

Brookfield Funds



Brascan SoundVest Rising Distribution Split Trust

BSD.UN / BSD.PR.A

2007 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 manager focused on property, power and other infrastructure assets with approximately US\$95 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.

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

Units Outstanding (Dec. 31, 2007):	5,682,543 capital units and 5,682,543 preferred securities
Targeted 2008 Monthly Distribution:	Capital units: \$0.084 per unit, payable monthly (\$1.008 per unit annually)
Targeted 2008 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.

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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.

Dear Fellow Unitholders,

The year 2007 was another year of transition for the income trust sector. It has been over a year since the Canadian Federal Government's October 31, 2006 announcement of the Tax Fairness Plan for Canadians. We will provide an overview of events occurring since the announcement and a synopsis of returns in 2007. In addition, we will provide our comments on the current status of the income trust market and our expectations for the income trust sector in the future. Also, we will explain Fund performance for 2007 and share our outlook for 2008.

MARKET OVERVIEW

The Tax Fairness Plan for Canadians was passed in the Federal Budget announced March 19, 2007 and has now become law. Income trusts have approximately three years remaining before they will be subject to a Distribution Tax beginning in their 2011 taxation year. Effectively, income trusts can now be viewed as corporations with a tax holiday until 2011.

The performance of the income trust sector and the S&P/TSX Composite Index (as a proxy for the overall Canadian equity market) since the October 31, 2006 announcement is as follows:

	S&P/TSX Capped Income Trust Total Return Index	S&P/TSX Composite Index	Difference ¹
October 31, 2006 to December 31, 2006 ¹	(8.6%)	5.1%	(13.7%)
October 31, 2006 to December 31, 2007 ¹	(2.6%)	15.4%	(18.0%)
December 31, 2006 to December 31, 2007	6.6%	9.8%	(3.2%)

¹ Based on the closing price prior to the announcement

Since the announcement, the S&P/TSX Capped Income Trust Total Return Index has underperformed the S&P/TSX Composite Index. In our 2006 Report to Unitholders, we estimated the average impact of the Distribution Tax on the underlying capital values to be approximately 15%. This one-time adjustment in value was largely reflected in the relative performance of the S&P/TSX Capped Income Trust Total Return Index versus the S&P/TSX Composite Index over the October 31, 2006 to December 31, 2006 timeframe as the difference in performance was 13.7%. On a go forward basis, we believe it will be the long-term business performance of the companies in each Index which will determine the long-term relative performance of the Indices.

Income trust unit performance was not consistent across all sectors for 2007. According to the CIBC WM Income Trust Group Indices performance summary, Business Trusts were the top performers with a 21.4% return. Returns for the other sectors were as follows: Power and Pipeline Trusts gained 13.1%; Oil and Gas Royalty Trusts returned 0.0%; and REITs lost 3.3%. Oil and Gas Royalty Trusts continue to form the largest portion of the S&P/TSX Capped Income Trust Total Return Index representing approximately 48% as at December 31, 2007. 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 – STILL THE SOURCE FOR YIELD ALTHOUGH THE NUMBER OF TRUSTS IS DECREASING

During 2007, there was a significant decrease in the number of income trusts:

Sub-sector	# of Trusts December 31, 2007	# of Trusts December 31, 2006	Change
Oil and gas royalty trusts	27	31	(4)
Business trusts	135	168	(33)
Real estate investment trusts (REITs)	27	33	(6)
Power and pipeline trusts	19	23	(4)
Total	208	255	(47)

The decrease in the number of income trusts has been largely due to the significant number of takeovers, mergers, and sales during 2007 as seen in the table below:

	Number of Trusts	Market Capitalization Acquired ¹
Takeovers/mergers/sales - Domestic Acquirer	(24)	\$ 17.4
Takeovers/mergers/sales - Foreign Acquirer	(22)	11.0
New listings	1	N/A
De-listed	(2)	N/A
Total	(47)	\$ 28.4

¹ In \$ billions

Source: RBC Capital Markets

Domestic acquirers were responsible for the largest number of transactions representing the greatest amount of market capitalization acquired. According to RBC Capital Markets, the average takeover premium was 23% for 2007 (based on the last close price prior to the first offer or announced strategic review). With the majority of this corporate activity occurring in the Business Trust sector, it was a contributing factor to this sector's strong performance of 21.4% for 2007 and the out-performance of the Business Trust sector relative to the other income trust sectors.

We expect that the number of income trusts will continue to decrease. There were also another six takeovers announced in 2007 that did not close prior to December 31, 2007 according to RBC Capital Markets. While it is difficult to forecast market developments, we continue to expect that many of the businesses will continue to exist as independent entities; however, we expect their form to 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 to remain as income trusts. As for those trusts that are acquired, these takeovers will likely continue to be done at a premium to their trading price prior to any announcement.

Throughout this continuing transition in the income trust market, trusts still offer investors a source for high yields. As seen from the table below, the current income trust market continues to offer investors a diverse group of companies offering high yields. As at December 31, 2007, the average yield for the income trust sector was 10.8%. This is significantly higher than the 2.4% yield offered from the S&P/TSX Composite Index and the 4.0% yield on the 10-year Government of Canada bond. As a result, there continue to be few better places to satisfy an investor's desire for yield than income trusts.

