

**BROOKFIELD ASSET MANAGEMENT LTD
TRANSCRIPT: Q4 2024 CONFERENCE CALL WEBCAST
February 12, 2025, at 9:00 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. Welcome to Brookfield Asset Management's fourth 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 on the tailwinds driving our business, followed by Connor, who will highlight our success over the past year and how that positions us well for 2025. 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. Before we begin, I'd like to remind you that in today's comments including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements including forward-looking statements within the meaning of applicable 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 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 the 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*

Thank you. And good morning to everyone on the call. We had a strong 2024 as both earnings and capital raising continued to gain momentum throughout the year, reflecting the strong growth profile of our business and the increasingly positive sentiment in the market today. Over the past year, we raised over \$135 billion including a record \$29 billion of organic fundraising in the fourth quarter, deployed \$48 billion and monetized \$30 billion of investments, our strongest year across the board.

We expect this to continue as improving sentiment and increased liquidity in the capital markets is significantly favoring high-quality real assets. This has had and will continue to have an outsized impact on our portfolio, allowing us to finance our businesses at attractive levels, both increasing distributions and making assets easier to sell.

The 18% annual growth of our fee-bearing capital base to \$539 billion enabled us to generate \$2.5 billion of fee-related earnings and \$2.4 billion of distributable earnings for the year. This year, we also benefit from the strategic investments we made to expand our credit origination capabilities and bolstering our fundraising organization across both institutional and private wealth channels as we look to expand and diversify our product offerings.

In addition, we added new partner managers and increased our investment in Oaktree. We want to spend a few minutes today speaking about the secular trends that will propel our business over the next decade and beyond. First, the alternative asset industry is poised to more than double. Growth is being driven by institutional investors steadily increasing allocation to private funds alongside high net worth financial advisors who are increasingly allocating to alternative strategies.

At the same time the rise of private credit introduces additional fundraising opportunities, whether from insurers seeking investment-grade solutions and the likely of inclusion of alternatives in retirement accounts. A second major trend is the ongoing consolidation of managers. Large clients are looking to streamline their relationships and want to allocate more to the largest managers with diversified global platforms and a proven track record. This should benefit our flagship strategies and also attract more SMAs where we can allocate client capital to both single strategies or across numerous businesses of ours.

Finally, we are strategically aligned with the largest themes of our time. Digitalization and the associated infrastructure build-out, which is being further accelerated by artificial intelligence, the increasing demand for power, especially low-cost clean power and the continued growth of private credit across all sectors.

Starting first with digitalization. Artificial intelligence, which continues to expand at a remarkable pace, is further propelling digitalization, creating significant opportunities

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for us to invest in areas such as data centers, telecom towers, fiber and semiconductor fabrication. At the same time our operating businesses are using AI to drive more automation and productivity, supply chain optimization and improved customer engagement, enhancing cash flows in order to support stronger investment returns.

Second, upgrading power grids to meet large energy requirements will necessitate nearly doubling electricity generation, I'll repeat that again doubling electricity generation, along with transmission and/or battery capacity, which will continue to drive opportunities for our infrastructure and many of our other businesses. Renewables will be the biggest beneficiary of growing electricity demand because they are the cheapest option and offtakers will always absorb as much of the cheapest source of power before turning to more expensive forms of power. Yet digitalization is only part of the story driving unprecedented global clean energy needs.

As more countries are prioritizing energy security, development of renewables and nuclear power is the only path. With over \$125 billion of AUM, deep operational expertise and a reputation as a partner of choice, we are well placed to capture this accelerating demand. Lastly, on private credit. Private credit remains a very attractive and growing asset class spurred by desire among borrowers for flexible capital solutions. Alternative managers with specialized industry expertise like us are well positioned to provide a full suite of large-scale customized financing solutions.

Our decades of experience in infrastructure real estate renewables, alongside our partner managers focus on corporate and asset-based lending enable us to source proprietary opportunities and underwrite credit risk effectively. We see considerable potential further growth in the years ahead. Adjacent to these, our real estate business is picking off some excellent properties at very attractive entry points. Similar to previous cycles, we are well positioned to capitalize on these dynamics and deliver exceptional returns. In recent months, we have seen interest growing meaningfully for our real estate strategies, indicating the first phase of a recovery. Together, these drivers are among the many that position Brookfield for long-term success, and we believe we are well positioned to deliver on our long-term goal of 15% annual growth in cash flow on a per share basis.

Our deep operational expertise and relationships across our five businesses will continue to enable us to identify compelling investments and generate excellent returns for our clients. At the same time powerful secular trends in digitalization, clean energy and private credit, as mentioned, will continue to drive growth, drawing more capital in markets where we have established a leadership position. Thank you for your ongoing support.

