

**BROOKFIELD ASSET MANAGEMENT LTD**  
**TRANSCRIPT: Q1 2024 CONFERENCE CALL WEBCAST**  
**May 8, 2024, at 11:00 a.m. (ET)**

**Corporate Speakers:**

- Jason Fooks, *Managing Director, Investor Relations*
- Bruce Flatt, *Chief Executive Officer*
- Connor Teskey, *President*
- Bahir Manios, *Chief Financial Officer*
- Hadley Peer Marshall, *Incoming Chief Financial Officer*

## **PRESENTATION**

**Operator**

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Hello. And welcome to Brookfield Asset Management's First Quarter 2024 Conference Call and Webcast. (Operator Instructions) I would now like to hand the conference call over to our first speaker, Mr. Jason Fooks, Managing Director, Investor Relations. Please go ahead.

***Jason Fooks, Managing Director, Investor Relations***

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Thank you for joining us today for Brookfield Asset Management's earnings call. On the call today, we have Bruce Flatt, our Chief Executive Officer; Connor Teskey, our President; Bahir Manios, our Chief Financial Officer; and Hadley Peer Marshall, our incoming Chief Financial Officer.

Bruce will start the call today with opening remarks followed by Connor, who will talk about some of the important drivers of our future growth. Bahir will discuss our financial results. And finally, Hadley will provide an update on our fundraising. After our formal comments, we'll turn the call over to the operator and take analyst questions. (Operator Instructions)

Before we begin, I'd like to remind you that in today's comments including in responding to questions and in discussing new initiatives and our financial and operating performance, we may make forward-looking statements including forward-looking statements within the meaning of applicable Canadian and U.S. 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 Canada and U.S. and the information available on our website. And with that, I'll turn the call over to Bruce.

**Bruce Flatt, *Chief Executive Officer***

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Thank you, Jason. And welcome, everyone, on the call. Our business is performing extremely well and results were strong in the first quarter, driven by execution across all aspects of our business and highlighted by robust fundraising, successful capital markets execution and several strategic transactions. This should lead to excellent growth in overall results in 2024.

Improving market sentiment has been growing. Liquidity is returning to the capital markets, and most major economies are performing better than expected. This in turn has revived risk appetite among many investors and is fostering an increasingly stable and more constructive market.

We raised a total of \$20 billion of capital during the first quarter, which included strong first closes for two of our flagship funds.

Our flagship funds, along with our private credit funds and insurance solutions channel have been among where our largest fund flows have come from over the past year. More broadly, we see continued client demand for more than 50 strategies that are in the market and expect our fundraising to continue to build throughout the year. This should lead to an excellent year for fundraising. Continued consolidation in the asset management sector is a tailwind with clients preferring to do more with fewer, larger and more diversified global managers.

The market environment is also more conducive for transaction activity. We are seeing firsthand an improving market for sales of high-quality assets. This is particularly apparent in the private equity and real estate asset classes, where transaction volume has been lighter over the past few years but is now picking up. Most notably, we sold a 49% interest in ICD Brookfield Place, a premier property office property in Dubai for approximately \$1.5 billion, marking one of the largest real estate transactions globally since the pandemic at the highest valuation for an office property ever in the region.

Over the past year, we also sold or under contract to sell approximately \$35 billion of assets across all of our businesses, generating very good returns on capital. And as we look forward to the rest of '24, we see more monetizations to come.

We're also continuing to take advantage of currently strong debt markets to refinance debt at attractive rates. Thanks to the high-quality nature of our businesses and continued progress on operational improvement plans across many of our portfolio companies within our private equity business, we have been able to successfully

refinance over \$18 billion of borrowings, resulting in actually a decrease in the overall cost of debt compared to the debt that we replaced.

At the same time, there are so many instances where the balance sheets of owners of high-quality businesses and assets cannot withstand the increase of the rates over the past two years or where business fundamentals have not lived up to the expectations of the capital structure that was put in place at the time when they financed the business. This should, therefore, also be an excellent period to invest for both our equity and credit strategies. To support this, we entered this period with over \$100 billion of dry powder ready to invest and a strong balance sheet to support strategic initiatives.

To that end, we announced three strategic transactions so far this year. First, we recently added management responsibility for the \$50 billion of AEL capital that came to our parent.

Second, we agreed to acquire the majority stake in Castlelake, a best-in-class manager focused on aviation and specialty finance. Third, we expanded our partnership with Oaktree by acquiring an additional close to 5% interest in the company. Connor will speak to each of these with a little more depth, but we're excited about the opportunity to serve our clients in more ways, bolster the capabilities of our credit group and further drive fee-related earnings.

