

Brookfield Asset Management Letter to Shareholders

Overview

We generated record results in the third quarter. Fee-bearing capital grew to \$539 billion, an increase of nearly \$100 billion or 23% year-over-year, which benefitted from \$135 billion of inflows over the last 12 months, growth in our public affiliates, and the acquisition of partnership stakes in leading partner managers.

Growth is being generated in all our business groups, with tailwinds provided by our global leadership position in energy transition, AI infrastructure and credit. We invested early into sectors which, today, are very much in favor – renewable power, nuclear energy, data centers and semiconductor manufacturing, all of which are experiencing multi-decade investment growth cycles.

On the back of this growth, we generated a record \$644 million of fee-related earnings (FRE) and a record \$619 million of distributable earnings (DE) in the quarter, increases of 14% and 9%, respectively, over the prior year quarter. The operating leverage inherent in our business has enabled us to expand margins to 58% in the third quarter, a greater than 200-basis point increase from the second quarter. Over the coming quarters, we expect to see further earnings growth over the coming quarters given the success we are having with our fundraising efforts for our flagship and complementary strategies.

Growing Market Tailwinds Enabling Monetization of High-Quality Assets

While global economies and capital markets were more volatile over the past few years, our franchise excelled, with both strong deployment and fundraising. Market conditions are increasingly more constructive. Inflation has eased in most regions, central banks have begun to lower rates, and liquidity is returning to the markets. Since late 2023, the cost of borrowing has declined over 150 to 200 basis points, creating greater confidence among market participants and increasing transaction activity.

We are seeing greater monetization activity, leading to more capital returning to clients and providing for a more constructive fundraising environment across the industry. Given the high quality of our underlying portfolio, we have benefitted disproportionately from this trend and expect it to continue.

Within our portfolio, we have started to see this impact, demonstrated by more than \$17 billion of asset sales that we have signed or closed in recent months. With a strong pipeline of further asset sales, we expect this activity to continue. Some notable announcements include:

- In Real Estate, new supply is low across most sectors, financing markets have been steadily improving throughout the year, and underlying fundamentals remain strong, creating an attractive market for high-quality assets. We sold a total of \$5.4 billion of real estate assets in the past few months. These include our UK Retail Parks Portfolio, a US Manufactured Home portfolio and the Conrad hotel in Seoul, Korea, which generated blended annualized returns of 28% and a multiple of capital of 2.5x.
- In Renewable Power, there is significant demand for stabilized, cash-generative businesses, particularly those that have a growth angle. We announced a total of \$3.2 billion of asset sales in our renewable power and transition portfolio in recent months. The largest of these sales include Saeta Yield, a leading independent developer, owner and operator of renewable power assets in Spain and Portugal; our stake in First Hydro, a critical electricity generation and storage facility in the United Kingdom; and a 50% stake

in our Shepherds Flat onshore wind portfolio in Oregon, which generated blended annualized returns of 27% and multiple of capital of 2.5x.

- In Infrastructure, demand is growing for stabilized, income yielding assets. We have announced a total of \$2.6 billion of infrastructure asset sales in recent months. This includes separate agreements to sell two Mexican regulated natural gas transmission pipelines, which generated an annualized return of 22% and a multiple of capital of 2.2x.

Broader market stability should enhance our path forward by supporting ongoing growth and value creation across our business, while lower interest rates are supporting a recovery in yield-focused public stocks, including our Infrastructure and Renewable Power publicly listed affiliates. The management agreement with our affiliates is linked to their share prices, aligning our interests with their shareholders. As yield stocks continue to regain public favor, and with strong underlying business performance, our earnings should increasingly benefit from this tailwind.

Business Group Updates

We saw strong growth across all our platforms, especially within Credit, which accounted for more than half of the \$21 billion raised in the quarter. We continue to see strong demand from clients increasing their capital allocations to credit strategies, particularly from the insurance sector.

In addition to successfully monetizing numerous mature assets, we have been actively deploying capital, with \$20 billion invested or committed during the quarter. We also expect the coming year to be a good period for capital investment.

Highlights of our fundraising and deployment activity during the third quarter include:

Renewable Power & Transition

- *Fundraising:* We raised \$2.2 billion of capital within the quarter, including:
 - An initial close of our Catalytic Transition Fund for \$2.4 billion, of which \$1.4 billion was raised in the quarter. This new capital is in addition to the \$1 billion anchor investment from ALTÉRA announced previously at COP28.
- *Deployment:* Subsequent to the end of the quarter, we announced a new partnership agreement with Ørsted to acquire a \$2.3 billion stake in a premium portfolio of 3.5 GW of contracted operating offshore wind assets in the United Kingdom with a strong operating history.

