Brookfield Soundvest Split Trust
BSD.UN / BSD.PR.A

2014 Semi-Annual Report

Brookfield Soundvest Funds

IN PROFILE

Brookfield Soundvest Split Trust (the "Trust") 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 $190 billion of assets under management.

The Trust's investment advisor and portfolio manager is also 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.

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

Units Outstanding (June 30, 2014): 4,030,225 capital units and 4,030,225 preferred securities

Targeted 2014 Distributions:

- Capital Units: Capital unit distributions were suspended from October 2008 through to January 2011, in accordance with the terms of the Trust's Declaration of Trust. On February 17, 2011 a quarterly distribution of $0.01 per capital unit was declared, reflecting an annualized rate of $0.04 per unit, subject to quarterly review. On August 22, 2011 the capital unit distributions suspension was reinstated.

- Preferred Securities: $0.15 per security, payable quarterly ($0.60 per security annually)

Record Date: Capital units: Last business day of February, May, August and November

Preferred securities: Last business day of February, May, August and November

Payment Date: Capital units: On or about the 15th day of March, June, September and December

Preferred securities: On or about the 15th day of March, June, September and December

CONTENTS

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 the investment performance for the period ending June 30, 2014 and share our outlook for the second half of 2014.

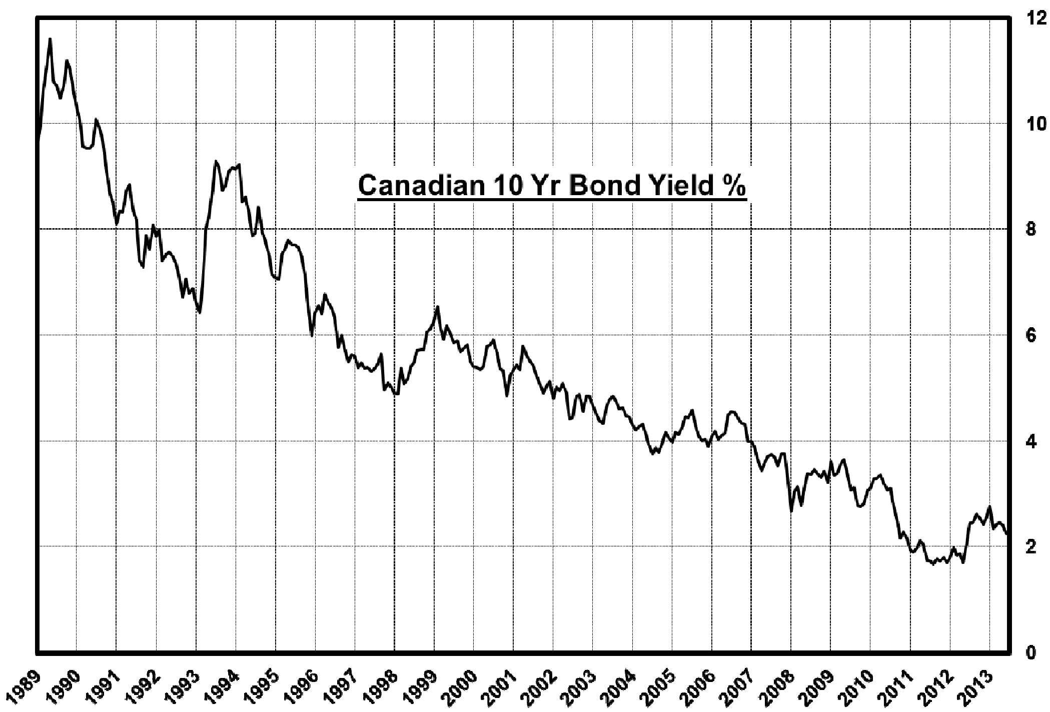
MARKET OVERVIEW

During the first six months of 2014 the Canadian market provided a positive 12.9% rate of return. The U.S. and world markets underperformed Canada providing a positive return of 7.1% and 6.5%, respectively.

Index	Year to Date 2014 ROR (as at June 30)
S&P/TSX Composite	12.9%
S&P 500	7.1%
Dow Jones Industrial Average	1.5%
MSCI EAFE (Europe, Australasia, Far East)	5.1%
MSCI World	6.5%

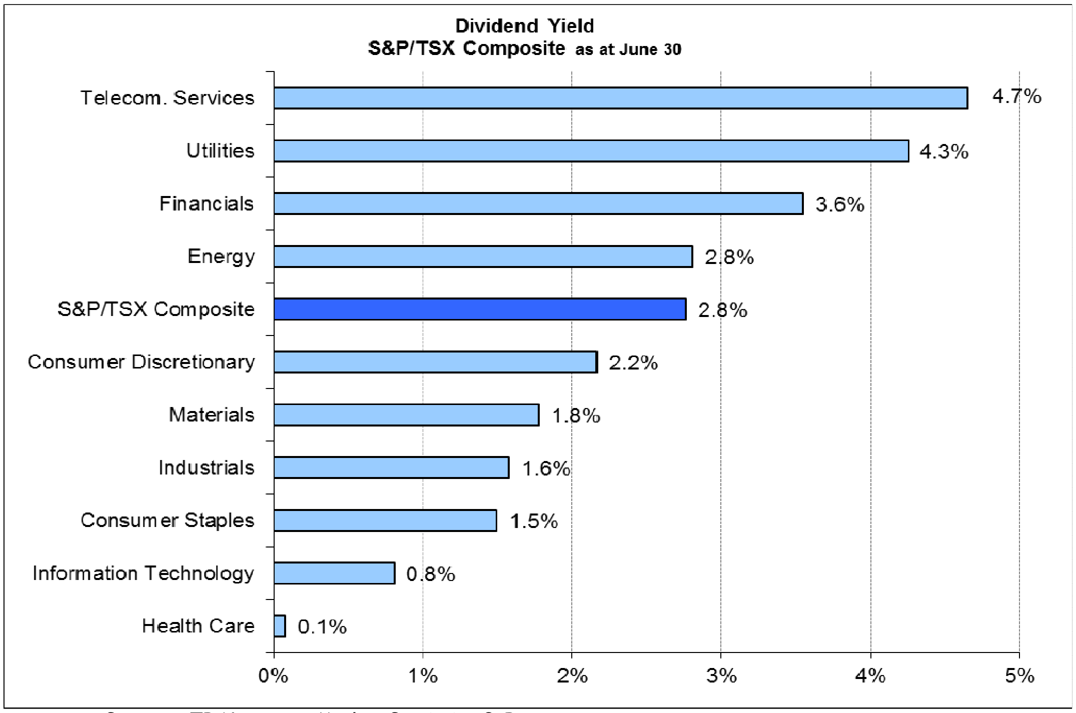
Canadian High Yield Market

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 2.8% as at June 30, 2014. This compared favorably when comparing against available Government of Canada bond yields. The 10-year Government of Canada bond yield ended the second quarter at 2.2%, down 52 basis points from the year end.



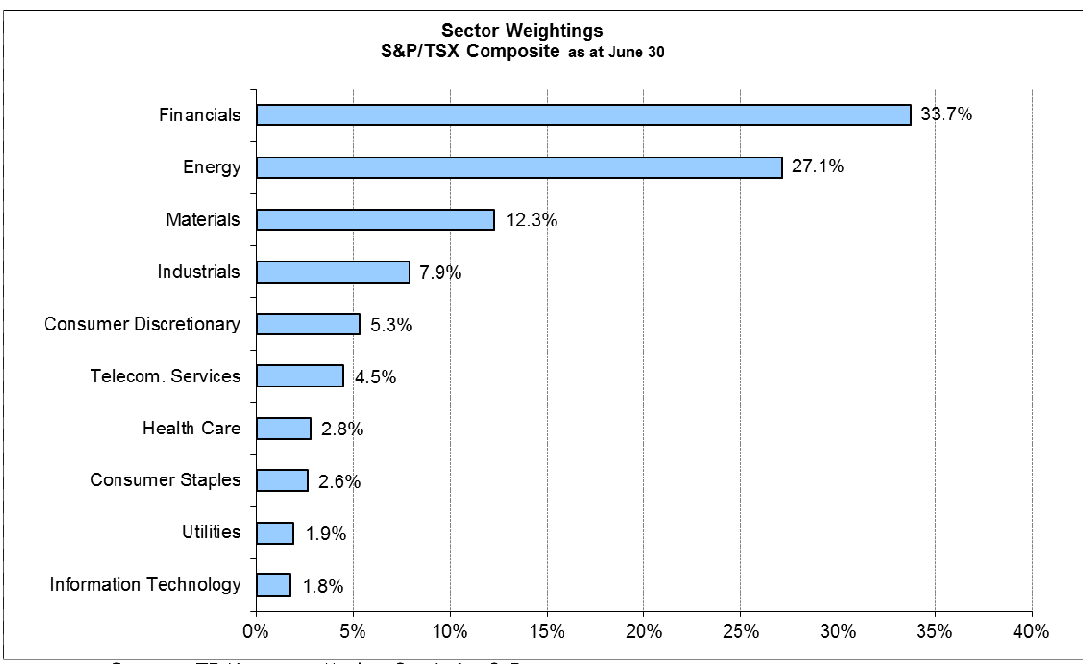
Yield investments produced solid returns during the first half of 2014 as bond yields remained subdued.

Canada's dividend yield universe is broad and diversified with five of the ten sectors within the index providing overall yields in excess of 2.0%. The Telecom Services and Utilities sectors provided the highest dividend yields at June 30, 2014 with yields of 4.7% and 4.3%, respectively. The Financials sector which is dominated by the big banks also provided a healthy yield at 3.6%.