It's been a very active start to the year, and we look forward to keeping you updated on our progress.

Before turning over the call I wanted to note that Bahir, who has been with Brookfield for 20 years, will be stepping away at the end of this month. Bahir has made a very significant contribution to many of our businesses over the years, helping drive our infrastructure business, insurance and most recently, assisted with the launch of our asset management business into the capital markets. Thank you, Bahir.

And as all of you know the Board appointed Hadley Peer Marshall, a 10-year Brookfield veteran who has been driven significant success in our infrastructure group, as our new Chief Financial Officer.

We are all looking forward to introducing you to Hadley when we have the chance. With that, I will turn the call over to Connor. Thank you for being here.

**Connor Teskey, *President***

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Thank you, Bruce. As Bruce mentioned, we've had a very active start to the year, both in terms of fundraising and executing on several strategic transactions and we expect to build on this momentum as we progress through the year.

However, my comments today will be focused on how we are positioning ourselves for long-term growth. With three flagships expecting final closes this year, a record number of complementary funds, more than 50 strategies, either in or just now coming to market and the additional asset origination capabilities of the Brookfield Reinsurance platform from AEL, we expect fundraising will continue to scale throughout 2024.

At the core of our fundraising success is our long-standing track record of delivering attractive returns to our clients, reinforced by the deep relationship and partnership we have built over the last two decades.

However, our ability to raise significant levels of capital consistently each year and across different economic environments is due to several important characteristics of our business and we would like to highlight four of them with you here today. The first is that we have a leadership position in infrastructure, renewable power, transition and credit.

All of which are in high demand by institutional investors today. This demand is in large part because these asset classes sit at the center of 3 mega trends reshaping the global economy, decarbonization, deglobalization and digitalization. These sectors will require over \$200 trillion of capital over the next 30 years, creating significant growth opportunities as we create products and solutions to address these market needs.

Second, we have deliberately focused on expanding our ability to raise capital across multiple channels with every global investor base.

While we continue to see ample opportunity to raise capital from institutional investors, we have expanded our capabilities with our private wealth platform and our wealth solutions business.

While today, they represent a modest portion of our overall fee-bearing capital, we expect both to be new engines for this next phase of growth.

Starting with our wealth solutions, last week, Brookfield Reinsurance successfully closed its acquisition of AEL. This transaction significantly enhances its wealth platform and is expected to accelerate its future growth.

We now manage nearly 900 -- sorry, we now manage nearly \$90 billion of insurance fee-bearing capital on behalf of Brookfield Reinsurance including approximately \$50 billion of assets that came with the AEL acquisition. These new assets will be subject to an investment management agreement and will provide us with an incremental \$125 million of fee revenues each year.

As Brookfield Reinsurance continues to grow its assets, we expect our fees will grow as well.

We also expect that Brookfield's wealth platform will soon write \$15 to \$20 billion of annuities annually making it one of the largest annuity platforms within the United States. And because in recent years, we have been investing in our insurance capabilities ahead of such growth, we are well prepared for this new \$50 billion mandate of capital and we will be able to deploy it very efficiently.

Our wealth solutions strategy is focused on managing capital to meet the unique needs of insurance companies.

We earn fee-related revenues for our services, but we do not take on any of the assets, liabilities or generate spread-related earnings from these investments.

However, beyond the growing fee revenue stream, our wealth solutions business also gives us a pocket of capital that is seeking credit opportunities including investment grade at scale, which will allow us to deploy capital in new and innovative ways.

We will continue to expand and enhance our capabilities to serve our insurance clients and expect that this will attract additional third-party insurance capital to our business.

Now turning to Brookfield Oaktree wealth solutions. Three years ago, we combined our private wealth presence alongside Oaktree's team to create Brookfield Oaktree wealth solutions, a business dedicated to delivering our premier alternative investment products to wealth managers worldwide.

Since then, we have methodically scaled the business.

Today, the team includes 150 professionals in 10 countries, spanning critical functions vital to fundraising including supporting intermediaries and advisers.

Our global efforts have resulted in relationships with nearly 50 wealth managers, where we have placed over 100 private and public market solutions including rapidly growing strategies, like our private wealth focused Brookfield Infrastructure Income strategy and Oaktree's strategic credit fund. This success capitalizes on our long-term proven track record as a best-in-class alternative asset manager.

As we embark on our next stage of growth, we are building from a position of strength as we now offer individual investors a full suite of alternative investments across each of our strategies.

