Brookfield Soundvest Equity Fund
(formerly **Brascan** SoundVest Focused Business Trust)

BSE.UN

2012 Semi-Annual Report

Brookfield Soundvest Funds

IN PROFILE

Brookfield Soundvest Equity Fund (the "Fund") is managed by Brookfield Soundvest Capital Management Ltd., an affiliate of Brookfield Asset Management Inc., a global alternative asset manager focused on property, renewable power, infrastructure, and private equity assets, with over $150 billion of assets under management.

The Fund's investment advisor and portfolio manager is Brookfield Soundvest Capital Management Ltd., an established investment advisor with expertise investing in a variety of asset classes for high net worth and institutional clients since 1970.

BSE.UN (TSX LISTED) UNIT INFORMATION

Units Outstanding (June 30, 2012):	4,906,741
Targeted 2012 Monthly Distribution:	$0.02 per unit ($0.24 per unit annually)
Record Date:	Last business day of each month
Payment Date:	On or about the 15th day of each subsequent month

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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 the Canadian equity market. 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's performance for the first half of 2012 and share our outlook for the second half of the year.

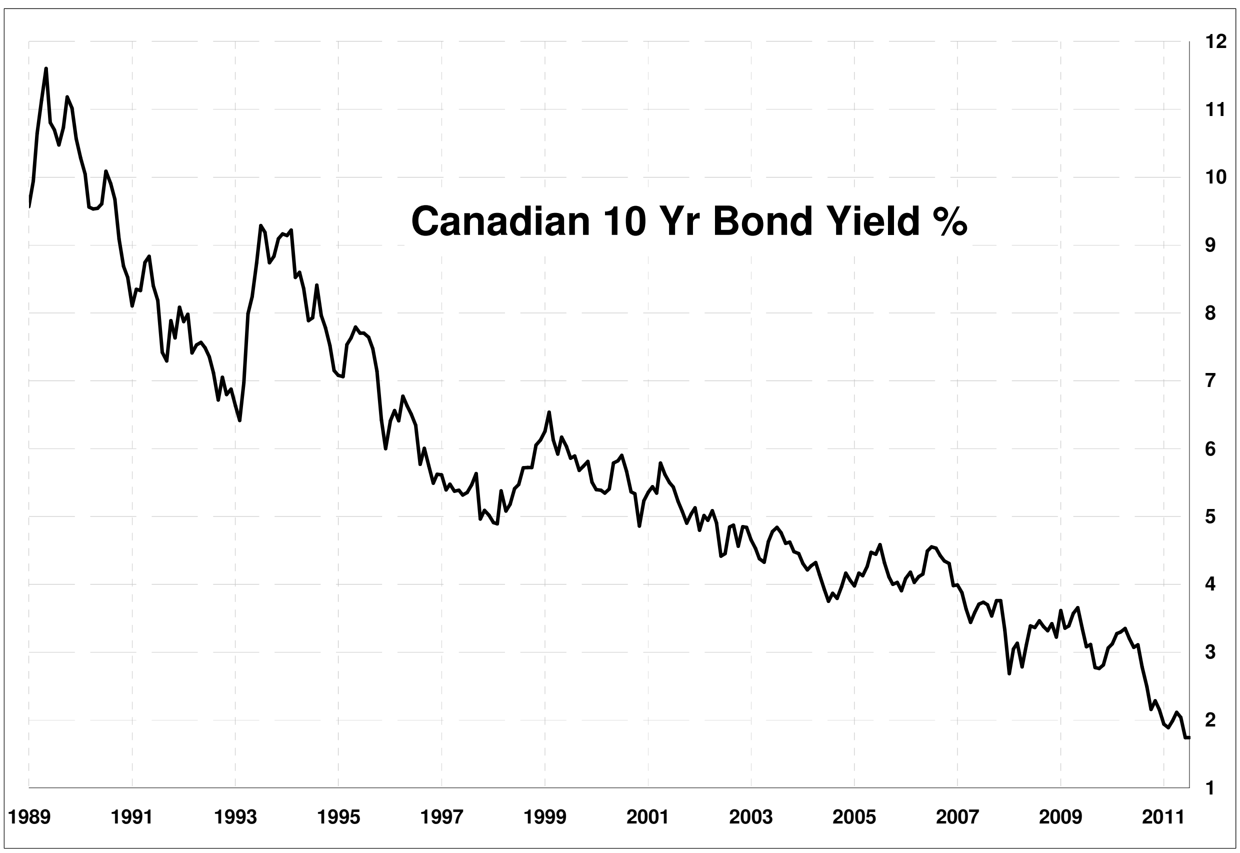
MARKET OVERVIEW

During the first six months of 2012, the Canadian market provided a negative 1.5% rate of return. The U.S. and world markets outperformed Canada providing a positive 9.5% and 4.0%, respectively.

Index	2012 ROR
S&P/TSX Composite	(1.5%)
S&P 500	9.5%
Dow Jones Industrial Average	6.8%
MSCI EAFE ($CDN) (Europe, Australia, Far East)	0.3%
MSCI World ($CDN)	4.0%

