

## REPORT TO UNITHOLDERS

Dear Fellow Unitholders,

The year 2009 saw returns for both equity and income trust markets improve dramatically. In this letter, we will provide an overview of the returns for the worldwide markets and how this compares to the performance of the income trust sector. In addition, we will look at the current status of the income trust market and our expectations for this sector in the future. Also, we will explain Trust performance for 2009 and share our outlook for 2010.

### MARKET OVERVIEW

The performance of worldwide equity markets provided opportunity for significant gains during 2009. The Canadian market provided the most significant return in 2009 at 35.1% on the back of strong commodity prices. The income trust market (approximately 57% Oil & Gas weighting according to RBC Capital Markets) enjoyed the highest returns at 42.2%. World market indices and both the S&P 500 and DJIA provided positive returns.

Index	2009 Return
S&P/TSX Capped Income Trust Total Return	42.2%
S&P/TSX Composite	35.1%
S&P 500	26.5%
Dow Jones Industrial Average	18.8%
MSCI EAFE (Europe, Australasia, Far East)	32.5%
MSCI World	30.8%

Source: RBC Capital Markets

Both the Energy and REIT components contributed positively to 2009 performance of the S&P/TSX Capped Income Trust Total Return Index.

Sector	2009 Return
S&P/TSX Capped Energy Trust Total Return Index	43.6%
S&P/TSX Capped REIT Total Return Index	55.3%

Source: RBC Capital Markets

### INCOME TRUSTS - A SECTOR IN TRANSITION

The Tax Fairness Plan for Canadians is now law and income trusts have less than 1 year remaining before they will be subject to a Distribution Tax (the "Tax") beginning in their 2011 taxation year. Effectively, income trusts are viewed as corporations with a tax holiday until 2011. It should be noted that qualifying REITs receive an exemption.

Since the announcement of the Tax Fairness Plan for Canadians on October 31, 2006, the overall number of income trusts has continued to decrease.

Sub-Sector	# of Trusts ending December 31				'06 to '07 Change	'07 to '08 Change	'08 to '09 Change	'06 to '09 Change
	2006	2007	2008	2009				
Oil & Gas Royalty Trusts	31	27	22	17	(4)	(5)	(5)	(14)
Business Trusts	168	135	119	96	(33)	(16)	(23)	(72)
REITs (1)	33	27	27	26	(6)	0	(1)	(7)
Power & Pipeline Trusts	23	19	16	13	(4)	(3)	(3)	(10)
<b>Total</b>	<b>255</b>	<b>208</b>	<b>184</b>	<b>152</b>	<b>(47)</b>	<b>(24)</b>	<b>(32)</b>	<b>(103)</b>

<sup>(1)</sup> Subject to individual circumstances, REITs are generally not impacted by the Tax Fairness Plan.

The decrease in the number of income trusts during 2009 has been largely due to the significant number of conversions as seen in the table below:

	# of Trusts	Market Capitalization (\$B)
Takeovers/mergers/sales - Domestic Acquirer	(3)	\$0.2
Takeovers/mergers/sales - Foreign Acquirer	(4)	\$2.0
Conversions to corporations	(25)	\$14.4
<b>Total</b>	<b>(32)</b>	<b>\$16.6</b>

Source: RBC Capital Markets

Conversions to corporations were responsible for the largest number of transactions (25) representing \$14.4 billion of market capitalization. It is expected that the number of income trusts will materially decrease in 2010. In 2011, while it is difficult to predict the future, we continue to expect that many of the businesses will continue to exist; however, we expect their form to be different. Most trusts will convert back to corporations and retain their cash flow to fund future growth, while others will become high dividend paying corporations. As for trusts that are acquired, takeovers will likely continue to be done at a premium to their trading price prior to any announcement. We do believe that all income trusts (excluding REITs) will convert to corporations prior to 2013. This is due to the Federal Government's draft tax legislation that was released on July 14, 2008 which enables income trusts to convert to corporations on a tax deferred basis until 2013.