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 (33.7% weighting) which includes Real Estate, Energy (27.1%) and Materials (12.3%). The three sectors combined weighting was 73.1% at June 30, 2014.



Source: TD Newcrest Market Statistics & Returns

TRUST PERFORMANCE

The Trust'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 Trust may also invest up to 20% of the value of the Portfolio in any other security at the discretion of the Investment Advisor. The Trust seeks investments capable of generating high quality cash flows that have the potential to appreciate in value.

For the six months ended June 30, 2014, the Trust's published net asset value ("NAV") per unit of the capital units, which is used for purchases and redemptions was $4.12. The combined NAV of the Trust was $14.12 at June 30, 2014, an increase of $1.31 from December 31, 2013. The published NAV of the combined units increased 10.2% for the six months ending June 30, 2014. If interest on the preferred units is included, the return based on NAV of the combined units for the six months ending June 30, 2014 is positive 12.5%. During the same timeframe the S&P/TSX Composite returned a positive 12.9%

The Trust's split share structure results in structural leverage for the capital units. The amount of structural leverage of the capital units is based on the ratio of the Trust's total portfolio over the net asset value of the capital units. The structural leverage favorably impacted the return for the first six months of 2014, resulting in a return of 46.4%.

For the six months ended June 30, 2014, the Trust generated net realized losses of approximately $335 thousand. All sales were executed to exit positions entirely. Net realized losses were realized on sales of Coast Wholesale Appliances ($276 thousand loss) and Dundee Industrial REIT ($135 thousand loss). The net losses were partial offset by a gain on the sale of Bombardier Inc. ($66 thousand gain).

Distributions

The Trust reinstated its distribution in January 2011 and made two quarterly payments to the end of June 30, 2011. Subsequent to the June 2011 payment the Trust suspended the distribution. In accordance with the Declaration of Trust, the Trust is not permitted to make or cause to be made any cash distributions on the capital units if, immediately after giving effect to the proposed distribution, the Combined Value determined as of the date such distribution is declared would be less than 1.4 times the Repayment Price determined as of the same date. In order to satisfy the coverage ratio as set out in the Declaration of Trust, the net asset value per capital unit is required to be approximately $4.00 or greater. The Trust will continue to monitor its net asset value to determine if and when it will be able to make future distributions on its capital units.

Distributions of $0.15 per quarter continue to be paid on the preferred securities.

Redemptions

On October 23, 2008, the Trust also announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011 it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011 with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 combined securities (being one capital unit and a $10.00 principal amount of preferred securities) and 260,174 capital units were tendered alone. In accordance with the Declaration of Trust, 260,174 preferred securities were purchased in the market at a total price of $2,676,839 to match the capital units tendered alone and total redemption proceeds of $20,445,419 were paid on March 4, 2011 to settle the capital units and combined securities surrendered through the redemption process.

On October 27, 2011, the Trust announced that it was reinstating the suspension of the annual redemption rights that would have arisen in November 2011 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained.

OUTLOOK

The U.S. economy continues to benefit from loose monetary policy, facilitating the ongoing housing recovery, increased business investment and consumer spending. In addition to favorable monetary policy, the U.S. consumer continues to gain confidence as more individuals become gainfully employed, as evidenced by increasing nonfarm payrolls numbers. While there could be some short-term bumps along the road, interest rates could remain low over the near term supporting economic growth going forward.

The Canadian economy should continue to benefit from a relatively weaker Canadian dollar as our trading partners continue to strengthen. The Canadian housing market appears to be headed towards a soft landing as low borrowing rates continue to facilitate affordability and relative price stability. While Eastern Canada should benefit from an increase in manufacturing as a result of favourable exchange rate adjusted pricing, Western Canada should remain as the engine of economic growth supported by strong energy prices and elevated capital investment.

We do not know at the beginning of each year what returns the stock market will provide in that year. What we do know is the following: buying shares of companies, at a reasonable price, that have decent balance sheets, with honest and able management who continue to grow their company's earnings, dividends and intrinsic value over time, should reward the shareholders of such companies as the years roll forward.

Thank you for your continued support.

Kevin Charlebois

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 Trust's annual distribution targets and portfolio weightings, future positioning of the Trust, 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 Trust are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Trust 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 Trust's prospectus and the Trust'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 Trust performance ("MRFP") is intended to provide readers with the financial highlights and an assessment of the performance of Brookfield Soundvest Split Trust (the "Trust") for the six months ended June 30, 2014. The interim financial statements are unaudited and have been prepared by and are the responsibility of the Manager of the Trust. The Trust's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants Canada. All figures in the MRFP are in Canadian dollars as at June 30, 2014, unless otherwise indicated.

This interim MRFP contains financial highlights and the interim financial statements are included at the end of this section. The annual financial statements of the Trust 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 855-423-7986; by writing to us at 100 Sparks Street, Suite 900, Ottawa, Ontario, K1P 5B7; or by visiting our website at www.brookfieldsoundvest.com or SEDAR at www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGY

The Trust's investment objectives are to provide holders of preferred securities with fixed quarterly interest payments in the amount of $0.15 per preferred security ($0.60 per annum to yield 6% per annum on the original subscription price of $10.00) and the repayment of the original subscription price at maturity. For unitholders, the Trust's objectives are to provide holders with regular cash distributions and to maximize the long-term total return of the Trust's portfolio.

The Trust'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 Trust may also invest up to 20% of the value of the Investment Portfolio in any other security at the discretion of the Investment Advisor. The Trust seeks investments capable of generating high quality cash flows that have the potential to appreciate in value.

RISKS

The risks of investing in the Trust remain as discussed in the Trust's Annual Information Form and Prospectus. As stated under "Risk Factors – No Assurances of Achieving Objectives" in the Trust's Annual Information Form filed annually, the Trust intends to make monthly cash distributions to unitholders. However, such distributions may not be made if, after giving effect to the proposed distributions, the Combined Value would be less than 1.4 times the Repayment Price (as such terms are defined in the Trust's Annual Information Form; the "Coverage Ratio"). In accordance with its Declaration of Trust, the Trust suspended the distribution on its capital units for the months of October, November and December 2008, each month of 2009, 2010, 2012, 2013, and 2014 as well as for the months of June to December 2011. On February 17, 2011, when it was anticipated that a distribution could be paid without violating the 1.4 times coverage ratio, a quarterly distribution of $0.01 per capital unit was declared, reflecting an annualized rate of $0.04 per unit. Quarterly distributions were paid in March and June 2011. On August 22, 2011, the Trust suspended the distribution to capital units.

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times Coverage Ratio cannot be maintained. By January 2011, it was anticipated that redemptions could be processed without violating the 1.4 times Coverage Ratio and the suspension was lifted on January 5, 2011 with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 combined securities (being one capital unit and a $10.00 principal amount of preferred securities) and 260,174 capital units were tendered alone. In accordance with the Declaration of Trust, 260,174 preferred securities were purchased in the market at a total price of $2,676,839 to match with the capital units tendered alone and total redemption proceeds of $20,445,419 were paid on March 4, 2011 to settle the capital units and combined securities surrendered through the redemption process.

On October 27, 2011, the Trust announced that it was reinstating the suspension of the annual redemption rights that would have arisen in November 2011 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained.

There can be no assurance that the Trust will be able to repay the original subscription price. Please refer to the risks discussed under the section “Risk Factors – No Assurances at Achieving Objectives” in the Trust’s Annual Information Form and Prospectus.

RESULTS OF OPERATIONS

The Trust’s net assets increased by $5.3 million or 46.4%, from $11.3 million as at December 31, 2013 to $16.6 million as at June 30, 2014. This increase is entirely attributable to investment performance (net of expenses) where a gain of $5.3 million was reported. The Trust’s investment performance and unitholder activity for 2014 are discussed in more detail below.

Investment Performance

For the six months ended June 30, 2014, the Trust’s published net asset value (“NAV”) per unit of the capital units, which is used for purchases and redemptions was $4.12. The combined NAV of the Trust was $14.12 at June 30, 2014, an increase of $1.31 from December 31, 2013. The published NAV of the combined units increased 10.2% for the six months ending June 30, 2014. If interest on the preferred units is included, the return based on NAV of the combined units for the six months ending June 30, 2014 is positive 12.5%. During the same timeframe the S&P/TSX Composite returned a positive 12.9%

The Trust’s split share structure results in structural leverage for the capital units. The amount of structural leverage of the capital units is based on the ratio of the Trust’s total portfolio over the net asset value of the capital units. The structural leverage favorably impacted the return for the first six months of 2014, resulting in a return of 46.4%.

For the six months ended June 30, 2014, the Trust generated net realized losses of approximately $335 thousand. All sales were executed to exit positions entirely. Net realized losses were realized on sales of Coast Wholesale Appliances ($276 thousand loss) and Dundee Industrial REIT ($135 thousand loss). The net losses were partial offset by a gain on the sale of Bombardier Inc. ($66 thousand gain).

The Trust’s decision to underweight the Financials sector and overweight the Energy sector benefitted performance during the six months ended June 30, 2014. The Financial sector marginally underperformed the S&P/TSX Composite Index (“Index”) while the Energy sector materially outperformed the Index. The Trust’s underweight position in the Materials sector contributed negatively to performance over the first six months of 2014. During the six months ended June 30, 2014 security selection contributed both positively and negatively. Security selection in the Consumer Discretionary, Industrials and Financial sectors detracted from performance while security selection in both Energy and Utilities contributed positively.

