

Brookfield Investment Funds Management Inc. (the "Manager"), a subsidiary of Brookfield Asset Management Inc., is the Manager of the Fund and is responsible for managing all of the Fund's activities. Management fees are paid to the Manager based on terms set out in the Management Agreement at a rate of 1.10% per annum of the total assets of the Fund less the amounts outstanding under the credit facility. In addition, the Fund also pays the Manager a service fee equal to 0.40% per annum of the net asset value of the Fund. The service fee is, in turn, paid to the investment dealers based on the proportionate number of units held by clients of such dealers. During 2006, management fees accrued or paid to the Manager totalled $1.7 million, of which $0.8 million was paid to SoundVest Capital Management Ltd. (the "Investment Advisor"). Service fees accrued or paid during the year totalled $0.3 million.

RECENT DEVELOPMENTS

Canadian Federal Government's Tax Fairness Plan

Notwithstanding the challenges faced by the income trust market in 2006, in particular the impact of the Canadian Federal Government's Tax Fairness Plan and proposed Distribution Tax announcement, we continue to believe that there are many businesses in the income trust sector that provide attractive long-term investment opportunities and accordingly we have not appreciably reduced our weighting in this sector. As shown in the table below, the current income trust market continues to offer investors a diverse group of businesses offering high yields. As at December 31, 2006, the average yield for the income trust sector was 10.9%. This is significantly higher than the 2.4% yield offered from the S&P/TSX Composite Index and the 4.1% yield on the 10-year Canada bond at that date.

Sub-sector	# of Trusts	Market Capitalization[1]	Average Yield
Oil and gas royalty trusts	31	$ 71.0	14.5%
Business trusts	168	85.5	11.2%
Real estate investment trusts (REITs)	33	30.3	6.9%
Power and pipeline trusts	23	18.4	9.4%
Total	255	$ 205.2	10.9%

1 *In $ billions*

Additionally, the 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 we expect the proposed Distribution Tax to hinder the ability of a trust to maintain its current distribution in 2011, there are still up to four years before the Distribution Tax will be payable and certain trusts will be able to grow their distributable cash over this period to offset the impact of the new Distribution Tax.

New Accounting Standard

The method for calculating the net asset value and management expense ratio of an investment fund may change. These changes arise because the Fund was required to adopt a new accounting standard on January 1, 2007, for the valuation of investments and accounting for transaction costs such as brokerage commissions.

Securities regulators are currently reviewing the suitability of applying the new accounting standard for the purposes of calculating net asset value and management expense ratios, and have granted all investment funds a temporary exemption from adopting this accounting standard. The exemption is effective until September 30, 2007. Pending the outcome of this review, on October 1, 2007, the method by which the Fund's net asset values and management expense ratios are calculated may change. Should the Fund be required to adopt the new rules for calculating net asset value, it would result in a change to the net asset value of the Fund on that date.

FINANCIAL HIGHLIGHTS

The following tables detail selected key financial information about the Fund and are intended to assist readers understand the Fund's financial performance since inception. This information is derived from the Fund's audited financial statements.

The Fund's Net Asset Value Per Unit

As at December 31	2006	2005[1]
Net asset value – beginning of period	$ 13.79	$ 13.79[2]
Increase (decrease) from operations		
Total revenue	2.29	1.78
Total expenses	(1.00)	(0.82)
Realized losses for the period	(2.99)	(0.51)
Return of capital	(0.72)	(0.50)
Unrealized gains (losses) for the period	(1.09)	0.97
Total increase (decrease) from operations[3]	(3.51)	0.92
Distributions		
From investment income	(0.37)	(0.26)
Return of capital	(1.01)	(0.75)
Total annual distributions[3]	(1.38)	(1.01)
Net asset value – end of year[4]	$ 8.92	$ 13.79

1 Period from commencement of operations (March 16, 2005) to December 31, 2005

2 Initial public offering price of $15.00 per unit, net of issuance costs

3 Distributions were paid in cash.

4 Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period. Accordingly, totals may not sum in the above table due to the different basis for computing the per unit amounts.