Infrastructure

- *Fundraising:* We raised \$1.4 billion of capital within the quarter.
 - With lower interest rates and clients returning to cash yielding investments, we raised over \$500 million within our open-ended supercore infrastructure strategy, surpassing the capital raised for this strategy last quarter and making it our strongest quarter for fundraising in this strategy in over two years. We also raised nearly \$800 million for our private wealth infrastructure fund.
- *Deployment:* We completed the acquisition of a portfolio of 76,000 telecom sites in India from American Tower Corp for \$800 million of equity capital (\$2.2 billion of enterprise value) in the fourth vintage of our flagship infrastructure fund.

Private Equity

- *Fundraising:* We raised \$2.0 billion in the quarter, and last week announced two strategic commitments for our Middle East Partners fund.
- *Deployment:* We completed the acquisition of Network International for \$2.0 billion of equity capital through the sixth vintage of our flagship fund and our middle east fund. Post-acquisition, we intend to combine Network with Magnati, our UAE payment processing business, to create a leading payments platform in the Middle East that will benefit from secular tailwinds and significantly expand our presence in the region.

Real Estate

- *Fundraising:* We raised \$1.6 billion of capital within the quarter.
- *Deployment:* We deployed \$1.5 billion, including:
 - Over \$500 million into numerous logistics portfolios across North America and Europe in our opportunistic flagship strategy.
 - Subsequent to the end of the quarter, we made an offer to acquire Tritax EuroBox, a publicly traded European logistics REIT, for approximately \$730 million.

Credit

- *Fundraising:* We raised approximately \$14 billion of capital within the quarter, including:
 - \$6.4 billion across Oaktree funds and strategies, including \$1.5 billion in the twelfth vintage of our flagship opportunistic credit fund.
 - \$1 billion raised across our partner managers – Castlake, Primary Wave, and LCM.
 - Inflows of \$4.5 billion of capital from Brookfield Wealth Solutions, driven largely by institutional and retail annuity sales. We also raised \$1 billion of third-party SMA capital from a large U.S. life insurance company. We are targeting \$50 billion for similar SMAs over the next five years.

Increased Liquidity and Expanded Capabilities with New Partner Managers

Our balance sheet is very strong. We have significant cash on hand, zero debt, and are fully undrawn on our newly established \$750 million corporate revolver.

Our balance sheet is used for seeding new strategies that meet the objectives of our clients to drive management fee growth and investing in partner managers that are complementary to our existing business and can strategically expand our product offering.

We partner with managers that are leaders in their space and that can help accelerate our origination capabilities and broaden our investment strategies. Further, we look for partner managers that can benefit from our collaboration and can accelerate their growth as part of our Brookfield Ecosystem.

During the quarter, we closed on a few strategic transactions, including:

- **Castlake:** Castlake is a market-leading, \$24 billion AUM alternative asset manager specializing in asset-based private credit including aviation and specialty finance. We acquired a 51% non-controlling stake in the manager and its fee-related earnings as well as a small stake in its carried interest and principal investments. Additionally, Brookfield plans to allocate over \$1 billion of capital under management to Castlake strategies, enabling them to scale their funds and expand their strategies.

- **SVB Capital:** We completed our acquisition of SVB Capital through Pinegrove Venture Partners, our venture investment platform formed with Sequoia Heritage, which now manages approximately \$10 billion in assets. SVB Capital's 25-year track record in funds, private credit, and co-investments, alongside Pinegrove's existing expertise in venture secondaries and liquidity solutions creates a cohesive and dynamic venture platform that provides access to the innovation economy, designed to deliver tailored solutions for fund managers, founders, and limited partners in the venture capital ecosystem.

At our proportionate share, these two transactions have added approximately \$7 billion of fee-bearing capital to our business and will contribute approximately \$40 million of fee-related earnings on an annual basis. We are assisting both firms in accelerating their growth trajectories through our client relationships and access to scale capital.

Investor Day Summary

We hosted our Investor Day in September in New York. For those who were unable to attend, the webcast and presentation materials are available on our website.

In summary, our heritage as an owner-operator and 25-year track record of being a best-in-class alternative asset manager has enabled us to reach \$1 trillion of AUM. Significant long-term macro tailwinds continue to drive the industry, with global alternative assets under management expected to more than double to \$60 trillion in less than 10 years. We are positioned to capture this growth, which should allow us to double the size of our business over the next five years. Some of the topics we covered can be summarized as follows:

Expanding Client Capabilities to Meet Growing Demand Drivers

As the alternatives industry continues to grow, clients are increasingly demanding more from their managers—including global capabilities across a broad set of asset classes at scale, with products across the risk spectrum, and the opportunity for partnerships, SMAs and co-investments. We are using our scale to deepen our relationships with the largest institutional investors, while expanding our footprint into middle-market and family offices. As our strategic relationship with Brookfield Wealth Solutions continues to grow, we are developing more capabilities that we can draw upon to serve third-party insurance companies as well. Additionally, as we broaden our private wealth platform by targeting new investor segments and developing new products specific to our client base, this should drive further growth.