Fees and Expenses

Fees and expenses for the six months ended June 30, 2014 totalled $1.7 million compared $1.7 million for the same period in 2013 representing an annualized management expense ratio (“MER”) of 24.7% as compared to 37.9% for the six months ended June 30, 2013. The MER is based on the total expenses of the Trust, including interest on preferred securities, for the stated year (excluding brokerage commissions) and is expressed as an annualized percentage of the daily average net asset value of the capital units for the period. The MER before interest expense for the six months ended June 30, 2014 and 2013 was 7.0% and 10.1%, respectively. The MER before interest expense for the six months ended June 30, 2014 and 2013 on the combined units was 1.8% and 1.8%, respectively.

Unitholder Activity

To provide liquidity, capital units and preferred securities of the Trust are listed on the TSX under the symbols BSD.UN and BSD.PR.A, respectively. Under terms of the Trust’s Declaration of Trust, additional liquidity is provided by way of an annual redemption program, under which the Trust’s units and preferred securities, under certain conditions, are redeemable on the last business day of November of each year at 100% of the net asset value per unit. On October 23, 2008, the Trust announced that the annual redemption rights that would have arisen in November 2008 had been temporarily suspended. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. See “Redemptions” below.

On October 23, 2008, the Trust announced that it was temporarily suspending the distribution on its capital units, in accordance with its Declaration of Trust, as the Trust's net asset value was below the required 1.4 times coverage ratio. The Trust suspended its distribution on capital units for each month of 2009, 2010, 2012, 2013, and 2014 as well as for the months of June to December 2011. On February 17, 2011, when it was anticipated that a distribution could be paid without violating the 1.4 times coverage ratio, a quarterly distribution of $0.01 per capital unit was declared, reflecting a current annualized rate of $0.04 per unit. On August 22, 2011, the Trust suspended the distribution to capital units.

On March 7, 2014, Brookfield Soundvest Capital Management Ltd., as Manager of the Trust, announced that the Toronto Stock Exchange ("TSX") had accepted its Notice of Intention to make a normal course issuer bid ("NCIB"). The Trust has the right under the NCIB to purchase for cancellation up to 356,319 of its capital units and preferred securities (collectively, the "Shares") issued and outstanding as at March 7, 2014.

The NCIB commenced on March 11, 2014 and will end on March 10, 2015. Purchases made pursuant to the NCIB would be made in the open market through the facilities of the TSX. The price that the Trust 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 shares of the Trust may have become available during the proposed purchase period at prices that would make such purchases in the best interests of the Trust and its securityholders. All shares purchased by the Trust under this bid will be promptly cancelled. Under the NCIB, the Trust may not purchase in any 30 day period more than 80,604 shares, representing 2% of the issued and outstanding shares as at the date of acceptance of the notice of the NCIB by the TSX. As at August 20, 2014, no units were repurchased and cancelled under the NCIB.

Distributions of $0.15 per quarter continue to be paid on the preferred securities.

Redemptions

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011 it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011 with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 combined securities (being one capital unit and a $10.00 principal amount of preferred securities) and 260,174 capital units were tendered alone. In accordance with the Declaration of Trust, 260,174 preferred securities were purchased in the market at a total price of $2,676,839 to match the capital units tendered alone and total redemption proceeds of $20,445,419 were paid on March 4, 2011 to settle the capital units and combined securities surrendered through the redemption process.

The annual redemption rights that would have arisen in November 2011 for both its capital units and preferred securities were suspended on October 27, 2011. The Declaration of Trust provides for the suspension of redemption rights of its capital units and preferred securities when the 1.4 times coverage ratio cannot be maintained.

Loan Facility

On January 31, 2013, the Trust renewed its existing credit facility through to March 8, 2014. Under the terms of the renewal, the maximum draw under the facility is limited to the lower of $3.0 million or an amount not exceeding 7% of the value of the assets within the portfolio, nor the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The facility is secured by a first-ranking and exclusive charge on all of the Trust's assets.

On March 5, 2014, the Trust renewed its existing credit facility through to March 7, 2015. Under the terms of the renewal, the maximum draw under the facility is limited to the lower of $2.5 million or an amount not exceeding 7% of the value of the assets within the portfolio, or the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The facility is secured by a first-ranking and exclusive charge on all of the Trust's assets.

The Trust utilizes borrowings to purchase additional portfolio investments and for general Trust purposes. As at June 30, 2014, December 31, 2013 and January 1, 2013, there were no balances outstanding on this facility. There were no amounts borrowed under these arrangements during the six months ended June 30, 2014 and 2013. A reduction or termination in the credit facility may limit the Trust's ability to employ leverage to magnify returns. In the current environment, the Trust 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., has been the Investment Advisor to the Trust since its inception and is also the Manager of the Trust since April 20, 2010, responsible for managing all of the Trust’s activities.

The Manager of the Trust is responsible for managing all of the Trust’s activities and management fees are paid to the Manager based on terms set out in the management agreement at a rate of 1.10% per annum of the total assets of the Trust less the amount outstanding under the loan facility. In addition, the Trust also pays the Manager a service fee equal to 0.40% per annum of the net asset value. The service fee is, in turn, paid to investment dealers based on the proportionate number of units held by clients of such dealers. During the six months ended June 30, 2014, management fees including HST accrued or paid to the Manager totalled $327 thousand (June 30, 2013 -$295 thousand). Service fees accrued or paid during the six months ended June 30, 2014 totalled $28 thousand (June 30, 2013 - $12 thousand).

RECENT DEVELOPMENTS

Accounting Policy Changes

Investment companies that are publicly accountable enterprises or investment funds, to which National Instrument 81-106 Investment Fund Continuous Disclosure is applicable, are required to adopt International Financial Reporting Standards (“IFRS”) for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Trust adopted IFRS beginning January 1, 2014 and published its first financial statements, prepared in accordance with IFRS, for the period ending June 30, 2014. The 2014 semi-annual statements include the 2013 comparative financial information and an opening Statement of Financial Position as at January 1, 2013, also prepared in accordance with IFRS.

As at June 30, 2014, the following is a summary of the impact on the financial statements based on the differences between current Canadian Generally accepted accounting principles (‘‘GAAP’’) and IFRS:

- IFRS 13 *Fair Value Measurement* (“IFRS 9”) allows the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within the bid-ask spread. The Trust adopted accounting policies for the valuation of investments to utilize mid-market prices that align more closely with the calculation of net asset value (“NAV”) used to price unitholder transactions. As a result, net assets for current financial reporting purposes will be impacted and is expected to align with NAV used to price unitholder transactions, eliminating the need for a NAV per unit reconciliation. The impact to the Statement of Financial Position as at January 1, 2013 and December 31, 2013 is disclosed in note 16 of the Trust’s annual financial statements. The net change in these reconciliation adjustments had a corresponding impact to income in the Statement of Comprehensive Income.

- IFRS 10 *Consolidated Financial Statements* (“IFRS 10”) provides an exception to the consolidation requirements and requires an investment entity to account for its subsidiaries at fair value through profit or loss. The Trust has concluded that it meets the definition of an investment entity as at January 1, 2013, for the year ended December 31, 2013 and for the six months ending June 30, 2014.

- Under Canadian GAAP, the Trust accounted for its redeemable units as equity. Under IFRS, IAS 32 *Financial Instruments: Presentation* (“IAS 32”), the units of the Trust are puttable instruments as unitholders have the right to redeem these units. IAS 32 requires that units of a fund which include a contractual obligation for the issuer to repurchase or redeem units for cash or another financial asset and an obligation to distribute net taxable income and net realized capital gains to ensure that the Trust is not liable for income taxes be classified as financial liabilities. The Trust’s units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

• IFRS requires financial statements presented will be renamed as follow:

Canadian GAAP	IFRS
Statements of Net Assets	Statement of Financial Position
Statements of Operations	Statement of Comprehensive Income
Statements of Changes in Net Assets	Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
Statements of Cash Flow	Statements of Cash Flow
Statement of Investment Portfolio	Schedule of Investment Portfolio

OUTLOOK

The U.S. economy continues to benefit from loose monetary policy, facilitating the ongoing housing recovery, increased business investment and consumer spending. In addition to favorable monetary policy, the U.S. consumer continues to gain confidence as more individuals become gainfully employed, as evidenced by increasing nonfarm payrolls numbers. While there could be some short-term bumps along the road, interest rates could remain low over the near term supporting economic growth going forward.

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We do not know at the beginning of each year what returns the stock market will provide in that year. What we do know is the following: buying shares of companies, at a reasonable price, that have decent balance sheets, with honest and able management who continue to grow their company’s earnings, dividends and intrinsic value over time, should reward the shareholders of such companies as the years roll forward.

FINANCIAL HIGHLIGHTS

The following tables provide selected key financial information about the Trust and are intended to assist readers in understanding the Trust's financial performance over the last five years.

