BROOKFIELD ASSET MANAGEMENT LTD
TRANSCRIPT: Q3 2024 CONFERENCE CALL WEBCAST
November 4, 2024, at 10:00 a.m. (ET)

Corporate Speakers:

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

PRESENTATION

Operator

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

Jason Fooks, *Managing Director, Investor Relations*

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; and Hadley Peer Marshall, our Chief Financial Officer.

Bruce will start the call today with opening remarks about the most important themes we're focused on; followed by Connor, who will discuss the market environment for both deploying and monetizing assets. And finally, Hadley will discuss our financial results and business operations.

After our formal comments, we'll turn the call over to the operator and take analyst questions. In order to accommodate all those who want to ask questions we ask that you refrain from asking more than two questions at one time.

If you have additional questions, please rejoin the queue, and we'll be happy to take additional questions at the end if time permits.

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. include looking statements within the meaning of applicable Canadian and U.S. securities law.

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 from such statements.

For further information on these risks and the potential impacts on our company, please see our filings with the securities regulators in Canada and the United States and the information available on our website. And with that, I'll turn the call over to Bruce.

Bruce Flatt, *Chief Executive Officer*

Thank you. And good morning to everyone on the call.

We are pleased to announce that we had a very active third quarter, generating record results. We benefited from $135 billion of inflows over the past year.

We acquired partnership stakes in two leading partner managers, and we made significant progress on asset monetizations across the franchise.

Fee-bearing capital or FBC, grew by nearly $100 billion over the year to $539 billion, a 23% increase.

Fee-related earnings for the third quarter were up 14% over the past year to a record $644 million or $0.39 per share and distributable earnings grew 9% to a record $619 million or $0.38 per share.

Our franchise showed tremendous resiliency on both the fundraising and deployment fronts, despite higher market uncertainty over the past few years.

Since then, inflation has eased and central banks have begun to lower rates. Liquidity has returned to the market as the direction of travel on rates is now clear. This shift has generated greater confidence among market participants, and this normalization is unlocking value across our business.

This has allowed transaction activity to pick up, leading to both the buyers and a seller's market.

We see attractive investment opportunities, especially for large transactions or opportunities that need capital to grow.

But we also see a robust bid for high-quality cash-generative assets, which serves us well given the makeup of our investments.

In general, across the industry, we anticipate a significant return of capital to limited partners, and this recycling of capital will add further support to an increasingly

constructive fundraising environment. Connor will speak about how we are monetizing mature assets and realizing very attractive returns for our clients.

In addition, lower interest rates are supporting recovery in our yield-focused public stocks, which are now beginning to reflect their underlying strong performance including our infrastructure and renewable power publicly listed affiliates. The management fees we earn from our listed affiliates are linked to their share prices, strongly aligning our interests.

As yield stocks continue to gain public favor, combined with strong continued underlying fundamental business performance, our earnings should increasingly benefit from this tailwind. With the market headwinds of the past couple of years turning into tailwinds for our businesses, we expect strong earnings growth to continue for the foreseeable future. Turning to investment themes. The super cycle in decarbonization, deglobalization and digitalization that is reshaping the global economy continues to gain momentum. Tens of trillions of dollars will be required to fund these trends.

Governments are capital constrained, leaving private capital well positioned to play a leading role.

We sit at the epicenter of these themes, which will continue to drive growth across all of our businesses, especially in private credit, AI infrastructure, renewable power and energy transition.

Let me briefly address each of these areas.

As the large institutional credit investors including insurance companies and pension funds, look to allocate more of their portfolios to private credit to benefit from the premium returns and lower risk. Borrowers continue to diversify from traditional funding sources. They are seeking lenders who can provide certainty of funding, creative structures, speed of execution and flexibility.

We continue to leverage our real assets, investing expertise across real asset credit products and borrows in these segments see Brookfield as a partner of choice.

Private credit will also play an integral role in the build-out of global AI infrastructure and enabling the energy transition.

In fact, all of our businesses from renewable power, infrastructure to real estate and private equity, are playing critical roles in facilitating the transition in Net 0, helping meet the need for global clean, reliable energy on an unprecedented scale while at the same time, supporting the exponential growth in need for other infrastructure demanded by AI. AI is accelerating further buildout of the backbone of the global economy.

It requires substantial amounts of capital and our early investments in capabilities in renewable power, data centers, and in semiconductor manufacturing have positioned us across the supply chain as a partner of choice for the largest and fastest-growing tech companies in the world. Each of our business groups are investing in the substantial infrastructure that underpin AI.

Our $30 billion semiconductor fabrication plant we are building with Intel in Arizona, our data center portfolio, which is among the largest in the world, and enough fiber optic cables to circle the globe, all speak to our scale and capabilities that few others have. All of this is in addition to being the largest supplier of green power to the technology sector. AI depends on reliable, cost efficient and clean energy sources, something we are uniquely positioned to provide at scale.

Our 10.5-gigawatt renewable power development agreement with Microsoft representing more than $10 billion of investment is to facilitate their data center build-out on the backs of this revolution.

More recently, the conversation around energy has been shifting to include the need for nuclear. There is increasing appetite for nuclear energy to meet the significant demand for electricity in the coming years. With an acceleration in more plans for nuclear power being built around the world, driven by both governments and corporates, we are witnessing a significant shift in sentiment.