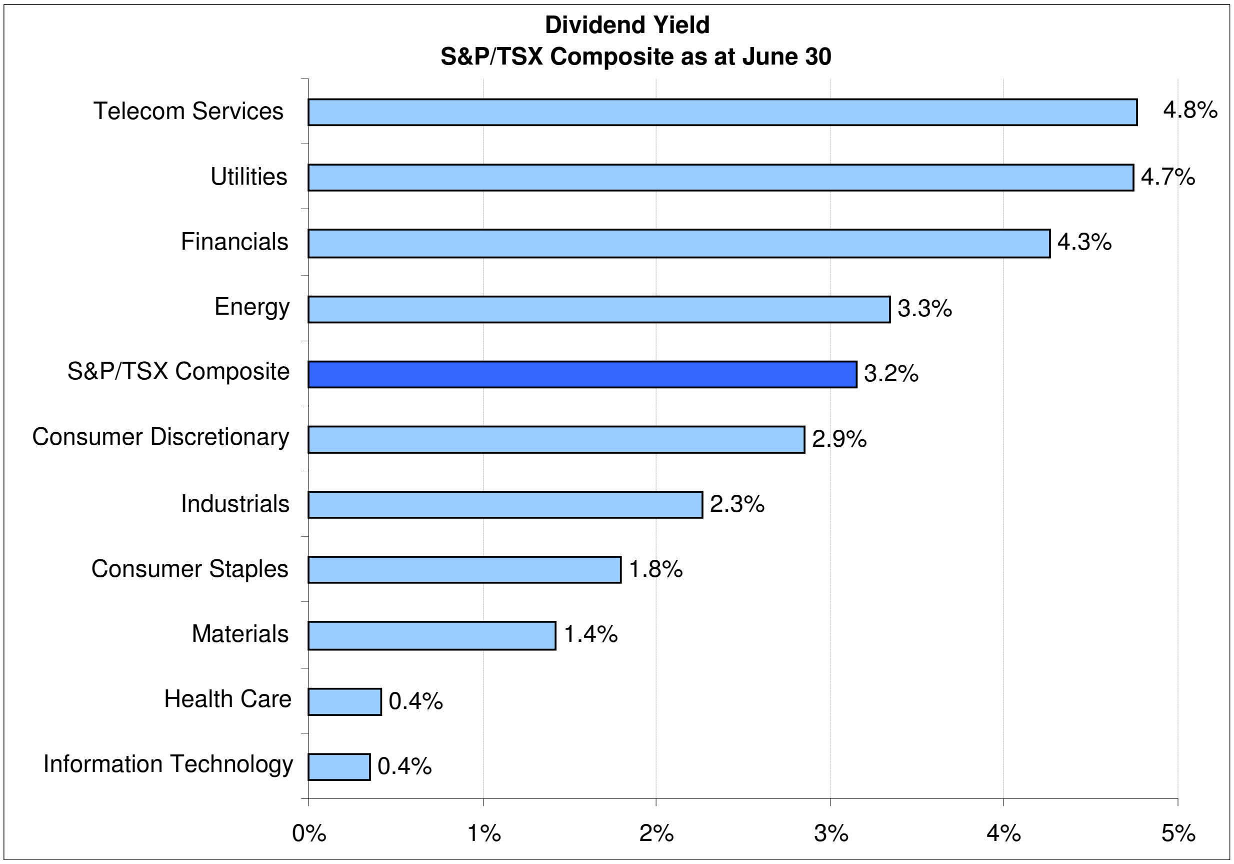
Canadian High Yield Market

The S&P/TSX Composite provides investors with an opportunity to generate income and enhance their total rate of return. The Canadian market, as measured by the S&P/TSX Composite, provided an overall yield on market of 3.2% as at June 30, 2012, an increase from 2.9% at December 31, 2011. This compared favorably against available Government of Canada bond yields. The 10-year Government of Canada bond yield ended the first half of the year at 1.7% as both interest rates and bond yields declined through the first half 2012.



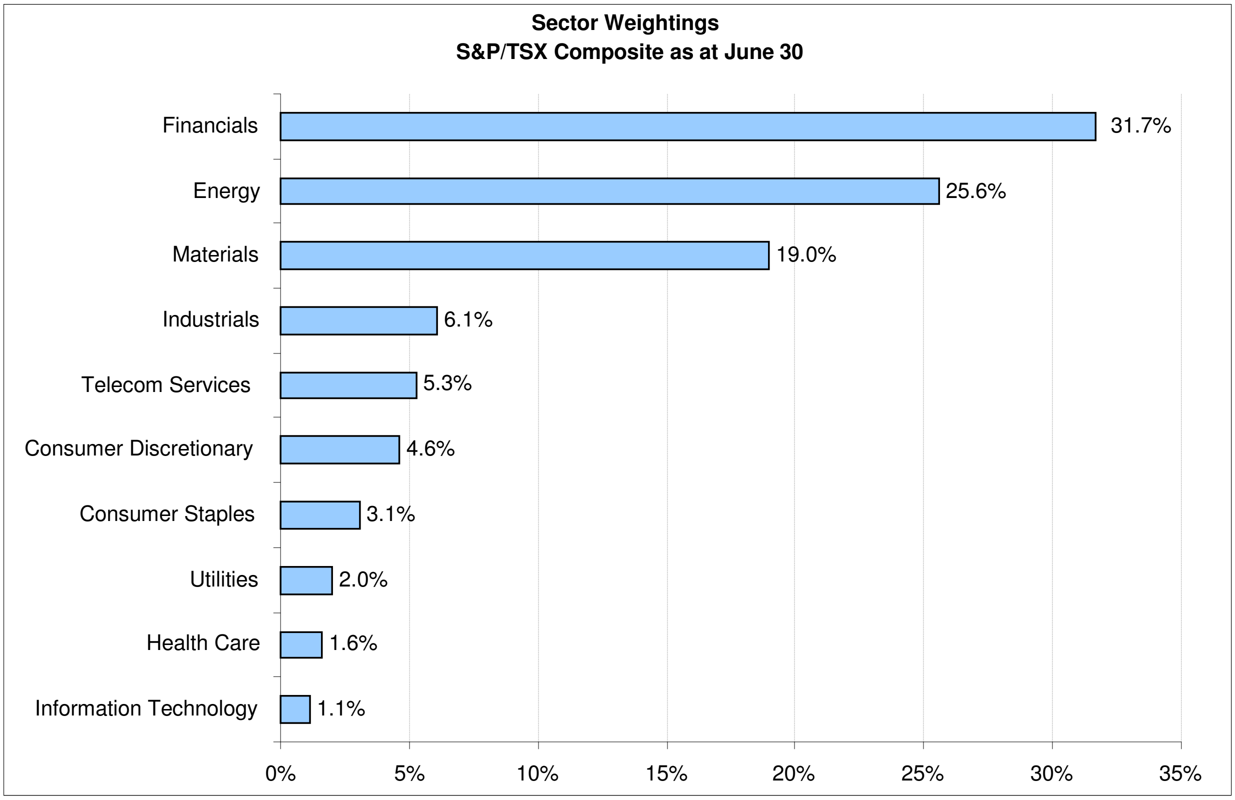
Investors continued to search out yield during the first half of 2012 which lead to a continued flow of funds into the high yielding equity market, providing support and pushing valuations of dividend paying equities to elevated levels. Fund flows coupled with stable cash flows has lead to positive rates of return for the two sectors with the most pronounced yields within the S&P/TSX Composite, the Utilities and Telecom Services sectors.