I will now hand it over to Connor, who will talk about the past year and how that positions us for the future.

Connor Teskey, *President*

Thank you, Bruce. And good morning to everyone on the call. As Bruce mentioned, 2024 was an excellent year for our business. We delivered strong performance across our franchise, strategically expanded our capabilities and surpassed \$1 trillion of assets under management.

Looking at the past year, 2024 was one of our most active years ever. We deployed approximately \$50 billion, sourcing high-quality investments at very good values across each of our business groups. Highlights included Neoen, our public-to-private acquisition of a leading global renewables developer, GEMS Education, a prominent private education provider in the Middle East, and FirstEnergy, a large-scale U.S. electrical distribution company.

We also executed on a number of important agreements. For example, our landmark transaction with Microsoft, the largest of its kind, will supply over 10 gigawatts of renewable power over the next five years. And earlier this week, in partnership with the French government, we announced a EUR 20 billion infrastructure investment program to support the deployment of artificial intelligence in France.

All of the above is helpful in driving performance and adding to our strong track record of delivering for our clients. Although the M&A market was slower in 2024, there was a strong demand for essential assets and businesses with robust cash flows. Given the makeup of our portfolio, we were able to sell investments valued at nearly \$40 billion, monetizing \$30 billion of equity capital. A good example of this was the partial sale of our ICD Brookfield Place, which was one of the highest value real estate transactions ever completed in the Middle East.

We also made significant strides in expanding our capabilities, advancing our leadership position across the fastest-growing areas in the alternative space and laying the groundwork for our long-term growth. It was this time last year that we formally launched our credit group, which brought together our long-standing credit capabilities across the firm with our growing portfolio of credit-focused partner managers. The purpose was to coordinate our credit strategies across asset classes and to accelerate the growth of this business, and we are already seeing meaningful benefits of these efforts.

We continue to scale our strategies, build out new capabilities in key growth areas and expanded our platform with new clients and manager partnerships. As a result, 60% of this year's organic capital raise came from our credit business. Today our credit group is our largest business by assets with nearly \$250 billion of fee-bearing capital and is poised to help drive continued growth in 2025.

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Our scale, strong relationships, global footprint and deep expertise in real asset and corporate credit have given us a meaningful advantage in building out our credit platform. These credit strategies benefit from proprietary deal flow, access to our specialized equity teams for underwriting and our operating capabilities to conduct thorough due diligence and enhance downside protection through asset management.

We also invested in and partnered with managers with leadership positions in key areas of growth including within the private credit market. This year, we acquired a 51% stake in Castlake, adding aviation and asset-based finance capabilities to existing Brookfield expertise in corporate and opportunistic credit, equipment and consumer finance, music royalties and NAV lending. This extended our leadership position as one of the most comprehensive credit managers in the alternative space. This is separate from our dominant franchises in infrastructure, renewables, real estate and private equity. Lastly, we scaled our investment-grade credit team to support growing client demand.

By leveraging the Brookfield ecosystem, we are sourcing and underwriting proprietary opportunities for our insurance clients who want investment-grade private credit. For example, our mandate with Brookfield Wealth Solutions continues to grow as their capital deployment needs expand. We have begun to offer these capabilities to other third-party insurers. Going forward, we expect significant growth in this channel.

Our progress over the past year and the investments we have made to expand our global footprint and fundraising channels positions us well for an excellent year for fundraising, deployment and monetizations in 2025. Transaction volume is further picking up, enabling managers across the sector to return more capital to their clients. This is, in turn, giving partners renewed liquidity, creating a more favorable backdrop for capital raising.

On the fundraising front, we expect our latest flagship rounds to be over 15% larger than their previous vintages. We are finishing raising two flagship funds, the fifth vintage of our real estate flagship fund and the second vintage of our global transition flagship fund, both of which are slated for final close in the first half of 2025. Our 12th opportunistic credit fund closed in January with a total strategy size of \$16 billion.

As a reminder, our flagship franchises form the basis upon which we build our complementary strategies, which should contribute to much of our fundraising growth in 2025. Across our complementary strategies, we are seeing strong momentum for a number of new products such as our catalytic transition fund, our financial infrastructure fund, our Middle East private equity fund and our infrastructure structured solutions fund.

Other complementary strategies of note that are in the market are our second private equity special investments fund, the seventh vintage of our real estate debt fund and the fourth vintage of our infrastructure debt fund, already the largest strategy of its kind

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and expected to be meaningfully bigger than the previous vintage. The continued build-out of our complementary strategies including with our partner managers, will contribute more to our fundraising this year than ever before, while also serving to diversify both our business and our suite of products and strategies for our clients. Another area of significant growth is our insurance fundraising channel.