We invested ahead of the curve with our acquisition five years ago at Westinghouse, the world's leading supplier of nuclear products, technology and services to the industry.

We believe there is no credible path to clean energy grids without a large and increasing amount of nuclear energy.

Today, Westinghouse services approximately half the global fleet of nuclear power plants and has design and engineering capabilities to deliver micro, small modular and utility scale reactor solutions. The world requires scalable, low-cost 24/7 power and the largest consumers of power are increasingly focused on a selected few trusted partners capable of delivering energy where and when it's needed.

Adding nuclear to our broader renewable power capabilities positions us to offer unmatched clean energy solutions to the largest companies and other energy users.

While the shift back toward nuclear is only beginning, it is just one component of the significant investment necessary over the next several decades.

We are the only Western economy business that has access to nuclear technology, and we are working on the next phase of our AI plans to match our land entitlement property skills.

Our power franchise, our data center capabilities and our nuclear SMR technology, which will soon power the most advanced data centers in the world. This is very exciting.

As I wrap up, I'd like to underscore the importance of the key themes driving our business today: private credit, AI infrastructure and energy transition. They are not just areas of focus. They represent the pillars of growth that are shaping the future of the backbone of the global economy.

As a leader in renewable power, infrastructure and real estate, combined with our broad private equity and credit capabilities, we are well positioned to significantly grow our franchise in the years ahead. With that, let me turn it over to Connor.

Connor Teskey, *President*

Thank you, Bruce. And good morning to everyone on the call.

As Bruce mentioned, the headwinds in the broader market over the past few years are now turning into positive tailwinds for our business and will drive earnings growth for years to come.

We are seeing this play out today as market conditions have improved. Liquidity has returned and transaction activity across our business continues to gain momentum.

On the monetization front, capital is returning and is favoring high-quality assets with strong cash flows.

Given one, our disciplined approach to investing and two, our long-term value-oriented management strategy, we have a large portfolio of investment that meet buyers' needs.

As such, we disproportionately benefit in the current environment and expect it to continue well into 2025.

We have had a very active quarter of monetization activity with over $17 billion signed or completed in the past four months alone.

Looking ahead, based on the sales processes we have ongoing, the trends we are seeing in the market and the number of assets that we expect will be ready for sale in the near term, we expect monetization activity to further accelerate next year. And while BAM does not directly benefit from any carried interest realized from the more mature fund vintages that existed prior to its formation in 2022, returning capital returns to clients facilitates a more constructive capital raising environment.

We will now highlight in more detail the market conditions and a few examples of asset sales we've recently completed or signed. New supply remains low across most real estate sectors.

Financing conditions have improved throughout the year and fundamentals are strong, creating an attractive market for high-quality real estate assets.

Over the past few months, we sold over $5 billion of real estate assets including a portfolio of shopping centers in the U.K., a manufactured home portfolio in the U.S. and the Conrad Hotel in Seoul, Korea.

These three monetizations generated a 28% annualized return and a multiple of capital of 2.5x.

In renewable power, we continue to see significant demand for stabilized cash-generative businesses, particularly those that have an ongoing growth angle. With over four decades of experience in building, developing and enhancing renewable power businesses, we have a number of seasoned assets that are highly sought after.

In the past few months, we have announced sales that generated nearly $2 billion of equity proceeds from renewable power assets. The largest of which included Saeta Yield, a leading independent developer, owner and operator of renewable power assets in Spain and Portugal, our stake in First Hydro, a critical electricity generation and storage facility in the United Kingdom and the 50% stake in Shepherd's flat, one of the largest onshore wind farms in the United States. These generated an aggregate IRR of 27% annualized and a multiple of capital at 2.5x.

We see this as just the beginning for what should be years of successful investment exits for mature investments in this space. These themes are also playing out in private equity, where the current constructive economic backdrop is driving demand for market-leading businesses and in infrastructure as income yielding investments become more in favor.

We expect to see sales announced in these areas in the coming months.

However, not only is it a seller's market, but it's also a buyer's market.

But as Bruce mentioned, it is only both if you have quality assets to sell and significant capital available to deploy.

We see more opportunities to deploy capital into attractive investments where we can use our operational expertise, scale and relationships to create value.

Over the past year, we deployed nearly $50 billion including $20 billion deployed or committed in the third quarter alone and we still have over $100 billion capital available

for new opportunities. Let us now highlight a few of the significant transactions that illustrate the types of opportunities we are excited about.

In September, we announced a strategic funding partnership of up to $1.1 billion with Infineon, a leading U.S. based developer of sustainable aviation fuel projects. This investment, through our global transition fund, marks our entry into this space and is backed by take or pay off takes with leading global airlines.

In October, we reached them a $2.3 billion agreement with Ørsted to acquire a stake in a 3.5 gigawatt portfolio of offshore wind assets in the U.K.

While offshore wind hasn't historically been a major focus for us, partnering with Ørsted presents an attractive opportunity to enter the space with a global market leader as market conditions continue to shift in our favor.