Canada's dividend yield universe is broad and diversified with six of the ten sectors within the index providing overall yields in excess of 2.0%. The Telecom Services and Utilities sector provided the highest dividend yields of 4.8% and 4.7%, respectively. The Financials sector which is dominated by the big banks also provided a healthy yield of 4.3%.



Source: TD Newcrest Market Statistics & Returns

The Canadian equity market as represented by the S&P/TSX Composite is dominated by three main sectors, Financials (31.7% weighting) which includes Real Estate, Energy (25.6%) and Materials (19.0%). The three sectors combined weighting was 76.3% at June 30, 2012.



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 at the discretion of the Investment Advisor.

For the six month period ending June 30, 2012 the Fund's published net asset value per unit, which is used for purchases and redemptions, decreased 8.4%, resulting in a total return, including distributions, of negative 6.2%. During the same timeframe the S&P/TSX Composite returned a negative 1.5%.

For the six months ended June 30, 2012, the Fund generated net realized losses of approximately $501 thousand. Some of the sales were executed in order to reduce existing positions, attain desired weightings within the Fund and exit other positions entirely. The greatest net gains were realized from sales in Brookfield Renewable Energy Partners ($129 thousand gain), Artis Real Estate Investment Trust ($75 thousand gain), Calloway Real Estate Investment Trust ($68 thousand gain), and Inter Pipeline Fund ($18 thousand gain). The gains were offset by two sales generating capital losses. The losses were realized when exiting the Fund's positions in Enerplus Corporation ($458 thousand loss) and Pengrowth Energy Corporation ($333 thousand loss).

Distributions

The Fund paid a monthly distribution of $0.02 through the first six months of 2012.

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 for the most part 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. The words “may”, “will”, “continue”, “resume” and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters, identify the above mentioned and other forward-looking statements. These forward-looking statements include, among others, statements with respect to the future performance of the high yield Canadian equity market and particular market sectors, the ability and likelihood of certain companies to increase or decrease their distributable cash, acquisition trends in the equity market, the Fund’s annual distribution targets and portfolio weightings, future positioning of the Fund, equity market yields and distribution levels in the future, and other statements with respect to our beliefs, outlooks, plans, expectations and intentions. Although the Manager believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on them, or any other forward-looking statements or information in these reports. The future performance and prospects of the Fund are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Fund to differ materially from those contemplated or implied by the statements in these reports include general economic conditions in Canada and elsewhere, changes in legislation including tax laws and regulations and other risks and factors described in the documents filed by the Manager with the securities regulators in Canada including under “Risk Factors” and other risks and factors described in the Fund’s prospectus and the Fund’s most recently filed Management Report of Fund Performance, Annual Information Form and other continuous disclosure documents available at www.sedar.com or www.brookfieldsoundvest.com. 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 interim management report of fund performance ("MRFP") is intended to provide readers with the financial highlights and an assessment of the performance of Brookfield Soundvest Equity Fund (the "Fund") for the six months ended June 30, 2012. The interim financial statements are unaudited and have been prepared by and are the responsibility of the Manager of the Fund. The Fund's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants. All figures in the MRFP are in Canadian dollars as at June 30, 2012, unless otherwise indicated.

This interim MRFP contains financial highlights, and the interim financial statements are included at end of this section. The annual financial statements of the Fund are not included with this report. You can obtain a copy of the annual financial statements at your request, and at no cost, by calling 888-777-4019; by writing to us at Brookfield Soundvest Capital Management Ltd. – 100 Sparks Street, Suite 900, Ottawa, Ontario, K1P 5B7; by visiting our website at www.brookfieldsoundvest.com or SEDAR at www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGY

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

The Fund's 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 at the discretion of the Investment Advisor.

RISKS

The risks of investing in the Fund remain as discussed in the Fund's Annual Information Form dated March 27, 2012 and the Joint Information Circular dated November 12, 2009.

RESULTS OF OPERATIONS

The Fund's net assets decreased by $2.3 million or 8.3%, from $27.7 million as at December 31, 2011 to $25.4 million as at June 30, 2012. This change is attributable to investment performance (net of expenses) where a loss of $1.8 million was reported and is attributable to distributions of $588 thousand. The Fund's investment performance and unitholder activity for 2012 are discussed in more detail below.

Investment Performance

For the six month period ending June 30, 2012 the Fund's published net asset value per unit, which is used for purchases and redemptions, decreased 8.4%, resulting in a total return, including distributions, of negative 6.2%. During the same timeframe the S&P/TSX Composite returned a negative 1.5%.

For the six months ended June 30, 2012, the Fund generated net realized losses of approximately $501 thousand. Some of the sales were executed in order to reduce existing positions, attain desired weightings within the Fund and exit other positions entirely. The greatest net gains were realized from sales in Brookfield Renewable Energy Partners ($129 thousand gain), Artis Real Estate Investment Trust ($75 thousand gain), Calloway Real Estate Investment Trust ($68 thousand gain), and Inter Pipeline Fund ($18 thousand gain). The gains were offset by two sales generating capital losses. The losses were realized when exiting the Fund's positions in Enerplus Corporation ($458 thousand loss) and Pengrowth Energy Corporation ($333 thousand loss).