Annual inflows from this channel are on track to grow in excess of \$25 billion per year across retail annuities, pension risk transfer and other initiatives. We are also expanding this channel as we expect to sign additional SMAs with more insurance firms this year. Lastly, our private wealth channel's growth over the past few years should continue. Alongside our drawdown funds, we have four dedicated private wealth strategies including infrastructure, real estate and two credit strategies.

We are very excited about what is to come on this front. Transaction volume picking up is good for fundraising, but it should also enable us to monetize investments in which our operating expertise has created value and our investments have been derisked, positioning 2025 to be a strong environment for capital recycling. Further, the year has started with a robust credit environment that is particularly favorable to our high-quality real asset focus.

Since the start of the year, we completed a \$5 billion upfinancing of Clarios, our U.S.-based battery maker, which supported a \$4.5 billion distribution to Brookfield and our partners, which compares to the \$3 billion to acquire 100% of the business. While the scale of such a transaction is significant, pricing was broadly in line with previously issued debt and the offering was multiple times oversubscribed.

Similarly, we recently executed a \$6 billion refinancing of our Intel investment, terming out the maturities far ahead of schedule and at much tighter rates than underwriting. While these examples are both specific and recent, we are seeing broad-based support for the financing of our high-quality portfolio, demonstrated by the more than \$130 billion of financings we completed in 2024.

At the same time short-term dislocations alongside the long-term secular trends Bruce outlined are creating attractive entry points to deploy capital at compelling valuations. Trillions of dollars are needed to develop data centers, telecom towers, fiber, semiconductor manufacturing, automation assets and, of course power supply and transmission, all at a time while governments and traditional capital sources remain constrained. There are also select situations with near-term debt maturities that should create opportunities for us to acquire high-quality assets burdened by overlevered capital structures.

Our global reach and operational expertise alongside our scale gives us the capabilities to pursue transactions that few others can. We are entering 2025 with strong momentum across our business. Coupled with a more favorable market environment

and our expanded suite of capabilities, we are optimistic about delivering strong results this year and beyond.

With that, we will turn the call over to Hadley to cover our financial results.

Hadley Peer Marshall, *Chief Financial Officer*

Thank you, Connor. And good morning to everyone. Today I have the pleasure of discussing our strong fourth quarter performance and announcing our 2025 dividend increase. We had record fee-related earnings, distributable earnings and fundraising in the fourth quarter. Fee-related earnings, or FRE, was \$677 million or \$0.42 per share in the quarter, up 17% from the prior year period, bringing FRE over the last 12 months to \$2.5 billion. Given the operating leverage in our business, this growth also benefited our margins, which were 59% in the quarter.

Distributable earnings, or DE, were \$649 million or \$0.40 per share in the quarter, up 11% from the prior year period, bringing the last 12 months to \$2.4 billion. The driver of growth in our earnings was related to our strong fundraising for the year that included \$108 billion that became fee-bearing capital or FBC, and our deployment of which \$21 billion became FBC. This was offset by \$18 billion of capital return to clients and \$9 billion of changes to mark-to-market valuations. All in, FBC grew by 18% over the past year or \$82 billion to a total of \$539 billion.

For the fourth quarter, we had our strongest organic fundraising quarter ever with \$29 billion of capital raised across over 40 strategies. Breaking it down by group, in our renewable power and transition business, we raised over \$4 billion of capital in the quarter. This includes \$3.5 billion for the second vintage of our global transition flagship strategy, which now stands at \$14 billion.

We expect to hold a final close of this fund in the first half of 2025. In our infrastructure business, we raised \$2.5 billion of capital in the quarter including \$700 million for our super core infrastructure strategy, our strongest quarter in over two years. We also raised nearly \$700 million for our private wealth infrastructure fund, a strategy that continues to see strong demand. And finally, we raised \$20 billion of capital in our credit group. This includes over \$10 billion raised across Oaktree and our other partner managers. Much of this is not fee-bearing capital and will begin generating fees upon deployment.

We raised nearly \$7 billion from insurance clients including Brookfield Wealth Solutions. And to round out our credit group, we launched our fourth vintage of our infrastructure debt fund. We're very pleased with the early momentum of this strategy that has seen growing client demand and expect it to be larger than its predecessor. Overall, our credit group raised over \$100 billion in the year, the largest contributor to our fundraising in 2024.

