

Brookfield Asset Management Letter to Shareholders

Overview

We delivered strong results in the second quarter and now have approximately \$1 trillion of assets under management. During the quarter, we raised a total of \$68 billion, bringing capital raised over the last twelve months to \$140 billion, which is our highest ever in a twelve-month period.

Fundraising helped drive fee-bearing capital (FBC) to \$514 billion, an increase of \$74 billion or 17% from a year ago. For the quarter, we generated \$583 million of fee-related earnings (FRE) and \$548 million of distributable earnings (DE). Our reported earnings only reflect partial income from fee-bearing capital raised mid-period, as the \$49 billion mandate closed mid-quarter. On an annualized basis, in-place FRE and DE at the end of the quarter were \$2.5 billion and \$2.4 billion, up 11% and 12% from a year ago, and fundraising momentum should continue to build over the balance of the year.

Performance and Scale Have Facilitated Growth, and Our Scale Advantage is Growing

We have been investing in and operating assets for 125 years. However, it was only 25 years ago when we began our journey as an alternative asset manager. Since then, our global footprint has expanded to over 30 countries, supported by over 2,400 investment and asset management professionals and nearly a quarter-million operating employees. We broadened our fundraising capabilities to cover institutional investors, insurance solutions, and private wealth clients. We also spun off our listed affiliates over the years, creating public market “clients” with access to our private funds and, more recently, we have moved into private wealth and insurance solutions channels, which are becoming meaningful and consistent contributors to our capital raising capabilities.

One thing that often gets forgotten is that the roots of our private fund offerings are in private equity. Our first fund offering was a private equity fund started in the early 2000s, and our private equity business is one of the best performing among our peers. We have launched six flagship funds over 20 years, leading to over \$130 billion of investments, and have generated a gross IRR of approximately 27% and a net IRR of approximately 21%. These are exceptional returns that few have matched.

This success in private equity has been driven by our disciplined investment approach, focusing on acquiring businesses that provide essential products and services and that generate resilient cash flows. We have particular expertise in industrial businesses, where few have operating capabilities to do what we do, offering us a competitive advantage. Over the years, we have broadened our sector focus to include technology and healthcare—and recently, we began investing in backbone payment and financial infrastructure, as we believe that certain mega-trends are driving a transformation of the global financial system.

Our heritage as an owner / operator has enabled us to enhance our portfolio businesses through active management rather than solely relying on financial leverage and multiple expansion. More than half of the returns we have generated in private equity stem from operational value. In an environment where multiples are no longer growing, our approach to investing is sought after by investors.

The same approach that has propelled our private equity success has been similarly applied across our newer asset classes, which are all seeing significant growth and capital needs—real estate, infrastructure, renewable

power and transition, and credit. The AI revolution that is rapidly taking hold is creating significant opportunities across all of our businesses. As the largest combined renewable power and infrastructure investor, we form the backbone behind this technological transformation. Our significant scale of over 230,000 megawatts of operating and under development renewable power and data center assets, positions us as the largest AI backbone investor. Our recent \$10+ billion Microsoft deal is a testament to that.

Despite our growth, we have never pursued growth merely for its own sake. Instead, this achievement reflects our steadfast commitment to serve our clients and deliver attractive risk-adjusted returns over the long-term. Our strategy benefits from the Brookfield Ecosystem, which provides knowledge and insights to our other businesses. In addition, with access to a strong permanent capital base and a fundraising engine that can successfully raise capital globally, few can compete. Scale gives us an added competitive advantage to pursue compelling opportunities which are beyond the reach of most investors. Over the past three decades and through various market cycles, we have established ourselves as a dependable and strategic long-term partner.

We are more confident than ever that we are well-positioned to continue building on this success as we enter our next stage of growth.

We Are Well Positioned as the Market Recovers

The global economy has made great strides towards a better balance of solid growth and modest inflation. Global central banks have begun cutting interest rates amidst declining price pressures and the normalization of very tight labor markets. Growth is moving towards trend rates in major economies and will be underpinned by further reductions in short-term interest rates that are expected over the next year. Business sentiment remains positive and capital expenditures robust, despite elevated geopolitical uncertainty. Although equity markets have been somewhat more volatile in recent weeks, risk appetite and liquidity in capital markets are strong, supporting transaction activity in the segments in which we operate.

Even before markets began to improve, we were able to maintain strong and consistent fundraising levels due to the diversity of our capabilities globally and through our access to many different forms of capital. This allowed us to remain active when markets were uncertain and there was scarcity of capital. This advantage will increase as markets improve.

We are seeing increasing opportunities to execute large-scale attractive investments, as well as refinance our capital structures. Having access to among the largest pools of capital globally enables us to pursue large scale transactions away from the more commoditized parts of the market. We are also finding that, on the disposition front, high-quality assets with strong cash flows continue to attract competitive bids. With several sales processes underway, we anticipate significant monetization activity in the second half of the year, at very attractive returns.