The decision to maintain a meaningful weighting in the Utilities sector benefited the Fund's performance during the six months ended June 30, 2012 as the sector outperformed the S&P/TSX Composite Index (Index). The Fund benefited from its overweight position in both the Consumer Discretionary and Financial sectors as both outperformed the overall Index. The Fund also benefited from underweight positions in both the Materials and Information Technology sectors as both underperformed the Index. The Fund benefited from positive security selection contribution during the quarter. Fund investments within the Utility sector outperformed those in the Index. Security selection within the Energy, Financials, Industrials and Consumer Discretionary sectors detracted from performance during the year while the Fund's overweight position in Energy and underweight position in Telecom detracted from performance.

Fees and Expenses

Fees and expenses for the six months ending June 31, 2012 totalled $0.3 million, compared to $0.5 million for the same period in 2011, representing an annualized management expense ratio ("MER") of 2.4% as compared to 2.4% for the period ended June 30, 2011. The MER is based on the total expenses of the Fund for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of the daily average net asset value for the period. The MER before interest expense for the period ended June 2012 and 2011 was 2.3% and 2.0%, respectively. Fees and expenses for the six months ending June 30, 2012 decreased as compared to the same period in 2011 in response to the decrease in the net asset value over the twelve month period from June 2011 to June 2012, relating to the September 2011 redemption of 1,674,519 units. The daily net asset value decreased by 33.9% from $38.4 million at June 30, 2011 to $25.4 million at June 30, 2012, while expenses decreased by 29.9% during the same period.

Unitholder Activity

To provide liquidity, units of the Fund are listed on the TSX under the symbol BSE.UN. 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, under certain conditions, are redeemable on the last business day of August of each year at 100% of the net asset value per unit. The last day for requesting redemptions based on the August 31, 2012 net asset value per unit was August 10th and unitholders have requested redemption of 1,057,835 units (2011 – 1,674,519 units). Unitholder payment for the redeemed shares will take place no later than September 21, 2012.

On July 6, 2012, 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 ("NCIB"). The Fund has the right under the bid to purchase for cancellation up to 490,036 of its capital units issued and outstanding as at June 29, 2012.

The NCIB commenced on July 10, 2012 and will end on July 9, 2013. Purchases made pursuant to the NCIB would be made in the open market through the facilities of the Toronto Stock Exchange. The price that the Fund would pay for any such shares would be the market price of such shares at the time of acquisition. The Manager is of the opinion that capital units of the Fund may have become available during the proposed purchase period at prices that would make such purchases in the best interests of the Fund and its securityholders. All Units purchased by the Fund under this bid will be promptly cancelled. Under the NCIB, the Fund may not purchase in any 30 day period more than 98,134 Units, representing 2% of the issued and outstanding units as at the date of acceptance of the notice of the NCIB by the TSX.

As at August 14, 2012, 10,800 units were repurchased and cancelled under the NCIB for $56 thousand.

During the first six months of 2012, the Fund provided a monthly distribution of $0.02 per unit and paid out distributions that totalled $0.12 per unit or $0.6 million (2011 - $0.12 per unit or $0.8 million). The Fund's distributions included a return of capital of 25.0% or $0.03 per unit (2011 - 18.4% or $0.02 per unit).

Loan Facility

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 or bankers' acceptance rates. The maximum draw under the facility is 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 facility was renewed on August 16, 2011 under existing terms through to August 14, 2012. On October 4, 2011, an amendment was issued to reduce the maximum draw under the facility to $5.5 million.

On July 23, 2012, an amendment was issued to extend the term of the existing facility to October 13, 2012. The amendment was issued so that the term of the facility would renew subsequent to the Fund's annual redemption program.

The Fund utilizes borrowings to purchase additional portfolio investments and for general Fund purposes. As at June 30, 2012, $0.9 million was drawn against the available limit (December 31, 2011 - $1.2 million), which represented 3.5% of the net assets of the Fund (December 31, 2011 – 4.3%). The minimum and maximum amounts borrowed against the available limit during the first six months of 2012 were $0.9 million and $2.3 million, respectively (first six months of 2011 - $4.8 million and $6.0 million, respectively). 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.

RELATED-PARTY TRANSACTIONS

Brookfield Soundvest Capital Management Ltd. (the "Manager" and "Investment Advisor"), an affiliate 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 0.95% per annum of the net asset value of the Fund. 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 six months ending June 30, 2012, management fees including taxes accrued or paid to the Manager totalled $140 thousand (2011 - $207 thousand). Service fees accrued or paid during the six months ending June 30, 2012 totalled $54 thousand (2011 - $78 thousand).

RECENT DEVELOPMENTS

Accounting Policy Changes

Future Accounting Changes - International Financial Reporting Standards

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 outlined the key decisions that the AcSB would need to make in order to implement the Strategic Plan for publicly accountable enterprises that would replace Canadian GAAP with IFRS by January 1, 2011. The key elements of the plan included 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

In December 2011, the Accounting Standards Board gave approval to provide Canadian investment companies with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

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 significantly 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.

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 for the most part 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.

FINANCIAL HIGHLIGHTS

The following tables provides selected key financial information about the Fund and are intended to assist readers in understanding the Fund's financial performance since inception. Information up to December 31, 2009 is that of Brascan SoundVest Focused Business Trust which became Brookfield Soundvest Equity Fund concurrent with the merger of Brascan Soundvest Diversified Income Fund and Brascan Soundvest Total Return Fund into Brascan Soundvest Focused Business Trust, effective January 1, 2010. Information subsequent to 2009 represents the results for the merged entity.