As the desire to increase allocation to alternatives for individual investors grows and should follow a similar course that alternatives have had for institutional investors over the last 20 years, we will continue to scale this business. Last year alone, the business raised \$7 billion in capital, and we're just getting started. With many tailwinds at our back, we are on pace to raise \$12 to \$15 billion annually through this channel over the

medium term. Thirdly, our organization is centered around building and operating businesses and assets that form the backbone of the global economy.

However, the global economy is always evolving.

Of the more than \$925 billion of assets that we manage, nearly half are in sectors that didn't exist in scale 20 years ago, from fiber, telecom towers and data centers to wind, solar and digital payments.

Last quarter, we spoke about the importance of our focus on product innovation and development to meet the needs of our clients.

We are seeing the benefits of that at work as we expect to be raising capital for a record number of complementary strategies this year with funds launching across all of our verticals. And fourth and lastly, we have made investments in and built partnerships with best-in-class managers that has enabled us to expand our capabilities and serve our clients in more ways.

We acquired an additional 5% interest in Oaktree in April, bringing our ownership stake to 73% today.

We also announced an agreement to acquire a 51% interest in Castllake, a leading asset-based private credit manager focused on aviation and other forms of specialty finance with \$22 billion of assets under management.

Our investment is projected to generate an additional \$40 million of FRE within the next year with the option for us to increase our ownership over time.

As we have done with other similar transactions, we plan to work in partnership with the Castllake team to support the growth of their franchise while looking for opportunities for where our broader franchise can add value for our clients for years to come.

Before I turn it over to Bahir to go through our financial and operating results for the quarter, we'll wrap up by saying we have a number of tailwinds behind our business that continue to give us confidence to reach our targets of doubling distributable earnings and reaching over \$1 trillion of fee-bearing capital over the next four years. Bahir?

**Bahir Manios, *Chief Financial Officer***

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Great. Thank you, Connor. And good morning, everybody. As Connor mentioned, I'll focus my remarks on our financial performance over the quarter and hand it off to Hadley who'll take you through the update on fundraising activities.

So, first on results. Fee-related earnings, or FRE in the first quarter were \$552 million and \$2.2 billion over the last 12 months.

Distributable earnings, or DE for the quarter were \$547 million and \$2.2 billion for the last 12 months. Our results for the period reflected the strong fundraising that both Bruce and Connor touched on earlier in their remarks.

We generated over 15% growth in our fee-bearing capital within our flagship vehicles, private credit and insurance strategies over the last 12 months. And that drove a 15% growth in our fee revenues from these areas in the LTM or last 12-month period. These very positive results were, however, offset by lower fees associated with our permanent capital vehicles and transaction fees that were also lower compared to the prior year.

Our permanent capital vehicle stock prices were lower as that period end compared to the prior periods. Despite releasing very strong earnings results, and recent increases in the dividends paid by both our infrastructure and renewable companies, Brookfield Infrastructure Partners and Brookfield Renewable Partners.

We believe each one of our companies are well positioned in any environment. and their trading prices will eventually rebound and be more reflective of the very strong underlying fundamentals and performance for those companies.

During the quarter, we raised \$20 billion of capital, \$10 billion of which we had previously announced on our February earnings call. With that, our fee-bearing capital grew at period end to almost \$460 billion, which is up \$27 billion or 6% compared to the prior year.

Our fee-bearing capital benefited from very strong inflows and capital deployed during the year. This was somewhat offset by capital we returned to clients and market valuations of our permanent capital vehicles.

Our fee-bearing capital will increase by \$50 billion with the recently closed asset management mandate from American Equity Life. Next on margins. For the last 12 months, they've remained stable and between 56% to 57%, but are poised to improve across each of our businesses as revenue growth should outpace costs.

As we've previously discussed, expense growth in our businesses is expected to slow as much of the investment in expanding capabilities across our platform has been made over the past year or 2.

To that end, direct cost growth moderated quite significantly this quarter compared to the prior year comparables.

At the same time, revenues will benefit from our significant capital raising initiatives over the past year, the additional \$50 billion of AEL capital, which will contribute at least \$125 million of annualized base fee revenues and potentially a rebound in the prices of our publicly listed affiliates.

I'll now briefly touch on our dry powder. Today we sit on over \$100 billion of dry powder available for deployment and have been actively putting this capital to work.

We deployed an additional \$11 billion in the first quarter, with over half of that going into credit products as we continue to see the current environment being very favorable for credit investing.

Our liquidity continues to be very strong with \$2.6 billion of cash and equivalents on our balance sheet as at period end. And as a reminder, we operate with zero debt at the corporate level.

