

BROOKFIELD ASSET MANAGEMENT LTD
TRANSCRIPT: Q4 2025 CONFERENCE CALL & WEBCAST
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Corporate Speakers:

- Jason Fooks, Managing Director, Investor Relations
- Bruce Flatt, Chairman
- Connor Teskey, Chief Executive Officer
- Hadley Peer Marshall, Chief Financial Officer

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Brookfield Asset Management Fourth Quarter 2025 Earnings Call. (Operator Instructions). Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to your speaker today, Jason Fooks, Managing Director of Investor Relations. Please go ahead.

Jason Fooks, *Managing Director, Investor Relations*

Thank you for joining us today for Brookfield Asset Management's earnings call for the fourth quarter and full year of 2025. On the call today we have Bruce Flatt, our Chairman, Connor Teskey, our Chief Executive Officer, and Hadley Peer Marshall, our Chief Financial Officer.

Before we begin, I'd like to remind you that in today's comments, including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements including forward-looking statements within the meaning of applicable U.S. and Canadian securities laws. These statements reflect predictions of future events and trends and do not relate to historic events. They're subject to known and unknown risks, and future events and results may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in the U.S. and Canada and the information available on our website.

Let me quickly run through the agenda for today's call. Bruce will begin with an overview of the quarter and the market environment. Connor will discuss our activity in 2025 and outline the key drivers of our growth for 2026. And finally, Hadley will discuss our financial results, operating results, balance sheet and dividend increase. After our formal remarks, we'll open the line for questions. (Operator Instructions).

And with that, I'll turn the call over to Bruce.

Thank you, Jason. Welcome, everyone. 2025 was another strong year marked by continued growth across the business and consistent execution against our long-term strategy. Let me start with a few highlights. We raised \$112 billion of capital during the year, reflecting strong demand from institutional insurance and individuals for our diverse suite of strategies. We also invested a record \$66 billion of capital over the past year into high-quality assets and businesses that form the backbone of the global economy.

We made these investments in areas where we have deep competitive advantages and strong operating capabilities, positioning us to generate very attractive risk-adjusted returns. At the same time, we monetized \$50 billion of equity from investments at very good returns, demonstrating that stabilized high-quality assets and essential service businesses continue to attract strong demand.

As a result of all of this activity, fee-bearing capital increased 12% over the year to more than \$600 billion. Fee-related earnings reached a record \$3 billion, up a very strong 22% year-over-year, driven by growth in our capital base and continued operating leverage across the business. Distributable earnings were \$2.7 billion, an increase of 14% from the prior year. Our distributable earnings are almost entirely fee-based, as you know, and long duration, and our cash flows are further reinforced by the diversification of our platform across asset classes, products, geographies and client channels. This diversity and lack of reliance on any single segment or product provides our business with many growth options, providing a platform to grow across economic cycles and varying market conditions.

Turning to the broader market environment. We entered 2026 with a constructive backdrop. Interest rates have stabilized. Economic growth is resilient and transaction activity has increased due to improved confidence in valuations and market liquidity. In this environment, we are seeing renewed global demand for real assets that generate stable cash flows and provide inflation protection, areas where we have focused for decades. While near-term conditions are supportive, what matters most to our business are the long-term structural forces that shape global capital allocation. We are fortunate to remain at the forefront of the largest global investment trends. These trends remain firmly in place and continue to expand the opportunity set for private capital.

An important structural shift is also taking place in how capital is allocated. Individual investors are increasingly gaining access to private assets through retirement and long duration savings vehicles. This represents a significant expansion of the addressable market for private assets. Retirement and individual portfolios are among the largest and fastest-growing pools of capital globally and they are naturally aligned with long duration income-generating real assets. With our scale, track record and diversified platform across infrastructure, power, real estate, private equity and credit, we are well positioned to meet this growing demand.

Our ability to invest through cycles, recycle capital and partner with long-term investors continues, though, to differentiate our platform. This combination positions us to deliver

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strong growth over time and supports our long-term objectives, including doubling the business by 2030 and generating a 15% annualized earnings growth.

Now before I turn the call over to Connor, I want to touch on our leadership announcement today. As part of our long-term succession process, we announced that Connor Teskey has been appointed CEO of Brookfield Asset Management. I will continue as Chair of the Board as well as CEO of Brookfield Corporation.

We began this process 4 years ago, when Connor was appointed President of BAM. Over that time Connor has taken on running virtually everything. So this title change merely matches title to substance. There is hence no real transition and our partners and people have all been involved in this. Connor has played a central role in building Brookfield's investment strategy, scaling our renewable business globally and developing many of the leaders who now run our businesses. He brings deep investment expertise, strong judgment, and a long-term mindset that is fully aligned with Brookfield's culture. He's actually closer to what the next backbone of the global economy is, and we are excited about that.