Throughout this continuing transition in the income trust market, trusts still offer investors the highest source for yield. As seen from the table below, the current income trust market continues to offer investors a diverse group of businesses offering high yields. As at December 31, 2009 the average yield for the income trust sector was 7.3%. This is significantly higher than the 2.7% yield offered from the S&P/TSX Composite Index and the 3.6% yield on the 10-year benchmark Canada bond. As noted earlier, many of the businesses currently structured as trusts will continue to offer above-average yields both now and beyond 2010.

The income trust market as of December 31, 2009:

Sub-Sector	# of Trusts	Market Capitalization (\$B)	Average Yield
Oil & Gas Royalty Trusts	17	\$52.5	8.2%
Business Trusts	96	\$29.2	6.9%
REITs	26	\$20.9	7.1%
Power & Pipeline Trusts	13	\$16.6	9.7%
<b>Total</b>	<b>152</b>	<b>\$119.2</b>	<b>7.3%</b>

When compared to the end of 2008, the number of income trusts has decreased by 32 and the overall market capitalization has increased from \$97.7 billion to \$119.2 billion. The increase in market capitalization can be attributed to an increase in trust unit prices over the period, partially offset by income trust acquisitions and conversions. In addition, the average yield has decreased to 7.3% from 14.9% for the year ended December 31, 2008. The decrease in yield can be attributed to distribution decreases and an increase in unit prices.

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 will hinder the ability of a trust to maintain its current distribution in 2011, there is approximately one year before the Tax will be enacted and we believe certain trusts will be able to grow their distributable cash over this period to offset the impact of the new Tax. In 2004, 2005 and 2006, approximately 40% of trusts, each year, increased their distributions. However, since the Tax was announced, less than 22% of trusts increased their distributions during 2007, 12% in 2008 and only 10% of income trusts increased their distribution in 2009 (3 Oil & Gas Royalty Trusts, 3 Power & Pipeline and 13 Business Trusts). The distribution decreases can mainly be attributed to a combination of weaker commodity prices, the challenging economic environment and the pending tax. The weakness experienced in oil and gas prices during the second half of 2008 and the first half of 2009 resulted in approximately 88% of trusts in the Oil & Gas sector either reducing or discontinuing their distributions. As a result of the challenging economic environment Business Trusts were also active in reducing their distributions as 46% either reduced or discontinued their distributions.

	2009	2008	2007	2006	2005	2004
Increased distributions*	10.5%	12.0%	21.2%	39.2%	44.9%	38.3%
Constant distributions*	42.8%	57.6%	57.7%	45.1%	46.6%	52.0%
Decreased/omitted/no distribution*	46.7%	30.4%	21.1%	15.7%	8.5%	9.7%

\* Based on announcement date

When evaluating the strength of the income trust market there are a number of weak businesses that would struggle regardless of their legal structure but there are also 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 businesses, whether in trust or corporate form, will continue to perform well in the future and will provide attractive long-term investment returns if purchased at reasonable prices.

## TRUST PERFORMANCE

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

For the twelve months ended December 31, 2009, the Trust's published net asset value per unit of the Capital Units, which is used for purchases and redemptions was \$2.32. The published combined net asset value of the Trust was \$12.32 at December 31, 2009, an increase of \$3.80 from December 31, 2008. The published net asset value of the combined units increased 44.6% for the twelve months ended December 31, 2009. If interest paid on the preferred units are included, the return based on net asset value for the full year ended December 31, 2009 is 51.6%. During the same timeframe, the S&P/TSX Capped Income Trust Total Return Index returned 42.2% including distributions.

The Trust's split share structure results in structural leverage for the Capital Units. The amount of structural leverage of the Capital Units is based on the ratio of the Trust's total portfolio over the net asset value of the Capital Units. The structural leverage compounded the positive returns experienced during 2009, resulting in the Capital Units appreciating from \$0 as at December 31, 2008 to \$2.32 as at December 31, 2009.