The following table summarizes the income trust market as of December 31, 2007:

Sub-sector	# of Trusts	Market Capitalization ¹	Average Yield
Oil and gas royalty trusts	27	\$ 70.4	13.7%
Business trusts	135	65.8	10.8%
Real estate investment trusts (REITs)	27	23.0	8.7%
Power and pipeline trusts	19	16.8	9.6%
Total	208	\$ 176.0	10.7%

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 the Tax Fairness Plan will hinder the ability of a trust to maintain its current distribution in 2011, there are approximately three years before the new tax will be effective and we believe certain trusts will be able to grow their distributable cash over this period to offset the impact of the new tax. From 2004 to 2006, approximately 40% of trusts, each year, have increased their distributions. However, going forward we expect this figure to be lower as trusts adapt to the future Distribution Tax, as can be evidenced by the fact that only about 20% of income trusts increased their distributions during 2007:

Percentage of TSX Trusts	2007	2006	2005	2004
Increased distributions ¹	21.2%	39.2%	44.9%	38.3%
Constant distributions ¹	57.6%	45.1%	46.6%	52.0%
Decreased/omitted/no distribution ¹	21.2%	15.7%	8.5%	9.7%

¹ Based on date of announcement

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 and will provide attractive long-term investment opportunities 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: 1) business trusts; 2) power generation and pipeline trusts; 3) oil and gas royalty trusts; and 4) 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 year ended December 31, 2007, the Fund's published net asset value per unit, which is used for purchases and redemptions, decreased by 22.3%, resulting in a total return, including distributions, of negative 6.5%. During the same timeframe, the S&P/TSX Capped Income Trust Total Return Index gained 6.6%. Given the split share structure of the Fund, the Fund had leverage in excess of 2.0 times throughout the year, which magnifies both the positive and negative returns of the Fund by approximately two times. The Fund underperformed the Index largely due to the poor performance of the Portfolio's investments in the Oil & Gas Services sector. At the start of 2007, over 13% of the Fund was invested in income trusts in the Oil & Gas Services sector which was the worst performing income trust sub-sector according to RBC Capital Markets with a negative return of 33% for 2007.

For the twelve months ended December 31, 2007, the Fund generated net realized losses of approximately \$5.2 million. This was largely due to realizing losses of \$2.7 million on Canetic Resources Trust, \$1.8 million on Peyto Energy Trust, and \$1.0 million on Trilogy Energy Trust as the funds were redeployed into three other Oil and Gas Royalty Trusts: Crescent Point Energy Trust, Focus Energy Trust, and Paramount Energy Trust. As well, there were realized losses of \$1.6 million, \$1.1 million, and \$1.1 million from the sale of Primary Energy Recycling Corporation, XS Cargo Income Fund and Blackwatch Energy Services Trust respectively. All three were sold due to their deteriorating business prospects. The capital losses were partially offset by realized gains in a number of positions, including a \$1.8 million gain on the Altus Group Income Fund.

Distributions

The Fund declared and paid monthly distributions in 2007 at its targeted monthly rate of \$0.1167 per unit, or \$1.40 per unit per year. The Fund has increased its distribution once since its original targeted annual distribution of \$1.35 per unit per year in May 2006. On December 18, 2007, the Fund announced that it was decreasing its monthly distribution to \$0.084 per unit or \$1.008 on an annual basis effective with the January 2008 distribution, payable in February 2008. The reduction was partly due to distribution decreases by certain trusts in the Fund's investment portfolio, fewer distribution increases by other trusts due to regulatory changes in the income trust sector, and increased borrowing costs due to higher interest rates relative to last year. We believe the targeted annual distribution of \$1.00 per unit in 2008 is more sustainable in the current environment, provides a greater margin of safety, and better reflects the income-generating ability of the Fund's investment portfolio.

OUTLOOK

We expect the high level of acquisition and strategic review activity to continue in 2008 and that the number of income trusts will continue to decrease. The S&P/TSX Capped Income Trust Total Return Index will continue to be heavily influenced by the performance of the oil and gas royalty trusts due to their large index weighting (currently 48%) which we expect to be very volatile due to their direct exposure to oil and gas prices. We plan to continue to be underweight oil and gas royalty trusts relative to the Index as we continue to believe it is not prudent to have almost 50% of the Fund invested in a single sector. However, we plan to continue to position our Funds with exposure to the oil and gas sector through direct oil and gas investment, exposure through its service sector, and investing in businesses that are economically connected with Canada's western economy.

We continue to 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 - we believe 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 will continue to adapt to the changing income trust sector.

Thank you for your continued support of our Fund.



Bruce Robertson
On behalf of the Manager



Kevin Charlebois
On behalf of the Investment Advisor

March 9, 2008

Forward Looking Statements

The Report to Unitholders and Management Report of Fund Performance contain forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" and information. The words "believe," "may," "plan," "expect," "will," "potential," "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. These forward-looking statements include, among others, statements with respect to the future performance of the income trust sector and likelihood of income trust conversions to corporate structures, acquisition trends in the income trust sector, Fund annual distribution targets and portfolio weightings. Although the 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 Fund's Prospectus, Annual Information Form and other documents filed by the Manager with the securities regulators in Canada. Except as required by law, 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, 2007. All figures in the MRFP are in Canadian dollars unless otherwise indicated.