And lastly, before turning the call over to Hadley, I'm pleased to confirm that the Board of Directors has declared a dividend of \$0.38 per share for the first quarter of 2024. Payable on June 28 to the shareholders of record as at the close of business on May 31. And so, with that, I'll turn it over to Hadley.

I've had the pleasure of working with Hadley since she joined our infrastructure group in 2015, and it's a great honor for me to introduce her as my successor in this role. Hadley is extremely well known in the financial community and brings tremendous experience and financial expertise to the role.

As for me, it's been an incredible 20-year career at Brookfield. I've really enjoyed my time as CFO of the company, and prior to that, the CFO of Brookfield Infrastructure Partners.

It's been a great experience, and I feel so fortunate to have had the opportunity to work and interact with many of you on the line. And I sincerely thank you for all your support along the way. I look forward to seeing many of you in the coming months as I continue to transition Hadley into the CFO seat. And so, with that, I'll hand it over to Hadley.

**Hadley Peer Marshall, Incoming Chief Financial Officer**

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Thank you, Bahir. I, too, would like to thank you for your service and support, and I'm thrilled to be taking on this role at such an exciting time of growth for our business. Let me start things off by providing some more details on the capital we raised in the first quarter.

In summary, it was a strong first quarter for capital raising, and we're optimistic about the year ahead since we have four flagships in the market.



We have the largest number of complementary funds we've ever had in or coming to market, and a rapid scaling insurance solutions business. Within our infrastructure business, we raised a little over \$3 billion including around \$2 billion of capital for our super core infrastructure strategy as part of a follow-on acquisition of FirstEnergy.

Our infrastructure wealth solutions product, Brookfield Infrastructure Income continues to see robust demand, raising an additional \$600 million in the first quarter and bringing assets under management to over \$2 billion.

For our renewable power and transition business, we held a first close for the second vintage of our flagship global transition fund at \$10 billion including \$1.2 billion of capital raised in the first quarter.

On the back of good momentum, we expect to hold a final close later this year.

In addition, we launched our catalytic transition fund. This fund was previously announced at COP28 with a \$1 billion anchor commitment from our long-term partner, ALTERRA. And we anticipate first close to this fund later this year.

Within private equity, we raised \$1.5 billion in the quarter and also recently launched several complementary strategies including a Middle East fund and a strategy for financial infrastructure investing.

In real estate, we held a first close for the fifth vintage of our flagship opportunistic real estate fund at over \$8 billion, and we also anticipate holding a final close later in 2024.

Finally, in credit, we continue to see strong fundraising momentum, raising nearly \$6 billion within Oaktree funds in the quarter including \$1 billion within our sponsor credit business and nearly \$1 billion within the 12th vintage of our opportunistic credit fund.

Overall, capital was raised across more than a dozen credit strategies this quarter, and we anticipate launching our seventh real estate debt fund and our fourth infrastructure debt fund later in the year. Within our insurance solutions business, we also raised \$2 billion and are expecting this scaling further throughout the year.

I want to spend some time covering our credit group, in particular, as this is an area I've focused on personally for many years and more importantly, is one of the parts of our franchise where we see significant growth ahead.

One of the benefits of being large, global and diversified is that we are in constant communication with and serve a wide array of clients including the largest and most sophisticated institutional investors in the world.

Some of the biggest insurance companies globally as well as individual and high net worth investors.

Over the past year or so, what our clients have been telling us has been resoundingly clear. They want to meaningfully increase their allocations to credit, specifically private credit.

Fortunately, for us, our credit business can serve those clients' needs given its breadth of product offerings and brand as a market leader. To that end, we recently announced the consolidation of all of our credit businesses and strategies under a newly formed credit group, which today totals nearly \$300 billion of assets under management, inclusive of the \$50 billion AEL mandate.

As of March 31, we've managed \$180 billion of fee-bearing capital, which generates annualized fee revenues of \$1.2 billion and growing. 45% of this capital is raised to private and opportunistic credit strategies, which account for over 70% of our fee revenues.

We have a broad and growing product offering from various private, opportunistic, structured and liquid credit strategies for initial insurance and individual clients to choose from based on their financial goals. And we believe that the best is yet to come. We continue to broaden our product offerings and enhance our deployment capabilities for our clients.

In fact, the three strategic transactions we discussed, AEL, Oaktree and Castlake, each marked an exciting next step in significantly scaling our global credit franchise. We also enhanced our insurance solution disclosure given the growth of the fundraising channel.