Within our Infrastructure group, we completed the acquisition of a portfolio 76,000 telecom sites in India from American Tower Corporation for $800 million of equity capital at an enterprise value of $2.2 billion. Within our private equity group, we completed the acquisition of Network International for $2 billion of equity capital. Post acquisition, the business intends to merge with Magnati one of the largest payment processors in the UAE that we acquired in 2022. Together, the two will form a combined payment processing platform across the Middle East. This joint business will have a total enterprise value of roughly $4 billion, significantly expanding our presence in the growing financial infrastructure space.

And within our real estate business, we recently made an offer to acquire a publicly traded European logistics REIT for approximately $730 million of equity.

While we've been both deploying and monetizing, we've also been expanding our capabilities through new partnerships to drive inorganic growth.

Well let's touch on two recent transactions.

First, Castlelake, a market-leading $24 billion AUM alternative asset manager that specializes in asset-based private credit including aviation and specialty finance.

We acquired a 51% stake in the manager and its fee-related earnings as well as a small stake in its carried interest and principal investments.

Additionally, Brookfield plans to allocate over $1 billion of capital under management to Castlelake strategies, enabling them to scale their funds and expand their business.

The asset-based finance market is one of the most attractive and fastest-growing private credit sectors.

We expect our credit business to continue to grow its capabilities in this area, both organically and through partner managers. And second, we completed our acquisition of SVB Capital through Pinegrove Venture Partners, our venture investment platform formed with Sequoia Heritage. The technology industry and growth capital are areas that we have historically had a smaller exposure to.

But at this moment in time, we see an excellent path to building a large business. The combination of SVB Capital's 25-year track record in funds, private credit and co-investments alongside Pinegrove's existing expertise in venture secondaries and liquidity solutions creates a cohesive and dynamic venture platform that is designed to deliver tailored solutions for fund managers, founders and limited partners in the venture capital space.

Pinegrove now manages $10 billion in assets, positioning it as a powerful venture investment platform for the innovation community. These two acquisitions have added about $7 billion in fee-bearing capital this quarter and will contribute approximately $40 million in annualized fee-related earnings starting in the fourth quarter.

As part of the Brookfield Ecosystem, we will help facilitate both firm's growth by leveraging our client relationships and access to capital.

However, sometimes we buy businesses, but sometimes we build them in-house. Another important accomplishment in the past quarter has been with Insurance Solutions Group, a strategy and suite of capabilities we have been building organically.

We managed nearly $90 billion of fee-bearing capital on behalf of Brookfield Wealth Solutions, and we have been building our capabilities to manage and deploy this capital into strategies that meet their specific needs.

This quarter, we also raised $1 billion in a separately managed account from a large U.S. life insurer. This capital can be invested across all of our platforms, from corporate, infrastructure, real estate and asset-based finance sectors, targeting strong risk-adjusted returns with a premium over comparable public credit investments. This is just the beginning of managing third-party insurance capital through our insurance solutions business, and we are targeting $50 billion of external partner capital from this strategy over the next five years.

To conclude, the tailwinds we are seeing today are setting us up for significant growth in the years ahead.

We are strategically positioned in the areas that matter most: Energy transition, AI infrastructure and private credit and our ability to deploy large pools of capital, operate those assets and businesses to enhance cash flows and return capital by monetizing

mature assets at attractive values creates a virtuous cycle that gives us confidence that we can double our business over the next five years.

With that, we will now turn the call over to our CFO, Hadley Peer Marshall. Hadley?

Hadley Peer Marshall, *Chief Financial Officer*

Thank you, Connor. This morning, I'll provide you more context around our strong third quarter earnings and highlight our financial performance, the changes to our balance sheet and liquidity, especially now that we've closed on a $750 million revolver and our successful fundraising efforts. Lastly, I'll share an update on the initiatives we introduced at Investor Day to simplify our business and position us for broader index inclusion.

First, on financial performance, fee-related earnings, or FRE, were a record $644 million or $0.39 per share in the quarter, up 14% from the prior year period, bringing FRE over the last 12 months to $2.4 billion. Distributable earnings or DE, were a record $619 million or $0.38 per share in the quarter, up 9% over the prior year and $2.3 billion over the last 12 months. The growth in earnings over the past year has benefited significantly from a 23% increase in fee-bearing capital or FPC, to $539 billion, when breaking down our growth in fee-bearing capital, $101 million came from our fundraising inflows and $25 billion from capital we deployed across our business during the past year that was raised prior but now put to work is fee-bearing.

Earnings also benefited from the strong rebound in market capitalization of our listed affiliates over the past year, a full quarter of fees related to our AEL mandate and continued discipline in managing our costs.

In fact, our margins improved to 58%, highlighting the operating leverage inherent in our business. Not only is our fee-bearing capital growing, but it is increasingly becoming more long-term on today, 88% of our fee-bearing capital is classified as long-term or permanent in nature and up from 86% a year ago, and that percentage should only grow.

As Connor mentioned, we closed a few strategic acquisitions this quarter that will expand our capabilities and augment our organic growth.

But even after closing these acquisitions, we continue to maintain significant capital availability and have further enhanced liquidity by closing a $750 million revolving credit facility, which is entirely undrawn.

At the end of the quarter, we had $2.1 billion of liquidity comprised of cash short-term financial assets and undrawn capacity on our revolver.

As a reminder, we have no long-term third-party debt.