The Trust's Net Assets Per Capital Unit[1]

	2014[3]	2013[2]	2012[2]	2011[2]	2010[2]
Net assets – beginning of period	**$ 2.82**	$ 2.07	$ 3.27	$ 4.41	$ 2.32
Increase (Decrease) from operations					
Total revenue	**0.27**	0.52	0.61	0.67	0.93
Total expenses	**(0.42)**	(0.82)	(0.83)	(0.83)	(0.82)
Transaction costs	**(0.00)**	(0.01)	(0.01)	(0.02)	(0.01)
Net realized (losses) gains on sale of investments	**(0.08)**	(1.17)	(0.70)	0.52	(0.03)
Net changes in unrealized gains (losses)	**1.54**	2.22	(0.26)	(1.33)	2.01
Total increase (decrease) from operations	**1.31**	0.74	(1.19)	(0.99)	2.08
Distributions					
From dividend income	**–**	–	–	–	–
From investment income	**–**	–	–	–	–
Return of capital	**–**	–	–	(0.02)	–
Total distributions[4]	**–**	–	–	(0.02)	–
Net assets - end of period[5]	**$ 4.12**	$ 2.82	$ 2.07	$ 3.27	$ 4.41

The Trust's Net Assets Per Preferred Security[1]

	2014[3]	2013[2]	2012[2]	2011[2]	2010[2]
Net assets – beginning of period	**$ 10.00**	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Increase (decrease) from operations					
Total revenue	**–**	–	–	–	–
Total expenses	**–**	–	–	–	–
Transaction costs	**–**	–	–	–	–
Net realized losses on sale of investments	**–**	–	–	–	–
Net changes in unrealized gains (losses)	**–**	–	–	–	–
Return of capital	**–**	–	–	–	–
Gain on retirement of preferred securities	**–**	–	–	–	–
(Increase) decrease in value of preferred securities	**–**	–	–	–	–
Total decrease from operations	**–**	–	–	–	–
Total distributions[4]	**(0.60)**	(0.60)	(0.60)	(0.60)	(0.60)
Net assets - end of period[5]	**$ 10.00**	$ 10.00	$ 10.00	$ 10.00	$ 10.00

1 *This information is derived from the Trust's audited and unaudited financial statements. The net assets per unit presented in the financial statements are the same as the net asset value calculated for fund pricing purposes.*

2 *As at and for the twelve months ended December 31 (audited).*

3 *As at and for the six months ended June 30 (unaudited).*

4 *Distributions were paid in cash.*

5 *Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period. Accordingly, totals may not sum in the above table due to the different basis for computing the per unit amounts.*

The following table illustrates components of the Trust's overall return:

	2014[2]	2013[1]	2012[1]	2011[1]	2010[1]
Net investment (loss) income	**$ (593,511)**	$ (1,227,463)	$ (889,382)	$ (693,997)	$ 633,850
Transaction costs	**(7,000)**	(31,164)	(24,443)	(88,369)	(53,501)
Net realized gains (losses) on sale of investments	**(334,671)**	(4,700,773)	(2,823,780)	2,217,613	(166,175)
Net change in unrealized gains (losses)	**6,201,749**	8,957,420	(1,072,166)	(5,633,512)	11,350,490
(Loss) gain on retirement of preferred securities	**–**	–	–	(34)	20,488
Income (loss) from operations	**5,266,567**	2,998,020	(4,809,771)	(4,198,299)	11,785,152
Income (loss) from operations per unit	**1.31**	0.74	(1.19)	(0.99)	2.08
Net assets per unit	**$ 4.12**	$ 2.82	$ 2.07	$ 3.27	$ 4.41

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

Ratios and Supplemental Data – Capital Units

	2014[2]	2013[1]	2012[1]	2011[1]	2010[1]
Total net asset value	$ 16,618,035	$ 11,351,468	$ 8,353,447	$ 13,163,218	$ 24,702,834
Number of units outstanding	4,030,225	4,030,225	4,030,225	4,030,225	5,601,043
Management expense ratio before interest expense	7.04%	10.10%	8.46%	6.51%	7.34%
Management expense ratio[3]	24.68%	37.91%	31.05%	22.20%	27.79%
Management expense ratio before waivers or absorptions	24.68%	37.91%	31.05%	22.20%	27.79%
Trading expense ratio[4]	0.05%	0.36%	0.23%	0.56%	0.32%
Portfolio turnover rate[5]	1.72%	19.07%	11.97%	12.63%	7.60%
Monthly distribution per unit	$ –	$ –	$ –	$ –	$ –
Annualized trailing yield[6]	–	–	–	–	–
Closing market price	$ 3.28	$ 1.53	$ 1.40	$ 2.35	$ 3.71

1 *As at and for the twelve months ended December 31 (audited).*
2 *As at and for the six months ended June 30 (unaudited).*
3 *Management expense ratio of a particular series is based on total expenses (excluding commissions and other portfolio transaction costs) attributable to that series for the stated period and is expressed as an annualized percentage of daily average net assets of that series during the period. Total expenses include interest on the Trust's preferred shares. The preferred shares form part of the Trust's dual security capital structure. As long as the net asset per unit of the Trust is above $10 per unit, then the expenses of the Trust are borne by the capital units. If the net assets per unit of the Trust falls to or below $10 per unit, then the expenses of the Trust are borne by the preferred shares until such time as the net assets per unit of the Trust returns to $10 per unit or more.*
4 *The trading expense ratio represents commission costs expressed as an annualized percentage of daily average net asset value during the period.*
5 *The Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a Trust's portfolio turnover rates in a year, the greater the trading costs payable by the Trust 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 Trust.*
6 *Based on annualized cumulative distributions per unit and the closing market price.*

Ratios and Supplemental Data – Preferred Securities

	2014[2]	2013[1]	2012[1]	2011[1]	2010[1]
Total net asset value	$ 40,302,250	$ 40,302,250	$ 40,302,250	$ 40,302,250	$ 56,012,430
Number of units outstanding	4,030,225	4,030,225	4,030,225	4,030,225	5,601,243
Management expense ratio before interest expense	–	–	–	–	–
Management expense ratio[3]	–	–	–	–	–
Management expense ratio before waivers or absorptions	–	–	–	–	–
Trading expense ratio[4]	–	–	–	–	–
Portfolio turnover rate[5]	–	–	–	–	–
Quarterly distribution per unit	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15
Annualized trailing yield[6]	5.99%	6.17%	6.28%	6.36%	6.15%
Closing market price	$ 10.02	$ 9.72	$ 9.55	$ 9.43	$ 9.75

1 *As at and for the twelve months ended December 31 (audited).*
2 *As at and for the six months ended June 30 (unaudited).*
3 *Management expense ratio of a particular series is based on total expenses (excluding commissions and other portfolio transaction costs) attributable to that series for the stated period and is expressed as an annualized percentage of daily average net assets of that series during the period. Total expenses include interest on the Trust's preferred shares. The preferred shares form part of the Trust's dual security capital structure. As long as the net asset per unit of the Trust is above $10 per unit, then the expenses of the Trust are borne by the capital units. If the net assets per unit of the Trust falls to or below $10 per unit, then the expenses of the Trust are borne by the preferred shares until such time as the net assets per unit of the Trust returns to $10 per unit or more.*
4 *The trading expense ratio represents commission costs expressed as an annualized percentage of daily average net asset value during the period.*
5 *The Trust's portfolio turnover rate indicates how actively the Trust's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a Trust's portfolio turnover rates in a year, the greater the trading costs payable by the Trust 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 Trust.*
6 *Based on annualized cumulative distributions per unit and the closing market price.*

Management and Service Fees

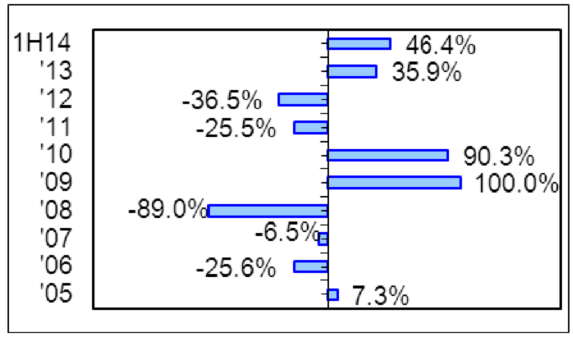
Pursuant to a management agreement, the Manager provides management and administrative services to the Trust, for which it is paid a management fee equal to 1.10% per annum of the total assets of the Trust less the amount outstanding under the loan facility, calculated and paid monthly, plus applicable taxes. The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value, 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 Trust and does not necessarily indicate how the Trust will perform in the future. The information shown is based on the net asset value per unit and assumes that distributions made by the Trust in the periods shown were reinvested (at the net asset value per unit) in additional units of the Trust.

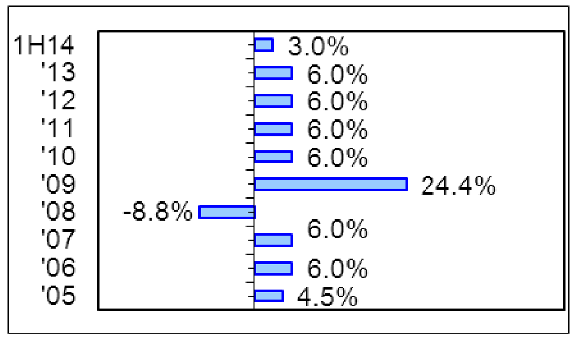
Year-by-Year Returns - Capital Units

The bar chart shows the Trust's total returns (based on net assets per capital unit) and includes distributions made in each period since inception to June 30, 2014. 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.



Year-by-Year Returns - Preferred Securities

The bar chart shows the Trust's total returns (based on net assets per preferred security) and includes distributions made in each period since inception to June 30, 2014. 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 Trust'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 and for the three-year and five-year periods ended June 30, 2014, compared with the Index.