By remaining active even before markets recovered, we believe our investments over the past twelve months will prove to have secured attractive value-entry points. And given the improving market backdrop for transactions, we expect activity to accelerate as we build on this momentum.

Notable recent acquisitions include:

- **Neoen:** In June, we agreed to acquire a majority stake in Neoen, a leading global renewable development business, in a public-to-private transaction with an equity value of up to \$6.7 billion. This strategic investment, which was committed to by our global transition flagship fund, will unlock further renewable development in the key markets of Europe and Australia. We anticipate closing the transaction by the first quarter of 2025.
- **GEMS Education:** Also in June, we purchased GEMS Education, a leading private education provider based in the Middle East, with its founder, representing an equity investment of \$2.0 billion. This was closed into our Special Investments fund and Middle East fund, along with other partners, and

underscores the commitment to investing in essential products and services in high-growth markets. The deal is expected to be completed in the third quarter.

- **nVent Electric:** Subsequent to quarter-end, we announced the acquisition of nVent Electric's electrical thermal solutions business for \$850 million of equity. This business is the leading designer and manufacturer of electric heat trace systems and products, which are mission critical and enable operational safety and efficiency for many essential industries.

At the same time, credit spreads for quality businesses like ours have tightened. This has opened up financing opportunities across our portfolio at attractive levels. So far this year, we executed \$75 billion of financings, which included \$20 billion in term loan refinancings achieving 45 bps of spread tightening and extending the average tenor of the debt by approximately 2 years.

Business Group Updates

Infrastructure

- Digital infrastructure is rapidly becoming our largest infrastructure asset class, with our US data center operations having grown fourfold in the last two years. Leveraging our industry-leading positions in data centers and telecom towers, we are pushing into compute capacity and seek to further build on our momentum. The high demand, particularly for data center capacity, is generating strong investment performance and significant organic growth opportunities.
- Despite not having a flagship fund in the market, during the quarter we raised \$900 million, primarily within our private wealth and perpetual institutional infrastructure funds. This fundraising within our supercore infrastructure fund was the highest quarterly total for this strategy since 2022.

Renewable Power & Transition

- Demand for clean power continues to accelerate, driven by corporate customers and increasing capital requirements in the sector. With our leading global transition franchise, we are one of the largest beneficiaries – well-positioned to benefit from this dynamic, with a robust development and M&A pipeline.
- We are on track for a record year of deal activity, both on the acquisition and monetization front. We have already completed multiple asset sales at attractive returns, generating approximately 2.0x our invested capital.
- In the quarter, we raised \$4.0 billion of capital and expect additional closes for our Global Transition flagship fund and a first close in our Catalytic Transition fund later this year.

Real Estate

- Real estate markets continue to show improvement, with tightening credit spreads and the return of liquidity to high quality assets in the sector. The opportunities for well-capitalized investors to acquire premium assets at attractive prices are significant, particularly where owners are either undercapitalized or have inappropriate capital structures in place. This led to two large billion dollar plus transactions of US multi-family apartments and industrial properties at what we believe to be exceptional values. Most importantly, the need for those without capital is just beginning.
- In the quarter, we raised \$1.1 billion, including additional capital for the fifth vintage of our opportunistic real estate flagship fund, bringing the total fund size to approximately \$9 billion, with additional closes expected before year-end.

Private Equity

- We are optimistic about the environment in private equity over the next twelve months. Transaction activity is improving and liquidity has returned to capital markets for high-quality businesses, supporting more M&A.
- In the quarter, we raised over \$500 million of capital, including capital for Pinegrove Capital Partners, bringing the total fund size to approximately \$800 million. Pinegrove is our manager that we own in partnership with Sequoia Heritage, which is focused on providing secondary solutions within the growth and technology sector.
- We are currently fundraising for the second vintage of our Special Investments strategy. At the same time, we are raising capital for new strategies within our private equity business, including our Middle Eastern-dedicated private equity fund and our Financial Infrastructure fund, which is focused on opportunities around the digitalization of payment systems.

Credit

- Our credit business benefits from diversity in our pools of capital, making us a valuable capital provider to borrowers. In addition, the private credit markets continue to be robust as M&A begins to pick up and private credit establishes itself as a solution for more and more businesses.
- In our credit franchise, we successfully raised a total of \$61 billion during the quarter, including \$49 billion of insurance capital from AEL. We also raised capital in our opportunistic credit fund, our life sciences income fund, and our value opportunities fund. We also held a first close of \$500 million in the latest vintage of our music royalty platform, Primary Wave.
- During the quarter, we acquired an additional 5% stake in Oaktree bringing our current ownership up to approximately 73%.

Closing

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

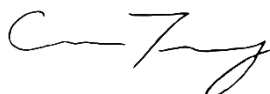
We look forward to seeing you on September 10th in Manhattan at our Investor Day. If you cannot attend in person, our presentation will be webcast live on our website, and also available for replay.

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

Sincerely,



Bruce Flatt
Chief Executive Officer
August 7, 2024



Connor Teskey
President

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