

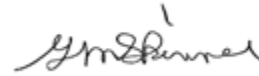
## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Brookfield Soundvest Equity Fund (formerly Brascan SoundVest Focused Business Trust) (the "Fund") and other financial information have been prepared by Brookfield Soundvest Capital Management Ltd., an affiliate 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 17 through 28 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.

Ottawa, Ontario  
March 30, 2011



Garry Skinner  
*Chief Financial Officer of the Manager*



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## Independent Auditor's Report

To the Unitholders of  
Brookfield Soundvest Equity Fund (formerly Brascan SoundVest Focused Business Trust)

We have audited the accompanying financial statements of Brookfield Soundvest Equity Fund, which comprise the statement of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, and the statements of operations, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## Independent Auditor's Report (Continued)

### *Auditor's Responsibility (Continued)*

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brookfield Soundvest Equity Fund as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

March 30, 2011  
Ottawa, Canada

## STATEMENTS OF NET ASSETS

As at	December 31, 2010	December 31, 2009 (Note 1)
<b>Assets</b>		
Investments, at fair value	\$ 44,187,082	\$ 7,257,191
Cash and equivalents	107,120	121,410
Distributions and interest receivable	229,049	66,440
Prepaid and other	10,439	1,099
<b>Total assets</b>	<b>44,533,690</b>	<b>7,446,140</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <i>(note 5)</i>	324,949	123,807
Loan payable <i>(note 6)</i>	5,993,541	1,099,354
<b>Total liabilities</b>	<b>6,318,490</b>	<b>1,223,161</b>
<b>Net assets representing unitholders' equity</b>	<b>\$ 38,215,200</b>	<b>\$ 6,222,979</b>
Units outstanding <i>(note 7)</i>	6,581,260	1,335,669
<b>Net assets per unit <i>(note 4)</i></b>	<b>\$ 5.81</b>	<b>\$ 4.66</b>

*The accompanying notes are integral to these financial statements*

Approved by the Manager, by:



Kevin W. Charlebois  
Director



George E. Myhal  
Director

## STATEMENTS OF OPERATIONS

For the twelve months ended December 31	2010		2009 (Note 1)	
<b>Income and distributions</b>				
Distributions	\$	3,335,126	\$	775,516
Return of capital		389,644		63,008
Interest income		82,777		13,362
		<b>3,807,547</b>		<b>851,886</b>
<b>Expenses</b>				
Management fees <i>(note 9)</i>		420,556		79,470
Service fees <i>(note 9)</i>		168,619		27,758
Interest expense		146,106		8,740
General and administrative		87,988		33,418
Legal and exchange fees		74,890		9,949
Audit fees		42,059		38,908
Independent review committee fees		35,927		17,126
Accounting and administrative		35,529		35,815
Trustee fees		26,548		26,743
Custodial fees		20,794		17,940
		<b>1,059,016</b>		<b>295,867</b>
<b>Net investment income</b>		<b>2,748,531</b>		<b>556,019</b>
<b>Transaction costs <i>(note 10)</i></b>		<b>(63,256)</b>		<b>(13,903)</b>
<b>Net realized gains (losses) on sale of investments <i>(note 10)</i></b>		<b>425,734</b>		<b>(2,947,051)</b>
<b>Net change in unrealized gains on investments</b>		<b>7,974,669</b>		<b>5,259,023</b>
<b>Return of capital</b>		<b>(389,644)</b>		<b>(63,008)</b>
<b>Results of operations</b>	<b>\$</b>	<b>10,696,034</b>	<b>\$</b>	<b>2,791,080</b>
<b>Results of operations per unit<sup>1</sup></b>				
Net investment income	\$	0.31	\$	0.30
Transaction costs		(0.01)		(0.01)
Net realized gains (losses) on sale of investments		0.05		(1.59)
Net change in unrealized gains on investments		0.90		2.83
Return of capital		(0.04)		(0.03)
<b>Increase in net assets from operations</b>	<b>\$</b>	<b>1.21</b>	<b>\$</b>	<b>1.50</b>

<sup>1</sup> Based on the weighted average number of units outstanding for the period *(note 7)*