It was also a strong fundraising quarter in which we raised $21 billion. Credit accounted for more than half of the capital raised. When we break it down, $14 billion of capital is raised in credit.

More and more clients are attracted to credit and, in particular, the credit strategies we're focused on including real asset finance, asset-backed finance and Oaktree's opportunistic strategies. $6.4 billion was from Oaktree's credit strategies, which includes $1.5 billion raised in the 12th vintage of our flagship opportunistic fund.

We raised $1 billion across our other partner managers, Castlelake, Primary Wave and LCM. $4.5 was related to our mandate with Brookfield Wealth Solutions, or BWS, which continues on the backs of their increased annuity rising completion of their acquisition of AEL.

I want to highlight again that we raised $1 billion of third-party SMA capital from our large U.S. life insurance company.

As Connor mentioned, this is significant as a diverse third-party capital raise for our insurance SMA strategy. A strategy we covered at our Investor Day that will leverage the capabilities we're building to serve BWS and is targeting $50 billion over the next five years.

Of the remaining inflows for the quarter, $2.2 billion was raised within our renewable power and transition business.

Specifically, we had an initial close of our Catalytic Transition Fund for $2.4 billion of which $1.4 billion was raised in the quarter.

This new capital is in addition to the $1 billion anchor investment from ALTÉRRA announced previously at COP28 last year and marks a significant milestone towards our target of raising up to $5 billion to invest in emerging market clean energy and transition ads.

Within our Infrastructure business, we raised $1.4 billion of capital within the quarter, of which $500 million was for our super core infrastructure strategy. And I'll mention that this was its biggest fundraising in more than two years.

We see momentum returning to the strategy due to low rates and demand for cash-yielding investments continuing to grow.

We also raised nearly $800 million for our private wealth infrastructure fund. This fund continues to see robust demand and a popular strategy in private wealth.

Within our private equity business, we raised $2 billion associated with our acquisition of Network International, which was closed in the quarter.

Subsequent to the end of the quarter, we received two sizable commitments for our Middle East partners fund.

And finally, within our real estate business, we raised $1.6 billion including $500 million for the fifth vintage of our opportunistic real estate funds.

Of this $21 billion raised in total $11 billion became fee-bearing capital in the quarter, and the remainder will become fee-bearing upon deployment.

As we look forward, we expect these levels of fundraising and deployment to continue.

In September, we hosted our Annual Investor Day and outlined our 5-year plan to double our business.

We intend to do this through expansion of our fundraising both by skin flagships and growing our new complementary strategies and further growing our credit business.

In addition, we'll continue to expand our fund offerings into new asset classes, which together should enable us to achieve $1 trillion of fee-bearing capital.

In summary, after reviewing our Investor Day materials, which are available for replay on our website, you'll get a better understanding of why we strongly believe that the best is yet to come.

One other topic I wanted to highlight is our efforts to simplify our structure and position ourselves for broader index inclusion.

Our public listing of BAM back in December 2022 was a significant step towards simplifying our business, making it easier for investors to understand and ultimately invest in our leading pure-play asset manager.

Since then, we have received positive feedback from investors and seen a significant increase in our U.S. investor base.

Our business fundamentals include our stable, predictable earnings and asset-light balance sheet and strong growth prospects makes us an attractive investment.

While we're pleased with our progress, there's still more we can do.

To that end, we're implementing a few initiatives with the goal of positioning ourselves for broader index inclusion be eligible for the most followed large-cap U.S. indices, the

first step we took was to change our head office to New York, already our largest office. This makes sense for our business as we've been operating as a U.S. company for two years. The largest share of our revenues, assets under management and employees are in the U.S. The majority of our institutional shareholders are U.S. investors, and the majority of our shares are traded on the New York Stock Exchange, our primary exchange.

One note to make is that beginning with our 2024 annual report, we will file our financial reports on Form 10-K and 10-Q, in line with those filed by other U.S. domestic issuers. The second step is related to our corporate structure.

Last week, we announced plans to enhance BAM’s structure, whereby BAM will now own and reflect 100% of the asset management company.

So, 100% of BAM will be publicly traded and our market cap will accurately reflect the total value of the asset management business versus the current 27%. That would equate to over $85 billion based on the current stock price compared to our current market cap today of approximately $23 billion. To do this, Brookfield Corporation, or BN, will exchange it’s 73% private ownership in our asset management business for an equivalent number of shares of BAM's public shares.

As a result, BN will own approximately 73% of the publicly traded shares of BAM, which is consistent with its current private ownership.

While this should simplify the corporate structure, it's important to note that this will not result in any changes to our operations or strategic plans and will have no effect on the tax treatment of our dividend.

However, because we'll be issuing $1.2 billion new shares of BAM in exchange for the $1.2 billion private shares of the asset management business we're acquiring, we will seek shareholder approval at a special meeting on December 20. You'll be receiving proxy materials and voting instructions over the next few weeks.

We expect to close this transaction early in 2025, subject to shareholder and regulatory and other customary approvals.

We're excited about both these initiatives, which we believe will deliver a number of key benefits to our shareholders.

Simplifying the corporate structure of the asset management business will make it easier for investors to understand and accurately value the security.

Broader index inclusion should drive increased ownership among passive institutional investors and, at the same time, attract a broader base of active investors who benchmark against these indices.