The following table illustrates components of the Fund's overall return:

For the years ended December 31	2006	2005[1]
Net investment income	$ 8,787,805	$ 7,034,556
Realized loss	(20,385,698)	(3,714,117)
Unrealized gains (losses)	(7,415,288)	7,077,409
Return of capital	(4,945,140)	(3,642,936)
Income (loss) from operations	(23,958,321)	6,754,912
Income (loss) from operations per unit	(3.51)	0.96
Net asset value per unit	$ 8.92	$ 13.79

1 Period from commencement of operations (March 16, 2005) to December 31, 2005

Ratios and Supplemental Data

As at December 31	2006	2005[1]
Net assets	$ 58,781,011	$ 94,364,187
Number of units outstanding	6,591,715	6,842,341
Management expense ratio before interest expense	2.90%	2.64%
Management expense ratio[2]	8.22%	7.33%
Management expense ratio before waivers or absorptions	8.22%	7.33%
Management expense ratio including one time agent's fees and issuance costs	8.22%	18.27%
Portfolio turnover rate[3]	22.58%	35.23%
Monthly distribution per unit	$ 0.1167	$ 0.1125
Annualized trailing yield[4]	17.29%	10.98%
Trading expense ratio[5]	0.18%	0.50%
Closing market price	$ 8.10	$ 12.30

1 *Period from commencement of operations (March 16, 2005) to December 31, 2005*

2 *Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the period.*

3 *The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.*

4 *Based on annualized cumulative distributions per unit and the closing market price*

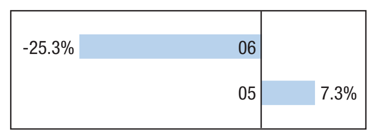
5 *The trading expense ratio represents commission costs expressed as an annualized percentage of weekly average net assets during the period.*

PAST PERFORMANCE

The following chart and table show the past performance of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown is based on net asset value per unit and assumes that distributions made by the Fund in the periods shown were reinvested (at the net asset value per unit) in additional units of the Fund.

Year-by-Year Return

The bar chart shows the Fund's return (based on net asset value per unit) and includes distributions made in each year since inception to December 31, 2006. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have increased or decreased by the last day of the fiscal period.



Annual Compound Returns

The following table shows the Fund's compound return for the periods ended December 31 and the annual compound return since inception, compared with the Index.

For the years ended December 31	2006	2005[1]	Since Inception[2]
Fund – Net Asset Value	(35.3%)	—%	(21.8%)
Fund – Total Return, including distributions	(25.3%)	7.3%	(10.6%)
S&P/TSX Capped Income Trust Total Return Index	(2.8%)	22.6%	10.2%

1 *Period from commencement of operations (March 16, 2005) to December 31, 2005, net of issuance costs*

2 *Period from commencement of operations (March 16, 2005) to December 31, 2006, net of issuance costs*

SUMMARY OF INVESTMENT PORTFOLIO

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of investments in the Fund. A quarterly update is available at www.brookfieldfunds.com.

Portfolio Composition

As at December 31, 2006, the Fund was invested in the following sectors in the percentages shown below:

	2006 Actual Weighting[1]	2005 Actual Weighting[2]	Permitted Weighting
Business trusts	44.2%	52.5%	20% – 60%
Power generation and pipeline trusts	7.2%	5.2%	5% – 35%
Oil and gas royalty trusts	24.3%	26.3%	10% – 50%
REITs	23.0%	13.7%	5% - 45%
Total Income trusts	98.7%	97.7%	90% - 100%
High-yielding equity-based securities	1.3%	2.3%	0% – 10%
	100.0%	100.0%	

1 Based on market value as at December 31, 2006

2 Based on market value as of December 31, 2005

Top 25 Positions

Top 25 positions held by the Fund as at December 31, 2006, were as follows:

Number of Units[1]		Market Value	Percentage of Investment Portfolio
579,300	Energy Savings Income Fund	$ 7,791,585	6.0%
440,000	Westfield REIT	7,194,000	5.6%
1,080,000	Eveready Income Fund	6,858,000	5.3%
217,800	Bonavista Energy Trust	6,131,070	4.7%
219,400	BFI Canada Income Fund	5,901,860	4.6%
2,441,600	Huntingdon REIT	5,615,680	4.3%
404,000	Trinidad Energy Services Income Trust	5,575,200	4.3%
309,000	Peyto Energy Trust	5,469,300	4.2%
497,800	Altus Group Income Fund	5,316,504	4.1%
319,999	Canetic Resources Energy Trust	5,260,784	4.1%
895,000	Newport Partners Income Fund	5,182,050	4.0%
411,000	Progress Energy Trust	5,166,270	4.0%
355,000	Atlantic Power Corporation	4,007,950	3.1%
290,000	First National Financial Income Fund	3,923,700	3.0%
607,500	Vault Energy Trust	3,341,250	2.6%
300,000	Primary Energy Recycling Corporation	3,135,000	2.4%
319,900	XS Cargo Income Fund	3,122,224	2.4%
380,000	Petrowest Energy Services Trust	3,116,000	2.4%
132,400	Allied Properties REIT	3,078,300	2.4%
649,400	Lakeview Hotel REIT	2,798,914	2.2%
201,750	Whiterock REIT	2,683,275	2.1%
111,000	H&R REIT	2,673,990	2.1%
91,000	Calloway REIT	2,511,600	1.9%
280,000	OFI Income Fund	2,458,400	1.9%
68,000	PennWest Energy Trust	2,418,760	1.9%

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of investments in the Fund. A quarterly update is available at www.brookfieldfunds.com.

1 Unless otherwise stated

Kevin Cash
Vice President & Chief Financial Officer of the Manager

March 9, 2007

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Brascan SoundVest Rising Distribution Split Trust (the "Fund") and other financial information have been prepared by Brascan Rising Distribution Split Management Ltd., a subsidiary of Brookfield Asset Management Inc. (the "Manager" of the Fund), which is responsible for their integrity and accuracy. To fulfill these responsibilities, the Fund maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying financial statements.

The Manager, on behalf of the unitholders, has appointed the external firm Deloitte & Touche LLP as the independent auditors of the Fund. They have examined the financial statements set out on pages 12 through 20 in accordance with auditing standards generally accepted in Canada to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

Toronto, Ontario
March 9, 2007

Kevin Cash
Vice President & Chief Financial Officer
of the Manager

AUDITORS' REPORT

To the Unitholders of Brascan SoundVest Rising Distribution Split Trust

We have audited the statement of investments of Brascan SoundVest Rising Distribution Split Trust (the "Fund") as at December 31, 2006, the statements of net assets as at December 31, 2006 and 2005, and the statements of operations, unitholders' equity, changes in net assets, and cash flows for the year ended December 31, 2006 and for the period from March 16 to December 31, 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and 2005 and the results of its operations, changes in its net assets, and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Toronto, Ontario
March 9, 2007

Chartered Accountants

STATEMENTS OF NET ASSETS

As at December 31	2006	2005
Assets		
Investments, at market value	$ 129,527,795	$ 169,271,644
Cash	939,562	170,904
Distributions and interest receivable	1,204,871	1,450,212
Total assets	$ 131,672,228	$ 170,892,760
Liabilities		
Accounts payable and accrued liabilities *(note 3)*	1,390,302	1,718,025
Loan payable *(note 4)*	5,583,765	6,387,138
Preferred securities *(note 5)*	65,917,150	68,423,410
Total liabilities	72,891,217	76,528,573
Net assets representing unitholders' equity	$ 58,781,011	$ 94,364,187
Units outstanding *(note 6)*	6,591,715	6,842,341
Net asset value per unit	$ 8.92	$ 13.79

The accompanying notes are integral to these financial statements.