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 416-359-1955, by writing to us at Brookfield 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 \$20.4 million or 34.7%, from \$58.8 million as at December 31, 2006 to \$38.4 million as at December 31, 2007. Of this change, a decrease of \$4.3 million is attributable to investment performance (net of expenses) and a further \$15.0 million decline is attributable to unitholder activity, comprised of \$9.1 million of distributions and \$5.9 million of redemptions, and a \$1.1 million reduction in the opening net assets of the Fund as a result of an accounting policy change during the year. The Fund’s investment performance and unitholder activity for 2007 are discussed in more detail below.

Investment Performance

The Fund generated net loss from operations of \$4.3 million for the year, which consisted of net investment income of \$7.1 million offset by net realized losses of \$5.2 million, net increase in unrealized losses of \$2.6 million, return of capital of \$3.5 million, and \$0.1 million of transaction costs expensed during the year.

For the year ended December 31, 2007, the Fund generated net realized losses of approximately \$5.2 million. This was largely due to realizing losses of \$2.7 million on investments in Canetic Resources Trust, \$1.8 million on Peyto Energy Trust, and \$1.0 million on Trilogy Energy Trust as the funds were redeployed into three other Oil and Gas Royalty Trusts: Crescent Point Energy Trust, Focus Energy Trust, and Paramount Energy Trust. As well, there were realized losses of \$1.6 million, \$1.1 million, and \$1.1 million from the sale of Primary Energy Recycling Corporation, XS Cargo Income Fund and Blackwatch Energy Services Trust respectively. All three were sold due to their deteriorating business prospects. The capital losses were partially offset by realized gains in a number of positions, including \$1.8 million on the Altus Group Income Fund.

During the year, the Fund’s published net asset value, which is used for purchases and redemption, per unit decreased by 22.3%, resulting in a total return, including distributions, of negative 6.5%. During the same timeframe, the S&P/TSX Capped Income Trust Total Return Index gained 6.6%. Given the split share structure of the Fund, the Fund had leverage in excess of 2.0 times throughout the year, which magnifies both the positive and negative returns of the Fund by approximately two times. The Fund underperformed the Index largely due to the poor performance of the Portfolio’s investments in the Oil & Gas Services sector. At the start of 2007, over 13% of the Fund was invested in income trusts in the Oil & Gas Services sector which was the worst performing income trust sub-sector according to RBC Capital Markets with a negative return of 33% for 2007.

Fees and Expenses

Fees and expenses for the year totaled \$6.1 million, down from \$6.8 million for 2006, representing an annualized management expense ratio (“MER”) of 10.83% as compared to 8.22% for the year ended December 31, 2006. The MER is based on the total expenses of the Fund, including interest on Preferred Securities, for the stated year (excluding brokerage commissions) and is expressed as an annualized percentage of the daily average Net Asset Value for the year. Although fees and expenses for the year declined as compared to the same period in 2006, the MER increased as the rate of decline in average net assets was greater than that of fees and expenses. Daily average Net Asset Value declined by 32.8%, while expenses declined by 11.3% during the same period owing to the fixed nature of the interest on the Preferred Securities.

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 2007, 909,172 of the Fund units and preferred securities were redeemed and cancelled for proceeds of \$5.9 million and \$9.1 million, respectively, under the annual redemption program and no units being redeemed under the market purchase program, which resulted in a 13.8% reduction in the number of outstanding units from December 31, 2006.

During 2007, the Fund maintained its monthly distribution of \$0.1167 and paid out distributions which totaled \$1.40 per unit or \$9.1 million. The Fund’s distributions to capital unitholders included a return of capital of 71.8% or \$1.01 per unit. During 2007, the Fund also met its targeted quarterly distributions to preferred security holders of \$0.15 per unit, or \$0.60 per unit annually. Since the Fund’s inception in March 2005, the Fund has increased its initial annual targeted distribution rate once from its initial annual targeted distribution of \$1.35 per unit. On December 18, 2007, the Fund announced that it was decreasing its monthly distribution to \$0.084 per unit or \$1.008 on an annual basis effective with the January 2008 distribution, payable in February 2008.

Credit Facility

As at December 31, 2007, 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 and for general Fund purposes. The maximum draw under the facility is limited to the lower of \$11.0 million but not exceeding 7% of the net asset value of the Fund which was reduced from a limit of \$15.0 million but not exceeding 7% of the net asset value of the Fund as at December 31, 2006. Subsequent to December 31, 2007, the maximum draw under the facility was further reduced to a limit of \$8.5 million but not exceeding 7% of the net asset value 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, 2007, \$5.1 million was drawn on the facility representing 13.2% of the net assets of the Fund. The minimum and maximum amount borrowed under the facility during 2007 was \$1.3 million and \$5.9 million, respectively.

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 the year, management fees accrued or paid to the Manager totaled \$1.3 million, of which \$0.7 million was paid to SoundVest Capital Management Ltd. (the “Investment Advisor”). Service fees accrued or paid during the year totaled \$0.2 million.

RECENT DEVELOPMENTS

Accounting Policy Change

Effective October 1, 2006, CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, requires that the fair value of financial instruments which are actively traded be measured based on the bid price for the security. Previously, fair value for generally accepted accounting principles ("GAAP") was based on the last traded price for the day, when available. For financial reporting purposes, on January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund on a retroactive basis (without restatement of prior periods). This change impacts the reported value of the Fund's investments in its annual and interim financial statements prepared in accordance with GAAP ("Financial Statement NAV"). However, as a result of a temporary exemption provided by the Canadian Securities Administrators, the value used to determine the daily price of the Fund's securities for purchase and redemption by clients ("Published NAV") is not affected. The impact of adopting the amended valuation policy for financial reporting purposes for the Period resulted in a reduction of the Financial Statement NAV of the Fund as at December 31, 2006 by \$1,128,280 or \$0.17 per unit.