The accompanying notes are integral to these financial statements

## STATEMENTS OF CHANGES IN NET ASSETS

For the twelve months ended December 31	2010	2009 (Note 1)
<b>Net assets - beginning of year</b>	<b>\$ 6,222,979</b>	<b>\$ 6,401,266</b>
<b>Operations</b>		
Net investment income	2,748,531	556,019
Transaction costs <i>(note 10)</i>	(63,256)	(13,903)
Net realized gains (losses) on sale of investments <i>(note 9)</i>	425,734	(2,947,051)
Net change in unrealized gains on investments	7,974,669	5,259,023
Return of capital	(389,644)	(63,008)
	<b>10,696,034</b>	<b>2,791,080</b>
<b>Unitholder transactions</b>		
Issuance of units on merger of funds <i>(note 7)</i>	40,772,358	—
Distribution to unitholders		
From net investment income	(2,273,539)	—
From return of capital	(389,644)	(592,770)
Redemption of units	(16,812,988)	(2,376,597)
	<b>21,296,187</b>	<b>(2,969,367)</b>
<b>Net increase (decrease) in net assets during the period</b>	<b>31,992,221</b>	<b>(178,287)</b>
<b>Net assets - end of year</b>	<b>\$ 38,215,200</b>	<b>\$ 6,222,979</b>

## STATEMENTS OF CASH FLOWS

For the twelve months ended December 31	2010	2009 (Note 1)
<b>Operating activities</b>		
Net investment income	\$ 2,748,531	\$ 556,019
Transaction costs <i>(note 10)</i>	(63,256)	(13,903)
Return of capital	(389,644)	(63,008)
Change in non-cash working capital	29,193	(32,927)
	<b>2,324,824</b>	<b>446,181</b>
<b>Financing activities</b>		
Loan payable, net borrowings	4,894,187	1,099,354
Distributions to unitholders	(2,663,183)	(592,770)
Redemption of units	(16,812,988)	(2,376,597)
	<b>(14,581,984)</b>	<b>(1,870,013)</b>
<b>Investing activities</b>		
Purchase of investment securities <i>(note 10)</i>	(4,489,789)	(1,431,424)
Proceeds from sale of investments <i>(note 10)</i>	21,207,393	2,950,850
Payment of net liabilities assumed on merger of funds	(4,474,734)	—
	<b>12,242,870</b>	<b>1,519,426</b>
<b>Net (decrease) increase in cash and equivalents during the year</b>	<b>(14,290)</b>	<b>95,594</b>
<b>Cash and equivalents, beginning of year</b>	<b>121,410</b>	<b>25,816</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 107,120</b>	<b>\$ 121,410</b>

The accompanying notes are integral to these financial statements



## STATEMENT OF INVESTMENTS

As at December 31, 2010

Number of Units <sup>1</sup>		Average Cost	Fair Value	Percentage of Net Assets
<b>Income Trusts</b>				
190,000	Just Energy Income Fund	\$ 2,822,616	\$ 2,844,300	7.4%
90,000	ARC Energy Trust	1,791,360	2,286,900	6.0%
70,000	Bonavista Energy Trust	1,564,033	2,013,200	5.3%
143,000	Artis REIT	1,472,900	1,889,030	4.9%
125,000	Inter Pipeline Fund LP 'A'	1,351,250	1,863,750	4.9%
40,000	Baytex Energy Trust	1,188,000	1,863,600	4.9%
90,000	H & R REIT	1,390,436	1,748,700	4.6%
90,000	First National Financial Income Fund	1,500,225	1,669,500	4.4%
78,000	Brookfield Renewable Power Fund	1,481,600	1,609,140	4.2%
117,910	IBI Group Income Fund	1,708,819	1,585,890	4.1%
60,000	Calloway REIT	1,111,807	1,402,200	3.7%
102,500	Altus Group Income Fund	1,157,092	1,330,450	3.5%
43,000	Enerplus Resources Fund	1,032,943	1,317,950	3.4%
58,000	Zargon Energy Trust	1,116,777	1,289,340	3.4%
96,300	CML Healthcare Income Fund	1,300,275	1,099,746	2.9%
70,000	Brookfield Real Estate Services Fund	814,632	1,033,900	2.7%
32,700	Cineplex Galaxy Income Fund	555,679	732,480	1.9%
14,000	Boardwalk REIT	503,138	576,380	1.5%
15,500	Genivar Income Fund	410,071	468,255	1.2%
16,300	Armtec Infrastructure Income Fund	379,940	258,355	0.7%
22,500	Parkland Income Fund	216,606	256,500	0.7%
20,000	New Flyer Industries Inc.	210,438	226,000	0.6%
10,000	Allied Properties REIT	184,494	215,400	0.6%
		25,265,131	29,580,966	77.5%