I've never been more thrilled about the prospects for our business than I am now. I intend to continue supporting Brookfield, focusing my energy where it can be most useful and will remain fully invested and involved to assist the whole team. Of course as CEO of Brookfield Corporation, we have a substantial interest in ensuring Connor and BAM are hugely successful.

With that, I'll turn the call over to Connor to discuss our performance in more detail and how we are positioned for a strong 2026.

Connor Teskey, *Chief Executive Officer*

Thank you, Bruce. And good morning to everyone on the call. I'm honored to be assuming this new role, especially at such an exciting time in BAM's growth story. With Bruce's support and the incremental approach to transition we have been taking for years, we are already fully operating under our new structure. I look forward to continuing to work closely with our team to deliver strong results for our clients and our shareholders and continue to grow our business around the megatrends shaping the backbone of the global economy.

With that, now let's turn to our results. 2025 was not simply about raising capital, it was about putting that capital to work at scale and doing so with discipline. On the deployment side, we were active throughout the year across all of our businesses, investing in high-quality assets at attractive values. In Renewable Power, we invested in Neoen, a leading global developer with long-term contracted clean power assets, and we acquired National Grid U.S. renewables platform, expanding our footprint in North America.

In private equity, we invested in Chemelex, a global industrial technology business with mission-critical products. Our infrastructure business acquired Hotwire Communications, a leading U.S. fiber to the home operator serving both residential and commercial customers; Colonial pipeline, the largest refined products pipeline in the United States; and a part of

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Duke Energy, Florida, a vertically integrated electric utility with long duration regulated cash flows to name only a few.

Our real estate business recently acquired Generator Hostels, a differentiated hospitality platform benefiting from structural growth in experiential travel and urban tourism; and we acquired National Storage REIT, the largest self-storage company in Australia. Collectively, these investments reflect our focus on essential assets and businesses with durable cash flows, strong downside protection and meaningful opportunities for operational value creation. 2025 was a record year for investment activity, and it gives us a strong foundation as we look ahead.

Turning to fundraising. 2025 was also an excellent year across the platform, continuing our momentum to be market-leading in each of our businesses. We completed final closings for two major flagship funds, the fifth vintage of our real estate flagship and the second vintage of our global transition flagship. Both were the largest funds we've raised in their respective series and exceeded our targets with broad and diversified support from existing investors as well as new relationships. These fundraisers are particularly important given where we are in the cycle.

In real estate, we have significant dry powder at a point in the cycle where we're seeing attractive entry points, particularly in larger high-quality assets where there are a limited number of players with scaled available capital.

In transition, demand for power continues to accelerate globally driven by electrification, AI growth and energy security. Together, these dynamics create a growing opportunity set for long-term capital, and we are well positioned to capture it.

While our flagship fundraises were successful, the overwhelming majority of our fundraising this year, nearly 90% came from non-flagship strategies, underscoring the growing breadth and durability of our fundraising engine. These complementary strategies included continued momentum across our infrastructure and private equity platforms through a range of products as well as further expansion of our private wealth platform.

We raised capital across a wide range of funds, and asset channels demonstrating the depth of investor demand for our products and our ability to raise capital consistently across market environments and flagship cycles. A key theme this year has been the continued scaling of our credit platform. Through a combination of organic growth and strategic acquisitions, we have meaningfully expanded our origination capabilities and product breadth. When combined with our long-standing partnership with Oaktree, and the full integration of that business, we are building one of the most comprehensive global credit platforms in the industry, spanning real asset credit, asset-backed finance, opportunistic credit and insurance-oriented strategies.

We are also preparing for a meaningful expansion of our asset management mandate with Brookfield Wealth Solutions upon the closing of their acquisition of Just Group which we expect in the coming months. These three initiatives alone: Oaktree, Just Group and the credit managers we acquired in the fourth quarter are expected to generate more than

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\$200 million of incremental annualized fee-related earnings which positions us well for a very strong earnings growth in 2026 as that is all before any additional fundraising from our flagships and the approximately 60 strategies we will have in the market or deployment.

Looking ahead, 2026 is shaping up to be another record year for fundraising with strong momentum across the business that we expect will drive meaningful growth especially within both our infrastructure and private equity platforms. Starting with private equity. We recently launched the seventh vintage of our flagship fund at a time where clients value our differentiated approach. Our private equity business focuses on value creation driven by operational improvement rather than leverage or multiple expansion. We have executed this strategy for 25 years because it works across market cycles. However today's environment plays directly to our strengths as a long-term owner and operator of mission-critical essential assets and businesses. Private equity was the first fund we launched more than 25 years ago, and since then we've delivered some of the strongest returns in the industry.