Takeover, Mergers and Sales of Income Trusts

The Tax Fairness Plan for Canadians was passed in the Federal Budget announced March 19, 2007 and has now become law. Effectively, income trusts can now be viewed as corporations with a tax holiday until 2011. Largely as a result of this change in tax status there have been a large number of takeovers, mergers and sales of some income trusts to monetize their underlying intrinsic value.

While this corporate activity has provided some investors with strong short-term returns, it has also resulted in the reduction of the number of income trusts in the market, which are expected to continue to decline as we approach January 1, 2011.

FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets Per Unit¹

	2007 ²	2006 ²	2005 ³
Net asset value - beginning of year	\$ 8.92	\$ 13.79	\$ 13.79 ⁴
Increase (decrease) from operations			
Total revenue	2.00	2.29	1.78
Total expenses	(0.91)	(1.00)	(0.82)
Transaction costs	(0.02)	-	-
Net realized losses on sale of investments for the year	(0.79)	(2.99)	(0.51)
Net changes in unrealized gains (losses) for the year	(0.40)	(1.09)	0.97
Return of capital	(0.53)	(0.72)	(0.50)
Total increase (decrease) from operations	(0.65)	(3.51)	0.92
Distributions			
From dividend income	(0.05)	-	-
From investment income	(0.34)	(0.37)	(0.26)
Return of capital	(1.01)	(1.01)	(0.75)
Total distributions⁵	(1.40)	(1.38)	(1.01)
Net assets - end of year⁶	\$ 6.76	\$ 8.92	\$ 13.79

¹ This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the Recent Developments section of this MRFP. This difference is due to the revaluation of the investment portfolio using bid pricing in determining the net assets of the Fund

² As at and for the twelve months ended December 31

³ As at and for the period from inception (March 16, 2005) to December 31, 2005

⁴ Initial public offering price of \$15.00 per unit, net of issuance costs

⁵ Distributions were paid in cash

⁶ Net assets 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:

	2007 ¹	2006 ¹	2005 ²
Net investment income	\$ 7,102,394	\$ 8,787,805	\$ 7,034,556
Transaction costs	(119,925)	—	—
Net realized losses on sale of investments	(5,159,373)	(20,385,698)	(3,714,117)
Net change in unrealized gains (losses)	(2,618,968)	(7,415,288)	7,077,409
Return of capital	(3,467,509)	(4,945,140)	(3,642,936)
(Loss) income from operations	(4,263,381)	(23,958,321)	6,754,912
(Loss) income from operations per unit	(0.65)	(3.51)	0.96
Net assets per unit	\$ 6.76	\$ 8.92	\$ 13.79

¹ As at and for the twelve months ended December 31

² As at and for the period from inception (March 16, 2005) to December 31, 2005

Ratios and Supplemental Data

	2007 ¹	2006 ¹	2005 ²
Net assets	\$ 38,394,188	\$ 58,781,011	\$ 94,364,187
Number of units outstanding	5,682,543	6,591,715	6,842,341
Management expense ratio before interest expense	3.44%	2.90%	2.64%
Management expense ratio ³	10.83%	8.22%	7.33%
Management expense ratio before waivers or absorptions	10.83%	8.22%	7.33%
Management expense ratio including one time agent's fees and issuance costs	10.83%	8.22%	18.27%
Trading expense ratio ⁴	0.21%	0.18%	0.50%
Portfolio turnover rate ⁵	17.25%	22.58%	35.23%
Monthly distribution per unit	\$ 0.1167	\$ 0.1167	\$ 0.1125
Annualized trailing yield ⁶	22.0%	17.3%	11.0%
Closing market price	\$ 6.37	\$ 8.10	\$ 12.30

¹ As at and for the twelve months ended December 31

² As at and for the period from inception (March 16, 2005) to December 31, 2005

³ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period

⁴ The trading expense ratio represents commission costs expressed as an annualized percentage of daily average net asset value during the period

⁵ 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

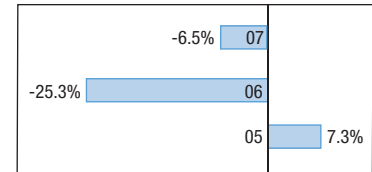
⁶ Based on annualized cumulative distributions of \$1.40 per unit and the closing market price

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 the net assets per unit and assumes that distributions made by the Fund in the periods shown were reinvested (at the net assets per unit) in additional units of the Fund.

Year-by-Year Return

The bar chart shows the Fund's total return (based on net assets per unit) and includes distributions made in each period since inception to December 31, 2007. 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, based on published net asset value, for the periods noted and the annual compound return, based on published net asset value, since inception, compared with the S&P/TSX Capped Income Trust Total Return Index.