Capital Units

	2014[1]	2013[2]	3-Year[3]	5-Year[4]	Since Inception[5]
Trust - Net asset value	**46.4%**	35.9%	1.8%	—%	(12.2%)
Trust - Total Return, including distributions	**46.4%**	35.9%	1.8%	—%	(4.8%)
S&P/TSX Composite Return Index	**12.9%**	13.0%	3.4%	11.9%	6.1%

Preferred Securities

	2014[1]	2013[2]	3-Year[3]	5-Year[4]	Since Inception[5]
Trust - Net asset value	**N/A**	N/A	N/A	N/A	N/A
Trust - Total Return, including distributions	**3.0%**	6.0%	5.7%	9.3%	4.9%
S&P/TSX Composite Return Index	**12.9%**	13.0%	3.4%	11.9%	6.1%

1 *For the six months ended June 30 (unaudited).*
2 *For the twelve months ended December 31 (audited).*
3 *For the period from June 30, 2011 to June 30, 2014.*
4 *For the period from June 30, 2009 to June 30, 2014. (The capital unit value was zero on June 30, 2009).*
5 *For the period from inception (March 16, 2005) to June 30, 2014, net of issuance costs.*

SUMMARY OF INVESTMENT PORTFOLIO

The summary of investment portfolio may change due to ongoing portfolio transactions of investments in the Trust. A quarterly update is available on our website at www.brookfieldsoundvest.com.

Portfolio Composition

As at June 30, 2014, the Trust was invested in the following sectors with the percentages shown below:

	2014[1] Percentage of Net Assets	Permitted Percentage of Total Investment Portfolio
Canadian Bonds and Debentures	**0.0%**	0%-100%
Canadian Preferred Shares	**7.0%**	0%-100%
Canadian Income Trusts (REITs)	**61.1%**	0%-100%
Canadian Common Stocks	**261.7%**	0%-100%
United States Common Stocks	**0.0%**	0%-100%
Limited Partnerships	**10.4%**	0%-20%
Total Investment Portfolio	**340.2%**	100%
Cash and Equivalents	**2.2%**	
Liabilities in excess of other assets	**(242.4%)**	
Net Assets	**100.0%**	

1 *Based on the market value as at June 30, 2014.*

Top 25 Positions

The top 25 positions held by the Trust as at June 30, 2014 were as follows:

Number of Units		Fair Value	Percentage of Investment Portfolio
68,000	Tourmaline Oil Corporation	$ 3,825,680	6.8%
75,000	Crescent Point Energy Corporation	3,546,750	6.3%
86,000	Allied Properties REIT	3,040,100	5.4%
91,000	Arc Resources Limited	2,956,590	5.2%
373,000	Tricon Capital Group Inc.	2,935,510	5.2%
38,000	Vermilion Energy Inc.	2,821,500	5.0%
122,000	Exchange Income Corporation	2,758,420	4.9%
164,000	Whitecap Resources Inc.	2,701,080	4.8%
164,000	Artis REIT	2,583,000	4.6%
110,000	H&R REIT	2,547,600	4.5%
102,700	First National Financial Corporation	2,274,805	4.0%
75,000	Calloway REIT	1,992,000	3.5%
60,000	Inter Pipeline Limited	1,987,200	3.5%
47,000	Cineplex Inc.	1,948,150	3.4%
239,000	Surge Energy Inc.	1,868,980	3.3%
123,200	Torc Oil & Gas Ltd.	1,808,576	3.2%
55,000	Brookfield Renewable Energy Partners L.P.	1,734,700	3.1%
45,000	WSP Global Inc.	1,700,550	3.0%
20,000	Keyera Corporation	1,572,200	2.8%
251,400	Just Energy Group Inc.	1,543,596	2.7%
20,000	Paramount Resources Limited	1,191,000	2.1%
72,000	First National Financial 4.5% Preferred	1,158,480	2.0%
2,660,000	Brightpath Early Learning Inc.	1,117,200	2.0%
50,000	Parkland Fuel Corporation	1,028,000	1.8%
20,000	Baytex Energy Corporation Subscription	985,000	1.7%

Gabrielle Lenz
Chief Financial Officer of the Manager

August 20, 2014

STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at	June 30, 2014	December 31, 2013	January 1, 2013
Assets			
Financial assets at fair value through profit or loss, (cost: 2014 - $35,499,169; December 31, 2013 - $36,785,488; January 1, 2013 - $42,744,030)	**$ 56,535,012**	$ 51,619,580	$ 48,620,702
Cash	**370,876**	42,219	65,025
Distributions and interest receivable	**214,842**	248,424	232,324
Prepaid and other	**121,278**	80,584	59,885
Total assets	**57,242,008**	51,990,807	48,977,936
Liabilities			
Accounts payable and accrued liabilities *(Note 8)*	**321,723**	337,089	322,239
Preferred securities *(Note 10)*	**40,302,250**	40,302,250	40,302,250
Total liabilities (excluding net assets attributable to holders of redeemable units)	**40,623,973**	40,639,339	40,624,489
Net assets attributable to holders of redeemable units	**$ 16,618,035**	$ 11,351,468	$ 8,353,447
Units outstanding *(Note 11)*	**4,030,225**	4,030,225	4,030,225
Net assets attributable to holders of redeemable units per unit	**$ 4.12**	$ 2.82	$ 2.07
Redemption value per preferred security	**$ 10.00**	$ 10.00	$ 10.00
Combined net assets attributable to holders of capital redeemable units and preferred securities per unit	**$ 14.12**	$ 12.82	$ 12.07

The accompanying notes are an integral part of the financial statements

Approved by the Manager, by:

Kevin W. Charlebois
Director

George E. Myhal
Director

STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

For the six months ended June 30		2014		2013
Income				
Distributions	$	**1,086,091**	$	1,044,645
Net realized losses on sale of investments *(Note 7 and 14)*		**(334,671)**		(2,469,402)
Net change in unrealized gains on investments		**6,201,749**		2,027,991
Interest income		**-**		6,720
Total income (net)		**6,953,169**		609,954
Expenses				
Preferred securities interest expense		**1,200,786**		1,204,162
Management fees *(Note 13)*		**327,395**		295,041
General and administrative		**34,751**		31,455
Service fees *(Note 13)*		**28,029**		11,961
Accounting and administrative		**20,361**		20,364
Audit fees		**18,656**		18,826
Independent review committee fees		**14,892**		21,244
Trustee fees		**14,440**		14,234
Other interest expense		**10,911**		13,465
Custodial fees		**9,199**		9,551
Transaction costs *(Note 14)*		**7,000**		14,145
Legal and exchange fees		**182**		672
Total expenses		**1,686,602**		1,655,120
Increase (decrease) in net assets attributable to holders of redeemable units	**$**	**5,266,567**	$	(1,045,166)
Increase (decrease) in net assets attributable to holders of redeemable units per unit[1] *(Note 15)*	**$**	**1.31**	$	(0.26)

1 *Based on the weighted-average number of units outstanding for the period (note 11).*

The accompanying notes are integral to these financial statements

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(Unaudited)

For the six months ended June 30	2014	2013
Net assets attributable to holders of redeemable units - beginning of period	**$ 11,351,468**	$ 8,353,447
Increase (decrease) in net assets attributable to holders of redeemable units	**5,266,567**	(1,045,166)
Increase (decrease) in net assets attributable to holders of redeemable units	**5,266,567**	(1,045,166)
Net assets attributable to holders of redeemable units - end of period	**$ 16,618,035**	$ 7,308,281

The accompanying notes are integral to these financial statements.

STATEMENT OF CASH FLOWS

(Unaudited)

For the six months ended June 30	2014	2013
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**$ 5,266,567**	$ (1,045,166)
Adjustments for:		
Net realized losses on sale of investments	**334,671**	2,469,402
Net change in unrealized gains on investments	**(6,201,749)**	(2,027,991)
Purchase of investment securities *(Note 14)*	**(715,024)**	(3,735,215)
Proceeds from sale of investments *(Note 14)*	**1,666,672**	4,501,935
Change in non-cash operating working capital	**(22,480)**	(113,279)
Net cash provided by operating activities	**328,657**	49,686
Net increase in cash during the period	**328,657**	49,686
Cash, beginning of period	**42,219**	65,025
Cash, end of period	**$ 370,876**	$ 114,711

The accompanying notes are integral to these financial statements

SCHEDULE OF INVESTMENT PORTFOLIO
(Unaudited)