Approved by the Manager, by:

Bruce K. Robertson
Director

Kevin Cash
Director

STATEMENTS OF OPERATIONS

For the years ended December 31	2006	2005[1]
Income and distributions		
Distributions from income trusts	$ 10,524,829	$ 8,972,737
Return of capital	4,945,140	3,642,936
Interest income	151,538	384,607
	15,621,507	13,000,280
Expenses		
Preferred securities interest expense	4,105,405	3,665,178
Management fees *(note 8)*	1,691,781	1,563,736
Service fees *(note 8)*	317,888	328,916
Other interest expense	314,156	149,460
General and administrative	212,684	146,281
Investor communication fees	10,312	34,796
Legal and exchange fees	44,459	28,349
Audit fees	46,992	24,000
Accounting and administration	26,710	15,570
Trustee fees	24,935	9,438
Custodian fees	30,355	—
Directors' fees	8,025	—
	6,833,702	5,965,724
Net investment income	8,787,805	7,034,556
Net realized loss on sale of investments *(note 9)*	(20,385,698)	(3,714,117)
Net change in unrealized (loss) gain on investments	(7,415,288)	7,077,409
Return of capital	(4,945,140)	(3,642,936)
Results of operations	$ (23,958,321)	$ 6,754,912
Results of operations per unit[2]		
Net investment income	$ 1.29	$ 0.96
Net realized loss on sale of investments	(2.99)	(0.51)
Net change in unrealized (loss) gain on investments	(1.09)	0.97
Return of capital	(0.72)	(0.50)
	$ (3.51)	$ 0.92

1 For the period from commencement of operations (March 16, 2005) to December 31, 2005

2 Based on the weighted average number of units outstanding for the period (note 6)

The accompanying notes are integral to these financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

	Units (Note 6)	Net Income (Loss) from Operations	Distributions	Total
Net proceeds from IPO	$ 101,650,875			$ 101,650,875
Net income		$ 6,754,912		6,754,912
Unit distributions			$ (7,402,763)	(7,402,763)
Redemptions	(6,638,837)		–	(6,638,837)
Balance, December 31, 2005	95,012,038	6,754,912	(7,402,763)	94,364,187
Net loss		(23,958,321)		(23,958,321)
Unit distributions			(9,437,815)	(9,437,815)
Redemptions	(2,187,040)			(2,187,040)
Balance, December 31, 2006	$ 92,824,998	$ (17,203,409)	$ (16,840,578)	$ 58,781,011

The accompanying notes are integral to these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31	2006	2005[1]
Net assets – beginning of period	$ 94,364,187	$ –
Operations		
Net investment income	8,787,805	7,034,556
Net realized loss on sale of investments	(20,385,698)	(3,714,117)
Net change in unrealized (loss) gain on investments	(7,415,288)	7,077,409
Return of capital	(4,945,140)	(3,642,936)
	(23,958,321)	6,754,912
Unitholder transactions		
Proceeds from issuance of units, net *(note 6)*	–	101,650,875
Distribution to unitholders		
From net investment income	(2,530,278)	(3,759,827)
From return of capital	(6,907,537)	(3,642,936)
Redemption of units *(note 6)*	(2,187,040)	(6,638,837)
	(11,624,855)	87,609,275
Net increase (decrease) in net assets during the period	(35,583,176)	94,364,187
Net assets – end of period	$ 58,781,011	$ 94,364,187