	2007 ¹	2006 ¹	2005 ²	Since Inception ³
Fund - Net assets	(22.3%)	(35.3%)	—%	(22.0%)
Fund - Total Return, including distributions	(6.5%)	(25.3%)	7.3%	(8.9%)
S&P/TSX Capped Income Trust Total Return Index	6.6%	(2.8%)	22.6%	8.9%

¹ For the twelve months ended December 31

² For the period from inception (March 16, 2005) to December 31, 2005, net of issuance costs

³ For the period from inception (March 16, 2005) to December 31, 2007, 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, 2007, the Fund was invested in the following sectors in the percentages shown below:

	Actual Weighting 2007 ¹	Actual Weighting 2006 ¹	Actual Weighting 2005 ¹	Permitted Weighting
Business trusts	45.4%	44.2%	52.5%	20% - 60%
Power generation and pipeline trusts	5.3%	7.2%	5.2%	5% - 35%
Oil and gas royalty trusts	25.4%	24.3%	26.3%	10% - 50%
REITs	22.2%	23.0%	13.7%	5% - 45%
Total income trusts	98.3%	98.7%	97.7%	90% - 100%
High-yielding equity-based securities	1.7%	1.3%	2.3%	0% - 15%
	100.0%	100.0%	100.0%	

¹ Based on market value as at December 31

Top 25 Positions

The top 25 positions held by the Fund as at December 31, 2007, were as follows:

Number of Units		Fair Value	Percentage of Investment Portfolio
434,300	Energy Savings Income Fund	\$ 7,231,095	7.2%
216,000	Bonavista Energy Trust	6,130,080	6.1%
246,900	Crescent Point Energy Trust	6,095,961	6.1%
2,441,600	Huntingdon REIT	5,591,264	5.6%
364,000	Artis REIT	5,478,200	5.5%
254,800	Altus Group Income Fund	4,675,580	4.7%
1,160,000	Eveready Income Fund	4,605,200	4.6%
411,000	Progress Energy Trust	4,447,020	4.5%
389,000	Trinidad Energy Services Income Trust	4,084,500	4.1%
290,000	First National Financial Income Fund	3,975,900	4.0%
148,800	BFI Canada Income Fund	3,958,080	4.0%
224,000	Focus Energy Trust	3,745,280	3.7%
365,300	Macquarie Power & Infrastructure Income Fund	3,441,126	3.4%
769,300	Newport Partners Income Fund	3,331,069	3.3%
135,000	IBI Income Fund	3,223,800	3.2%
314,400	Coast Wholesale Appliances Income Fund	2,876,760	2.9%
303,300	Avenir Diversified Income Trust	2,314,179	2.3%
255,400	AutoCanada Income Fund	2,308,816	2.3%
649,400	Lakeview Hotel REIT	2,253,418	2.3%
91,000	Calloway REIT	2,204,930	2.2%
607,500	Vault Energy Trust	2,168,775	2.2%
930,000	BTB REIT	2,008,800	2.0%
173,500	Atlantic Power Corporation	1,856,450	1.9%
68,000	Penn West Energy Trust	1,748,280	1.8%
82,400	Allied Properties REIT	1,703,208	1.7%



Kevin Cash
 Vice President & Chief Financial Officer of the Manager

March 9, 2008

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 Brookfield Investment Funds Management Inc., 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 22 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, 2008



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, 2007, the statements of net assets as at December 31, 2007 and 2006, and the statements of operations, changes in net assets, and cash flows for the years then ended. 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, 2007 and 2006 and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 9, 2008



*Chartered Accountants
Licenced Public Accountants*

STATEMENTS OF NET ASSETS

As at December 31	2007	2006
Assets		
Investments, at fair value <i>(note 2)</i>	\$ 99,875,412	\$ 129,527,795
Cash and equivalents	660,559	939,562
Distributions and interest receivable	1,020,901	1,204,871
Total assets	\$ 101,556,872	\$ 131,672,228
Liabilities		
Accounts payable and accrued liabilities <i>(note 5)</i>	1,264,987	1,390,302
Loan payable <i>(note 6)</i>	5,072,267	5,583,765
Preferred securities <i>(note 7)</i>	56,825,430	65,917,150
Total liabilities	63,162,684	72,891,217
Net assets representing unitholders' equity	\$ 38,394,188	\$ 58,781,011
Units outstanding <i>(note 8)</i>	5,682,543	6,591,715
Net assets per unit <i>(note 4)</i>	\$ 6.76	\$ 8.92

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	2007	2006
Income and distributions		
Distributions from income trusts	\$ 9,499,526	\$ 10,524,829
Return of capital	3,467,509	4,945,140
Interest income	162,693	151,538
Security lending revenue	37,555	—
	13,167,283	15,621,507
Expenses		
Preferred securities interest expense	3,909,570	4,105,405
Management fees (note 10)	1,345,704	1,691,781
Service fees (note 10)	210,756	317,888
Other interest expense	228,596	314,156
General and administrative	138,928	212,684
Audit fees	52,878	46,992
Legal and exchange fees	49,228	44,459
Accounting and administrative	41,150	26,710
Custodial fees	34,651	30,355
Trustee fees	26,486	24,935
Investor communication fees	13,567	10,312
Directors' fees	13,375	8,025
	6,064,889	6,833,702
Net investment income	7,102,394	8,787,805
Transaction costs (notes 3c, 11)	(119,925)	—
Net realized losses on sale of investments (note 11)	(5,159,373)	(20,385,698)
Net change in unrealized gains on investments	(2,618,968)	(7,415,288)
Return of capital	(3,467,509)	(4,945,140)
Results of operations	\$ (4,263,381)	\$ (23,958,321)
Results of operations per unit¹		
Net investment income	\$ 1.09	\$ 1.29
Transaction costs	(0.02)	—
Net realized losses on sale of investments	(0.79)	(2.99)
Net change in unrealized gains on investments	(0.40)	(1.09)
Return of capital	(0.53)	(0.72)
Decrease in net assets from operations	\$ (0.65)	\$ (3.51)