Overall, this increased recognition in the market should ultimately lead to a broader shareholder base.

Before beginning of the Q&A portion of today's call I'm pleased to confirm that the Board of Directors has declared a dividend of $0.38 per share for the third quarter payable on December 31, 2024, and to shareholders of record as of the close of business on November 29, 2024. With that, Operator, we can open up to questions.

QUESTION & ANSWER

Operator

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

Cherilyn Radbourne, *TD Cowen*

Thanks very much. And good morning. My first question is on AI infrastructure and the related power requirements, which continues to receive a lot of attention. And as you're no doubt aware, at least one dedicated product has been announced out there. Do you think AI infrastructure makes sense as a discrete strategy for BAM at some point? And if so, could you give us some thoughts on how that would sit alongside your flagship infrastructure product?

Connor Teskey, *President*

Cherilyn, thank you for the question. You're absolutely right that this topic is very, very top of mind to us today, it very much plays to our existing leadership position within infrastructure and within renewable power and data centers that we already have.

In addition to that, our current platforms, the demand we are seeing from our LP partners for greater exposure to this theme puts this very, very much near the top of our list, I would say, as we begin to think of new products and product development initiatives at scale.

I would say you’re bang on. This is something that is a focus for us. And quite candidly, has been a focus for us for, I would say, probably 12 months.

We simply want to ensure that when we do come to market with a new product of scale, we're thoughtful. We're refined and what it will invest in, and it's appropriately meeting the market opportunity. And I would say we've made great strides, and we're getting closer.

In terms of where our focus would be, I think the important thing to recognize is we already are one of the largest, if not the largest investor in this theme around the world. And to date, we've been doing it through various pools of capital.

But given, one, the size of the opportunity set, and two, the investor demand to get more exposure to this theme you're right that it is increasingly lending itself to a dedicated product. And playing to our strengths and where we have the greatest experience and position.

It would be certainly focused on leaning towards more of the infrastructure side of AI as opposed to the more private equity or growth side of it.

It would absolutely be something more aligned with an infrastructure product in our mind.

So I hope that gives you some clear thinking and it's something we'll continue to refine.

Cherilyn Radbourne, *TD Cowen*

That's great color. Second question is on margins. This is the second quarter in a row of very strong credit inflows and we all know that would attract lower fee rate, but it's also a question of scale.

So I was hoping you could talk about what the credit business looks like on a margin basis versus the corporate average.

Hadley Peer Marshall, *Chief Financial Officer*

This is Hadley. In terms of the margins, I mean in general, we're very pleased to continue to see our margins improve and for you to see the operating leverage that's behind some of the growth initiatives, which gets us to credit.

Because obviously we've been in build-out mode as we increase the amount of capital that we manage on credit, especially with the mandate with AEL. When you think about those fees, though, in general, credit can be viewed as a lower margin business, the way that we have built our business is we obviously have the 25 basis points IMA with AEL, with BWS on the backs of AEL.

But in addition to that, about a little less than 1/4 of that capital goes into our funds, where we earn full fees there.

So when you think about that, we're generating very attractive margins. then add on to the fact that as you heard at our Investor Day over a 5-year period, we will increase our third-party SMA business.

We've now closed, as we discussed, $1 billion mandate with the U.S. life insurance and we continue to scale that up to about $50 billion over the next five years.

And that will be additive because we've already built the infrastructure to deploy that capital. So that will also be additive.

So we don't see margin impression because of the build-out of what we're doing on the credit side.

Operator

Our next question comes from Alex Blostein with Goldman Sachs.

Alexander Blostein, *Goldman Sachs*

I was hoping we could start with a question on renewables business. It sounds like lots of activity in the space with a pretty rapid pace of deployment. I was wondering why the fundraising has been slower in transition to in particular.

So if you look over the last couple of quarters, it's been a little muted.

So just curious if you could expand on that and what you ultimately expect the third-party fundraising number to contribute from here?

And then ultimately, when do you guys expect this fund to come back into the fee run rate I think you're pretty close in terms of where you are deploying, but just wanted to flesh that out?

Connor Teskey, *President*

Alex, thanks for the question. I'll try and unpack a few different points there.

First and foremost, BGTF II turned back on. It was in the latter part of Q3. So we certainly didn't get the benefit of it.

We only got the benefit of it for a handful of weeks, I'd say, but it will be fully in the numbers back in the numbers for Q4. And I think, just in general, I would frame the comment around fundraising and transition as a little bit of a high-class problem.

We obviously had the unique situation where we paused fees on BGTF II as we went to backfill one large investment in BGTF I.

But in addition to doing that, we address the hole in BGTF I, and we've now deployed 1/4 of BGTF II during the same timeframe.

I would say the pace of transaction activity on the deployment side has been as strong as ever.

And as we mentioned in our shareholder letter, we're also seeing an incredible monetization environment with three or four significant monetizations in the 25% type IRR range. This business is performing exceptionally well.

Aside from credit, it's the fastest-growing platform at Brookfield, and we think we're still just in the early days. And then maybe just the last point to directly hit on your fundraising number. This is where I will come back to it being a high-class problem.