## STATEMENT OF INVESTMENTS

As at December 31, 2010

Number of Units <sup>1</sup>		Average Cost	Fair Value	Percentage of Net Assets
<b>Canadian Common Stocks</b>				
2,551,500	Edleun Group Inc.	1,275,750	3,342,465	8.7%
47,400	Bonterra Energy Corporation	1,642,884	2,417,874	6.3%
52,000	Crescent Point Energy Corporation	2,053,480	2,296,840	6.0%
44,700	Vermillion Energy	1,449,174	2,064,246	5.4%
90,000	Tourmaline Oil Corporation	1,893,090	1,957,500	5.1%
78,000	Exchange Income Corporation	1,006,980	1,365,780	3.6%
39,920	First Capital Reality Inc.	540,417	603,191	1.6%
38,000	Atlantic Power Corp	435,860	558,220	1.5%
		10,297,635	14,606,116	38.2%
	Investment portfolio	35,562,766	44,187,082	115.7%
	Transaction costs	(20,088)	—	—%
	<b>Total investment portfolio</b>	<b>\$ 35,542,678</b>	<b>\$ 44,187,082</b>	<b>115.7%</b>
	Cash and equivalents		107,120	0.3%
	Liabilities in excess of other assets		(6,079,002)	(16.0)%
	<b>Net assets</b>		<b>\$ 38,215,200</b>	<b>100.0%</b>

<sup>1</sup> The Summary of Investment Portfolio may change due to ongoing portfolio transactions in the Fund. A quarterly update is available at [www.brookfieldsoundvest.com](http://www.brookfieldsoundvest.com)

The accompanying notes are integral to these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

### 1. OPERATIONS

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On January 4, 2010, Brookfield Soundvest Capital Management Ltd. announced the completion of the previously announced merger of Brascan Soundvest Diversified Income Fund and Brascan Soundvest Total Return Fund into Brascan Soundvest Focused Business Trust, which is the continuing fund, effective January 1, 2010. The merger was approved at a special meeting of unitholders of the three funds held on December 15, 2009. In conjunction with the merger, the continuing fund was renamed Brookfield Soundvest Equity Fund (the "Fund"). In conjunction with the merger, Brookfield Soundvest Capital Management Ltd., which is 50% owned by Brookfield Asset Management Ltd., replaced Brookfield Investment Management (Canada) Inc., a subsidiary of Brookfield Asset Management Ltd., as the manager of the Fund (in such capacity, the "Manager"). Information presented in these financial statements to December 31, 2009 is that of Brascan SoundVest Focused Business Trust while information subsequent to 2009 represents the results for the merged entity.

Brookfield Soundvest Equity Fund (formerly Brascan SoundVest Focused Business Trust) was established under the laws of the Province of Ontario by a declaration of trust dated September 28, 2005. In addition to being the Manager, Brookfield Soundvest Capital Management Ltd. is also the investment advisor (in such capacity, the "Investment Advisor"). Computershare Trust Company of Canada is the trustee of the Fund. The Fund is authorized to issue an unlimited number of units. The Fund is listed on the Toronto Stock Exchange and effectively commenced operations on October 17, 2005.

The Fund's investment objectives are to provide unitholders with a stable stream of monthly distributions and maximize long-term total return to unitholders.