The Fund's Net Assets Per Unit[1]

	2012[2]	2011[3]	2010[3]	2009[3]	2008[3]
Net assets – beginning of period	**$ 5.65**	$ 5.81	$ 4.66	$ 3.42	$ 8.03
(Decrease) increase from operations					
Total revenue	**0.17**	0.36	0.43	0.46	0.90
Total expenses	**(0.07)**	(0.13)	(0.12)	(0.16)	(0.23)
Transaction costs	–	(0.01)	(0.01)	(0.01)	(0.02)
Net realized (losses) gains on sale of investments	**(0.10)**	0.25	0.05	(1.59)	(3.98)
Net change in unrealized (losses) gains	**(0.33)**	(0.41)	0.90	2.83	(0.48)
Return of capital	**(0.03)**	(0.04)	(0.04)	(0.03)	(0.07)
Total (decrease) increase from operations[4]	**(0.36)**	0.02	1.21	1.50	(3.88)
Distributions					
From investment income	–	–	(0.06)	–	(0.15)
From dividend income	**(0.09)**	(0.08)	(0.13)	–	(0.08)
Return of capital	**(0.03)**	(0.16)	(0.11)	(0.32)	(0.55)
Total distributions[5]	**(0.12)**	(0.24)	(0.30)	(0.32)	(0.78)
Net assets - end of period[6]	**$ 5.17**	$ 5.65	$ 5.81	$ 4.66	$ 3.42

1 *This information is derived from the Fund's audited and unaudited financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. 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 six months ended June 30, 2012 (unaudited).*
3 *As at and for the twelve months ended December 31.*
4 *Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The decrease/increase from operations is based on the weighted average number of units outstanding over the financial period.*
5 *Distributions were paid in cash.*
6 *Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The decrease/increase from operations is based on the weighted average number of units outstanding over the financial 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:

	2012[1]	2011[2]	2010[2]	2009[2]	2008[2]
Net investment income	**$ 509,373**	$ 1,340,470	$ 2,748,531	$ 556,019	$ 1,470,151
Transaction costs	**(6,780)**	(39,622)	(63,256)	(13,903)	(36,454)
Net realized (losses) gains on sale of investments	**(501,069)**	1,517,662	425,734	(2,947,051)	(8,712,532)
Net change in unrealized (losses) gains	**(1,611,584)**	(2,455,604)	7,974,669	5,259,023	(1,060,612)
Return of capital	**(143,899)**	(258,371)	(389,644)	(63,008)	(156,812)
(Loss) income from operations	**(1,753,959)**	104,535	10,696,034	2,791,080	(8,496,259)
(Loss) income from operations per unit	**(0.36)**	0.02	1.21	1.50	(3.88)
Net assets per unit	**$ 5.17**	$ 5.65	$ 5.81	$ 4.66	$ 3.42

1 As at and for the six months ended June 30, 2012 (unaudited).
2 As at and for the twelve months ended December 31(audited).

Ratios and Supplemental Data

	2012[1]	2011[2]	2010[2]	2009[2]	2008[2]
Total net asset value	**$ 25,357,108**	$ 27,699,875	$ 38,215,200	$ 6,222,979	$ 6,401,266
Number of units outstanding	**4,906,741**	4,906,741	6,581,260	1,335,669	1,874,434
Management expense ratio before interest expense	**2.26%**	2.04%	2.08%	3.95%	2.62%
Management expense ratio[3]	**2.40%**	2.31%	2.41%	4.07%	3.57%
Management expense ratio before waivers or absorptions	**2.40%**	2.31%	2.41%	4.07%	3.57%
Trading expense ratio[4]	**0.05%**	0.11%	0.14%	0.19%	0.26%
Portfolio turnover rate[5]	**4.46%**	5.15%	9.69%	20.58%	18.42%
Monthly distribution per unit	**$ 0.020**	$ 0.020	$ 0.025	$ 0.027	$ 0.065
Annualized trailing yield[6]	**4.90%**	4.47%	5.44%	7.68%	29.32%
Closing market price	**$ 4.93**	$ 5.37	$ 5.51	$ 4.22	$ 2.66

1 As at and for the six months ended June 30, 2012 (unaudited).
2 As at and for the twelve months ended December 31(unaudited).
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 per unit and the closing market price.

Management and Service Fees

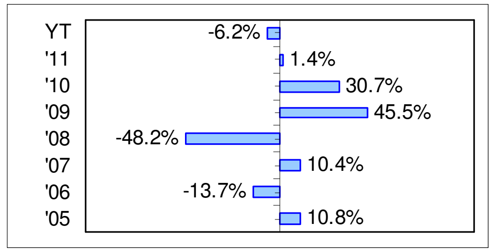
Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.95% per annum of the net asset value of the Fund, calculated and paid monthly, plus applicable taxes. The Fund also pays to the Manager a service 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.

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. Information up to December 31, 2009 is that of Brascan SoundVest Focused Business Trust which became Brookfield Soundvest Equity Fund concurrent with the merger of Brascan Soundvest Diversified Income Fund and Brascan Soundvest Total Return Fund into Brascan Soundvest Focused Business Trust, effective January 1, 2010. Information subsequent to 2009 represents the results for the merged entity. The information shown is based on the net asset value per unit and assumes that distributions made by the Fund in the periods shown were reinvested (at the net asset value per unit) in additional units of the Fund.

Year-by-Year Returns

The bar chart shows the Fund's total returns from the Annual Compound Returns table below (based on net asset value per unit) and includes distributions made in each period since inception to June 30, 2012. 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 values, for the periods noted and the annual compound returns, based on net asset values, since inception as well as the three-year and five-year periods ended June 30, 2012, compared with the S&P/TSX Composite Index.

	2012[1]	2011[2]	3-Year[3]	5-Year[4]	Since Inception[5]
Fund – Net asset value	**(8.4%)**	(2.7%)	11.5 %	(10.5%)	(8.4%)
Fund – Total Return, including distributions	**(6.2%)**	1.4 %	17.1 %	(4.0%)	(1.2%)
S&P/TSX Composite Return Index	**(1.5%)**	(8.7%)	0.2%	5.7%	7.0%

1 For the six months ended June 30, 2012.
2 For the twelve months ended December 31.
3 Period from June 30, 2009 to June 30, 2012.
4 Period from June 30, 2007 to June 30, 2012.
5 For the period from inception (October 17, 2005) to June 30, 2012.