Brookfield Credit Will be our Fastest Growing Business

Earlier this year, we announced the formation of Brookfield Credit, which combined all of our credit capabilities across all our business and partner managers under one group. Today, our credit business represents nearly \$245 billion of fee-bearing capital, with plans to grow to nearly \$600 billion over the next five years. This growth will come through multiple avenues, which include expanding our flagship and complementary fund offerings and further building out solutions to meet the growing needs of our clients.

Growth Plans to Double the Size of our Business Over the Next Five Years

Our plan is to grow fee-bearing capital to more than \$1 trillion over the next five years, doubling the size of our business. This generates 15%+ annual growth in earnings and dividends from continuing to scale our flagship funds, expanding our complementary strategies, and further building out our Credit Group. Growth in our capital base and expansion of our margins should accelerate our earnings, with expected fee-related earnings growing to \$5.0 billion. Our earnings should become increasingly stable, with our long-term and permanent or perpetual capital base expected to represent over 90% of our total capital in five years' time.

Further upside to our stable earnings base is our carried interest potential – this is our second leg of growth. While BAM can expect to realize approximately \$2 billion of gross carry by 2029, this base has the potential to grow to \$7 billion by 2034, proving to be a significant catalyst for distributable earnings growth in the years to come.

Enhancing Our Corporate Structure and Positioning Ourselves for Broader Index Inclusion

We continue to broaden our shareholder base and our access to the deepest pools of capital for our BAM shares.

Our public listing in December 2022 established us as one of the pre-eminent, pure-play, publicly-listed asset managers. Since then, we have received positive feedback from investors, with a significant increase in our U.S. investor base.

Our business fundamentals—including our stable, predictable earnings, an asset-light balance sheet, and strong growth prospects—make us an attractive investment. While we are pleased with our progress, there is still more we can do. One common theme we have heard has been the importance of broader index inclusion.

To that end, we are taking a few actions with the goal of positioning ourselves for broader index inclusion, and eventually to be eligible for the most followed, large cap U.S. indices.

The steps we are pursuing are as follows:

1. *Changed Our Head Office to New York*

We have been operating as a U.S. company for twenty years. Our largest share of revenues, assets under management, and employees are based in the U.S., as well as the majority of our institutional shareholders are U.S. investors and the majority of our shares are traded on the New York Stock Exchange. This quarter, we changed our head office to New York—already our largest office—and starting with our 2024 annual report, our financial reports filed with the SEC will be identical in form to those filed by other U.S. domestic issuers.

2. *Simplifying Our Corporate Structure*

The second step involves simplifying our corporate structure. As a reminder, we originally spun off our asset management business as a privately held company with two shareholders: Brookfield Corporation, which privately holds 73%, and publicly traded Brookfield Asset Management Ltd (NYSE/TSX: BAM), which currently owns the remaining 27% (these are the shares you own).

Brookfield Corporation will now exchange its private interest in our asset management business for public shares of BAM, on a one-for-one basis. This will significantly simplify our structure – publicly-traded BAM will then own 100% of the asset management business, allowing the market cap to accurately reflect the total market value of our asset management business, something closer to approximately \$85 billion today.

Though this second step will not have an impact on shareholders or operations, it will require shareholder approval because we will be issuing approximately 1.2 billion shares of BAM to Brookfield Corporation in exchange for an equivalent number of privately owned shares of our asset management business, representing their 73% interest. As such, you will be receiving proxy materials over the next few weeks, and we will be holding a special meeting of shareholders to vote on this matter on December 20, 2024. We expect to close the transaction early in 2025, subject to regulatory and other customary approvals.

We are excited about both these initiatives, which we believe will deliver great value to our shareholders. Simplifying the corporate structure of the asset management business should make it easier for investors to understand and accurately value our security. In addition, broader index inclusion should drive increased ownership among passive institutional investors and attract a broader base of active investors who benchmark against these indices. This increased recognition in the market should ultimately lead to a broader shareholder base.

These efforts are aimed at ensuring our company can reach the broadest set of potential investors while having no impact to our operations, strategic plans or the tax profile of our dividends.

Closing

We remain committed to being a world-class asset manager by investing our capital in high-quality assets that earn solid returns, while emphasizing downside protection. The primary objective of the company continues to be to generate increasing cash flows on a per-share basis, and to distribute that cash to you by dividend or share repurchases.

Thank you for your interest in Brookfield, and please do not hesitate to contact any of us should you have suggestions, questions, comments, or ideas you wish to share.

Sincerely,



Bruce Flatt
Chief Executive Officer
November 4, 2024



Connor Teskey
President

Note: In addition to the disclosures set forth in the cautionary statements included elsewhere in this Report, there are other important disclosures that must be read in conjunction with, and that have been incorporated in, this letter as posted on our website at <https://bam.brookfield.com/reports-filings>.