With market conditions aligned with our approach and a deep pipeline of opportunities, we expect this vintage to be our largest private equity fund to date. Alongside our flagship fund, we continue to broaden our private equity platform. We recently launched a new strategy tailored for the private wealth market which is well aligned with client demand. We also saw strong fundraising across our complementary strategies including our financial infrastructure fund and our Middle East partner strategies, both of which we expect to reach final close this year as well as our venture technology platform, Pinegrove which recently held a final close on its inaugural fund at \$2.2 billion, exceeding its target.

In our infrastructure platform, we also see a meaningful step change emerging in 2026 driven by the breadth of strategies we now have in the market and the scale of the opportunity in front of us. This year, we will have all of our infrastructure strategies fundraising concurrently including the launch of our next flagship infrastructure fund which we expect to be our largest to date. Alongside the flagship, our infrastructure debt strategy is in the market in both our open-ended Super-core infrastructure fund and our private wealth infrastructure vehicle continue to scale with each seeing record inflows in the fourth quarter.

Further, later this year, we expect to launch the second vintage of our infrastructure structured solutions strategy. Together, these strategies position us to raise and deploy capital across the full spectrum of risk and return within the infrastructure asset class. Taking advantage of our leading platform and the strong market conditions and growing investment opportunity set. Building on this foundation, last year, we launched a \$100 billion global AI infrastructure program, anchored by our inaugural AI infrastructure fund with a \$10 billion target. The fund already has strong momentum with \$5 billion of commitments at launch, reflecting the early conviction in the opportunity.

Our objective is to deploy more than \$100 billion of capital across the full AI infrastructure value chain from land and power to data centers and compute capacity, leveraging Brookfield's existing scale and digital infrastructure and energy to deliver integrated long-duration solutions that support the global build-out of AI.

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We've already announced several transactions for this strategy including most recently, a \$20 billion strategic AI joint venture with Qai, focusing on developing integrated AI infrastructure in Qatar. These initiatives reflect a growing opportunity for long-term private capital to fund infrastructure that has historically sat on corporate and government balance sheets and Brookfield is uniquely positioned to lead in this space. Taken together, our execution in 2025 and the initiatives already underway position us extremely well as we enter 2026. With strong fundraising momentum, a scaled deployment platform and clear drivers across private equity, infrastructure and credit, we feel very good about the growth outlook for the business and expect 2026 to be at or above our long-term targets.

With that, we will turn it over to Hadley to walk through our fourth quarter financial results and discuss the durability of our earnings in more detail. Hadley?

Hadley Peer Marshall, *Chief Financial Officer*

Thank you, Connor. As mentioned, we've had a great quarter as well as year, and I'll provide an overview of these results and how we're positioned for 2026. In the fourth quarter, we delivered strong performance. Fee-related earnings, or FRE, were up 28% from the prior year period to \$867 million or \$0.53 per share in the quarter, bringing FRE for the year to \$3 billion. That brings our margins to 61% for the quarter and 58% for the year.

Our business has significant operating leverage. So as our growth initiatives scale, our margins improve. That said, after buying the remaining stake of Oaktree which operates at lower margins, it will bring down our consolidated margin even though the transaction is highly accretive and strategically strengthens our platform. Plus Oaktree's margins are near cyclical lows, reflecting the countercyclical nature of its business.

In that same quarter, we will also enhance disclosure around our partner managers as these businesses have scaled becoming more meaningful. Instead of reporting only our share of their FRE, given the smaller historical contribution, we will break out our share of partner manager revenues and expenses which will not impact FRE or DE, but should provide investors with clear insights as our platform continues to evolve. Distributable earnings or DE, were \$767 million or \$0.47 per share in the quarter, up 18% from the prior year period bringing distributable earnings over the last 12 months to \$2.7 billion. Growth in DE continues to closely track growth in FRE. This reflects the high-quality reoccurring and stable nature of our revenue base and a limited reliance on carry or transaction-driven income. The primary driver of earnings growth in 2025 was our strong fundraising and deployment activity.

Over the past year, we raised \$75 billion of capital that became fee-bearing and we deployed \$16 billion of previously raised capital that also became fee-bearing. As a result, fee-bearing capital grew by 12% year-over-year or \$64 billion to a total of \$603 billion. This growth reflects both strong inflows and disciplined capital deployment across the platform, even as we continue to return capital at an accelerated pace to clients through realizations and distributions. Turning to fundraising. The fourth quarter marked our strongest fundraising quarter ever with \$35 billion of capital raised across more than 50 strategies.

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This success underscores the breadth, depth and diversification of our platform that enables us to sustain consistent momentum regardless of individual fund cycles. Within our Infrastructure business, we raised \$7 billion including \$5 billion for our AI infrastructure fund. We expect to first close for the strategy in the coming months with a target size of \$10 billion. We also raised \$900 million for our Super-core infrastructure strategy, bringing the fund to \$14 billion and \$900 million for our Infrastructure Private Wealth strategy, our largest quarter yet which puts the strategy at \$8 billion.