As a reminder, our insurance solutions channel is focused on large mandates that can deliver to insurance companies their financial objectives. The capital we raised so far has been predominantly from Brookfield Reinsurance, however, we expect to bring in additional third-party insurance companies as well.

Our relationship with these clients is strong, and in turn, they are attracted to Brookfield's product offerings and partnership capabilities. With the \$50 billion of additional capital we are now managing from the AEL mandate, our total assets managed through our insurance solutions channel is \$86 billion.

And our expectation is this will grow by \$15 to \$20 billion per year. As of March 31, 51% of capital was invested in high-grade liquid credit strategies, 41% in investment-grade credit and 8% in private funds.

As a reminder, we earn a 25-basis point fee for the total amount of capital we manage under our long-term investment management agreement and then additional standard fees for any capital allocated to our private funds.

I'll just wrap up by saying, as you've heard from the team today, we are embarking on a year filled with significant initiatives and opportunities. I'm eager to contribute to our continued success and look forward to meeting many of you in the quarters to come. With that Operator, we can open it up to questions.

## QUESTIONS AND ANSWERS

### **Operator**

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

### ***Cherilyn Radbourne, TD Cowen***

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Firstly, we've been getting some questions from clients on the fund performance track records this morning. And those seem to be flat to down slightly quarter-over-quarter. So, I was hoping you could give us some color on your marks and whether you see that as a transitory issue with the market backdrop improving?

### ***Connor Teskey, President***

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Good morning, Cherilyn, thanks for the question. This is, in our minds, absolutely, as you say, temporary in nature.

We are always very conservative with our marks. And with some of the market volatility in Q1, we obviously reflect that in our financial position. But it will come as a surprise to no one, just the increasing strength and momentum in the financial markets.

We're seeing the strategic bid come back from corporate. We're seeing banks lending an increasing amount, we're seeing incredible liquidity in the system, and we're seeing the bid-ask between buyers and sellers increasingly shrink. So, we always position ourselves in a strong liquidity position.

So we are never a forced seller during those temporary moments of volatility, but we would expect those marks to very quickly revert to in line or above our targets and similar with our long-term track record.

***Cherilyn Radbourne, TD Cowen***

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Great. And then shifting gears, could you give us some background on how the recent Castlake deal came together and particularly how that deal is structured between BAM and Brookfield Reinsurance?

***Connor Teskey, President***

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Absolutely. We are thrilled with the announcement to being partnered with Castlake going forward. We've spent a great deal of time getting to know the company and the management team.

We think they will be very complementary to broader Brookfield and our existing credit franchise. And similar to how we have partnered with other affiliate managers in the past, we believe that within the Brookfield ecosystem, we can support and accelerate the growth of that franchise while at the same time, expanding the product offering we can provide to our clients and LP partners.

To answer your specific question around the breakdown between Brookfield Asset Management, and Brookfield Reinsurance. Brookfield Asset Management will spend about \$500 million upon closing of that transaction. That \$500 million is broken down into about \$350 million to acquire 51% of the FRE and the remaining \$150 million will be to support the business in acquiring a small portion of the businesses carry and funding our proportionate share of the manager's GP stakes going forward.

It's important to recognize that the bulk of the \$1.5 billion that was announced will come as an investment from Brookfield Reinsurance to support the growth of Castlake going forward, but the investment from Brookfield Asset Management is about \$500 million upfront.

***Operator***

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Our next question comes from the line of Alexander Blostein with Goldman Sachs.

***Alexander Blostein, Goldman Sachs***

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Congrats, Bahir, to your next endeavor. And welcome Hadley to the call. My question is around fundraising. So you guys raised \$20 billion in the quarter, and you suggested a number of times over the course of the call that, that's likely to build as you progress.

I know you sort of backed away from being too specific with respect to, I guess, \$100 billion you talked in the past and as things could slip, et cetera.

But can you just help us frame, I guess, one, what is the kind of quarterly pace you expect to be at? Are your comments implying you expect to be north of 20% kind of on a quarterly run rate basis from here?

And number two, with respect to the four flagships that are currently in the market, can you just give us the mark-to-market on kind of the expected sizing for these flagships and the client reception you're having on the demand side of things?

**Connor Teskey, President**

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Great. Thanks, Alex. I appreciate the question. The overarching comment we would make on fundraising is our sentiment around confidence in terms of fundraising hasn't changed at all. Obviously it was a tremendous quarter.

In fact, this was the best Q1 fundraising quarter we've ever had. And in terms of the dynamics that we see driving our fundraising activity for the remainder of the year, they all stay very much intact. Three flagships that we expect to close a record number of complementary funds and significantly larger ability to generate inflows from our insurance platform going forward.