As at June 30, 2014

Number of Units[1]		Average Cost	Fair Value	Percentage of Net Assets
	Preferred Shares			
72,000	First National Financial 4.65% Preferred	$ 1,309,883	$ 1,158,480	7.0%
		1,309,883	1,158,480	7.0%
	Canadian Common Stocks			
68,000	Tourmaline Oil Corporation	1,430,426	3,825,680	23.0%
75,000	Crescent Point Energy Corporation	1,770,955	3,546,750	21.3%
91,000	Arc Resources Limited	1,440,704	2,956,590	17.8%
373,000	Tricon Capital Group Inc.	2,085,220	2,935,510	17.7%
38,000	Vermilion Energy Inc.	1,246,596	2,821,500	17.0%
122,000	Exchange Income Corporation	1,536,550	2,758,420	16.6%
164,000	Whitecap Resources Inc.	1,441,172	2,701,080	16.3%
102,700	First National Financial Corporation	957,466	2,274,805	13.7%
60,000	Inter Pipeline Limited	1,453,800	1,987,200	12.0%
47,000	Cineplex Inc.	737,067	1,948,150	11.7%
239,000	Surge Energy Inc.	1,466,569	1,868,980	11.3%
123,200	Torc Oil & Gas Ltd.	967,120	1,808,576	10.9%
45,000	WSP Global Inc.	1,198,135	1,700,550	10.2%
20,000	Keyera Corporation	390,311	1,572,200	9.5%
251,400	Just Energy Group Inc.	3,468,302	1,543,596	9.3%
20,000	Paramount Resources Limited	531,000	1,191,000	7.2%
2,660,000	Brightpath Early Learning Inc.	3,054,145	1,117,200	6.7%
50,000	Parkland Fuel Corporation	387,020	1,028,000	6.2%
20,000	Baytex Energy Corporation Subscription	778,000	985,000	5.9%
29,700	Davis + Henderson Corporation	558,100	922,185	5.5%
162,900	Aveda Transportation	586,440	879,660	5.3%
8,000	Enbridge Inc.	375,200	405,040	2.4%
6,000	Bonterra Energy Corporation	287,994	388,560	2.3%
105,000	Argent Energy Trust	939,852	312,900	1.9%
199,000	Big Eagle Services Trust-Private Placement	995,000	-	0.0%
		30,083,144	43,479,132	261.7%
	Real Estate Investment Trusts (REITs)			
86,000	Allied Properties REIT	680,912	3,040,100	18.3%
164,000	Artis REIT	417,485	2,583,000	15.5%
110,000	H&R REIT	1,392,749	2,547,600	15.3%
75,000	Calloway REIT	880,827	1,992,000	12.0%
		3,371,973	10,162,700	61.1%
	Limited Partnerships			
55,000	Brookfield Renewable Energy Partners L.P.	812,206	1,734,700	10.4%
		812,206	1,734,700	10.4%
Investment portfolio		35,577,206	56,535,012	340.2%
Transaction costs		(78,037)	-	-
Total investment portfolio		35,499,169	56,535,012	340.2%
Cash and equivalents			370,876	2.2%
Liabilities in excess of other assets			(40,287,853)	(242.4%)
Net assets attributable to holders of redeemable units			$ 16,618,035	100.0%

1 *The summary of investment portfolio may change due to ongoing portfolio transactions in the Trust. 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, 2014 (Unaudited)

1. REPORTING ENTITY

Brookfield Soundvest Split Trust (formerly Brascan SoundVest Rising Distribution Split Trust) (the “Trust”) is a closed-ended trust established under the laws of the Province of Ontario and is governed by the Declaration of Trust dated March 16, 2005, as amended from time to time. The address of the Trust’s registered office is 100 Sparks Street, 9th Floor, Ottawa, Ontario, K1P 5B7.

The Trust invests in a diversified portfolio 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 Trust may also invest up to 20% of the value of the portfolio in any other security that is not otherwise prohibited.

The manager and the investment advisor of the Trust is Brookfield Soundvest Capital Management Ltd. (the “Manager” and “Investment Advisor”). Computershare Trust Company of Canada is the trustee of the Trust. The Trust is authorized to issue an unlimited number of capital units (“units”) and preferred securities. The Trust is listed on the Toronto Stock Exchange and effectively commenced operations on March 16, 2005.

The Trust’s investment objectives are to provide holders of preferred securities with fixed quarterly interest payments in the amount of $0.15 per preferred security ($0.60 per annum to yield 6% per annum on the original subscription price of $10.00), and repayment of the original subscription price at maturity. For unitholders, the Trust’s objectives are to provide holders of units with regular cash distributions and to maximize long-term total return of the Trust’s portfolio.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). The Trust adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Trust prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (“Canadian GAAP”). The Trust has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Trust’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Trust’s financial statements for the year ended December 31, 2013 prepared under Canadian GAAP. The Trust’s presentation currency is the Canadian dollar, which is also the functional currency of the Trust.

These financial statements were authorized for issuance by the Board of Directors of the Trust on August 15, 2014.

3. SIGNIFICANT ACCOUNT POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Financial Instruments

(i) Classification

The Trust classifies its investments as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

- Financial assets held for trading

  A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

- Financial assets designated at fair value through profit or loss at inception

  A financial asset classified as designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on the fair value basis in accordance with the Trust's documented investment strategy.

(ii) Recognition

The Trust recognizes financial instruments at fair value upon initial recognition. Financial instruments measured at cost are recognized at fair value upon initial recognition plus transaction costs. Subsequent to initial recognition, changes in fair value of investments are measured at fair value through profit or loss ("FVTPL").

All other financial assets and liabilities, excluding redeemable units, are measured at amortized cost. These financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The preferred securities are designated as other liabilities and are carried at amortized cost. These securities are publicly traded on the TSX exchange and their estimated fair value of $40,382,855 at June 30, 2014 (December 31, 2013 - $39,173,787; January 1, 2013 - $38,488,649) is based on the closing market price at the end of the period.

(iii) Fair value measurement

The Trust's investments are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges are valued at quoted market prices at the close of trading on the reporting date. The Trust uses the closing market price for investments where the closing price falls within that day's bid-ask spread. In circumstances where the closing market price does not fall within the bid-ask spread, the Manager determines the point within the bid-ask spread that is the most representative of fair value based on the specific facts and circumstances. Prior to the Trust adopting IFRS 13 – *Fair Value Measurement* effective January 1, 2014, the quoted market price used for financial assets held by the Trust was the current bid price.

Investments held that are not traded in an active market are valued based on the results of valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis, and those which make the maximum use of observable inputs. See Note 6 for more information about the Trust's fair value measurements.

(iv) Impairment of financial assets

At each reporting date the Trust assesses whether there is evidence that financial assets at amortized cost are impaired. If such evidence exists, the Trust recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related to an event occurring after the impairment was recognized.

b) Income Recognition

Investment transactions are recorded on the trade date. Realized gains or losses from investment transactions are recognized using the average cost of the investments. Interest income is recognized on an accrual basis using the effective interest rate. Dividends are 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 or losses on the sale of investments include any net realized gains or losses from foreign currency changes.

c) Income Taxes

The Trust is taxed as a unit trust under the Income Tax Act (Canada). Provided that the Trust makes distributions in each year of its net taxable income and taxable net capital gains, the Trust will not generally be liable for income tax. It is the intention of the Trust 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.

d) Foreign Currency Translation

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.

e) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit in the statement of comprehensive income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period. See Note 15 for the calculation.

f) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of investments, which include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs are immediately recognized in profit or loss as an expense.

g) Future Changes in Accounting Policies

(i) Financial instruments

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by IASB on November 12, 2009 and October 2010, with amendments approved in December 2011. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") for classifying and measuring of financial assets and liabilities. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The new standards for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. The Trust has not yet determined the impact of IFRS 9 on its financial statements.

(ii) Revenue Recognition

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") is a single comprehensive standard to account for revenue using a five-step model to be applied to all contracts with customers. The new standard's core principle is that revenue is recognized to depict the transfer of promised goods or services to customers for an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. IFRS 15 supersedes current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 15 *Real Estate Sales*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Advertising Barter Transactions*. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Trust has not yet determined the impact of IFRS 15 on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates, judgments, and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

In making estimates and assumptions, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and assumptions have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making these estimates and assumptions in these financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions used in determining the recorded amounts for assets and liabilities in the financial statements include the following:

(i) Fair value measurement of investments not quoted in an active market

The Trust may hold financial instruments that are not quoted in active markets, including investments. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Trust may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Trust considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 6 for more information on the fair value measurement of the Trust's financial statements.

(ii) Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Trust, the Manager is required to make significant judgments about the cash flow characteristics of the instruments and the applicability of the fair value option for financial assets under IFRS 9, *Financial Instruments* ("IFRS 9"). The most significant judgment made is the determination that the classification of the Trust's units as financial liabilities.

5. FINANCIAL INSTRUMENTS RISK

The Trust aims to maximize monthly distributions primarily through investments 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 Manager uses a disciplined and 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 Trust for the medium to long term. The Manager also determines when to rotate the

Trust's portfolio into other sectors and investment vehicles to enhance the Trust's portfolio performance and/or to limit risk. The Trust's investment portfolio and leverage are monitored on a daily basis by the Manager.

The Trust has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The potential risks that may arise from transacting financial instruments include market risk (which includes currency risk, interest rate risk, and price risk), credit risk, and liquidity risk.

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instruments due to changes in market price. The investments of the Trust are subject to normal market fluctuations and the risks inherent in investing in equity markets. The Trust 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 net assets attributable to holders of redeemable units of the Trust.

The Manager's best estimate of the effect on net assets attributable to holders of redeemable units due to a reasonably possible change in the S&P/TSX Composite Index, with other variables held constant, is as follows:

	Change in Net Assets of Trust		
Change in Prices on the Index	**June 30, 2014**	December 31, 2013	January 1, 2013
10%	**26.7%**	22.8%	23.8%
(10%)	**(28.8%)**	(25.4%)	(28.3%)

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

(i) Currency risk

Currency risk is the risk that the value of an investment will change due to fluctuations in foreign exchange rates. The investments of the Trust are held in the functional currency of the Trust, which is the Canadian dollar; therefore, the Trust is not exposed to significant foreign currency risks.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Trust's assets at June 30, 2014, December 31, 2013 and January 1, 2013 are non-interest bearing; however, the bank loan facility bears interest at prime or bankers' acceptance rates.

(iii) Price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Manager aims to moderate this risk through a careful selection and diversification of investments within the limits of the Trust's investment objectives and strategy. A majority of the net assets attributable to holders of redeemable units is expected to be invested in equity securities. The Trust's policy also limits individual equity securities to no more than 10% of net assets attributable to holders of redeemable units. The majority of the Trust's equity investments are publicly traded and are included in the S&P/TSX Composite Index. The Trust's policy requires that the overall market position is monitored on a daily basis by the Manager.