Within our private equity business, we raised \$1.6 billion including \$900 million for our private equity special situation strategy. And we had our final close of Pinegrove's opportunistic strategy at \$2.2 billion, exceeding our target, a very successful outcome for a first-time fund.

Within our credit business, we raised \$23 billion of capital which represented a record quarter. Driving our credit fundraising was real asset and asset-backed finance strategy as well as our insurance channel. This includes nearly \$9 billion of capital raised from Brookfield Wealth Solutions. We also raised \$5.6 billion from our long-term private funds, \$1.4 billion of which was for our fourth vintage of our infrastructure mezzanine credit strategy, \$4 billion for our perpetual credit funds and \$3.2 billion for our liquid credit strategies.

Over the past decade, we've been intentional in evolving our business to become more diversified across not only client types, good asset classes, strategies, products, and geographies which has reduced our reliance on any single market cycle or source of capital. Along with our long-term disciplined approach, this has allowed us to compound earnings across varying economic environments and strengthen our resiliency.

Today our earnings base is well balanced across each of our businesses: infrastructure, renewable power and transition, private equity, real estate and credit, with no single business contributing more than a third of our fee-related revenues. As an example, the introduction of our transition platform five years ago, and the expansion of our credit platform has meaningfully broadened our earnings mix and enhanced durability.

In 2026, we will be fundraising across nearly 60 strategies compared to only four in market just 10 years ago, enabling more consistent and diversified fundraising. We now serve more than 2,500 institutional clients globally alongside a private wealth platform reaching nearly 70,000 clients and insurance solutions business managing over \$100 billion of fee-bearing capital on behalf of approximately 800,000 policyholders.

Importantly, this breadth allows us to grow through different market environments by shifting capital towards asset classes and regions where opportunity is strong while also creating a stable, resilient earnings stream that can perform consistently in different market environments and continue to grow across cycles.

Looking ahead, a more balanced share of our fundraising will come from individual investors as private wealth, annuities and more retirement 401(k) will be able to allocate to alternative investments. Turning to our balance sheet. We continue to operate with a strong asset-light financial profile that provides flexibility to support growth.

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In November, we issued \$1 billion of new senior unsecured notes including \$600 million of 5-year notes at a coupon of 4.65% and \$400 million of 10-year notes at a coupon of 5.3%. We ended the year with \$3 billion of corporate liquidity, providing ample flexibility to support ongoing operations, strategic initiatives and growth across the business.

As we look ahead to 2026, we are positioned for another very strong year, and I will emphasize again that the best is yet to come. Our performance as a disciplined investor sets us up to capitalize on the strong momentum across the business with continued capital inflows from institutional insurance and retail channels and a pipeline of opportunities to deploy capital at attractive returns. Given the strong financial position and significant growth prospects ahead, I'm pleased to confirm that our Board of Directors has increased our quarterly dividend by 15% to \$0.5025 per share or \$2.01 per share on an annualized basis. The dividend will be payable on March 31, 2026, to shareholders of record as of the close of business on February 27, 2026.

That wraps up our remarks for this morning. We'd like to thank you for joining the call and we'll now open up for questions. Operator?

QUESTION & ANSWER

Operator

(Operator Instructions). Our first question comes from Cherilyn Radbourne with TD Cowen.

Cherilyn Radbourne. TD Cowen

Thanks very much. So clearly, manager consolidation is continuing. The recent emphasis seems to have been on private credit and also secondaries. With regard to secondaries in particular, is that an area that you consider strategically important and a gap that you might look to fill?

Connor Teskey, Chief Executive Officer

Cherilyn, we've made a few complementary acquisitions in recent years focused on areas where we wanted to expand and build out the platform. Looking ahead, we would expect probably to be slightly less active, focused primarily on the further acquisition of our existing partner fund managers. Beyond that, we'll continue to be incredibly selective and opportunistic.

In terms of secondaries, it is a space we track very closely. It's growing rapidly. It's a segment of the market where our expertise would be very clearly differentiating and it would add an additional service that we could offer to our clients. So we do track the space, but we will be very opportunistic only looking at opportunities that would be highly additive and complementary. But you would be correct that if we were going to do something, secondaries is probably near the top of the list, and we would focus on a platform that we thought would grow significantly as part of the broader Brookfield ecosystem.

Operator

Our next question comes from Alexander Blostein with Goldman Sachs.

Alexander Blostein, *Goldman Sachs*

Thank you for the question and Connor, congrats. Obviously I think well-deserved on many fronts. A question for you guys around just the growth for 2026. So it sounds like a lot of momentum in the business on multiple fronts as you highlighted. When you referred to at or above long-term targets, I just want to dig into that a little bit more. I believe your long-term targets, you generally talk about FRE. I think at the Investor Day you talked about that being 17%.