The one point I would just make on specific figures and timing is given what we've seen to date, yes, things could change, but they could equally change to the upside in terms of them slipping. The momentum is very, very strong.

To answer your two specific questions, maybe the one piece of guidance we would give on quarterly pace is we do recognize that 2023 in terms of fundraising was quite back-end loaded.

We don't see as much of that dynamic this year. We do expect fundraising to be more balanced across the four quarters. Obviously it will accelerate a little bit towards the back end of the year. But we don't expect such a concentration in Q4 as we saw in 2023.

And then just in terms of the flagship within our business, this is where we're seeing incredible momentum. Our confidence in the reception of our transition strategy continues to be immense -- best-in-class.

We feel very confident in terms of closing up that fund at or above our targets this year. And particularly in our real estate flagship, this is where we're really seeing the market opening up. And investors are seeing the upside and the rebound in that asset class and looking to get an increasing amount of exposure.

And then maybe just to finish on credit. It was very well highlighted in our quarterly results that credit is the biggest driver of our fundraising in Q1, and that is indicative of

the support we are seeing across our credit franchise including the flagships, and that's something we expect to see in the coming quarters as well.

**Alexander Blostein, *Goldman Sachs***

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Great. That's perfect. And then my second question is around the insurance business and appreciate the extra disclosure in the slide deck.

But I guess if you look at AEL now that it's closed, how are you thinking about both the magnitude and timing of rotating some of AEL assets to BAM and Oaktree kind of credit strategies that will enable you to earn a higher fee on top of the IMA? And I guess when you kind of think about the platform broadly, now you mentioned \$90 billion as a whole.

Kind of what is the ultimate sub-advisory capacity do you see for the firm, again, in addition to IMA when it comes to that \$90 billion?

**Connor Teskey, *President***

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Sure. And well obviously this will evolve over time. We want to be helpful and constructive here. I would say, over the long term, we expect to deploy about a third of that capital into long-term private funds, maybe about another a third into investment-grade credit and maybe about another a third into liquid credit.

That's probably a good rule of thumb based on what we're seeing today. And then in terms of pace and ability to make those allocations, there's two things we would highlight here.

It does take a little bit of time, but it's not that much. And we've spoken over the last several quarters about investments we've been making in the business.

One of the key areas of investment has been into the insurance franchise, such that we are very well positioned to deploy this capital starting last week when AEL closed. And it's great that those investments and costs that weren't previously being offset by revenue now have fees to be paired against.

So as a general rule, I would say it will probably take somewhere in the 2 to 3-year timeframe in order to frame out those allocations.

**Operator**

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Our next question comes from the line of Geoffrey Kwan with RBC Capital Markets.

**Geoffrey Kwan, RBC Capital Markets**

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I also wanted to just talk on credit. I know Hadley talked about it a little bit, just -- but given the growth in the credit platform and a more diverse credit product offering.

Can you talk maybe a bit about the competitive environment around putting that capital to work and how you see your competitive advantage in deploying that capital within credit?

**Hadley Peer Marshall, Incoming Chief Financial Officer**

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Thanks, Geoff. I can take that answer. So, if you -- I guess the short answer is it's very strong. If you think about 2023 and especially the first half, there was a lot of market disruption, which was the upside to our credit business. Today there is more liquidity in the market, but we continue to find attractive opportunities.

If you take a step back, we have a long record and have proven that we can deploy through various market cycles, earning attractive returns for our credit businesses. And we can do this for a few reasons. One, we have a strong asset knowledge across all the sectors we invest in.

We can provide more than just capital, making us a partner of choice, and we can provide all parts of the capital structure from debt to equity and in between, leading to more proprietary deal flow. And finally, I would say we can provide certainty of capital with quick execution on large ticket sizes, limiting the competition.

It's also important to note that there continues to be areas of scarcity of capital in today's environment. Banks have pulled back -- regional banks are not as active, which has been very helpful for our Castlake business and their asset-based sectors, the real estate and infrastructure markets in particular. And then when you add on maturity walls and unsustainable capital structures, that's an advantageous point for Oaktree and the growth of their business. So in essence, it's a good time to have dry powder for us.

**Geoffrey Kwan, RBC Capital Markets**

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Okay. That's helpful. And my second question was back on Investor Day, the 5-year FBC target implied, I think it was roughly about an 18% CAGR. And I recall also assumed no acquisitions, so maybe something like the AEL.

But essentially, when you look at Q1, it was up 6% year-over-year. Obviously it was hit in part by the decline in share price of the affiliates. Fund raising should be a tailwind. But if monetization markets improve, that would also temper some of that FBC growth.