1 For the period from commencement of operations (March 16, 2005) to December 31, 2005
The accompanying notes are integral to these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31	2006	2005[1]
Operating activities		
Net investment income	$ 8,787,805	$ 7,034,556
Return of capital	(4,945,140)	(3,642,936)
Change in other assets and liabilities	(82,382)	267,813
	3,760,283	3,659,433
Financing activities		
Loan payable, net borrowings (repayment)	(803,373)	6,387,138
Distributions to unitholders	(9,437,815)	(7,402,763)
Proceeds from issuance of units and preferred securities	—	175,350,875
Redemption of preferred securities	(2,506,260)	(5,276,590)
Redemption of capital units	(2,187,040)	(6,638,837)
	(14,934,488)	162,419,823
Investing activities		
Purchase of investment securities	(35,739,619)	(222,794,281)
Proceeds from sale of investments	47,682,482	56,885,929
	11,942,863	(165,908,352)
Net increase in cash during the period	768,658	170,904
Cash, beginning of period	170,904	—
Cash, end of period	$ 939,562	$ 170,904

1 For the period from commencement of operations (March 16, 2005) to December 31, 2005

The accompanying notes are integral to these financial statements.

STATEMENT OF INVESTMENTS[1]

As at December 31, 2006

Number of Units[2]		Cost	Market Value	Percentage of Net Assets
	Business Trusts			
579,300	Energy Savings Income Fund	$ 9,524,190	$ 7,791,585	13.3%
1,080,000	Eveready Income Fund	3,964,400	6,858,000	11.7%
219,400	BFI Canada Income Fund	5,586,528	5,901,860	10.0%
404,000	Trinidad Energy Services Income Trust	4,233,079	5,575,200	9.5%
497,800	Altus Group Income Fund	4,905,766	5,316,504	9.0%
895,000	Newport Partners Income Fund	8,007,152	5,182,050	8.8%
290,000	First National Financial Income Fund	2,868,959	3,923,700	6.7%
319,900	XS Cargo Income Fund	3,147,184	3,122,224	5.3%
380,000	Petrowest Energy Services Trust	3,750,720	3,116,000	5.3%
280,000	OFI Income Fund	2,774,344	2,458,400	4.2%
314,400	Coast Wholesale Appliances Income Fund	2,993,108	2,351,712	4.0%
200,400	AutoCanada Income Fund	2,083,603	2,223,756	3.8%
219,200	Avenir Diversified Income Fund	1,773,087	1,562,896	2.6%
199,000	Big Eagle Trust – Private Placement	995,000	995,000	1.7%
140,000	BlackWatch Energy Services Trust	1,388,138	852,600	1.5%
		57,995,258	57,231,487	97.4%
	Power Generation and Pipeline Trusts			
355,000	Atlantic Power Corporation	3,500,391	4,007,950	6.8%
300,000	Primary Energy Recycling Corporation	2,909,957	3,135,000	5.4%
217,300	Macquarie Power & Infrastructure Income Fund	2,089,892	2,183,865	3.7%
		8,500,240	9,326,815	15.9%
	Oil and Gas Royalty Trusts			
217,800	Bonavista Energy Trust	6,801,358	6,131,070	10.4%
309,000	Peyto Energy Trust	7,581,350	5,469,300	9.3%
319,999	Canetic Resources Energy Trust	7,487,353	5,260,784	9.0%
411,000	Progress Energy Trust	5,314,840	5,166,270	8.8%
607,500	Vault Energy Trust	5,596,251	3,341,250	5.7%
68,000	PennWest Energy Trust	2,226,935	2,418,760	4.1%
174,500	Trilogy Energy Trust	2,696,583	1,989,300	3.4%
100,000	Crescent Point Energy Trust	2,217,445	1,760,000	3.0%
		39,922,115	31,536,734	53.7%
	Real Estate Investment Trusts (REITs)			
440,000	Westfield REIT	4,607,510	7,194,000	12.2%
2,441,600	Huntingdon REIT	5,067,119	5,615,680	9.6%
132,400	Allied Properties REIT	1,696,286	3,078,300	5.2%
649,400	Lakeview Hotel REIT	1,896,473	2,798,914	4.8%
201,750	Whiterock REIT	1,895,623	2,683,275	4.5%
111,000	H&R REIT	1,940,025	2,673,990	4.6%
91,000	Calloway REIT	1,601,886	2,511,600	4.3%
930,000	BTB REIT	1,971,779	1,999,500	3.4%
600,000	Instorage REIT[3]	590,241	600,000	1.0%
110,000	Holloway Lodging REIT	481,119	577,500	1.0%
		21,748,061	29,732,759	50.6%
	High-Yielding Equity-Based Securities			
1,700,000	Lanesborough REIT Convertible Debenture	1,700,000	1,700,000	2.9%
Total investment portfolio		$ 129,865,674	129,527,795	220.5%
Cash			939,562	1.5%
Liabilities in excess of other assets			(71,686,346)	(122.0%)
Net assets			$ 58,781,011	100.0%