So is that what you're referring to when you think about '26? Does that include Oaktree and Just, obviously those are going to be additive to that FRE growth. So I was hoping to just unpack that a little more and if possible, get a sense of the sort of organic FRE growth within that statement for the year.

Connor Teskey, *Chief Executive Officer*

So we expect 2026 is going to be very strong. We had strong momentum that accelerated throughout the past year and positions us very well going into next year. You are absolutely correct. In our 5-year plan, we expect growth rates in, call it, the mid- to high teens, and we absolutely have an outlook today that exceeds that level. Maybe just to put some substance around that. There are three initiatives. The acquisition of the remainder of Oaktree, the closing of Just Group and some of the acquisitions we made in Q4 that will add \$200 million to FRE growth that have already been funded.

Beyond that, the earnings this year and going forward will benefit from what we expect to be a further step change in our fundraising. We thought we had a strong year this year. Next year is going to be even better. And this is driven by continued growth in credit and then outside this growth in both PE and infrastructure where in each of those platforms, we'll have all of our strategies in the market.

Then the last thing, just in terms of 2026 outlook. In terms of investment and monetization, obviously this will be market dependent. But based on the very constructive environment we're currently experiencing the major trends that we continue to be on the forefront of and the large pipeline of deals that we have in the near term. If market conditions hold, we see no reason why 2026 wouldn't also be a market step-up from 2025 in terms of deal activity as well.

Operator

Our next question comes from Michael Brown with UBS.

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Michael Brown, UBS

So a lot of anxiety surfaced in the market yesterday around AI-driven disruption and including within the alternative space. Based on our analysis, your exposure screens below peers, but could you maybe break down Brookfield's software exposure broadly across private credit and private equity funds? Then additionally, for the industry, Connor, I'd love to hear your high-level views on how AI related disruption could flow through the private asset ecosystem? And if there are major losses, how do you think LP allocations to private assets could react?

Connor Teskey, Chief Executive Officer

So there's really two punchlines from our side. First and foremost, this is a strong net positive for our business. It validates our focus on digital infrastructure and servicing increased power demand to support the growth in increased penetration of AI. These are some of the largest and most active platforms we have at Brookfield and the announcement is not yesterday but the increasing tailwinds over the last several months only provide further support for those initiatives. Obviously, this question is topical given the significant market move yesterday but given our firm-wide focus on AI, this is a trend we've been tracking for a while. And as a result, the punch line is our exposure across the organization is very minimal.

As a reminder, our portfolio is almost entirely focused on long-term contracted real assets where we don't take any technology risk or build on spec. Maybe to get into some of the specifics you asked about, within our private equity portfolio, we have less than 1% exposure to software businesses within our credit business, our focus has been on areas of expertise such as infrastructure and real estate credit, real asset lending and asset-backed finance where we get benefits from the Brookfield ecosystem.

We have no software exposure and then within our corporate credit portfolio, we've been actively positioning to where we see the best risk-adjusted returns. And as such, our opportunistic credit strategies have very little software exposure and our performing credit strategies are significantly underweight relative to indices.

Taking that all together, our firm-wide focus has been being positioned to benefit from increased AI penetration. Therefore the headlines yesterday just further reinforce our conviction in that theme and our disciplined approach to building our credit business has once again put us in a favorable position to manage through this volatility and to continue to be a net beneficiary of the impacts from AI.

Operator

Our next question comes from Bart Dziarski with RBC Capital Markets.

Bart Dziarski, RBC

Connor, also echoing the congrats on the CEO appointment. I wanted to ask around liquidity, just given you pay out most of your free cash flow. So with the \$2.5 billion of debt

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outstanding now would you consider the business in a place where it's fully funded? And just related to that, could you give us a high-level sense of the duration over which the \$130 billion-ish of uncalled commitments could get called?

Hadley Peer Marshall, *Chief Financial Officer*

Yes. Sure. This is Hadley. So I'll take that question. In terms of our balance sheet and liquidity, we're in a really good place. We've got over \$3 billion of liquidity. Now part of that is in anticipation of funding our share of the 26% of Oaktree that we currently don't own. So that's a critical component. So we're well capitalized from that perspective. But then looking forward, we've been instrumental in supporting our business, whether that's through initiatives around our complementary strategies and the growth there as well as our partner managers and buying additional stakes related to our partner managers.

So we're in a really good position. For some time, we've benefited from the cash on hand from the spin out. But it slowly entered the bond market earlier last year and anticipate when we look forward in terms of our leverage, obviously the capacity is quite ample and will continue to build as our business grows. But when we look at 2026, we'll be much less active than we were in 2025 given we were obviously in a big growth area and wanting to support that growth. When we look at our other area of liquidity, that's the uncalled capital at \$130-ish billion. That's a significant amount of capital that can turn into fee-bearing capital.