Credit Risk

Credit risk represents the potential loss that the Trust would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Trust. The Trust 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 Trust 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 Trust to make a claim to recover its investment. When recovering its investment on a default, the Trust 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 Trust.

The Trust limits its exposure to credit loss by dealing with counterparties of high credit quality. To maximize the credit quality of its investments, the Trust's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information.

Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the financial liabilities. The Trust 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 Trust aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the Trust is considered minimal.

The Trust may also be exposed to annual cash redemptions of Trust units; however, the Trust has up to approximately 30 days to raise the necessary cash to fund the required redemption payment amount. The Trust 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.

The tables below analyze the Trust's financial liabilities as at June 30, 2014, December 31, 2013 and January 1, 2013 into relevant groupings based on contractual maturity dates. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at June 30, 2014	**On Demand**	**1-3 Months**	**Greater than 3 Months**	**No Stated Maturity**	**Total**
Accounts payable and accrued liabilities	$ -	$ 321,723	$ -	$ -	$ 321,723
Preferred securities	-	-	40,302,250	-	40,302,250
Total liabilities	**$ -**	**$ 321,723**	**$ 40,302,250**	**$ -**	**$ 40,623,973**

As at December 31, 2013	On Demand	1-3 Months	Greater than 3 Months	No Stated Maturity	Total
Accounts payable and accrued liabilities	$ -	$ 337,089	$ -	$ -	$ 337,089
Loan payable	-	-	40,302,250	-	40,302,250
Total liabilities	$ -	$ 337,089	$ 40,302,250	$ -	$ 40,639,339

As at January 1, 2013	On Demand	1-3 Months	Greater than 3 Months	No Stated Maturity	Total
Accounts payable and accrued liabilities	$ -	$ 322,239	$ -	$ -	$ 322,239
Loan payable	-	-	40,302,250	-	40,302,250
Total liabilities	$ -	$ 322,239	$ 40,302,250	$ -	$ 40,624,489

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Trust's concentration risk:

	June 30, 2014 %	December 31, 2013 %	January 1, 2013 %
Energy	39.6	35.0	25.6
Financials	29.2	32.4	36.5
Consumer Discretionary	11.6	13.4	12.1
Utilities	10.1	9.2	9.1
Industrial	9.5	10.0	13.2
Health Care	0.0	0.0	2.4
Information Technology	0.0	0.0	1.1
Materials	0.0	0.0	0.0
Telecom Services	0.0	0.0	0.0
Consumer Staples	0.0	0.0	0.0
	100.0	100.0	100.0

Capital risk management

The Trust's capital structure is composed of capital units issued, preferred securities, and outstanding loan payable. The Trust's objective is to utilize prudent levels of leverage to lower the Trust'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 reevaluate the Trust's leverage ratios. The Manager also manages the composition of its investment portfolio to ensure that the Trust is within its investment objectives and thus in compliance with the requirements of the loan facility.

6. FAIR VALUE MEASUREMENT

The Trust 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 that the Manager has the ability to access at the measurement date
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

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following fair value hierarchy tables present information about the Trust's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2014, December 31, 2013 and January 1, 2013.

As at June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total Financial Assets at Fair Value**
Financial assets designated as fair value through profit or loss:				
Real Estate Investment Trusts	**10,162,700**	**-**	**-**	**10,162,700**
Limited partnerships	**1,734,700**	**-**	**-**	**1,734,700**
Preferred shares	**1,158,480**	**-**	**-**	**1,158,480**
Canadian common stocks	**43,479,132**	**-**	**-**	**43,479,132**
Total financial assets measured at fair value	**$ 56,535,012**	**$ -**	**$ -**	**$ 56,535,012**

As at December 31, 2013	Level 1	Level 2	Level 3	Total Financial Assets at Fair Value
Financial assets designated as fair value through profit or loss:				
Real Estate Investment Trusts	10,468,900	-	-	10,468,900
Limited partnerships	1,532,300	-	-	1,532,300
Preferred shares	1,138,320			1,138,320
Canadian common stocks	37,893,620	586,440	-	38,480,060
Total financial assets measured at fair value	$ 51,033,140	$ 586,440	$ -	$ 51,619,580

As at January 1, 2013	Level 1	Level 2	Level 3	Total Financial Assets at Fair Value
Financial assets designated as fair value through profit or loss:				
Real Estate Investment Trusts	10,666,960	-	-	10,666,960
Limited partnerships	2,879,000	-	-	2,879,000
Preferred shares	1,553,664	-	-	1,553,664
United States common stock	530,204	-	-	530,204
Canadian common stocks	32,990,874	-	-	32,990,874
Total financial assets measured at fair value	$ 48,620,702	$ -	$ -	$ 48,620,702

All fair value measurements are recurring. The carrying values of cash, distribution and interest receivable, prepaid, accounts payable, and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

(i) Equities

The Trust's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Trust's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer) and the fair value is classified as Level 2.

7. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Trust's financial instruments by category as at June 30, 2014:

	Financial assets at fair value through profit or loss				
Assets	Held for Trading	Designated as fair value through profit or loss	Total	Financial assets at amortized costs	Total
Financial assets at fair value through profit or loss	$ -	$ 56,535,012	$56,535,012	$ -	$56,535,012
Cash	-	-	-	370,876	370,876
Distributions and interest receivable	-	-	-	214,842	214,842
Prepaid and other	-	-	-	121,278	121,278
Total	$ -	$ 56,535,012	$56,535,012	$ 706,996	$57,242,008

	Financial liabilities at fair value through profit or loss				
Liabilities	Held for Trading	Designated as fair value through profit or loss	Total	Financial liabilities at amortized costs	Total
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 321,723	$ 321,723
Preferred securities	-	-	-	40,302,250	40,302,250
Total	$ -	$ -	$ -	$40,623,973	$ 40,623,973

The following table presents the carrying amounts of the Trust's financial assets by category as at December 31, 2013. All of the Trust's financial liabilities, other than its net assets attributable to holders of redeemable units, as at December 31, 2013 were carried at amortized cost.

	Financial assets at fair value through profit or loss				
Assets	Held for Trading	Designated as fair value through profit or loss	Total	Financial assets at amortized costs	Total
Financial assets at fair value through profit or loss	$ -	$ 51,619,580	$ 51,619,580	$ -	$ 51,619,580
Cash	-	-	-	42,219	42,219
Distributions and interest receivable	-	-	-	248,424	248,424
Prepaid and other	-	-	-	80,584	80,584
Total	$ -	$ 51,619,580	$ 51,619,580	$ 371,227	$ 51,990,807

The following table presents the carrying amounts of the Trust's financial assets by category as at January 1, 2013. All of the Trust's financial liabilities, other than its net assets attributable to holders of redeemable capital units, as at January 1, 2013 were carried at amortized cost.

	Financial assets at fair value through profit or loss				
Assets	Held for Trading	Designated as fair value through profit or loss	Total	Financial assets at amortized costs	Total
Financial assets at fair value through profit or loss	$ -	$ 48,620,702	$ 48,620,702	$ -	$ 48,620,702
Cash	-	-	-	65,025	65,025
Distributions and interest receivable	-	-	-	232,324	232,324
Prepaid and other	-	-	-	59,885	59,885
Total	$ -	$ 48,620,702	$ 48,620,702	$ 357,234	$ 48,977,936

The following table presents the net gains (losses) on financial instruments at fair value through profit or loss by category for the six months ending June 30, 2014 and 2013:

		2014		2013
Net realized losses on financial assets at fair value through profit or loss:				
Designated as fair value through profit or loss	$	**(334,671)**	$	(2,469,402)
Held for trading		**-**		-
Net realized losses on financial assets at fair value through profit or loss	$	**(334,671)**	$	(2,469,402)
Net realized losses on financial assets at fair value through profit or loss	$	**(334,671)**	$	(2,469,402)
Net unrealized gains on financial assets at fair value through profit or loss:				
Designated as fair value through profit or loss	$	**6,201,749**	$	2,027,991
Held for trading		**-**		-
Net unrealized gains on financial assets at fair value through profit or loss	$	**6,201,749**	$	2,027,991
Total net realized/unrealized gains (losses) on financial assets at fair value through profit or loss	$	**5,867,078**	$	(441,411)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following:

		June 30, 2014		December 31, 2013		January 1, 2013
Interest payable to preferred securityholders	$	203,720	$	212,001	$	203,701
Other accounts payable and accrued liabilities		45,445		60,507		59,823
Management fees payable *(note 13)*		55,642		53,925		50,748
Service fees payable *(note 13)*		16,916		10,656		7,967
	$	321,723	$	337,089	$	322,239

9. LOAN FACILITY

On January 31, 2013, the Trust renewed its existing credit facility through to March 8, 2014. Under the terms of the renewal, the maximum draw under the facility is limited to the lower of $3.0 million or an amount not exceeding 7% of the value of the assets within the portfolio, nor the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The facility is secured by a first-ranking and exclusive charge on all of the Trust's assets.

On March 5, 2014, the Trust renewed its existing credit facility through to March 7, 2015. Under the terms of the renewal, the maximum draw under the facility is limited to the lower of $2.5 million or an amount not exceeding 7% of the value of the assets within the portfolio, or the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The facility is secured by a first-ranking and exclusive charge on all of the Trust's assets.

The Trust utilizes borrowings to purchase additional portfolio investments and for general Trust purposes. As at June 30, 2014, December 31, 2013 and January 1, 2013, there were no balances outstanding on this facility. There were no amounts borrowed under these arrangements during the six months ended June 30, 2014 and 2013. A reduction or termination in the credit facility may limit the Trust's ability to employ leverage to magnify returns. In the current environment, the Trust will seek to cautiously use leverage as deemed appropriate.