For the year ended December 31, 2009, the Trust generated net realized losses of approximately \$17.0 million. This was largely due to liquidating the Trust's positions in Eveready Inc., Huntingdon REIT, Trinidad Drilling Ltd, Autocanada Income Fund, IESI- BFC, Interrent REIT and Lakeview REIT for losses of \$4.5 million, \$3.4 million, \$1.9 million, \$1.7 million, \$1.7 million, \$1.3 million and \$1.3 million respectively. With the exception of Eveready Inc., all above mentioned positions were liquidated due to the deteriorating business prospects of these companies. Losses of \$1.5 million and \$0.9 million on Progress Energy Trust and Penn West Energy Trust were realized in order to reduce the Trust's exposure to the oil & gas sector. The losses were partially offset by a number of sales which included Crescent Point Energy and First National Financial Income Fund for gains of \$1.9 million and \$0.1 million respectively as part positions sold to manage asset mix.

### Distributions

The Trust declared and paid monthly distributions in 2008 at its targeted monthly rate of \$0.084 per unit for the first nine months of the year for its Capital Units. On October 23, 2008, the Trust announced that it was suspending its distribution, in accordance with its Declaration of Trust, as the Trust's net asset value was below the required 1.4 times coverage ratio. The Declaration of Trust prohibits the Trust from paying a distribution on its Capital Units if, after giving effect to the proposed distribution, the net asset value per unit of its Capital Units would be less than \$4.00. The distribution has been suspended since October 2008 and the Trust will continue to monitor its net asset value per Capital Unit to determine if and when it will be able to make monthly distributions in the future. Distributions of \$0.15 per quarter continue to be paid on the preferred units.

### Redemptions

On October 23, 2008, the Trust also announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 in respect of both its Capital Units and Preferred Securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. The Trust is continuing to monitor its net asset value to determine if and when it will be able to resume redemptions.



## PROPOSED AMENDMENTS TO THE DECLARATION OF TRUST

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On March 11, 2010, a proposal was announced to amend the declaration of trust of Brascan SoundVest Rising Distribution Split Trust, as well as to change the manager, and to rename the Trust "Brookfield Soundvest Split Trust".

The proposal, which requires approval by the capital unitholders of the Trust, would result in a change to the existing investment strategy. It is proposed that the Trust's investment mandate be expanded to allow investment in a broader set of primarily high yielding equity securities. The investment objectives will remain the same: for holders of preferred securities, to provide fixed quarterly interest payments and repay the original subscription price at maturity; and for holders of capital units, to provide a regular stream of monthly distributions and to maximize long-term total return.

The Manager believes that expanding the investment flexibility of the Trust will permit it to invest in a broader range of securities to off-set the reduction in the number of income trust investments resulting from the Canadian Federal Government's decision announced on October 31, 2006 to change the way that income trusts are to be taxed, effective January 1, 2011.

Subject to capital unitholder and regulatory approval, review by the Trusts' independent review committee, and other closing conditions, the changes are expected to be completed by April 30, 2010.

## OUTLOOK

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Until the income trust sector becomes taxable starting in 2011, we believe the high level of acquisition and strategic review activity will continue as will conversions to corporations. The overall number of income trusts will continue to decrease. By the time 2011 arrives, we expect most income trusts (with the exception of REITs) to convert to corporations with the balance converting by the end of 2013.

In the meantime, we believe that income trusts offer an attractive opportunity for investors searching for yield and value. Not only does the sector offer a significantly higher yield, at 7.3% versus the TSX Composite at 2.7% or the 10-year benchmark Canada bond at 3.6%, but some specific trusts valuations continue to be attractive.

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 - 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 environment.

Thank you for your continued support of our Trust.

George E. Myhal  
On behalf of the Manager

Kevin Charlebois  
On behalf of the Investment Advisor

### Caution Regarding 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 "expect," "tend," "continue," "likely," "believe," "may," "aims," "will," "seeks," 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 particular trusts, the likelihood of income trust conversions to corporate structures, the ability and likelihood of certain trusts to increase or decrease their distributable cash, acquisition trends in the income trust sector, Trust annual distribution targets and portfolio weightings, future performance of Oil and Gas Royalty Trusts, future positioning of the Trust, income trust yields and distribution levels in the future, and other statements with respect to our beliefs, outlooks, plans, expectations and intentions. 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 Trust 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 Trust'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.*