And this is a critical component of our business. We always want to be in a position where we've got liquidity to take advantage of the environment that we're in. So a good example of that is our BSREP, our flagship for real estate closed its fundraising earlier in '25 and so in a great position to have ample liquidity to be quite active; and Peakstone, the announcement we made yesterday is a good example of that.

So our flagships obviously built into some of that uncalled capital. But separately, our credit strategies which are also heavily in market last year and some into this year have uncalled capital that will get deployed over time and become fee-bearing capital. So that will take a few years to get called, but it puts us in a really good position no matter what environment we have going forward.

Operator

Our next question comes from Craig Siegenthaler with Bank of America.

Craig Siegenthaler, *Bank of America*

Connor first is big congrats on your promotion to CEO of Brookfield. I think you're probably the youngest CEO in asset management, too. So my question is on artificial intelligence. So Brookfield has really built a leading business servicing the AI industry. So like your peers, it's a lot of picks and shovels, not actually the AI models, so data center and power. Can you talk about the mix of capital being deployed today between equity and also debt? And on the equity side in data centers, is it mostly investment-grade tenants like the hyperscalers and I'm sorry, but one more, I'm going to squeeze in, if you can address this one too.

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On the leases, they're -- I think almost all 15-year plus leases, are there scenarios where they can be broken early or no because there's a financial benefit to the data center provider when it's broken. Sorry about the three, but they're all kind of related.

Connor Teskey, *Chief Executive Officer*

So in terms of themes across Brookfield, AI continues -- AI and AI infrastructure and the value chain that supports the increased penetration of AI remains at the top of the list. This is not only the digital infrastructure but also the energy generation that is required to support these data centers. Just as a general comment as to why the market opportunity is so robust today. You've got three dynamics that are all compounding on themselves. One more data centers are being built two, the data centers that are being built are now larger.

Then the third one is historically the financial investor in a data center typically funded the rack in the shell. Increasingly, there is an opportunity for those that have the scale and the operating capabilities to not just fund the rack and the shell but to fund the rack, the shelves, the chips, the servers, the power supply, the grid and the substation, the interconnect, the whole system, if you will and that's creating a very large and attractive investment opportunity on both the credit side and the equity side because while that wallet is getting bigger, it's still backstopped by that same long-term take or pay off take with one of the greatest either hyperscaler or sovereign credits in the world.

In terms of our pipeline today it's as large as it's ever been, and we expect it to only continue going forward. There's two things that perhaps we would highlight that are of interest. There is -- the largest component of growth for AI demand is the hyperscalers. And we are absolutely leading and supporting and investing the infrastructure to support their AI initiatives. But there's also a growing opportunity to support sovereign AI. This is the AI offtakes from countries to support the national interest of those regions. Again, very high-quality credit offtakes, large-scale investment opportunities where our skills can be brought to bear. This is an area where we do think we're market-leading given our announcements with Sweden, France, Qatar, et cetera.

The last point I'd simply make here is this is not just an investment opportunity, we are seeing incredible demand from our clients to get exposure to this investment theme. We announced our AI infrastructure fund with a target of \$10 billion. We've already secured \$5 billion. We expect we'll hit our targets and expect the broader program to be well north of \$20 billion when we include the co-invest given the size of some of these investment opportunities.

The second part of your question, these are very strong long-term offtakes very similar to what we would expect in other infrastructure asset classes. These are take-or-pay where if we continue to provide the asset, the offtaker is locked in. Similar to what we do on the power side, the real estate side, the infrastructure side, AI infrastructure is no different. We spend a lot of time ensuring it's a great revenue construct backed by a great high-quality credit counterparty.

Operator

Our next question comes from Michael Cyprys with Morgan Stanley.

Michael Cyprys, *Morgan Stanley*

Maybe just sticking with AI and data centers. I understand the U.S. administration wants to see new data centers stand up their own power generation. Curious, how do you see that impacting bottlenecks? And as you invest in data centers, talk about how you're bringing together your greenfield power capabilities which is a major differentiator for you? And how are you expanding your capacity there given bottlenecks?

Connor Teskey, *Chief Executive Officer*

There is no question. The bottleneck to AI growth today is not capital, it is not demand, it is electricity supply. And unlocking that electricity supply and the slogan, bringing your own power, is a key differentiator. While electricity grids around the world are doing everything they can to increase their capacity as much as possible, they very simply cannot keep up with the increased level of demand that we've been seeing in recent years, it's only going to accelerate going forward. Therefore our ability to bring unique solutions beyond just simply flowing power through the grid as a key differentiator.