10. PREFERRED SECURITIES

On March 16, 2005, as part of the initial public offering of the Trust, 7,370,000 preferred securities were issued at a price of $10.00 per security for cash proceeds of $73,700,000.

Holders of the preferred securities are entitled to receive fixed quarterly interest payments of $0.15 per preferred security, or 6% per annum, beginning on June 15, 2005, on the original subscription price of $10.00. The interest payments are paid in arrears on March 15, June 15, September 15 and December 15 of each year. Preferred securities may be surrendered for redemption together with an equal number of capital units beginning in November 2005 and annually each November thereafter. During 2005, 527,659 preferred securities were redeemed for $5.3 million, 250,626 preferred securities were redeemed for $2.5 million in 2006 and 909,172 preferred securities were redeemed for $9.1 million in 2007.

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011, it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011, with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 combined securities (being one capital unit and a $10.00 principal amount of preferred securities) and 260,174 capital units were tendered alone. In accordance with the Declaration of Trust, 260,174 preferred securities were purchased in the market at a total price of $2,676,839 to match the capital units tendered alone and total redemption proceeds of $20,445,419 were paid on March 4, 2011, to settle the capital units and combined securities surrendered through the redemption process.

The annual redemption rights that would have arisen in November 2011 for both its capital units and preferred securities were suspended on October 27, 2011. The Declaration of Trust provides for the suspension of redemption rights of its capital units and preferred securities when the 1.4 times coverage ratio cannot be maintained.

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

Issued	Number of Units	Amount
Preferred securities – December 31, 2012 and 2013	4,030,225	$ 40,302,250
Redeemed for cash:		
Normal course issuer bid	—	—
Share redemption program	—	—
Preferred securities –June 30, 2014	4,030,225	$ 40,302,250

The preferred securities will mature on March 31, 2015. Upon maturity, the holders of the preferred securities will receive the lesser of the original subscription price of $10.00 or combined value (being the subscription price, plus accrued and unpaid interest, plus net asset value per trust unit on the date of such calculation). The securities may be called and purchased prior to the maturity date if the aggregate amount of preferred securities outstanding would exceed the aggregate number of units outstanding. In such case, preferred securities will be redeemed at a price per security, which until March 31, 2006, was equal to $11.00 and declining by $0.10 each year thereafter to $10.10 after March 31, 2014 to March 30, 2015, plus any accrued and unpaid interest.

11. REDEEMABLE UNITS

On March 16, 2005, the Trust completed its initial public offering of 7,370,000 units at a price of $15.00 per unit. Proceeds raised, net of agents' fees and issuance costs of $8,899,125 totalled $101,650,875.

The Trust 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 Trust. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Units may be surrendered for redemption at any time during November of any year, but at least 15 business days prior to the last business day in November (the "Redemption Date"). Redemption of surrendered units will be affected at the net asset value on the Redemption Date each year and will be settled on or before the 15th business day following such effective date.

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011, it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011, with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 combined securities (being one capital unit and a $10.00 principal amount of preferred securities) and 260,174 capital units were tendered alone. In accordance with the Declaration of Trust, 260,174 preferred securities were purchased in the market at a total price of $2,676,839 to match the capital units tendered alone. Total redemption proceeds of $20,445,419 were paid on March 4, 2011, to settle the capital units and combined securities surrendered through the redemption process.

During 2011, the Trust received 1,570,518 units for redemption at a value of $7.3 million. The Trust may use commercially reasonable efforts to find purchasers for any units properly surrendered for redemption, in accordance with the Recirculation Agreement.

The annual redemption rights that would have arisen in November 2011 for both its capital units and preferred securities were suspended on October 27, 2011. The Declaration of Trust provides for the suspension of redemption rights of its capital units and preferred securities when the 1.4 times coverage ratio cannot be maintained.

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

Issued	Number of Units	Amount
Units – December 31, 2012 and 2013	4,030,225	$ 79,480,246
Redeemed for cash:		
Normal course issuer bid	—	—
Share redemption program	—	—
Units –June 30, 2014	4,030,225	$ 79,480,246

The weighted-average number of units outstanding for the six months ended June 30, 2014 was 4,030,225 (December 31, 2013 – 4,030,225; January 1, 2013 – 4,030,225).

12. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions on units are declared by the Manager. The distributions declared are payable no later than the 15th day or the first business day after the 15th day of the month following the record date. Interest on preferred securities, as declared by the Manager, are made on a quarterly basis to securityholders of record on the last business day of February, May, August and November and payable on the 15th day of the subsequent month. Distributions payable as at June 30, 2014, December 31, 2013 and January 1, 2013, totalled $0.

On October 23, 2008, the Trust announced that it was suspending its distribution on its capital units, in accordance with its Declaration of Trust, as the Trust's net asset value was below the required 1.4 times coverage ratio. The distribution was suspended for the remainder of 2008 and was suspended for each month from January 2009 to January 2011. On February 17, 2011, when it was anticipated that a distribution could be paid without violating the 1.4 times coverage ratio, a quarterly distribution of $0.01 per capital unit was declared, reflecting a current annualized rate of $0.04 per unit. Subsequent to the June 2011 payment, the Trust suspended the distribution. In accordance with the Declaration of Trust, the Trust is not permitted to make or cause to be made any cash distributions on the capital units if, immediately after giving effect to the proposed distribution, the combined value determined as of the date such distribution is declared would be less than 1.4 times the Repayment Price determined as of the same date.

13. RELATED-PARTY TRANSACTIONS

Brookfield Soundvest Capital Management Ltd., the Manager and Investment Advisor to the Trust, is 50% owned by Brookfield Asset Management Inc. ("Brookfield"). Due to Brookfield's ability to control the Trust, Brookfield and its affiliates over which it has the ability to exercise control or significant influence are related parties of the Trust by virtue of common control or common significant influence. Transactions with related parties, including investment transactions, are conducted in the normal course of operations and are recorded at exchange amounts, which are equivalent to normal market terms.

(i) Management and service fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Trust, for which it is paid a management fee equal to 1.10% per annum of the total assets of the Trust less the amount outstanding under the loan facility, calculated and paid monthly, plus applicable taxes. Management fees payable as at June 30, 2014 totalled $55,642 (December 31, 2013 - $53,925; January 1, 2013 – $50,748).

The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value, 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. Service fees payable as at June 30, 2014 totalled $16,916 (December 31, 2013 - $10,656; January 1, 2013 – $7,967).

(ii) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the six month ending June 30, 2014 and 2013 was $14,892 and $21,244, respectively.

14. INVESTMENT TRANSACTIONS

Investment transactions[1] for the six months ending June 30, 2014 and 2013 were as follows:

	2014	2013
Proceeds from sale of investments	**$ 1,666,672**	$ 4,501,935
Less cost of investments sold		
Investments at cost – beginning of year	**36,785,488**	42,744,030
Investments purchased during the year	**715,024**	3,735,215
Investments at cost – end of year	**35,499,169**	39,507,908
Cost of investments sold during the year	**2,001,343**	6,971,337
Net realized losses on sale of investments	**$ (334,671)**	$ (2,469,402)

1 *All balances have been adjusted for return of capital amounts*

Brokerage commissions on securities purchased and sold during the six months ending June 30, 2014 totalled $7,000 (2013 - $14,145) and are included as an expense in the statement of comprehensive income.

15. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2014 and June 30, 2013 is calculated as follows:

	June 30, 2014	June 30, 2013
Increase (decrease) in net assets attributable to holders of redeemable units	**$ 5,266,567**	$ (1,045,166)
Weighted average units outstanding during the period	**4,030,225**	4,030,225
Increase (decrease) in net assets attributable to holders of redeemable units per unit	**$ 1.31**	$ (0.26)

16. TRANSITION TO IFRS

The effect of the Trust's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Trust upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss ("FVTPL") upon transition to IFRS. All financial assets designated at FVTPL upon transition (see note 7) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Reconciliation of Equity and Comprehensive Income as Previously Reported under Canadian GAAP to IFRS

The following tables provides a reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS as at December 31, 2013 and January 1, 2013:

	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$ 11,298,919	$ 8,101,490
Revaluation of investments at fair value through profit or loss	52,549	251,957
Net assets attributable to holders of redeemable units	$ 11,351,468	$ 8,353,447

	June 30, 2013
Comprehensive income as reported under Canadian GAAP	$ (949,663)
Revaluation of investments at fair value through profit or loss	(95,503)
Decrease in net assets attributable to holders of redeemable units	$ (1,045,166)

Classification of Redeemable Units Issued by the Trust

Under Canadian GAAP, the Trust accounted for its redeemable units as equity. Under IFRS, IAS 32 *Financial Instruments: Presentation* ("IAS 32") requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Trust's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

Revaluation of Investments at Fair Value Through Profit or Loss

Under Canadian GAAP, the Trust measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Trust measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement ("IFRS 13")*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The Trust uses the closing market price for investments where the closing price falls within that day's bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Trust's investments by $251,957 at January 1, 2013 and $52,549 as at December 31, 2013. The net impact of these adjustments was to increase the Trust's decrease in net assets attributable to holders of redeemable units by $95,503 for the six months ending June 30, 2013.

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 Tractors and Equipment Inc.

MANAGER

Brookfield Soundvest Capital Management Ltd.

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

Gabrielle E. 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

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

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Trustee, Transfer Agent and Registrar

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

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