The accompanying notes are integral to these financial statements

1 Based on the weighted average number of units outstanding for the period (note 8)

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31	2007	2006
Net assets - beginning of year	\$ 58,781,011	\$ 94,364,187
Fair value adjustment		
Adjustment from December 31, 2006 closing prices to bid prices <i>(note 2)</i>	(1,128,280)	—
Operations		
Net investment income	7,102,394	8,787,805
Transaction costs <i>(notes 3c, 11)</i>	(119,925)	—
Net realized losses on sale of investments <i>(note 11)</i>	(5,159,373)	(20,385,698)
Net change in unrealized gains on investments	(2,618,968)	(7,415,288)
Return of capital	(3,467,509)	(4,945,140)
	(4,263,381)	(23,958,321)
Unitholder transactions		
Distributions to unitholders		
From net investment income	(2,232,681)	(2,530,278)
From dividend income	(336,309)	—
From return of capital	(6,555,947)	(6,907,537)
Redemption of capital units <i>(note 8)</i>	(5,870,225)	(2,187,040)
	(14,995,162)	(11,624,855)
Net decrease in net assets during the year	(20,386,823)	(35,583,176)
Net assets - end of year	\$ 38,394,188	\$ 58,781,011

The accompanying notes are integral to these financial statements

STATEMENTS OF CASH FLOWS

For the years ended December 31	2007	2006
Operating activities		
Net investment income	\$ 7,102,394	\$ 8,787,805
Transaction costs (notes 3c, 11)	(119,925)	—
Return of capital	(3,467,509)	(4,945,140)
Change in other assets and liabilities	58,655	(82,382)
	3,573,615	3,760,283
Financing activities		
Loan payable, net borrowings (repayment)	(511,498)	(803,373)
Distributions to unitholders	(9,124,937)	(9,437,815)
Redemption of preferred securities (note 7)	(9,091,720)	(2,506,260)
Redemption of capital units (note 8)	(5,870,225)	(2,187,040)
	(24,598,380)	(14,934,488)
Investing activities		
Purchase of investment securities (note 11)	(21,559,856)	(35,739,619)
Proceeds from sale of investments (note 11)	42,305,618	47,682,482
	20,745,762	11,942,863
Net (decrease) increase in cash and equivalents during the year	(279,003)	768,658
Cash and equivalents, beginning of year	939,562	170,904
Cash and equivalents, end of year	\$ 660,559	\$ 939,562

The accompanying notes are integral to these financial statements

STATEMENT OF INVESTMENTS¹

As at December 31, 2007

Number of Units ²		Average Cost	Fair Value	Percentage of Net Assets
	Business Trusts			
434,300	Energy Savings Income Fund	\$ 7,140,265	\$ 7,231,095	18.8%
254,800	Altus Group Income Fund	2,473,290	4,675,580	12.2%
1,160,000	Eveready Income Fund	4,628,734	4,605,200	12.0%
389,000	Trinidad Energy Services Income Trust	4,043,701	4,084,500	10.6%
290,000	First National Financial Income Fund	2,703,654	3,975,900	10.4%
148,800	BFI Canada Income Fund	3,739,082	3,958,080	10.3%
769,300	Newport Partners Income Fund	6,505,455	3,331,069	8.7%
135,000	IBI Income Fund	3,157,695	3,223,800	8.4%
314,400	Coast Wholesale Appliances Income Fund	2,875,420	2,876,760	7.5%
303,300	Avenir Diversified Income Trust	2,327,274	2,314,179	6.0%
255,400	AutoCanada Income Fund	2,528,456	2,308,816	6.0%
160,000	Exchange Industrial Income Fund	2,000,000	1,656,000	4.3%
380,000	Petrowest Energy Services Trust	3,699,420	767,600	2.0%
120,100	XS Cargo Income Fund	1,165,945	193,361	0.5%
199,000	Big Eagle Services Trust - Private Placement	995,000	169,150	0.4%
		49,983,391	45,371,090	118.1%
	Power Generation and Pipeline Trusts			
365,300	Macquarie Power & Infrastructure Income Fund	3,242,410	3,441,126	9.0%
173,500	Atlantic Power Corporation	1,710,755	1,856,450	4.8%
		4,953,165	5,297,576	13.8%
	Oil and Gas Royalty Trusts			
216,000	Bonavista Energy Trust	6,752,428	6,130,080	16.0%
246,900	Crescent Point Energy Trust	4,507,559	6,095,961	15.9%
411,000	Progress Energy Trust	5,290,180	4,447,020	11.6%
224,000	Focus Energy Trust	4,295,230	3,745,280	9.8%
607,500	Vault Energy Trust	5,373,177	2,168,775	5.6%
68,000	Penn West Energy Trust	2,226,935	1,748,280	4.6%
169,000	Paramount Energy Trust	1,702,112	1,057,940	2.7%
		30,147,621	25,393,336	66.2%
	Real Estate Investment Trusts (REITs)			
2,441,600	Huntingdon REIT	4,429,274	5,591,264	14.6%
364,000	Artis REIT	3,446,108	5,478,200	14.3%
649,400	Lakeview Hotel REIT	1,756,357	2,253,418	5.9%
91,000	Calloway REIT	1,500,498	2,204,930	5.7%
930,000	BTB REIT	1,787,628	2,008,800	5.2%
82,400	Allied Properties REIT	1,040,844	1,703,208	4.4%
391,600	InterRent REIT	2,064,496	1,468,500	3.8%
71,000	H&R REIT	1,196,355	1,405,090	3.7%
		17,221,560	22,113,410	57.6%
	High-Yielding Equity-Based Securities			
1,700,000	Lanesborough REIT Convertible Debenture	1,700,000	1,700,000	4.4%
	Investment portfolio	104,005,737	99,875,412	260.1%
	Transaction costs (notes 3c, 11)	(45,198)	—	—%
	Total investment portfolio	\$ 103,960,539	99,875,412	260.1%
	Cash and equivalents		660,559	1.7%
	Liabilities in excess of other assets		(62,141,783)	(161.8%)
	Net assets		\$ 38,394,188	100.0%