Our ability to bring quick to deliver power through our investment in Bloom Energy longer term, our ability to use nuclear solutions through Westinghouse and then behind the meter, energy storage and renewable solutions that can be hooked up directly to these data center complexes. All of these are different ways that we can look to capture this significant demand and essentially not be restricted by the growth of the grid that is not going to keep up with the opportunity that we see in front of us.

Operator

Our next question comes from Dean Wilkinson with CIBC.

Dean Wilkinson, *CIBC*

Just want to circle back on credit overall. I mean there's been concerns around private credit, I guess going back to September of last year. Can you comment just on what you're seeing in credit within the portfolio, a general view and maybe a comment on some of the redemptions that you're seeing in the industry in the private wealth strategies?

Connor Teskey, *Chief Executive Officer*

So the market demand for credit continues to be very robust, and it's driven by the same drivers we're seeing across our equity business. Huge capital requirements to build out assets around key themes of energy and digitalization and de-globalization. And maybe to dive into what we're seeing, we continue to see very strong demand and attractive spreads

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in real asset and asset-backed lending where, quite frankly, demand continues to outweigh supply and we expect that dynamic to continue going forward.

We are seeing incredibly tight spreads in select pockets of more commoditized segments of the market. While that subset specific, some uncertainty in this space is significantly increasing the pipeline for our opportunistic credit business which we have seen increased its activity over the last couple of months.

In terms of credit flows, you're absolutely right, across the market. There were modest increases in retail redemptions or wealth redemptions late last year. For us, these were very modest and very manageable but what they shouldn't overshadow is on the institutional side, we're still seeing very robust inflows into credit, especially those products that are well positioned to outperform in this market.

Operator

Our next question comes from Dan Fannon with Jefferies.

Dan Fannon, Jefferies

Just wanted to follow up on just the outlook for wealth flows. You've obviously had very good momentum exiting 2025. Can you talk about your product roadmap as you look into 2026 and beyond as well as just the continued momentum?

Connor Teskey, Chief Executive Officer

So 2025, our growth in the wealth channel was a little bit north of 40%, 4-0%. We expect that to continue in 2026, particularly on the back of a number of new products we launched in the space at the end of the last year, notably in the credit and private equity segments. Those are seeing great early reception.

In terms of our outlook for the business, we're going to continue to build incrementally. This is an amazing opportunity in terms of the scale, the potential scale for our business, and we absolutely intend to capture it, but we want to go about doing it the right way. We're focusing, first and foremost, on getting the right products on the right platforms. Here, we're having an incredible amount of success.

Secondly, we're very focused on raising prudent amounts of capital to ensure that through these wealth products, we deliver the same strong and consistent returns that have defined our business for years. We feel that is the right way to build this business over time so we can lead in this space the same way we lead in the institutional space. And it's clearly not restricting our growth, taking this approach, given our 40% plus CAGR.

Then maybe lastly, the one thing we are doing is taking some incremental steps in 2026, really around brand awareness for Brookfield and also filling out our product offering, most notably on the credit side.

Operator

Our next question comes from Crispin Love with Piper Sandler.

Crispin Love, *Piper Sandler*

First, congratulations, Connor. Then just on my question, FRE margins have expanded nicely in recent quarters to 60% plus. Can you share your views on the margin trajectory from here? How do you feel about sustainability of current margins potential for further expansion, just given some of the tailwinds that you've discussed for the business broadly? Just any puts and takes there would be great.

Hadley Peer Marshall, *Chief Financial Officer*

Sure. So I can describe that. I mean you're absolutely right about the margins and the operating leverage that we've seen play out. As a reminder, when we close the 26% of Oaktree, that will have a shift in our margins just because of where they operate in the cyclicity of their business. But the other thing that we mentioned that we're going to do which is really just a onetime presentation change, is take our partner managers which have continued to grow the business and our share has grown which is reflecting more into our numbers, we're going to actually bifurcate their revenues and expenses, the portion that we own, whereas today we include only their FRE.

So this change won't impact FRE or DE, but it will increase the reported revenues and costs, and as a result, impact the margins. Now the reason why we've always just shown their FRE is because they were a small part of the business. But as I mentioned, they continue to grow, and we're quite excited about that. So we want to provide more transparency around that and this should also help investors better understand the components of our credit business specifically as well as the underlying fee rates for our credit strategies.

But importantly, to get to really the crux of your question, the margins for our business will continue to improve because of that operating leverage that's built in across all of our platforms. And in fact, when we look forward, especially for 2026, every business should have stronger margins, except maybe real estate only because they don't have the catch-up fees. So we're quite excited about the business in general for 2026 and onwards, and that will be reflected in the margins.

Operator

Our next question comes from Mario Saric with Scotiabank.