1 The Statement of Investments may change due to ongoing portfolio transactions of investments in the Fund. A quarterly update is available at www.brookfieldfunds.com.

2 Unless otherwise stated

3 Security restricted until January 2, 2007

The accompanying notes are integral to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006 and 2005

1. OPERATIONS

Brascan SoundVest Rising Distribution Split Trust (the "Fund") was established under the laws of the Province of Ontario by a declaration of trust dated as at March 16, 2005. The manager of the Fund is Brookfield Investment Funds Management Ltd., a subsidiary of Brookfield Asset Management Inc. (in such capacity, the "Manager") and the investment advisor is SoundVest Capital Management Ltd. (the "Investment Advisor"). Computershare Trust Company of Canada is the trustee of the Fund. The Fund is authorized to issue an unlimited number of capital units ("units") and preferred securities. The Fund is listed on the Toronto Stock Exchange and effectively commenced operations on March 16, 2005.

The Fund's investment objectives are to provide holders of preferred securities with fixed quarterly interest payments in the amount of $0.15 per preferred security ($0.60 per annum to yield 6% per annum on the original subscription price of $10.00), and repayment of the original subscription price at maturity. For unitholders, the Fund's objectives are to provide holders of units with tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred, and capital appreciation on the portfolio.

The Fund seeks to achieve these objectives by investing in a diversified portfolio of income trusts. The Fund may also opportunistically invest in high-yielding, equity based securities, up to a maximum of 10% of the value of the portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the following policies determined under Canadian generally accepted accounting principles and they include estimates and assumptions made by the Manager that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the period. Actual results could differ from these estimates.

a) Cash and Equivalents

Cash and equivalents are cash balances and short-term, highly liquid investments with original maturities of 90 days or less, and are carried at cost plus accrued interest.

b) Valuation of Investments

The Fund's investments are presented at market value. Investments that are publicly traded are valued at their last closing price. If a closing price is not available, then these investments are valued using an average of the latest bid and ask prices. Securities which are listed on the stock exchange and which are subject to a hold period or other trading restrictions will be valued as described above, with an appropriate discount as determined by the Manager, acting reasonably. Short-term investments are valued at cost which, when taken together with accrued interest income, approximates their market value. The value of any security or other asset for which no published market exists, including securities of private issuers, will be determined by the Manager in accordance with the following: (i) such securities or other assets will normally be carried at cost unless: (i) there is an arm's length transaction which in the Manager's reasonable opinion establishes a different value; or (ii) a material change in the value of an issuer occurs as determined by the Manager, acting reasonably.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold. These differences could be material to the fair value of investments as a portfolio.

c) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis, with dividends recorded on the ex-dividend date. Distributions from income funds include trusts and limited partnerships and are recognized on the ex-distribution date. Net realized gains (losses) on sale of investments include net realized gains or losses from foreign currency changes.

d) Income Taxes

The Fund is taxed as a mutual fund trust under the Income Tax Act (Canada). Provided that the Fund makes distributions in each year of its net income and capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

e) Foreign Exchange

The market value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the closing rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

f) Return of Capital

Distributions that are treated as a return of capital for income tax purposes are included in investment income and are adjusted for in the Statements of Operations. These distributions are used to reduce the average cost of the underlying investments on the Statement of Investments.

