

## 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.



Kevin Cash  
Vice President & Chief Financial Officer  
of the Manager

Toronto, Ontario  
March 9, 2007

## 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.



Chartered Accountants

Toronto, Ontario  
March 9, 2007

## STATEMENTS OF NET ASSETS

As at December 31	2006	2005
<b>Assets</b>		
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
<b>Total assets</b>	<b>\$ 131,672,228</b>	<b>\$ 170,892,760</b>
<b>Liabilities</b>		
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
<b>Total liabilities</b>	<b>72,891,217</b>	<b>76,528,573</b>
<b>Net assets representing unitholders' equity</b>	<b>\$ 58,781,011</b>	<b>\$ 94,364,187</b>
Units outstanding (note 6)	6,591,715	6,842,341
<b>Net asset value per unit</b>	<b>\$ 8.92</b>	<b>\$ 13.79</b>

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 <sup>1</sup>
<b>Income and distributions</b>		
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
	<b>15,621,507</b>	<b>13,000,280</b>
<b>Expenses</b>		
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	—
	<b>6,833,702</b>	<b>5,965,724</b>
<b>Net investment income</b>	<b>8,787,805</b>	<b>7,034,556</b>
<b>Net realized loss on sale of investments (note 9)</b>	<b>(20,385,698)</b>	<b>(3,714,117)</b>
<b>Net change in unrealized (loss) gain on investments</b>	<b>(7,415,288)</b>	<b>7,077,409</b>
<b>Return of capital</b>	<b>(4,945,140)</b>	<b>(3,642,936)</b>
<b>Results of operations</b>	<b>\$ (23,958,321)</b>	<b>\$ 6,754,912</b>
<b>Results of operations per unit<sup>2</sup></b>		
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)
	<b>\$ (3.51)</b>	<b>\$ 0.92</b>

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

<sup>2</sup> 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 <sup>1</sup>
<b>Net assets - beginning of period</b>	<b>\$ 94,364,187</b>	<b>\$ —</b>
<b>Operations</b>		
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)
	<b>(23,958,321)</b>	<b>6,754,912</b>
<b>Unitholder transactions</b>		
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)
	<b>(11,624,855)</b>	<b>87,609,275</b>
<b>Net increase (decrease) in net assets during the period</b>	<b>(35,583,176)</b>	<b>94,364,187</b>
<b>Net assets - end of period</b>	<b>\$ 58,781,011</b>	<b>\$ 94,364,187</b>

<sup>1</sup> 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 <sup>1</sup>
<b>Operating activities</b>		
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
	<b>3,760,283</b>	<b>3,659,433</b>
<b>Financing activities</b>		
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)
	<b>(14,934,488)</b>	<b>162,419,823</b>
<b>Investing activities</b>		
Purchase of investment securities	(35,739,619)	(222,794,281)
Proceeds from sale of investments	47,682,482	56,885,929
	<b>11,942,863</b>	<b>(165,908,352)</b>
Net increase in cash during the period	<b>768,658</b>	<b>170,904</b>
Cash, beginning of period	<b>170,904</b>	—
<b>Cash, end of period</b>	<b>\$ 939,562</b>	<b>\$ 170,904</b>

<sup>1</sup> 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<sup>1</sup>

As at December 31, 2006

Number of Units <sup>2</sup>		Cost	Market Value	Percentage of Net Assets
<b>Business Trusts</b>				
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%
<b>Power Generation and Pipeline Trusts</b>				
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%
<b>Oil and Gas Royalty Trusts</b>				
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%
<b>Real Estate Investment Trusts (REITs)</b>				
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 <sup>3</sup>	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%
<b>High-Yielding Equity-Based Securities</b>				
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%)
<b>Net assets</b>			<b>\$ 58,781,011</b>	<b>100.0%</b>

<sup>1</sup> 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](http://www.brookfieldfunds.com).

<sup>2</sup> Unless otherwise stated

<sup>3</sup> 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

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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

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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
	<b>\$ 1,390,302</b>	<b>\$ 1,718,025</b>

### 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.

Holder 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 <sup>1</sup>	2005 <sup>1,2</sup>
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)

<sup>1</sup> All balances have been adjusted for Return of Capital amounts.

<sup>2</sup> 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.