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 on our website at www.brookfieldsoundvest.com.

Portfolio Composition

As at June 30, 2012, the Fund was invested in the following sectors in the percentages shown below:

	2012[1] **Percentage of Net Assets**	Permitted Percentage of Total Investment Portfolio
Canadian Bonds and Debentures	**0.0%**	0%-100%
Canadian Preferred Stocks	**0.0%**	0%-100%
Canadian Income Trusts	**17.8%**	0%-100%
Canadian Common Stocks	**72.8%**	0%-100%
Limited Partnerships	**12.6%**	0%-100%
Other	**0.0%**	0%-20%
Total Investment Portfolio	**103.2%**	100%
Cash and Equivalents	**0.5%**	
Liabilities in excess of other assets	**(3.7%)**	
	100.0%	

1 *Based on market value as at June 30, 2012.*

Top 25 Positions

The top 25 positions held by the Fund as at June 30, 2012, were as follows:

Number of Units			Fair Value	Percentage of Investment Portfolio
105,000	Artis Real Estate Investment Trust	$	1,717,800	6.7%
86,000	Inter Pipeline Fund LP 'A'		1,651,200	6.3%
2,360,000	Edleun Group Inc.		1,604,800	6.1%
140,000	Just Energy Group Inc.		1,565,200	6.0%
55,000	Brookfield Renewable Energy Partners LP		1,557,050	6.0%
63,000	Exchange Income Corporation		1,501,290	5.7%
56,000	H&R Real Estate Investment Trust		1,366,400	5.2%
52,000	ARC Resources Limited		1,186,120	4.5%
105,810	IBI Group Inc.		1,180,840	4.5%
26,000	Bonterra Energy Corporation		1,177,020	4.5%
41,000	Calloway Real Estate Investment Trust		1,145,950	4.4%
28,000	Crescent Point Energy Corporation		1,061,760	4.1%
36,000	Tourmaline Oil Corporation		965,880	3.7%
21,000	Vermilion Energy Inc.		957,180	3.7%
22,000	Baytex Energy Corporation		942,700	3.6%
58,000	First National Financial Corporation		896,100	3.4%
70,000	Brookfield Real Estate Services Inc.		836,500	3.2%
25,000	Cineplex Inc.		764,250	2.9%
43,000	Bonavista Energy Corporation		679,830	2.6%
152,000	C2C Industrial Properties Inc.		646,000	2.5%
35,000	First Capital Realty Inc.		640,850	2.4%
62,000	CML Healthcare Inc.		592,720	2.3%
15,500	Genivar Inc.		345,650	1.3%
10,000	Allied Properties Real Estate Investment Trust		289,900	1.1%
65,000	Tricon Capital Group Inc.		270,400	1.0%

Gabrielle Lenz
Chief Financial Officer of the Manager

August 24, 2012

STATEMENTS OF NET ASSETS
(Unaudited)

As at	June 30, 2012	December 31, 2011
Assets		
Investments, at fair value (Cost:$21,584,238; 2011 - $22,628,247)	**$ 26,161,454**	$ 28,817,048
Cash	**122,382**	146,780
Distributions and interest receivable	**143,774**	144,530
Prepaid and other	**42,719**	23,997
Total assets	**26,470,329**	29,132,355
Liabilities		
Accounts payable and accrued liabilities *(note 5)*	**213,925**	234,243
Loan payable *(note 6)*	**899,296**	1,198,237
Total liabilities	**1,113,221**	1,432,480
Net assets representing unitholders' equity	**$ 25,357,108**	$ 27,699,875
Units outstanding *(note 7)*	**4,906,741**	4,906,741
Net assets per unit *(note 4)*	**$ 5.17**	$ 5.65

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
(Unaudited)

For the six months ended June 30		2012		2011
Income and distributions				
Distributions	$	**689,712**	$	1,080,282
Return of capital		**143,899**		145,624
Interest income		**-**		26
		833,611		1,225,932
Expenses				
Management fees *(note 9)*		**140,328**		206,643
Service fees *(note 9)*		**53,740**		78,082
General and administrative		**24,920**		24,444
Independent review committee fees		**21,283**		21,239
Accounting and administrative		**20,119**		22,810
Audit fees		**19,651**		20,117
Interest expense		**19,226**		68,815
Trustee fees		**14,387**		14,348
Custodial fees		**9,084**		9,256
Legal and exchange fees		**1,500**		(3,081)
		324,238		462,673
Net investment income		**509,373**		763,259
Transaction costs *(note 10)*		**(6,780)**		(11,943)
Net realized (losses) gains on sale of investments *(note 10)*		**(501,069)**		172,098
Net change in unrealized (losses) gains on investments		**(1,611,584)**		239,803
Return of capital		**(143,899)**		(145,624)
Results of operations	$	**(1,753,959)**	$	1,017,593
Results of operations per unit[1]				
Net investment income	$	**0.10**	$	0.12
Transaction costs		**(0.00)**		(0.00)
Net realized (losses) gains on sale of investments		**(0.10)**		0.03
Net change in unrealized (losses) gains on investments		**(0.33)**		0.04
Return of capital		**(0.03)**		(0.02)
Increase in net assets from operations	$	**(0.36)**	$	0.17

1 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
(Unaudited)

For the six months ended June 30	2012	2011
Net assets - beginning of period	**$ 27,699,875**	$ 38,215,200
Operations		
Net investment income	**509,373**	763,259
Transaction costs *(note 10)*	**(6,780)**	(11,943)
Net realized(losses) gains on sale of investments *(note 10)*	**(501,069)**	172,098
Net change in unrealized (losses) gains on investments	**(1,611,584)**	239,803
Return of capital	**(143,899)**	(145,624)
	(1,753,959)	1,017,593
Unitholder transactions		
Distribution to unitholders		
From net investment income	**(444,909)**	(644,127)
From return of capital	**(143,899)**	(145,624)
	(588,808)	(789,751)
Net (decrease) increase in net assets during the period	**(2,342,767)**	227,842
Net assets - end of period	**$ 25,357,108**	$ 38,443,042