The accompanying notes are integral to these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006 and 2007

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 Inc., (in such capacity, the “Manager”) a subsidiary of Brookfield Asset Management Inc. 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. ACCOUNTING POLICY CHANGE

Effective October 1, 2006, CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, requires that the fair value of financial instruments which are actively traded be measured based on the bid price for the security. Previously, fair value for generally accepted accounting principles (“GAAP”) was based on the last traded price for the day, when available. For financial reporting purposes, on January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund on a retroactive basis (without restatement of prior periods). This change impacts the reported value of the Fund’s investments in its annual and interim financial statements prepared in accordance with GAAP (“Financial Statement NAV”). However, as a result of a temporary exemption provided by the Canadian Securities Administrators, the value used to determine the daily price of the Fund’s securities for purchase and redemption by clients (“Published NAV”) is not affected. The impact of adopting the amended valuation policy for financial reporting purposes for the Period resulted in a reduction of the Financial Statement NAV of the Fund as at December 31, 2006 by \$1,128,280 or \$0.17 per unit.

3. SIGNIFICANT ACCOUNTING POLICIES

These audited 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 year. 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 fair value. Investments that are publicly traded are valued at their last bid price. As noted in Note 2, prior to January 1, 2007, such investments were generally valued at their last closing price. 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 their fair value. Investments for which reliable quotations are not readily available, or for which there is no closing bid price, are valued at fair value as determined using the Manager’s best estimates thereof pursuant to procedures established by the Manager and taking into account the last closing price, where appropriate.

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 the 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, including trusts and limited partnerships, 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.

Effective January 1, 2007, brokerage commissions incurred for portfolio transactions are included as an expense in the Statements of Operations. Brokerage commissions incurred prior to January 1, 2007 were included in the cost of investments purchased or as a reduction of the proceeds received upon the sale of investments. The Statement of Investments includes an adjustment to reduce the cost of investments for this change in accounting policy on a prospective basis.

d) Income Taxes

The Fund is taxed as a unit trust under the Income Tax Act (Canada). Provided that the Fund makes distributions in each year of its net taxable income and taxable net 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 taxable income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

e) Foreign Exchange

The fair 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) Future Accounting Changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments - Disclosures (“Section 3862”), and Handbook Section 3863, Financial Instruments - Presentation (“Section 3863”). These new standards will be effective beginning on January 1, 2008 for the Fund.

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing unitholders’ equity; (ii) quantitative data about what the entity regards as unitholders’ equity; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Manager has policies and procedures in place to manage the capital of the Fund in accordance with the Fund’s investment objectives, strategies and restrictions.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements, and carry forward the presentation requirements under the existing Section 3861. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from recognized and unrecognized financial instruments and how the Fund manages those risks. The Fund’s Manager manages those risks in accordance with the Fund’s investment objectives, strategies, and restrictions.

In June 2007, the CICA issued amendments to Handbook Section 1400, General Standards of Financial Statement Presentation to include requirements, to assess and disclose an entity’s ability to continue as a going concern. The new requirements are effective for the Fund beginning on January 1, 2008. The Manager does not expect the implementation to have a significant impact on the financial statements.

4. NET ASSET VALUE PER UNIT

For financial statement reporting purposes, the fair value of the Fund’s investments is measured in accordance with Section 3855 of the CICA Handbook, which for publicly listed securities is based on closing bid prices on the recognized stock exchange on which the investments are listed or principally traded. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund continues to calculate the published Net Asset Value using the last trading price.