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In summary, this quarter was a strong end to a year that brought in over \$135 billion of capital, and this fundraising momentum across our diversified strategies is already carrying over to 2025. Another key strategic initiative we laid out last year was to simplify our corporate structure, positioning our shares for inclusion in a broader range of indices.

I'm pleased to report that last week, we closed on the transaction to swap Brookfield Corporation's 73% private ownership in our asset management business for an equivalent interest in public shares of Brookfield Asset Management. This transaction means that the full value of our asset management business, which is now approaching \$100 billion, is now reflected in Brookfield Asset Management's market capitalization.

This step, along with other initiatives we have undertaken, set the stage for broader index inclusion soon, particularly within U.S.-based indices, allowing us to diversify our shareholder base and access deeper pools of public capital. Our strong balance sheet and our liquidity position gives us significant capacity to support growth initiatives.

We ended the quarter with \$1.8 billion of liquidity comprised of cash, short-term financial assets and undrawn capacity on our \$750 million revolving credit facility. And as a reminder, we continue to operate with no third-party debt on our balance sheet, but currently have capacity to issue up to \$5 billion of debt at strong investment-grade levels, a capacity that can be used to fund significant growth in our business and that will only grow as our distributable earnings grows.

In conclusion, there is strong momentum for us to continue attracting scale capital from a diversified set of fundraising channels. We see strong opportunities to invest this money across all of our businesses and achieve capital recycling that will deliver attractive risk-adjusted returns for our investors.

With our strong financial position and significant growth prospects ahead, I'm pleased to confirm that the Board of Directors of Brookfield Asset Management have declared a quarterly dividend increase of 15% to an annualized rate of \$1.75 or \$0.4375 per share per quarter. The dividend will be payable on March 31, 2025, to shareholders of record as of the close of business on February 28, 2025.

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

QUESTION & ANSWER

Operator

Our first question comes from Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne, *TD Cowen*

You note in the letter to shareholders that we're in kind of an anomalous situation where conditions are favorable for both capital deployment and asset monetization. How long do you think that environment can persist? And I guess how do you position the business to take maximum advantage of it?

Connor Teskey, *President*

Good morning, Cherilyn. The dynamic in the market that you're seeing is very, very beneficial for us. What Cherilyn is referencing is on one side, there's tremendous liquidity in markets right now. Sentiment, particularly in the asset classes where we have leadership positions and the most activity is very, very robust.

Then lastly, there's a very significant pipeline of sales processes and bilateral discussions ongoing. And this creates a very attractive market for us to monetize our high-quality businesses into. At the same time the capital needs in the key themes that Bruce mentioned in his remarks are so significant that they really favor those investors with scale and operating expertise that creates an opportunity for us on the deployment side.

Then similarly, there are still a tail of situations of businesses that do not have appropriate capital structures in the current interest rate environment that create deep value buying opportunities for us across our core focuses. How long can this last? We very much expect it to last the duration of this year, which is why we're so bullish about the outlook for our business, and there is the potential it lasts longer than that.

Cherilyn Radbourne, *TD Cowen*

Great. Then separately, you mentioned the potential for the 401(k) market to be open to alternative strategies. What do you see as the likely timeline for that? And by how much would that increase the addressable market for alternative managers?

Connor Teskey, *President*

The timing of that is no doubt uncertain, but it seems increasingly positive each day. If and when this is to happen, we feel we're exceedingly well positioned. Our focus on

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long duration inflation index asset classes and credit would really lend us well towards appealing to that pool of capital. Therefore, it's something that we remain ready and focused on should the regulation change.

Operator

Our next question comes from Alexander Blostein with Goldman Sachs.

Alexander Blostein, *Goldman Sachs*

I was hoping we could start with a question around fundraising. In the shareholder letter, Bruce, I think you touched on your outlook for 2025, highlighting accelerating organic fundraising relative to 2024, which I think was about \$87 billion. So could you expand, I guess on your outlook for '25 relative to what you saw organically last year? And what are some of the larger drivers that you expect to be contributing to this outlook?

Connor Teskey, *President*

For sure. So there's no doubt we're feeling very, very good about 2025 fundraising. You're absolutely right, we do expect it to be better than 2024. And maybe just to go through the components of that. If we think about our flagships, first and foremost, we have two flagships that are in the market that we expect to finish during 2025 and we expect to launch an additional flagship this year. Then turning to complementary strategies. We very much expect 2025 to be the largest year for fundraising ever for Brookfield in terms of complementary strategies. That's a function of one, both bigger sizes and two new additional products in the market.

Then lastly, if you look to our insurance as well as our high net worth fundraising channels, we expect those as well to be bigger than last year. So if you look at each of the components of our fundraising, they are all neutral or up versus 2024, and that is why we expect 2025 to be better.