The Fund seeks to achieve these objectives by investing in a portfolio of securities consisting primarily of common and preferred shares of Canadian issuers, income securities, including bonds, and debentures, income trusts, real estate investment trusts ("REIT's"), Canadian mortgage-backed securities and cash and cash equivalents. The Fund may also invest up to 20% of the value of the portfolio in any other security that is not otherwise prohibited.

### 2. ACCOUNTING POLICY CHANGES

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In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to be replaced with International Financial Reporting Standards ("IFRS"). In May 2007, the AcSB published an updated version of its implementation plan which outlines the key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises that will replace Canadian GAAP with IFRS by January 1, 2011. The key elements of the plan include the disclosures of the qualitative impact in the 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. In February 2008, the AcSB released its final report on progress in preparing for the crossover, noting that the necessary infrastructure and awareness was in place for a successful conversion. Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net asset value of the Fund will be impacted by the changeover to IFRS. The Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially different presentation. However, the Accounting Standards Board has approved Canadian investment companies having the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### a) *Fair Value of Financial Assets and Financial Liabilities*

The Fund classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three-level hierarchy is as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

#### b) *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.

#### c) *Valuation of Investments*

The Fund's investments are presented at fair value. Investments that are publicly traded are valued at their last bid price. 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.

#### d) *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.

#### e) *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.

#### f) *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.

#### g) *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.

#### h) *Other Assets and Liabilities*

Distributions and interest receivable are designated as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities, and loan payable are designated as other liabilities and are carried at amortized cost. The carrying value of the financial assets and liabilities approximates fair value.

#### 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 Canadian Institute of Chartered Accountants 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 an 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, 2010 and December 31, 2009 is as follows:

As at December 31, 2010		Per Unit	
Published net asset value used for purchases and redemptions	\$ 38,302,844	\$	5.82
Section 3855 adjustment	(87,644)		(0.01)
Net assets per financial statements	\$ 38,215,200	\$	5.81

As at December 31, 2009		Per Unit	
Published net asset value used for purchases and redemptions	\$ 6,256,235	\$	4.68
Section 3855 adjustment	(33,256)		(0.02)
Net assets per financial statements	\$ 6,222,979	\$	4.66

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010	December 31, 2009
Distributions payable to unitholders <i>(note 8)</i>	\$ 164,532	\$ 36,063
Management fees payable	30,999	5,845
Service fees payable	47,114	8,251
Other accounts payable and accrued liabilities	82,304	73,648
	\$ 324,949	\$ 123,807

#### 6. LOAN FACILITY

The Fund began the year with access to the combined demand facilities of the three predecessor funds, bearing variable interest at Prime or bankers' acceptance rate. The maximum draw available to the Fund was limited to the lower of \$12.0 million, an amount not exceeding 25% of the total value of the assets in the portfolio or the sum of 33.33% of readily marketable equity securities, 95% of government of Canada bonds and 100% of cash or equivalents.

On August 16, 2010 the demand facilities were replaced with a 364-day revolving term credit facility (the "facility") available with a Canadian chartered bank bearing variable interest at prime and bankers' acceptance rates. The maximum draw under the facility was limited to the lower of \$8.0 million, an amount not exceeding 25% of the total value of the assets in the portfolio, or the sum of 33.33% of readily marketable equity securities, 95% of government of Canada bonds and 100% of cash or equivalents. The facility is secured by a first-ranking and exclusive charge on all of the Fund's assets.

The Fund utilizes borrowings to purchase additional portfolio investments and for general Fund purposes. As at December 31, 2010, \$6.0 million was drawn against the available limit (December 31, 2009 - \$1.1 million), which represented 16% of net assets of the Fund. The minimum and maximum amounts borrowed against the available limit during 2010 were \$0.0 and \$7.8 million, respectively (\$0 and \$1.1 million respectively during 2009). A reduction or termination in the credit facility may limit the Fund's ability to employ leverage to magnify returns. In the current environment, the Fund will seek to cautiously use leverage as deemed appropriate.