The difference between the published Net Asset Value per unit and the financial statement Net Asset Value per unit reflected in the financial statements as at December 31 is as follows:

As at December 31, 2007		Per Unit
Published Net Asset Value used for purchases and redemptions	\$ 39,345,135	\$ 6.90
Section 3855 adjustment (note 2)	(950,947)	(0.14)
Net Assets per financial statements	\$ 38,394,188	\$ 6.76

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following:

As at December 31	2007	2006
Distributions payable to unitholders (note 9)	\$ 663,153	\$ 769,253
Interest payable to security holders	284,127	344,949
Other accounts payable and accrued liabilities	187,207	106,351
Management fees payable	90,979	111,363
Service fees payable	39,521	58,386
	\$ 1,264,987	\$ 1,390,302

6. LOAN FACILITY

The Fund has a 364-day revolving term credit facility with a Canadian chartered bank up to a maximum amount of \$11,000,000, but not exceeding 7% of the net asset value of the Fund, which was reduced from the lower of \$15,000,000 but not exceeding 7% of the total value of the net assets of the Fund as at December 31, 2006. Subsequent to December 31, 2007, the maximum draw under the facility was further reduced to a limit of \$8,500,000 but not exceeding 7% of the total value of the net assets of the Fund. 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, 2007, \$5,072,267 was drawn on the facility (2006 - \$5,583,765), representing 13.2% of net assets of the Fund. 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 amounts borrowed during the year ended December 31, 2007 were \$1,294,724 and \$5,891,263, respectively (\$nil and \$9,300,000, respectively during 2006).

7. 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. During 2006, 250,626 preferred securities were redeemed for \$2.5 million and 909,172 preferred securities were redeemed for \$9.1 million in 2007.

A continuity of the preferred securities of the Fund is as follows:

Issued	Number of Units	Amount
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
Redeemed for cash		
Cancelled after redemption for cash	(909,172)	(9,091,720)
Preferred securities - December 31, 2007	5,682,543	\$ 56,825,430

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.

8. 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 totaled \$101,650,875. As at December 31, 2007, the Fund has \$3,930,447 (2006 - \$5,170,272) of issuance costs available, which will be deducted for tax purposes over the next three 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.

To enhance liquidity and provide market support for the units, the Fund has a market repurchase program under which the Fund purchases units for cancellation. Purchases may be made at any time the price at which units are offered in the market is less than 95% of the latest determined net asset value per unit, up to a maximum in any calendar quarter of 1.25% of the outstanding units at the beginning of such calendar quarter. During 2007, the Fund did not purchase any units for cancellation under the market repurchase program (2006 - nil units).

During 2007, the Fund received 909,172 units (2006 - 250,626 units) for redemption, which were cancelled at an average price of \$6.46 per unit (2006 - \$8.73 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 is as follows:

Issued	Number of Units	Amount
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
Redeemed for cash		
Cancelled after redemption for cash	(909,172)	(5,870,225)
Units - December 31, 2007	5,682,543	\$ 86,954,773

The weighted average number of units outstanding for the year ended December 31, 2007 was 6,571,788 (2006 - 6,826,461).

9. 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. Distributions payable as at December 31, 2007 totaled \$663,153 (2006 - \$769,253). On December 18, 2007, the Fund announced that it was decreasing its monthly distribution to \$0.084 per unit or \$1.008 on an annual basis effective with the January 2008 distribution, payable in February 2008.

10. 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.

11. INVESTMENT TRANSACTIONS

Investment transactions¹ for the year ended December 31 were as follows:

	2007	2006
Proceeds from sale of investments	\$ 42,305,618	\$ 47,682,482
Less cost of investments sold		
Investments at cost - beginning of year	129,865,674	162,194,235
Investments purchased during the year	21,559,856	35,739,619
Investments at cost - end of year	103,960,539	129,865,674
Cost of investments sold during the year	47,464,991	68,068,180
Net realized losses on sale of investments	\$ (5,159,373)	\$ (20,385,698)

¹ All balances have been adjusted for Return of Capital amounts

Brokerage commissions on securities purchased and sold during the year ended December 31, 2007 totaled \$119,925 and are included as an expense in the Statements of Operations. Brokerage commissions on securities purchased and sold during the year ended December 31, 2006 totaled \$152,433 and are included in the cost of securities purchased or netted against proceeds received from securities sold.

12. RISK MANAGEMENT

The Fund aims to maximize monthly distributions primarily through investments in business trusts, power generation and pipeline trusts, royalty trusts and real estate investment trusts. The Manager uses a disciplined, fundamental approach in its investment selection and management approach which consists of an intensive and ongoing research process of investment opportunities across a broad range of investment vehicles in various industries and geographic regions. The Manager purchases and holds securities for the Fund for the medium to long-term. The Manager also determines the timing to rotate the Fund's portfolio into other sectors and investment vehicles to enhance the Fund's portfolio performance and/or limit risk.

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investments in the trust market. The Fund intends to continue to invest taking a long-term perspective while focusing on quality businesses that consistently deliver strong returns for unitholders. The Fund's investment portfolio is monitored on a daily basis by the Manager.

Interest Rate Risk

The majority of the Fund's assets are non-interest bearing; however, the bank loan facility bears interest at the prime rate. The Fund is also exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its investments.

Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Fund maintains all of its cash and equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Currency Risk

The assets and liabilities of the Fund are predominantly held in the functional currency of the Fund which is the Canadian dollar. The Fund is not exposed to significant foreign currency risks.

Liquidity Risk

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of since it invests only a limited proportion of its assets in investments not actively traded on a stock exchange. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

BOARD AND MANAGEMENT

INDEPENDENT REVIEW COMMITTEE

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The Caldwell Partners International Inc.

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Business Consultant

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Brookfield Investment Funds Management Inc.

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Scott Jarvis
Portfolio Manager & Analyst

Brian Durno
Analyst

Seth Powter
Analyst

CORPORATE INFORMATION

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

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Trustee, Transfer Agent and Registrar

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

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