The accompanying notes are integral to these financial statements

STATEMENTS OF CASH FLOWS
(Unaudited)

For the six months ended June 30	2012	2011
Operating activities		
Net investment income	**$ 509,373**	$ 763,259
Transaction costs *(note 10)*	**(6,780)**	(11,943)
Return of capital	**(143,899)**	(145,624)
Change in non-cash working capital	**(38,283)**	(562,483)
	320,411	43,209
Financing activities		
Loan payable, net repayments	**(298,941)**	(1,000,977)
Distributions to unitholders	**(588,808)**	(789,751)
	(887,749)	(1,790,728)
Investing activities		
Purchase of investment securities *(note 10)*	**(1,060,357)**	(1,572,344)
Proceeds from sale of investments *(note 10)*	**1,603,297**	3,279,870
	542,940	1,707,526
Net decrease in cash during the period	**(24,398)**	(39,993)
Cash, beginning of period	**146,780**	107,120
Cash, end of period	**$ 122,382**	$ 67,127

The accompanying notes are integral to these financial statements

STATEMENT OF INVESTMENTS
(Unaudited)

As at June 30, 2012

Number of Units[1]		Average Cost	Fair Value	Percentage of Net Assets
	Canadian Common Stocks			
2,360,000	Edleun Group Inc.	$ 1,180,000	$ 1,604,800	6.4%
140,000	Just Energy Group Inc.	2,079,822	1,565,200	6.2%
63,000	Exchange Income Corporation	813,330	1,501,290	5.9%
52,000	ARC Resources Limited	1,034,828	1,186,120	4.7%
105,810	IBI Group Inc.	1,534,091	1,180,840	4.7%
26,000	Bonterra Energy Corporation	901,160	1,177,020	4.6%
28,000	Crescent Point Energy Corporation	1,105,720	1,061,760	4.2%
36,000	Tourmaline Oil Corporation	757,236	965,880	3.8%
21,000	Vermilion Energy Inc.	680,820	957,180	3.8%
22,000	Baytex Energy Corporation	653,400	942,700	3.7%
58,000	First National Financial Corporation	966,811	896,100	3.5%
70,000	Brookfield Real Estate Services Inc.	814,632	836,500	3.3%
25,000	Cineplex Inc.	424,917	764,250	3.0%
43,000	Bonavista Energy Corporation	960,763	679,830	2.7%
152,000	C2C Industrial Properties Inc.	646,000	646,000	2.5%
35,000	First Capital Realty Inc.	473,813	640,850	2.5%
62,000	CML Healthcare Inc.	837,051	592,720	2.3%
15,500	Genivar Inc.	410,071	345,650	1.4%
65,000	Tricon Capital Group Inc.	280,800	270,400	1.1%
21,000	Poseidon Concepts Corporation	279,594	260,610	1.0%
17,000	Parkland Fuel Corporation	163,658	242,080	1.0%
6,700	Davis + Henderson Income Fund	103,448	115,374	0.5%
365,400	Big Eagle Services Trust – Private Placement	–	–	0.0%
		17,101,965	18,433,154	72.8%
	Real Estate Investment Trusts (REIT's)			
105,000	Artis REIT	906,000	1,717,800	6.8%
56,000	H&R REIT	829,927	1,366,400	5.4%
41,000	Calloway REIT	690,303	1,145,950	4.5%
10,000	Allied Properties REIT	167,638	289,900	1.1%
		2,593,868	4,520,050	17.8%
	Limited Partnerships			
86,000	Inter Pipeline Fund LP 'A'	911,228	1,651,200	6.5%
55,000	Brookfield Renewable Energy Partners LP	999,260	1,557,050	6.1%
		1,910,488	3,208,250	12.6%
Investment portfolio		21,606,321	26,161,454	103.2%
Transaction costs		(22,083)	–	–%
Total investment portfolio		$ 21,584,238	$ 26,161,454	103.2%
Cash			122,382	0.5%
Liabilities in excess of other assets			(926,728)	(3.7)%
Net assets			$ 25,357,108	100.0%

1 *The Summary of Investment Portfolio may change due to ongoing portfolio transactions in the Fund. A quarterly update is available at www.brookfieldsoundvest.com*

The accompanying notes are integral to these financial statements

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

1. OPERATIONS

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”) and 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”).

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 (TSX: BSD.UN) 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

Future Accounting Changes - International Financial Reporting Standards

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 outlined the key decisions that the AcSB would need to make in order to implement the Strategic Plan for publicly accountable enterprises that would replace Canadian GAAP with IFRS by January 1, 2011. The key elements of the plan included 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.

In December 2011, the Accounting Standards Board gave approval to provide Canadian investment companies with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

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 significantly 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared using the following policies determined under Part V of the Canadian Institute of Chartered Accountants Handbook – Canadian generally accepted accounting principles ("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 six-month period ending June 30, 2012. 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 June 30, 2012 and December 31, 2011 is as follows:

As at June 30, 2012				Per Unit
Published net asset value used for purchases and redemptions	**$**	**25,464,721**	**$**	**5.19**
Section 3855 adjustment		**(107,613)**		**(0.02)**
Net assets per financial statements	**$**	**25,357,108**	**$**	**5.17**

As at December 31, 2011				Per Unit
Published net asset value used for purchases and redemptions	$	27,786,384	$	5.66
Section 3855 adjustment		(86,509)		(0.01)
Net assets per financial statements	$	27,699,875	$	5.65

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2012		December 31, 2011
Distributions payable to unitholders *(note 8)*	**$**	**98,135**	$	98,135
Other accounts payable and accrued liabilities		**59,548**		79,334
Service fees payable		**34,113**		35,467
Management fees payable *(note 9)*		**22,129**		21,307
	$	**213,925**	$	234,243

6. LOAN FACILITY

On August 16, 2010, the Fund's 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 or 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 facility was renewed on August 16, 2011 under existing terms through to August 14, 2012. On October 4, 2011, an amendment was issued to reduce the maximum draw under the facility to $5.5 million.