Alexander Blostein, *Goldman Sachs*

Great. That's really helpful. My second question is around opportunities in an investment-grade private credit. Lots of optimism in this part of the market. I think most folks would argue that origination capabilities is really kind of like the binding constraint in growing in this part of the space. So I was hoping you guys could spend a couple of minutes on that. And in the past, you've highlighted about \$100 billion of financing that you currently kind of do with the Street or sort of the flow that touches BAM ecosystem. How much of that do you think could internally be ultimately internalized, right, whether through the insurance sub or through third-party capital? And as you think

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about building that further out, what are your thoughts about creating your own capital markets syndication capabilities from an incremental way to sort of capitalize on this trend?

Hadley Peer Marshall, *Chief Financial Officer*

Alex, this is Hadley. I'll take that one. You're right, we do see that as a big opportunity, especially as we've grown our capabilities to procure capital in the insurance space and their needs around investment-grade credit. We're very active in this space. If you think about our foundation around infrastructure and real estate, that is a good area for us to continue to ramp up our capabilities there where we're already doing a lot in that space including investment grade.

Then, of course within Oaktree, that's another avenue for us on the investment-grade side. Then more and more, we are focused on the corporate side, the direct lending across our franchise broadly within Brookfield and our partner managers. So the opportunity set is there for us, and we continue to expand our capabilities and raise capital associated with that. Then when you think about capital markets and the capabilities there, we do have those capabilities, and that will be an additional lever not only to earn fees, but to find opportunities that fit the investment-grade landscape for our clients.

Operator

Our next question comes from Ben Rubin with UBS.

Ben Rubin, *UBS*

I was hoping to get a mark-to-market on your private wealth business. I believe at Investor Day you mentioned that you expect that business to grow at a pretty decent clip, 30% to 50% over the coming years. So just curious what enhancements you're making, both from a product and distribution standpoint to help take shelf space in a relatively crowded channel.

Connor Teskey, *President*

Sure. So when it comes to our growth in the retail and high net worth channel, there's probably three things we'd highlight. One, we've already raised \$20 billion in this channel, and we raised more each year through a function of both more products as well as being on more platforms, as you mentioned. The second thing we would highlight is today we're really doing the bulk of our fundraising through four retail-focused products, two in credit, one in infrastructure.

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What is unique and cannot be understated is in a number of those products, we're actually turning down capital. That is how strong the demand is for these types of products. We're doing that to stay very disciplined around our deployment, and that's how we think the most appropriate way to scale these products are over an extended period of time which really brings us to our third point, which is just the forecast and the trajectory of this business. We mentioned 30% to 50% at Investor Day last year. I would say we feel very good about those numbers, if not more positive today.

Ben Rubin, UBS

That's great. My second question is more about the new administration's approach to tariffs. Given your business spans across both regions, what type of operational risk or disruption would a potential U.S.-Canadian trade war present to your cross-border business?

Connor Teskey, President

For sure. So I think it's important to recognize our business is very domestically oriented. We own infrastructure and real assets that are integrated into the local communities that we operate in, and we're local in every market that we invest in around the world. And really only a small portion of our business focuses on goods and service that travel across borders. The second thing we would highlight is we invest in critical infrastructure assets that's the backbone of the global economy. These tend to be assets that have very inelastic demand and are indexed to inflation. So the bulk of our business will be largely insulated from any price increases as a result of tariffs if they are to be implemented.

That probably brings us to our last point, which is whenever there are changes like this in regulation or administration around the world, we always find those changes lend themselves to the largest businesses with the greatest operating capabilities through which to manage through those changes. In that category, we feel we're second to none. So it's something we're following closely, but we expect our business to be very largely insulated and it's not going to change our strategies or our growth prospects.

Operator

Our next question comes from the line of Michael Cyprys with Morgan Stanley.

Michael Cyprys, Morgan Stanley

Just wanted to come back to your announcement in France just around data centers, EUR 20 billion, large announcement there. Can you just talk about your ambitions, the

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opportunity set that you see there, how you see this EUR 20 billion coming together across the capital structure, across your funds?

Then just more broadly, if you could talk about the deployment opportunity you see around AI and data centers over the next couple of years, particularly post the DeepSeek development that suggests may require a bit less data centers and less power than previously thought, just given lower cost of compute. So how are you thinking about all that?