We have complete confidence we're going to hit the target in the fund. I don't think there's anyone at Brookfield who is concerned about that. The only reason why perhaps it isn't showing up in our rate numbers as quickly as we would have expected is in the time since BGTF II launched, we've launched CTF, and we've raised half that fund.

And alongside BGTF II, we've raised $5 billion of co-invest into those strategies as well.

So I don't think there's any slowdown in fundraising on our transition side.

We'll get the rest of that flagship closed out in the coming quarters and in early 2025, we're very confident we'll hit our target there. And then the last point, just as a friendly reminder, due to the catch-up fees in those flagship funds, even if the timing slipped a quarter or two, it doesn't impact our economics at all.

Alexander Blostein, *Goldman Sachs*

Yes. That's all very clear. And then Hadley, one for you on the -- just the corporate structure change, which is obviously very welcome.

I think you guys will be eligible for a handful of indices kind of right out of the gate once these changes take place.

So I think Russell 1000 maybe a few others.

What are your thoughts on the eligibility for the S&P 500? I know that could be a little murky at times, but knowing will you know and the structure that you guys will ultimately end up having. Do you think that ultimately makes you eligible for the S&P 500 index as well.

Hadley Peer Marshall, *Chief Financial Officer*

Thanks, Alex.

So in terms of what we've done in our structure and of course, moving our head office, these were to create liquidity.

So that's the main goal that we're trying to achieve for our shareholders. The key from that perspective is that we've been able to increase U.S. indices.

So you mentioned Russell 1000. That's a good example. And that will continue. Plus we're going to show a market cap of $85 billion plus. And so that's going to be beneficial as well.

In terms of what we see with the S&P 500, look, all these changes made since regardless of the outcome around the S&P 500, and so if we enter into the S&P 500, that's a nice upside but nothing about what we've done is something we wouldn't have done otherwise.

Operator

Our next question comes from Mike Brown with Wells Fargo.

Mike Brown, *Wells Fargo*

On the expenses, just to maybe follow up on the earlier question there, it looks like the margins were benefited from good discipline on the comp and other expenses as well. How can we think about the fourth quarter here compared to 3Q? Is there any seasonality to consider? And if the year ends up being kind of up in like the high single-digit range, in terms of year-over-year expense growth, how should we think about expense growth or margin expansion potential in 2025 compared to 2024?

Connor Teskey, *President*

Hi Mike, perhaps I'll take the first crack at that and if there's anything Hadley would like to add on, she can. There's three comments I would make.

We expect our margins to continue to accelerate higher into Q4 and the beginning part of 2025. And I think it's quite well known at this point that we invested quite heavily in particular into our credit and insurance franchise.

In order to be ready for the new capital we would be onboarding that we have onboarded throughout the year. And we made investments there. We were investing in our people, and that was showing up in the expense line prior to there was a revenue attached to it.

So that is now run rating through our numbers, and that's going to continue right through until Q2 next -- the second thing I would just highlight around our expenses is we continue to see a general plateauing of our overall expenses versus a couple of years ago. And as our revenue grows, that's really going to showcase the operating leverage in our business.

Said another way, we do expect Q4 to be higher than Q3, and we do expect margins in 2025 to be higher than they have been in 2024.

Mike Brown, *Wells Fargo*

Okay. Great. And then could you just update us the capital raising expectations for 2024, excluding AEL and the 2023 campaigns that finished early in 2024. I think you're around $50 billion. So where can that land for the year?

And then when you look out to 2025, what's maybe the right range to consider understanding it's you're probably still early in the planning process.

But I guess based on what you know today, what could be the largest contributors next year?

Connor Teskey, *President*

Yes, certainly. Thank you for the question. Maybe we'll just start with a general comment. The fundraising environment is better today than it's been at any point in the last two years. And we expect fundraising just with the liquidity in the system, the stability, if not the decline in interest rates, the increasing allocations we're seeing from LP partners around the world.

And when you marry that with the nice product suite that we are bringing to market of both flagships and complementary products, the fundraising environment and certainly what we're seeing on the ground right now is stronger than what we've certainly seen in the last 18 to 24 months.

So we feel very good, and I would say our confidence is high. Two maybe comments, we continue to see fundraising accelerate in Q4. This is largely going to be driven by our flagships in particular, BSREP and BGTF. Maybe a little bit of the fundraising and those tips into '25.

But again, that's not material to us because with the catch-up fees, it doesn't impact our mix.
And I would say the momentum we're seeing in fundraising for those products piggyback on Alex's question is very, very high.

So in terms of where we've expected fundraising to be earlier in the year.

We continue to have a lot of confidence that we're going to land at or near that range, and the environment continues to be very strong.

As we look to 2025, I would say we're going to see that strength continue.

Our end numbers will obviously be dependent on timing around when some of our larger products launch.

But I would say in terms of sentiment, we expect the fundraising market to be more positive in 2025 than in 2024, and we're going to begin to see that acceleration in the last few months of this year.

Operator

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

Craig Siegenthaler, *Bank of America*

I have a follow-up to Alex's corporate structure question. So it's the first time we're kind of looking and digesting this.

But I wanted to see if there's any changes to voting rights or any tax implications to shareholders and partners across all share classes for BAM and BN.

Hadley Peer Marshall, *Chief Financial Officer*

Thanks, Craig, I can take that one.