## 7. UNITS OF THE FUND

On October 17, 2005, the Fund completed its initial public offering of 4,800,000 units at a price of \$10.00 per unit. On October 28, 2005, the Fund completed the issuance of an additional 250,000 units at a price of \$10.00 per unit pursuant to the exercise of the overallotment option granted to the agents in connection with the initial public offering. Proceeds raised, net of agent's fees and estimated issuance costs of \$3,175,000 totalled \$47,325,000. Actual agent's fee and issuance costs were \$3,065,895, which were adjusted for on the Statements of Changes in Net Assets.

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 August of any year, but at least 15 business days prior to the last business day in August (the "Redemption Date"). Redemption of surrendered units will be effected at net asset value on the Redemption Date each year and will be settled on or before the 15th business day following such effective date. In 2010, 3,425,961 units were redeemed and cancelled for proceeds of \$16.7 million under the annual redemption program.

On January 4, 2010, Brookfield Soundvest Capital Management Ltd. announced the completion of the previously announced merger of Brascan Soundvest Diversified Income Fund (TSX: BSI.UN) and Brascan Soundvest Total Return Fund (TSX: BST.UN) into Brascan Soundvest Focused Business Trust (TSX: BSF.UN), which is the continuing fund, effective January 1, 2010. The merger was approved at a special meeting of unitholders of the three funds held on December 15, 2009 and 8,694,352 units of the continuing fund were issued to complete the merger.

The merger of Brascan Soundvest Diversified Income Fund ("BSI") and Brascan Soundvest Total Return Fund ("BST") into Brascan Soundvest Focused Business Trust (BSF) was implemented at an exchange ratio calculated as the net asset value ("NAV") per unit of BSI and BST divided by the NAV per unit of BSE (formerly BSF), each determined as at the close of business on December 31, 2009. The table below provides the NAV per unit for each of the funds, the resultant exchange ratio at such time and the number of units issued in the exchange.

Fund	NAV Per Unit	Exchange Ratio	Units of BSE Issued on Exchange
Brascan Soundvest Diversified Income Fund	\$7.754836	1.655611 to 1.000000	5,078,831
Brascan Soundvest Total Return Fund	\$5.884600	1.256327 to 1.000000	3,615,521
Brascan Soundvest Focused Business Trust	\$4.683971		1,335,669

On June 30, 2010, Brookfield Soundvest Capital Management Ltd., as manager of the Fund, announced that the Toronto Stock Exchange had accepted its Notice of Intention to make a normal course issuer bid. The Fund will have the right under the bid to purchase for cancellation up to 794,651 of its capital units issued and outstanding as at June 29, 2010.

The normal course issuer bid commenced on July 5, 2010 and will end on July 4, 2011 or on such earlier date as the Fund may complete its purchases or provide notice of termination. The price to be paid for the Units under the normal course issuer bid will be the market price at the time of purchase. All Units purchased by the Fund under this bid will be promptly cancelled.

Under the normal course issuer bid, the Fund may not purchase in any 30 day period more than 200,600 Units, representing 2% of the issued and outstanding Units as at the date of acceptance of the notice of the normal course issuer bid by the TSX.

During the year, 22,800 units were repurchased and cancelled under the NCIB.

A continuity of the units of the Fund is as follows:

Issued	Number of Units	Amount
Units - December 31, 2008	1,874,434	23,819,065
Redeemed for cash		
Cancelled after redemption for cash	(538,765)	(2,376,597)
Units - December 31, 2009	1,335,669	\$ 21,442,468
Exchanged on merger to BSI unitholders	5,078,831	23,818,551
Exchanged on merger to BST unitholders	3,615,521	16,953,807
Redeemed for cash		
Cancelled under normal course issuer bid	(22,800)	(103,200)
Cancelled after redemption for cash	(3,425,961)	(16,709,788)
Units - December 31, 2010	6,581,260	\$ 45,401,838

The weighted average number of units outstanding for the year ended December 31, 2010 was 8,874,858 (December 31, 2009 - 1,858,197).

## 8. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, 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 day of the month following the record date. Distributions payable as at December 31, 2010 totalled \$164,532 (December 31, 2009 - \$36,063).