Connor Teskey, President

Certainly. So a big topic. Let's break that down into buckets. Maybe just as it pertains to the announcement in France. The key takeaways here is there are still very, very significant demand from sovereigns and corporates for capital to invest in the infrastructure that supports AI build-out going forward. And the reality of those large-scale opportunities is they are not available to everyone. They are available to those that have the real estate, the infrastructure and the power capabilities today as well as the platforms and the capital and pipeline to capture this near-term opportunity. And given the size of our power business, the size of our data center platform within our infrastructure business and our long-standing real estate franchise, we do feel that we can be leading in this asset class by a significant margin.

We think the announcement in France is representative of that and very much representative of other type things that we'll be able to do in the future. To where we will deploy capital into this space, it is across the capital stack and across the value chain. So it's into the equity, it's into the debt that supports the build-out. This is a huge opportunity for our credit franchise. But it's important to recognize this is not just funding the racks and the shelves. This is funding the chips. This is funding the power. This is funding the entire supply chain. We certainly have the scale and pools of capital with which to do that.

Then maybe to the last comment just around DeepSeek and some of the narratives around those headlines. There's really two important things in our mind to recognize. One is the demand forecast for AI infrastructure was so meaningfully higher and above what the market could reasonably supply from the supply side. And even if there were efficiencies that were to reduce demand a significant amount going forward, the supply-demand imbalance is still very much in favor of the supplier and the developer, which creates a strong opportunity for us. We don't build on specs in this space. We only build against long-term contracts with large hyperscalers, some of the greatest credit counterparties around the world. Therefore, the DeepSeek headlines are not changing our approach.

The second point and maybe to wrap up on this topic is it would be it would be crazy to assume that with a technology as large and as fast growing as artificial intelligence that

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there would not be efficiency gains going forward. Those efficiency gains are very expected. And as they will bring down or potentially bring down the cost of artificial intelligence, they're only going to make that product more available to a wide variety of users, and that will create more widespread demand going forward, which obviously increases demand for the AI infrastructure that we seek to finance. So we're following these headlines closely, but we view it all as business as usual and still a huge opportunity for us going forward.

Michael Cyprys, *Morgan Stanley*

Great. And just a follow-up question, sticking with the AI topic. You had mentioned -- Bruce has mentioned earlier on the call just that you are using AI to drive automation, productivity to support your investment teams across the organization. I was hoping you could elaborate on that a bit more. If you could speak to the use cases, how many you've identified, how many you have in production? What sort of impact you've seen? How do you see this evolving? And what steps are you looking to take here in '25 to better capture the opportunity within your own business?

Connor Teskey, *President*

Michael, what we would say is it's exciting. We're still very early days in rolling this out within our platform, but already some of the opportunities, efficiency and gains are quite meaningful. And really, what we're doing is we're fortunate across both Brookfield Asset Management, but all of our portfolio companies -- what we're looking to do is use the knowledge that is created across all of those businesses through trialing and airing different AI functions.

When something is deemed that's very useful, we share that knowledge and see where else across the platform it can be used. Similarly, when something is tried and deemed is not useful, we also share that knowledge so somebody else doesn't need to take that shot and miss as well.

So it's very early days, but by leveraging our entire platform and the knowledge and increasing use cases across it to use those synergies across our ecosystem. I would say we're early days, but the gains are meaningful. It's really, I would say at this point, focused on cost and efficiency. And going forward, it will also be focused on revenue as well.

Operator

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

Ken Worthington, JP Morgan

Maybe to follow up on Michael's question. The deployment opportunity in infrastructure would seem to be immense, but 4Q in 2024 witnessed, I would say depressed deployment in infrastructure relative to your other asset classes.

So I guess the question is, do these big deals and these big opportunities just take a lot longer to get to the point of investment check writing. And as we think about BIF V, does a 4-year investment cycle seem to be right for this fund or given size and complexity of the opportunity set, is it expected or obvious that it just might take longer to get those dollars out the door?

Connor Teskey, President

Given the breadth of our franchise, I would say a lack of significant deployment in infrastructure in Q4 of 2024, that's just timing. That's just coincidence. Our infrastructure pipeline is as robust today as it's ever been. The demand for capital is at an all-time high. It's also perhaps important to recognize just some of our segregation. We've announced in Q4, some of our largest investments ever in the power space, and those investments are directly tied to supporting the build-out of AI. They just happen to sit within our power classification as opposed to our infrastructure classification.

So -- and as it pertains to our BIF franchise, BIF V approximately 50% deployed at this point. It's traditionally had a track record of deploying those funds approximately over a 3-year timeline. There is nothing in the market today that suggests that won't continue to hold.

Ken Worthington, JP Morgan

Great. Then on credit, it was one of the best inflow quarters for fee-bearing capital, I think in Brookfield's history. But we also saw, I think the biggest quarter of outflows and distributions and fee-bearing capital ended roughly flat for the quarter, and I assume that higher rates and FX didn't help. Can you talk about the credit inflows and outflows for the quarter, maybe how insurance is driving the relationship between gross and net inflows? And ultimately, I'm curious to -- well we'll just leave it there. Can you talk about that?