g) Fair Value of Financial Instruments

The fair value of the Fund's financial instruments, which are composed of cash and equivalents, distributions and interest receivable, loan payable, accounts payable and accrued liabilities, approximate their carrying value.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following:

	2006	2005
Distributions payable to unitholders and security holders *(notes 6, 7)*	$ 769,253	$ 769,763
Interest payable	344,949	344,948
Issuance costs payable	–	202,841
Other accounts payable and accrued liabilities	106,351	158,579
Management fees payable	111,363	147,400
Service fees payable	58,386	94,494
	$ 1,390,302	$ 1,718,025

4. LOAN FACILITY

The Fund has a 364-day revolving term credit facility with a Canadian chartered bank up to a maximum amount of $15 million, but not exceeding 7% of the net asset value of the portfolio. Subsequent to year-end, the Fund reduced its maximum borrowing requirements to the lower of $11 million and 7% of the total value of the net assets of the Fund due in part to a decrease in the Fund's outstanding units as a result of the annual redemption program. The facility is secured by a first-ranking and exclusive charge on all of the Fund's assets. The Fund uses borrowings to purchase additional investments and for general Fund purposes. As at December 31, 2006, $5,583,765 was drawn on the facility (2005 – $6,387,138), representing 9.5% of the net assets of the Fund. The credit facility pays interest at bankers' acceptance rates plus 40 basis points. As the loan is payable at anytime and the interest rate is variable based on the prime rate, its fair value approximates its carrying value. The minimum and maximum borrowed during 2006 was $nil and $9.3 million, respectively.

5. PREFERRED SECURITIES

On March 16, 2005, as part of the initial public offering of the Fund, 7,370,000 preferred securities were issued at a price of $10.00 per security for cash proceeds of $73,700,000.

Holders of the preferred securities are entitled to receive fixed quarterly interest payments of $0.15 per preferred security, or 6% per annum, beginning on June 15, 2005, on the original subscription price of $10.00. The interest payments are paid in arrears on June 15, September 15, December 15, and March 15 of each year. Preferred securities may be surrendered for redemption together with an equal number of units beginning in November of 2005 and annually each November each year thereafter. 527,659 preferred securities were redeemed for $5.3 million during 2005 and 250,626 preferred securities were redeemed for $2.5 million in 2006.

A continuity of the preferred securities of the Fund from the commencement of operations on March 16, 2005 is as follows:

Issued	Number of Units		Amount
Preferred securities – beginning of period	–	$	–
Issued (redeemed) for cash			
Initial public offering	7,370,000		73,700,000
Cancelled after redemption for cash	(527,659)		(5,276,590)
Preferred securities – December 31, 2005	6,842,341		68,423,410
Redeemed for cash			
Cancelled after redemption for cash	(250,626)		(2,506,260)
Preferred securities – December 31, 2006	6,591,715	$	65,917,150

The preferred securities will mature on March 31, 2015. The securities may be called and purchased prior to the maturity date if the aggregate amount of preferred securities outstanding would exceed the aggregate number of units outstanding. In such case, preferred securities will be redeemed at a price per security, which until March 31, 2006 will be equal to $11.00 and will decline by $0.10 each year thereafter to $10.10 after March 31, 2014 to March 30, 2015, plus any accrued and unpaid interest.

6. UNITS OF THE FUND

On March 16, 2005, the Fund completed its initial public offering of 7,370,000 units at a price of $15.00 per unit. Proceeds raised, net of agents' fees and issuance costs of $8,899,125 totalled $101,650,875. As at December 31, 2006, the Fund has $5,170,272 (2005 - $7,490,097) of issuance costs available, which will be deducted for tax purposes over the next four years.

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be surrendered for redemption at any time during November of any year, but at least 15 business days prior to the last business day in November (the "Redemption Date"). Redemption of surrendered units will be effected at the net asset value on the Redemption Date each year and will be settled on or before the 15th business day following such effective date.