## 9. 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 0.95% 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.

## 10. INVESTMENT TRANSACTIONS

Investment transactions<sup>1</sup> for the year ended December 31 were as follows:

	2010	2009
Proceeds from sale of investments	\$ 21,207,393	\$ 2,950,850
Less cost of investments sold		
Investments at cost - beginning of year	6,587,455	11,053,932
Investments purchased during the year	4,489,789	1,431,424
Investments transferred in on merger (notes 1 & 7)	45,247,092	—
Investments at cost - end of year	35,542,677	6,587,455
Cost of investments sold during the year	20,781,659	5,897,901
Net realized gains (losses) on sale of investments	\$ 425,734	\$ (2,947,051)

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

Brokerage commissions on securities purchased and sold during the year ended December 31, 2010 totalled \$63,256 (2009 - \$13,903) and are included as an expense in the Statements of Operations.

## 11. CAPITAL DISCLOSURES

The Fund's capital structure is comprised of unitholders' equity and the loan payable. The Fund's objective is to utilize prudent levels of leverage to lower the Fund's cost of capital to increase the total return to unitholders. In managing its capital structure, the Manager may adjust the amount of distributions paid to unitholders or re-evaluate the Fund's leverage ratios. The Manager also manages the composition of its investment portfolio to ensure that the Fund is within its investment objectives, and thus in compliance with the requirements of the loan facility.

## 12. RISK MANAGEMENT

The Fund aims to maximize monthly distributions primarily through investments in income 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 when to rotate the Fund's portfolio into other sectors and investment vehicles to enhance the Fund's portfolio performance and/or limit risk. The Fund's investment portfolio and leverage are monitored on a daily basis by the Manager.

### Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instruments. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in the trust and equity markets. 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 use of the loan facility exposes unitholders to leverage such that any increase or decrease in the net asset value of the investment portfolio will result in a greater proportionate increase or decrease in the published net asset value per unit.

The Manager's best estimate of the effect on net assets due to a reasonably possible change in the S&P/TSX Capped Income Trust Total Return Index, with other variables held constant, is as follows:

Change in Income Trust Prices on the S&P/TSX Capped Income Trust Total Return Index	Change in Net Assets of Fund	
	December 31, 2010	December 31, 2009
10%	10.6%	6.6%
(10%)	(10.3%)	(8.0%)

In practice, the actual results may differ from the above sensitivity analysis and the difference could be material.

### Interest Rate Risk

The Fund's assets at December 31, 2010 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 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.

The Fund is also subject to credit risk, as the counterparty in securities lending activities may default under the terms of the agreement, which would require the Fund to make a claim to recover its investment. When recovering its investment on a default, the Fund may incur a loss if the value of the portfolio securities loaned may have increased in value relative to the value of the collateral held by the Fund.

### Currency Risk

The assets and liabilities of the Fund are 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.

The Fund is also exposed to annual cash redemptions of Fund units; however, the Fund has up to approximately 30 days to raise the necessary cash to fund the required redemption payment amount. The Fund maintains liquid investments that are traded in an active market and can be readily disposed of, subject to the limitations noted above, to maintain adequate liquidity.

## 13. FAIR VALUE DISCLOSURE

The Funds' assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 3 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy tables present information about the Fund's assets measured at fair value as of December 31, 2010 (with comparatives at December 31, 2009) and there have been no transfers between levels during the year.

As at December 31, 2010	<u>Level 1</u>	<u>Level2</u>	<u>Level 3</u>	Total Financial Assets at <u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 107,120	\$ -	\$ -	\$ 107,120
Bonds and debentures	-	-	-	-
Income trusts	29,580,966	-	-	29,580,966
Canadian common stocks	14,606,116	-	-	14,606,116
Total financial assets	<b>\$ 44,294,202</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,294,202</b>
As at December 31, 2009	<u>Level 1</u>	<u>Level2</u>	<u>Level 3</u>	Total Financial Assets at <u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 121,410	\$ -	\$ -	\$ 121,410
Bonds and debentures	-	-	-	-
Income trusts	7,257,191	-	-	7,257,191
Canadian common stocks	-	-	-	-
Total financial assets	<b>\$ 7,378,601</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,378,601</b>