Connor Teskey, President

Certainly. So thank you for the question. We know -- we very much recognize that, that Q4 credit outflow number looks a bit funny. Two things we would just highlight there. One of them is a reflection of something we very much expected to happen. As we took

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on more insurance capital under our IMA with Brookfield Wealth Solutions, part of our intention with that portfolio was to optimize it and reallocate it over time.

One of the things that showed up in Q4 was the very much planned reallocation of some of their credit allocations to other platforms within Brookfield. So that inflated the number a little bit in Q4. That will continue to some extent going forward as we continue to optimize the allocation of that business. The other thing that was a little bit unique in Q4 is our credit business is a little bit unique versus our other platforms in that when we raise credit capital, it becomes fee-bearing on deployment, not on commitment.

However when we monetize things, that obviously drops out of fee-bearing capital in real time. With some of the robustness in credit markets in Q4, we did monetize some assets that, therefore, fall out of fee-bearing capital. While we raised capital, it will only be inserted into fee-bearing capital upon deployment.

I think the comments about the capital we've raised in credit demonstrate the market's enthusiasm and the opportunities in the space. One of the big levers for our cash flows and FRE going forward is deploying the very significant amount of not yet fee-bearing capital that we have available to us within our credit franchise.

Operator

Our next question comes from Mike Brown with Wells Fargo.

Mike Brown, Wells Fargo

So Connor, I wanted to ask on insurance. So I guess somewhat related question. Within the \$6.6 billion of inflows this quarter, can you just break that down? How much was from the Brookfield partners and how much is from third-party SMAs? Then on a related note, when I look at Slide 21 and the mix of investments there, can you just give us a view into what's the end game mix in terms of that liquid private? And what's the difference in the fee rate there that we should think about?

Connor Teskey, President

Certainly. So in terms of the inflows from insurance in Q4 almost 100%. I would say for purpose of modeling, you can assume that all of it came from Brookfield Wealth Solutions. We obviously do have our SMAs. We did some in Q3. We expect to do more in Q1. But in Q4, it came almost entirely from Brookfield Wealth Solutions.

In terms of how we optimize that portfolio, I would say we're increasingly moving product out of liquid into our funds and higher returning strategies. That's an ongoing

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process. In particular, our real asset credit strategies, in particular, real estate debt, infrastructure debt are a very, very strong fit for those insurance funds. And maybe directionally, we would be expecting to move anywhere between, I'd call it, \$2 billion to \$4 billion, \$2 billion to \$5 billion of capital into those strategies on an annual basis.

Mike Brown, Wells Fargo

And any color on that kind of fee rate pickup?

Connor Teskey, President

Yes. Sorry, I apologize. I glossed over that. With our IMA with Brookfield Wealth Solutions, we get a 25-basis point fee on 100% of the capital we manage on their behalf. When we move a -- when that product is invested into one of our private funds, we also get to charge the private funds fee. So it is meaningfully higher when we do allocate it to a private fund. Of course we can only do that with a minority portion of that available capital.

Mike Brown, Wells Fargo

Okay. Great. Yes. I appreciate the addition there. I know it was a kind of multiparter. I wanted to ask about Oaktree, just in light of the final close news for Oaktree Opportunities Fund VII at \$16 billion of commitments. Just wanted to check in and hear about how the team is thinking about the investment opportunities there post-election. Base rates are certainly higher than where the market thought six months ago, which certainly can impact certain industries, but spreads are tighter, Capital markets are still open. So how are they thinking about deployment? I guess would it be more special sits versus distressed? And how could that kind of progress for deployment for them?

Hadley Peer Marshall, Chief Financial Officer

Sure, I'll answer that one. I'll answer that one. It's interesting because we are very excited about the opportunistic strategy. Of course the fundraise dictates that our clients are as well. The opportunity when you look forward, first of all, it's probably worth noting that they've already deployed a lot of that capital, probably close to 50%.

So they've been able to find very interesting, attractive investment opportunities in this climate with base rates higher, with capital structures dealing with the higher interest rate component even with tighter spreads with maturity walls. So that will continue to create opportunity set going forward for them, both on the specialist side, finding interesting opportunities where their capital can be valuable, but then also on the distressed side as that builds to a certain extent. So overall, the Oaktree team and

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ourselves feel very good about the opportunity set and the deployment options that they have at their fingertips.