So my question is, looking at your crystal ball, when you take a look at 2024, and if we exclude the \$50 billion from AEL, do you see FBC growth this year being, say, above that 18% in line or perhaps a bit below that?

**Connor Teskey, *President***

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Thanks, Geoff. Maybe the way we would frame it is, obviously that 18% CAGR may fluctuate a little bit year-to-year.

But there's nothing about this year that is going to be out of line with that broader trend. The way that we would really characterize this quarter across, let's say, all the key drivers of the business, whether it be deployment, whether it be fundraising, whether it be monetizations is there are -- there is tremendous momentum. And a number of the growth initiatives that we've locked in, in Q1 are going to drive significant amounts of growth in the latter part of this year.

Our expanding credit franchise is going to allow us to raise more organic capital our expanding wealth solutions franchise is going to allow us to bring more inflows into that business.

So one year to another might be slightly above or below that long-term trend, but there's certainly nothing about what we're seeing in the market that disrupts our perspective of that very high teens type CAGR going forward.

**Bahir Manios, *Chief Financial Officer***

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And Geoff, it's Bahir. And I'll just add on to that from what Connor said. As I noted in my remarks, if you just looked at our private fund strategies, the activity that's going on in credit and insurance year-over-year. Our fee-bearing capital was actually up 15%. So there was a bit of noise that you correctly highlighted in your question for sure.

But definitely, as Connor said, there's nothing sort of strange here in what happened in the first quarter with respect to sort of the fundamentals of the business and most importantly, our outlook with respect to growth in the future.

**Operator**

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Our next question comes from the line of Brian Bedell with Deutsche Bank.

**Brian Bedell, *Deutsche Bank***

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Maybe just one on the -- I think you referenced that you were able to refinance some portfolio company debt at attractive spreads. Maybe if I can tie that in with also the



deployment in the credit business and what's increasingly on sustainable capital structures across many businesses.

Can you talk about how are you reviewing that refinancing wall both from your portfolio company perspective and also the opportunity within credit to deploy that capital and whether that's sort of a rising potential on a sequential basis as we move throughout the year and deploying that capital?

**Connor Teskey, President**

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Brian, thanks for the question. Perhaps let us come at this a slightly different way and just tell you what we're seeing in the market.

We often get asked the question, do you expect to be a bigger buyer or a bigger seller in the current market environment? And what is unique about the market right now and this won't last forever, but it's incredibly constructive is we expect to absolutely be both in scale given what we're seeing in terms of the economic cycle right now.

At the same time, due to things you mentioned, unsustainable capital structures, some ambitious growth that didn't play out in certain businesses.

We are seeing incredible opportunities to deploy capital at scale, while at the same time, the big trends that we've been investing in digitalization, decarbonization, deglobalization, those continue to only accelerate.

So it is an incredibly constructive market us to continue to put capital to work.

Well at the exact same time, we have seen an extremely robust bid come back to the market for high-quality derisked assets. And we're starting to see that, as Bruce mentioned, in our private equity and real estate businesses.

But quite frankly, we're seeing it across the entire franchise. And our derisked and high-quality assets within renewable power within infrastructure, we expect to be very active on both the investment and the monetization side this year.

So when it comes to your question specifically about credit, we are seeing that bifurcation as well.

Within our high-quality businesses that we have effectuated the business plan, they are now stable. They are growing. Their margins are expanding.

We're seeing the opportunity, as Bruce mentioned, to refinance those businesses at really attractive rates and put them in a great position to be monetized in the next one or two or three years.

At the same time, we are looking to capitalize on some of the market dynamics where businesses are over-levered and we can buy great assets that simply have imperfect capital structures, and that's also going to be a big theme for us for the next two or three quarters.

**Brian Bedell, *Deutsche Bank***

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That's great color. And maybe just one on the FRE margin and expense growth. I think we were looking for low double-digit expense growth this year in '24 and an FRE margin that could expand to that -- around that 58% level. Just was wondering if that's still intact as you scale the businesses sequentially throughout the year.

**Bahir Manios, *Chief Financial Officer***

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Brian, it's Bahir. Thanks for the question. Look, I'd say compared to the -- let me just talk about results in general. Compared to the prior year. We obviously had a delay closing on the insurance asset management mandate that we got from American Equity Life.

So that, in addition to the fact that our permanent capital vehicles, the trading prices on those came off during the quarter, which we see as a temporary issue. If you just factor those two impacts alone.