So that's a very good question. And we've tried to be very clear that the changes we're making should have no impact to our BAM shareholders or be in shareholders.

So we've tried to make this as clean as possible from that perspective. And for that, there is still a required shareholder approval because of the exchange of shares.

But beyond that, there should be no other impact.

Craig Siegenthaler, *Bank of America*

Great. And then just a follow-up here. I know you had $5.5 billion of inflows in insurance and SMAs.

But one thing I'm looking for is an update on the public versus private mix inside the insurance company general account portfolio especially post the American Equity closing,

which increased it. And I want to think about what is the potential FRE lift or fee lift as you migrate public to private and reach your long-term targets?

Connor Teskey, *President*

Certainly. So I would say we took over the AEL portfolio in the middle part of this year. And we're just in the early days of shaping that portfolio towards its long-term allocation.

We'll split that between liquids and the front end, some duration and then obviously some investment in our own private funds. This is going to take time.

This is something that is absolutely going to take probably at least 24 months, if not longer, and we'll be dependent on the opportunities we're seeing in the market as we remain disciplined of looking to source the most attractive risk-adjusted returns, not just blindly targeting some prescriptive asset mix.

And therefore, I would say the uplift in fees that you will see as a result of increasingly allocating some of that capital to our private funds really isn't showing up in the numbers yet in any material way, and we'll continue to accelerate for at least a couple of years from here.

Operator

Our next question comes from Mario Saric with Scotiabank.

Mario Saric, *Scotiabank*

I wanted to focus a little bit on the uncalled commitments. And specifically thinking about the expiration schedule for those commitments of $106 billion, and whether it's reasonable to assume that the $50 billion that is presently not earning fees today represents most of the closer near-term expirations of the $106 billion.

I'm just trying to understand what the potential fee risk is in terms of not deploying the capital.

Connor Teskey, *President*

It's a good question, Mario. Maybe let me -- the point I would make here is if the risk is incredibly modest. And maybe just taking a step back, some of our funds, in particular, select credit products that we have, we generate fees on invested as opposed to a fees on committed capital, that makes up the bulk of the $50 billion that is not yet paying fees.

And there -- and maybe just to add two points on that. Almost 90% of our uncalled commitments don't expire until after 2028.

So the expiration risk in the next few years is incredibly modest. And then the second point I would add is because the bulk of the capital that is not generating fees today is in those credit products that we are very, very actively deploying in this market.

We have a ton of confidence that we'll be able to deploy that before any fee expiration.

In fact, I would position it as a positive rather than a risk of a fee expiration, we're excited to see that coming through in our fee-related revenues pretty quickly here.

Mario Saric, *Scotiabank*

Okay. That's helpful color. And then just maybe as an associated question just in terms of outflows, they've been $8 billion, give or take, this quarter. prior quarter as well. When we think about the accelerated expected monetization plans in '25 versus ‘24, like I know it's very transaction-specific.

But how should we think about outflows in relation to the clearly potentially positive and strong inflows coming in, in '25?

Connor Teskey, *President*

It's a very fair question, and it's a great question. The market environment is fantastic. And this is what Bruce highlighted in his comments. It is a buyer and the seller's market.

We are thrilled to crystallize some fantastic returns and spend capital back to our LP partners.

That's why we do this. Therefore, we're excited about delivering these monetizations and distributing capital back Yes. That means we stop earning fees on that capital.

But if we do a good job and return capital at strong returns to our we see that capital coming back to us in new fund commitments often in greater quantities.

So maybe it leads to a tiny bit of quarter-to-quarter noise. The fantastic thing for our franchise to see this monetization activity pick up. It's only a net positive.

Mario Saric, *Scotiabank*

Got it. So would it be fair to say your prior comment on you expect them to be more positive than '24 from a fundraising standpoint. Would it be fair to say that both on a gross and net basis.

Connor Teskey, *President*

Yes. I think that's fair.

Operator

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

Sohrab Movahedi, *BMO Capital Markets*

Maybe just quickly for Hadley.

I mean you had Investor Day, you had a nice chart showing the five different drivers of fee-bearing capital growth you expect over the next five years between renewables, infrastructure, private real estate and credit going from $0.5 trillion to $1 trillion. Would you be able to provide that same table showing the buildup for both fee-related revenues and fee-related earnings.

So we have a sense of what's happening to fee rates and earnings on those fee rates over time?

Hadley Peer Marshall, *Chief Financial Officer*

Sure. So you've highlighted our businesses where we see the drivers that doubling of our business, and that will be on the back of the flagships, the complementary strategies and then the build-out of credit.

So we can take your question offline and provide a little bit more detail behind that.

But that is really the big drivers of what will get us to doubling our business. And as Connor has really outlined further, we're entering into environment that's going to show even further upside from what we showed at Investor Day.

So there's definitely additional levers that can be pulled to achieve that and more.

Sohrab Movahedi, *BMO Capital Markets*

Okay. And maybe we'll take that offline. And then, Connor, I mean it's not every day that we say it's both a good seller's market and a buyer's market.

I mean usually, if it's a good seller's market, it's probably not a good buyer's market. What makes it both this good seller and a buyer market?

Connor Teskey, *President*

Yes. It's a great question. And I'll use an example, and again, maybe just pivoting back to one of the previous questions on this call.

