

REPORT TO UNITHOLDERS

Dear Fellow Unitholders,

In this letter we will provide an overview of the returns for the worldwide markets and how this compares to the performance of both the income trust and equity markets. In addition, we will look at the current status of the “high yield equity sector” and our expectations for this sector in the future. Also, we will explain Fund performance for 2010 and share our outlook for 2011.

MARKET OVERVIEW

During 2010 the high yield equity market significantly outperformed the general stock market. The income trust market provided a 26.7% return in 2010 while the Canadian equity market provided a 17.6% return over the same period. The U.S. and world markets provided returns of 15.1% and 12.3% respectively in 2010.

Index	2010 Return
S&P/TSX Capped Income Trust Total Return	26.7%
S&P/TSX Composite	17.6%
S&P 500	15.1%
Dow Jones Industrial Average	11.0%
MSCI EAFE (Europe, Australasia, Far East)	8.2%
MSCI World	12.3%

Source: RBC Capital Markets

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

Sector	2010 Return
S&P/TSX Capped Energy Trust Total Return Index	29.6%
S&P/TSX Capped REIT Total Return Index	22.6%

Source: RBC Capital Markets

INCOME TRUSTS - A SECTOR WINDING DOWN

The income trust sector as we knew it came to an official end at December 31, 2010 as a result of the implementation of a change in tax laws on January 1, 2011. Most trusts have converted to corporations and only a few remain as income trusts. In addition, there are a handful of income deposit securities and limited partnerships. Qualifying REITs continue to be exempt from the new laws.

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 at December 31				
	2006	2007	2008	2009	2010
Oil & Gas Royalty Trusts	31	27	22	17	12
Business Trusts	168	135	119	96	77
REITs	33	27	27	26	27
Power & Pipeline Trusts	23	19	16	13	7
Total	255	208	184	152	123

The income trust market as of December 31, 2010:

Sub-Sector	# of Trusts	Market Capitalization (\$B)	Average Yield
Oil & Gas Royalty Trusts	12	\$57.5	7.7%
Business Trusts	77	\$26.4	7.4%
REITs	27	\$27.9	6.1%
Power & Pipeline Trusts	7	\$12.8	8.6%
Total	123	\$124.6	7.1%

When compared to the end of 2009, the number of income trusts has decreased materially to 123 from 152; however, the overall capitalization of the income trust market has actually increased by \$5.4 billion from \$119.2 as at December 31, 2010 to \$124.6 billion at the end of 2010. The overall market yield as at December 31, 2010 stood at 7.1%, down from the 7.3% market yield at the prior year end. The decrease can be attributed to a combination of distribution cuts and higher income trust valuations. The S&P/TSX composite provided an average overall yield of 2.5% as at December 31, 2010.

As income trusts become taxable in 2011, some trusts have decided to reduce their distributions while others will maintain their pre-conversion distribution. The decision making process varied across the trust universe. Some income trusts have the ability to maintain their distributions as dividends at current levels due to their conservative payout ratios leading up to 2011. Some trusts made the decision to reduce their cash distributions to an after-tax equivalent dividend while others evaluated their internal growth prospects and decided to retain cash for future capital expenditure programs. Regardless of their distribution/dividend policy going forward, most have established and announced their payout intentions and the market has adjusted relatively efficiently.

FUND PERFORMANCE

The Fund's investment strategy is to invest its net assets in a diversified 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 ("REITs"), 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 in the discretion of the Investment Advisor.

For the twelve month period ended December 31, 2010, the Fund's published net asset value per unit, which is used for purchases and redemptions, increased 24.3%, resulting in a total return, including distributions, of positive 30.7%. During the same timeframe, the S&P/TSX Capped Income Trust Total Return Index returned 26.7% and the S&P/TSX Composite returned 17.6%

For the twelve months ended December 31, 2010, the Fund generated net realized gains of approximately \$425 thousand. A significant number of the sales were executed during the second half of the year to facilitate cash payment obligations resulting from scheduled unit holder redemptions while others were executed to reduce existing positions and attain desired weightings in the fund or exit positions entirely. The net realized gain was largely due to reducing the Fund's position in Edleun Group (\$108 thousand gain) and Baytex Energy Trust (\$125 thousand gain) which were executed to reduce the holding to its desired weighting and from selling the entire position of Davis and Henderson Income Fund (\$113 thousand gain) and Bird Construction Income Fund (\$454 thousand gain). The gains were partially offset by a number of sales generating capital losses. The Fund's position in Just Energy Income Fund (\$277 thousand loss) was reduced to a desired weighting and the Fund exited its entire position in Coast Wholesale Income Fund (\$212 thousand loss), Yellow Pages Income Fund (\$155 thousand loss) and Medical Facilities Corp (\$154 thousand loss).

Distributions

The Fund paid a monthly distribution of \$0.025 per unit in 2010. The Fund declared and paid monthly distributions in 2009 at its targeted monthly rate of \$0.027 per unit, or \$0.324 per unit per year. The reduction in the targeted annual distribution was necessary to make the level of distributions more sustainable in the current environment, and to better reflect the income-generating ability of the portfolio.

MERGER OF FUNDS

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. In conjunction with the merger, the continuing fund was renamed Brookfield Soundvest Equity Fund ("BSE") (TSX: BSE.UN) and immediately after the merger BSE had 10,030,021 units outstanding. Also Brookfield Soundvest Capital Management Ltd., 50% owned by Brookfield Asset Management Ltd., replaces Brookfield Investment Management (Canada) Inc., a subsidiary of Brookfield Asset Management Inc., as the manager of BSE.

The management fee of the continuing Fund was reduced from 1.10% to 0.95% on January 1, 2010. The continuing Fund's investment mandate was expanded to allow investment in a broader set of primarily high yielding equity securities. The Fund's investment objectives remain the same: to provide unitholders with a stable stream of monthly distributions and to maximize long-term total return to unitholders. The targeted 2010 monthly distribution for the Fund was \$0.025 per unit, or \$0.30 per unit per year. In addition, the Fund's redemption date was changed to the last business day in August of each year.

The merger was implemented at an exchange ratio calculated as the net asset value ("NAV") per unit of BSI.UN and BST.UN divided by the NAV per unit of BSE.UN (formerly BSF.UN), 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 and the resultant exchange ratio at such time.

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

OUTLOOK

While the income trust era is over, there remains a strong and vibrant “high yield equity sector” in Canada which should continue to play a prominent role in investors’ strategic asset allocation decision making process. While many conventional corporations retain significant amounts of internally generated cash and are expected to do so going forward, many corporations, formerly income trusts, should continue to generate significant free cash flow. This will allow for meaningful cash distributions, providing investors with appealing market yields both on a before and after-tax basis.

The Fund will remain focused on yield oriented investments along with a bias towards total return investing. While many investments provide high yields, not all meet the rigorous requirements for inclusion into the Fund. The Fund remains focused on investments with strong management teams, attractive business economics and reasonable valuations.

Thank you for your continued support of our Fund.



Kevin Charlebois
On behalf of the Manager and 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, Fund annual distribution targets and portfolio weightings, future performance of Oil and Gas Royalty Trusts, future positioning of the Fund, 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 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.