So not saying that the share prices should be higher than last year, but let's just assume that they were flat to last year and had AEL have closed earlier. You would have just seen and without us doing any fundraising this year without us doing much capital deployment, et cetera, those two impacts alone would have meant that our FRE per share would have gone up in the low double digits.

So then on expenses, they were up by, I believe, 9% compared to the prior year and just the increase -- the magnitude of that increase has come down quite significantly, which we seem to be something that should stay pretty consistent across the year.

Another point Connor mentioned on his remarks is the fundraising should be a lot more spread out this year.

We see lots of areas to deploy capital. So just the impacts of all of that should mean that margins should improve quite a bit in future quarters. So still maintain that guidance that we told the market last year.

**Operator**

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Our next question comes from the line of Nik Priebe with CIBC Capital Markets.

**Nik Priebe, CIBC Capital Markets**

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Okay. If I caught the comments on Castllake earlier correctly, you're writing a \$350 million check to acquire the 51% GP interest. That, in turn, is expected to generate \$40 million of FRE, that implies a transaction multiple of about 9x. That just strikes me as a bit low.

So is that \$40 million figure quoted in the letter on a 100% basis rather than a BAM share? Or was there some other nuance in the way that, that transaction was priced? Just a bit of color on that would be helpful.

**Connor Teskey, President**

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Thanks, Nik. And just -- I believe you got that all absolutely right, but I want to clarify. So the \$500 million will be invested from BAM, about \$350 million of that is to acquire the FRE. BAM will also invest an additional \$150 million. The incremental \$150 million will be to acquire some of Castllake's current carry as well as fund our proportionate share of the GP stakes within the Castllake business.

Your \$350 million for our 51% of the FRE is -- compares to \$40 million, which is, again, 51% of the FRE. So your directional multiple is correct.

The one thing I would highlight is \$40 million is what we expect to see over the next 12 months so it is very much a forward-looking multiple as opposed to an LTM multiple. And that's probably a little bit of a nuance in terms of why it looks a bit low to you.

**Nik Priebe, CIBC Capital Markets**

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Okay. That's very helpful. And then are you also able to see what it costs to acquire the incremental 5% interest in Oaktree? And maybe what that represented as a multiple of FRE?

**Connor Teskey, President**

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Yes. Sure. So our investment to acquire -- or BAM's investment in that incremental stake of Oaktree was about \$275 million.

It's important to recognize that we have a formulaic calculation with Oaktree that was put in place at the time of our partnership five years ago and very similar to what you saw with us when we spun out the asset manager -- Brookfield Asset Management buys the FRE from Oaktree.

And BN buys the historic carry and some of the balance sheet positions from Oaktree. So -- our multiple on the \$275 million that was invested in the FRE of Oaktree is based on the formula and the multiple in that formula is 13.5x.

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**Operator**

Our next question comes from the line of Ken Worthington with JPMorgan.

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**Kenneth Worthington, JPMorgan**

The U.S. Department of Labor recently finalized best interest rules and I think those rules hit the National Register this past April. Do you have any sense of what portion of AEL's business might be impacted by the new rules? And do you see them as sort of a risk or opportunity to the \$15 to \$20 billion of annual sales that you're sort of projecting in insurance?

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**Connor Teskey, President**

So maybe I'll just start and Bahir or others if you want to weigh in. I think our enthusiasm and growth about the potential sales of -- within our insurance platform are really driven by two things.

First and foremost, we think we have a best-in-class platform that has only been enhanced by the acquisition of AEL and therefore, they should grow along with the broader market, if not increase some modest market share increases going forward.

And then the second thing to highlight is just the demographic support that we are seeing for the annuities business that AEL and our broader wealth solutions provides. And the fact that we always really focus on is -- maybe just a fun fact for everyone on the call this year will be the highest year ever in the United States for people turning 65.

That record will be broken every year for the next seven years, and the total number of people above 65 is going to double between now and 2040.

Those are the meaningful dynamics that drive the growth in our insurance business going forward. And that's why we have so much confidence in terms of some of the changes that have been made we really don't see them disrupting that trend, but perhaps Bahir, I'll let you provide a comment.

**Bahir Manios, *Chief Financial Officer***

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Thanks, Connor. Look, I agree with all of that. I would just say that larger-scale companies such as ourselves, will be just better equipped to handle these new regulations.

**Operator**

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Thank you. I would now like to hand the conference back over to Jason Fooks for closing remarks.

**Jason Fooks, *Managing Director, Investor Relations***

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Okay. Great. Thanks. If anyone should have any additional questions on today's announcement, please feel free to contact me directly. Otherwise, thank you all for joining us.

**Operator**

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