I'll just use the renewable powering transition franchise.

In one year, we're going to have the highest year for deployment, the highest year for monetization and the highest year for fundraising in the same 12-month stretch. Those things don't typically cycle together.

But one, I would say, is what we're seeing in terms of growth in these sectors and different investors wanting to get exposure to these sectors at different risk return points. An example of what's driving that, again, perhaps using renewable power and transition is we are seeing an incredibly robust bid for high-quality cash-generative operating assets, particularly those that still have a growth angle.

That's seeing a very, very robust bid from market participants, and that's the type of thing we're monetizing into.

In the exact same environment, we are seeing a shortage of capital chasing an abundance of opportunities to construct and build out new assets and new platforms in this space. And while there is more capital being allocated to these themes, that capital just pills in comparison to the capital requirements and the growth opportunities that are in these huge trends.

So I would say the hunts what we're seeing in renewables, but in general, we're seeing the same thing in real estate and infrastructure as well. That's how you get the market bifurcation that's allowing us to be a great buyer and a great seller at the same time.

Operator

Our next question comes from Ken Worthington with JPMorgan.

Ken Worthington, *JP Morgan*

Maybe first, your wealth infrastructure fund generated $800 million of sales this quarter. And if our calculations are correct, it suggests that things picked up throughout the quarter with a particularly strong September. Did you get on a new platform? What drove the acceleration in sales there. And given the success here, what sort of next in terms of the build-out of the wealth franchise?

Connor Teskey, *President*

Sure. So we'll say something that we've said about our BII product before. The growth of this product is not limited by demand.

It is entirely limited by our disciplined approach to deploying the capital. And we could be raising even more capital than we did in Q3.

We just want to continue to be prudent in how we build out the asset portfolio and ensure that we're delivering fantastic returns as more capital comes into that fund.

But what I would say about that $800 million is we're still just scratching the service and it's purely driven by investor demand, which actually far exceeds the dollars we raised in Q3.

And then secondly, in terms of new products for the wealth platform, I would really say -- there -- in this piggybacks on some of the things we mentioned at Investor Day, we're very focused on over the next 12 months potentially launching wealth products in both the private equity segment, as well as potentially additional wealth products in certain credit subsegments. And some of the recent transactions we've done with some of our two partner managers is going to be very additive to those initiatives as we bring new products onto our wealth platform.

Ken Worthington, *JP Morgan*

Perfect. And then just a simple one. BPG saw a 20% increase in management fees this quarter after what I think it's nine consecutive quarters of falling fees.

What drove the reversal this quarter in the magnitude of the sequential jump in 3Q?

Connor Teskey, *President*

Yes. Sure. So I'll take that one. In terms of what drove it, there's a couple of things.

Some of our funds raised some money. And in particular, in the flagships, if you bring capital on, you get some catch-up fees.

So that would have driven part of the jump, and that's the one that jumps to mind most readily for me. I expect that's the bulk of it. But Hadley, is there anything you would add to that?

Hadley Peer Marshall, *Chief Financial Officer*

No. I mean I think you've captured it.

It really is around the fact that we've been buying more equity base in our BPG strategy and then moving assets that were to BWS and earning fees there.

So those are probably the two main components there.

Operator

We have time for one more question. Our last question will come from Dan Fannon with Jefferies.

Dan Fannon, *Jefferies*

I guess just a follow-up on that question. So is the $54 million from BPG a good run rate prospectively within the Real Estate segment?

Connor Teskey, *President*

Yes, absolutely. And if anything, I think we're going to continue to see that number creep up a bit over time.

Dan Fannon, *Jefferies*

Okay. Great. And then just as a follow-up within the context of insurance, on SMA for $1 billion scaling to, I think, $50 million you've talked about.

I guess, just talking about the cadence of that and the backlog and conversations and how that -- the momentum in that business as we think about the near term versus that longer-term goal, how that should progress?

Connor Teskey, *President*

Certainly. And maybe to share how we are thinking about this.

We created our insurance capability and developed it first and foremost to service our own related party insurance company, Brookfield Wealth Solutions. And that is our largest insurance client, if you will, and we put an amount of effort into building out the team and the franchise and the capabilities to be sure that we could service that client at the standard that we would expect. Therefore, the ability to bring on other clients and other partners at this point is relatively easy.

And that is not to say that the job is easy and every one of those clients doesn't get a tailored solution to meet those needs.

But the platform is built. And therefore, there's incredible capacity to bring on more of those types of clients. And while we got the first one done this quarter, I would say we have a number of ongoing conversations to add to that. And maybe just to finish on this point and maybe back to, I think, what was one of the very first questions on this call.

As we build out our insurance and our credit platform.

There is this question around fees versus margins. And the important thing to recognize is lower fee does not necessarily mean lower margin. And the joy of having built this platform is it's a tremendous platform that allows us to raise scale capital and deploy that capital at scale on behalf of a small number of very large insurance partners.

And therefore, while the fee rate might not be as high as in some of our other products, there's no reason it can't be given the scale, a very attractive margin business for us where we should see good operating leverage.

Operator

That concludes our 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. Thank you for everyone's participation and interest. If you should have additional questions on today's release, please feel free to contact me directly. Thanks again.

Operator

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