During 2006, the Fund received 250,626 units (2005 – 527,659 units) for redemption, which were cancelled at an average price of $8.73 per unit (2005 - $12.58 per unit). The Fund uses commercially reasonable efforts to find purchasers for any units properly surrendered for redemption, in accordance with the Recirculation Agreement.

A continuity of the units of the Fund from the commencement of operations on March 16, 2005 is as follows:

Issued	Number of Units		Amount
Units – beginning of period	–	$	–
Issued (redeemed) for cash			
Initial public offering	7,370,000		110,550,000
Agents' fees and issue costs	–		(8,899,125)
Cancelled after redemption for cash	(527,659)		(6,638,837)
Units – December 31, 2005	6,842,341		95,012,038
Redeemed for cash			
Cancelled after redemption for cash	(250,626)		(2,187,040)
Units – December 31, 2006	6,591,715	$	92,824,998

The weighted average number of units outstanding for the period ended December 31, 2006 was 6,826,461 (2005 – 7,304,802).

7. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions on units, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable no later than the 15th day or the first business day after the 15th, during the month following the record date. Distributions on preferred securities, as declared by the Manager, are made on a quarterly basis to security holders of record on the last business day of February, May, August and November and payable on the 15th day of the subsequent month.

8. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 1.10% per annum of the net asset value of the Fund, calculated and paid monthly, plus applicable taxes. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Fund, calculated and paid quarterly. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter.

9. INVESTMENT TRANSACTIONS

Investment transactions for the year ended December 31 were as follows:

	2006[1]	2005[1,2]
Proceeds from sale of investments	$ 47,682,482	$ 56,885,929
Less cost of investments sold		
Investments at cost – beginning of year	162,194,235	–
Investments purchased during the year	35,739,619	222,794,281
Investments at cost – end of year	129,865,674	162,194,235
Cost of investments sold during the year	68,068,180	60,600,046
Net realized loss on sale of investments	$ (20,385,698)	$ (3,714,117)

1 All balances have been adjusted for Return of Capital amounts.

2 For the period from commencement of operations (March 16, 2005) to December 31, 2005

Brokerage commissions on securities purchased and sold during the year ended December 31, 2006 totalled $152,433 (2005 – $410,898) and are included in the cost or sale proceeds of the related investment.

BOARD AND MANAGEMENT

ADVISORY BOARD

Bruce K. Robertson
Director & President of the Manager, and
Managing Partner, Brookfield Asset Management Inc.

James C. Bacon
Business Consultant

John P. Barratt
Chief Operating Officer
The Caldwell Partners International Inc.

MANAGEMENT TEAM

The Manager (Brookfield)

Bruce K. Robertson[1]
Director & President

Kevin Cash[1]
Director, Vice President & Chief Financial Officer

Carlo Perri[1]
Vice President & Secretary

Tracey Wise
Director of Investor Relations & Communications

Investment Advisor (SoundVest)

Kevin Charlebois
President & Chief Investment Officer

Ernest Meszaros
Vice President & Portfolio Manager

Scott Jarvis
Portfolio Manager & Analyst

Brian Durno
Analyst

Seth Powter
Analyst

1 Titles subject to regulatory approval

CORPORATE INFORMATION

Brookfield Funds welcome inquiries from unitholders, analysts, media representatives or other interested parties.

Head Office of The Manager

Brookfield Investment Funds Management Ltd.,
(a subsidiary of Brookfield Asset Management Inc.)
BCE Place – 181 Bay Street, Suite 300
Toronto, Ontario M5J 2T3

Please direct your inquiries to:
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e. twise@brookfield.com
w. www.brookfieldfunds.com

Investment Advisor

SoundVest Capital Management Ltd.
100 Sparks Street, 9th Floor
Ottawa, Ontario K1P 5B7

Trustee, Transfer Agent and Registrar

Unitholder inquiries relating to distributions, address changes and unitholder account information should be directed to:

Brookfield Funds' Transfer Agent:
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100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
t. 1.800.564.6253 (toll-free North America)
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