Mario Saric, *Scotiabank*

I just had a quick follow-on question with respect to the emerging pursuit of the individual investor and wealth channel. I think Connor, you highlighted three initiatives for '26 on that front including brand awareness, I'm just thinking from a cultural perspective, Brookfield's culture has been very consistent, very strong, excellent institutional culture to make

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Brookfield what it is today. How do you balance the drive from brand awareness on the private kind of individual wealth side with maintaining kind of that institutional culture that you've had historically?

Connor Teskey, *Chief Executive Officer*

Our culture is one of our biggest and most valuable assets, and it is not going to change going forward. It guides how we operate, how we partner with our clients, how we're disciplined and take a long-term view to investing. When we speak about increasing brand awareness, One of the important things is it's about increasing the awareness of the Brookfield brand which, to your point, is very distinct. It speaks to stability, it speaks to discipline, it speaks to long-term focus. That's all we will be reinforcing.

One thing we're incredibly proud of at Brookfield is everybody represents the brand. That's really what we're going to look to reinforce. As we do increase the brand awareness, it's just ensuring that people know who Brookfield is and what we stand for.

Operator

Our next question comes from Jaeme Gloyn with National Bank.

Jaeme Gloyn, *National Bank*

Congrats as well Connor. On the private wealth and market, as that continues to evolve and access for private markets and 401(k) expands. How should we be thinking about the potential impact on BAM's fee-bearing capital and FRE. What do you need to have happen for that to become material?

Connor Teskey, *Chief Executive Officer*

So when we think about the large opportunity in the future for the individual investor, we think about that in three parts. The retail and high net worth channel, the insurance policy and annuity holder in the 401(k) and retiree benefit market. In that third bucket, we do expect the opportunity set to be very, very large, but we expect it to grow incrementally over time.

In terms of what's happening in the near term, we do expect guidance to come later this week which we expect will be highly supportive of alternatives in 401(k)s and will include -- we expect initiatives that will create catalysts for increased reviews of alternatives within these portfolios. We are very well positioned to capture these opportunities in the DC channel. We are already working with leading target date fund managers to provide the best of Brookfield strategies to improve participant plan outcomes. We've been focusing on professionally managed portfolios and target date funds where we can codevelop sleeves and solutions with the existing providers of those products. In that regard, we're very confident that we can demonstrate value for cost while meeting the regulatory requirements and that really goes to the strength, track record and durability of our private investment strategies.

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Maybe the last point just on this market because we're very excited about it. From all stakeholders, we continue to receive very positive feedback that our focus on high-quality downside protected real assets that provide cash yield and inflation protection is uniquely suited to the objectives of these planned participants. And that's what we'll be looking to offer on an increasing basis going forward.

Operator

The next question comes from Kenneth Worthington with JPMorgan.

Kenneth Worthington, JPMorgan

Connor congratulations. My question is for Hadley. There was a more meaningful increase in the long-term fund and co-investment revenue in both transition and private equity businesses this quarter. For transition, it went from like \$5 million to \$28 million sequentially. In private equity, the revenue went from \$44 million to \$62 million sequentially. What drove the jumps here? And to what extent is this sequential jump in revenue this quarter sustainable at these levels? Or were there one-offs that we should be accounting for?

Hadley Peer Marshall, Chief Financial Officer

So one thing to keep in mind, and we've mentioned this for PE is Pine Grove, and they had a great first fund with a final close of \$2.2 billion, and that had catch-up fees. So that's what you're seeing there. So, there's some catch-up fees there. But that is capital that's now going to be earning FRE going forward. So very exciting outcome there.

On the transition side, what you're seeing there is one of our partners that we have in terms of revenues that they generated from there. That is probably a little bit more one-off generated that the overall business is performing quite well but they did have a solid wind. So that's something that you're seeing flow through there.

Operator

Our next question comes from Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, BMO

Congrats to Connor as well. Hadley, can you just give us a sense of how you arrived at the 15% dividend bump and whether or not you expect to the below 100% payout ratio next year?

Hadley Peer Marshall, Chief Financial Officer

Yes. So look, we do a lot of forecasting and analysis around our business by each business, tops down and bottoms up. So this is a thorough analysis that we conduct. It does make it a little bit easier when we've got \$200 million of FRE coming in for 2026 that we can forecast with incredible certainty around Oaktree and Just Group so that's quite supportive. When

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we think about our payout ratio over time as you know we target around the 95%. And so that is the goal that we're going to be leading into especially as we get in carry which is the second leg of our growth. So what gives us that confidence around 15% is the analysis that we performed and then the overall long-term goal from that perspective.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Jason Fooks for closing remarks.

Jason Fooks, *Managing Director, Investor Relations*

Okay. Great. If anyone should have any additional questions on today's release, please feel free to contact me directly. And thank you, everyone, for joining us.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.