On July 23, 2012, an amendment was issued to extend the term of the loan facility available with a Canadian chartered bank to October 13, 2012. The amendment was issued so that the term of the facility would renew subsequent to the Fund's annual redemption program.

The Fund utilizes borrowings to purchase additional portfolio investments and for general Fund purposes. As at June 30, 2012, $0.9 million was drawn against the available limit (December 31, 2011 - $1.2 million), which represented 3.5% (December 31, 2011 – 4.3%) of the net assets of the Fund. The minimum and maximum amounts borrowed against the available limit during the first six months of 2012 were $0.9 million and $2.3 million, respectively (first six months of 2011 - $4.8 million and $6.0 million, respectively). 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.

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 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 affected 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. The last date for requesting redemptions based on the August 31, 2012 net asset value per unit was August 10th and unitholders have requested redemption of 1,057,835 units (2011 – 1,674,519 units) for estimated proceeds of $5.7 million (2011 - $9.2 million) under the annual redemption program.

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

Issued	Number of Units		Amount
Units - December 31, 2010	6,581,260	$	45,401,838
Redeemed for cash			
Cancelled after redemption for cash	(1,674,519)		(9,174,319)
Units - June 30, 2012 and December 31, 2011	4,906,741	$	36,227,519

The weighted average number of units outstanding for the six months ended June 30, 2012 was 4,906,741 (December 31, 2011 – 6,024,620).

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 June 30, 2012 totalled $98,135 (December 31 2011, – $98,135).

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[1] for the period ended June 30 were as follows:

		2012		2011
Proceeds from sale of investments	$	**1,603,297**	$	3,279,870
Less cost of investments sold				
Investments at cost – beginning of period		**22,628,247**		35,542,677
Investments purchased during the period		**1,060,357**		1,572,344
Investments at cost – end of period		**21,584,238**		34,007,249
Cost of investments sold during the period		**2,104,366**		3,107,772
Net realized (losses) gains on sale of investments	$	**(501,069)**	$	172,098

1 All balances have been adjusted for Return of Capital amounts.

Brokerage commissions on securities purchased and sold during the period ended June 30, 2012 totalled $6,780 (2011 - $11,943) 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 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 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 investing in the 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 of the Fund.

The Manager's best estimate of the effect on net assets due to a reasonably possible change in the S&P/TSX Composite Index, with other variables held constant, for the periods ended June 30, 2012 and December 31, 2011, is as follows:

Change in prices on the Index	Change in Net Assets of Fund	
	June 30, 2012	December 31, 2011
10%	**8.1%**	9.6%
(10%)	**(7.7%)**	(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 June 30, 2012 are non-interest bearing; however, the bank loan facility bears interest at the prime or bankers' acceptance rates. 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 or 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 Section 3862 of the Canadian Institute of Chartered Accountants Handbook. See Note 3 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy tables presents information about the Fund's assets measured at fair value as of June 30, 2012 and December 31, 2011. There have been no transfers between levels during the period.

As at June 30, 2012	Level 1	Level 2	Level 3	Total Financial Assets at Fair Value
Financial assets				
Cash	**$ 122,382**	$ -	$ -	**$ 122,382**
Income trusts	**4,520,050**	-	-	**4,520,050**
Limited partnerships	**3,208,250**	-	-	**3,208,250**
Canadian common stocks	**18,433,154**	-	-	**18,433,154**
Total financial assets	**$ 26,283,836**	**$ -**	**$ -**	**$ 26,283,836**

As at December 31, 2011	Level 1	Level 2	Level 3	Total Financial Assets at Fair Value
Financial assets				
Cash	$ 146,780	$ -	$ -	$ 146,780
Income trusts	4,440,230	-	-	4,440,230
Limited partnerships	3,532,900	-	-	3,532,900
Canadian common stocks	20,843,918	-	-	20,843,918
Total financial assets	$ 28,963,828	$ -	$ -	$ 28,963,828

14. SUBSEQUENT EVENT

On July 6, 2012, 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 ("NCIB"). The Fund has the right under the bid to purchase for cancellation up to 490,036 of its capital units issued and outstanding as at June 29, 2012.

The NCIB commenced on July 10, 2012 and will end on July 9, 2013. The price to be paid for the units under the NCIB is the market price at the time of purchase. All units purchased by the Fund under this bid will be promptly cancelled.

Under the NCIB, the Fund may not purchase in any 30 day period more than 98,134 units, representing 2% of the issued and outstanding units as at the date of acceptance of the notice of the NCIB by the TSX.

As at August 14, 2012, 10,800 units were repurchased and cancelled under the NCIB for $56 thousand.

On July 23, 2012, an amendment was issued to extend the term of the loan facility available with a Canadian chartered bank to October 13, 2012. The amendment was issued so that the term of the facility would renew subsequent to the Fund's annual redemption program.

BOARD AND MANAGEMENT

INDEPENDENT REVIEW COMMITTEE

John P. Barratt *(Chair)*
Corporate Director

Frank N. C. Lochan
Corporate Director

James L. R. Kelly
President
Earth Power Tractor and Equipment Inc.

MANAGER

Brookfield Soundvest Capital Management Ltd.

Kevin W. Charlebois
Director, President, Secretary & Chief Executive Officer

Gabrielle Lenz
Chief Financial Officer

George E. Myhal
Director & Chairman of the Board

Gail Cecil
Director

Audrey J. Charlebois
Director

Investment Advisor (Brookfield Soundvest Capital Management Ltd.)

Kevin W. Charlebois
Chief Investment Officer

Ryan Cody
Portfolio Manager and Equity Analyst

CORPORATE INFORMATION

Head Office of The Manager & Investment Advisor

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Ottawa, Ontario K1P 5B7 2T3

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w. www.brookfieldsoundvest.com

Trustee, Transfer Agent and Registrar

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

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100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
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International 514.982.7555
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