Operator

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

Nik Priebe, CIBC

Okay. I wanted to ask a question on the initiative to better position BAM for inclusion in U.S. indices. Following the Investor Day when the changes were first announced, I think S&P has subsequently announced some changes to its global domicile policy that places greater emphasis on country of incorporation.

I think at Investor Day you indicated that the intent is to keep BAM incorporated in Canada. I recognize there's a much broader array of indices that you hope to qualify for. But is the country of incorporation a change that you could also contemplate from a longer-term standpoint to better position yourself for inclusion in the S&P 500 specifically?

Hadley Peer Marshall, Chief Financial Officer

So in that vein, as you recall two things that we've done already to make sure that we have access to additional U.S. indices. One is, of course changing our headquarters to New York, which was a very simple change and had no impact on our business, but represented the framework of our business now with our AUM, our revenues, our employees heavily based in the U.S.

The second change, of course is what we closed last week, which is the exchange of the shares for the private to the public Brookfield Asset Management. So that's additive as well. So we're in a good position to add U.S. indices and already are seeing the impact of that.

In terms of specifically the S&P 500, the incorporation is a factor, and we are incorporated in Canada, and we don't think we need to change that in order to have access to other U.S. indices. So from our standpoint, given our U.S.-focused business and the other criteria that are applicable in those types of analysis, we feel we're well framed out for that.

Nik Priebe, CIBC

Okay. That's good color. Then just switching gears, the new Trump administration has made a bit of noise about the tax treatment of carried interest paid to investment

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professionals. I was wondering if the tax treatment of carried interest were to change, would the compensation structure also change? For example, would employees be entitled to a higher percentage of the gross carry? And I'm also just wondering, is the debate around tax treatment of carry isolated to personal income tax treatment for the investment professionals? Or would it also impact the corporate tax rate on carry as well?

Connor Teskey, *President*

We obviously have a very global business and tax treatment of carry is different in every market around the world. So a change in U.S. tax treatment, the U.S. is obviously the biggest market and our biggest market. So it does generate a lot of headlines. But I would say it's not going to change our global compensation approach. We manage through different tax treatments of carry in other regions, and we'll treat the U.S. as the same.

Operator

Our next question comes from Dan Fannon with Jefferies.

Dan Fannon, *Jefferies*

I wanted to talk about the outlook for base management fee growth, particularly within private equity and real estate as we think about '25, given some of, I think the fundraising you talked about as well as the ins and outs around activity and deployment and exit. So as we look at the next -- 2025, how are you thinking about base management fee growth in those two subsegments?

Connor Teskey, *President*

Certainly. So real estate, we're seeing a lot of momentum, obviously as they finish fundraising for the latest of the flagship BSREP series. That will be completed in the first half of the year, and that will obviously be run rating through the numbers for an additional 12 months beyond that.

So with real estate, it's very, I would say obvious and unlock in that train is going well down the path. When it comes to private equity, very much appreciate the question because we are seeing a ton of momentum in our private equity business right now. We think our approach to private equity investing lends itself to this environment and the pipeline for our private equity platform is very, very robust. We do expect to be back in the market with the next vintage of our private equity vehicle earlier than expected, very much expected at some point this year. That will obviously lead to the next step change in revenues for that platform.

Dan Fannon, Jefferies

Great. Then to follow up just on the margin outlook, given some of the momentum you've talked about in terms of fundraising and ultimately revenues, how are we thinking about margins as an investment into next year vis-a-vis where we fit?

Connor Teskey, President

So there's two things in terms of our margin. One, our margin improvement is very much driven by revenues. During 2023 and the early part of 2024, we were very vocal that we were investing in our platforms ahead of step changes in revenues. As those step changes in revenues have come on through the latter half of the year and they'll continue to come on in the early part of 2025. That's been what's driven the margin improvement, and we do expect it to continue for a number of quarters here to come.

It should also be recognized that there are two things that also impact our margins. One is the mix of our business. Two is we are seeing tons of opportunities for growth. Hadley mentioned in her remarks how we have a balance sheet that can fund new growth opportunities those new growth opportunities do tend to be slightly lower margin at the beginning and then escalate over time. But our core margins -- our core business is seeing significant margin improvement as expected. That will continue. Then really, that will be counterbalanced by investment in new products that will add significant fee revenues in the future.

Operator

Our next question comes from Mario Saric with Scotiabank.

Mario Saric, Scotiabank

Just dovetailing on the last question with respect to margins and being a bit more specific, the total compensation and benefits line item fell \$15 million versus Q3, about 4% to \$386 million in Q4. How sustainable is that Q4 figure going forward?

Connor Teskey, President

Yes. So I would say when we look at our Q4 figure and just in general, our 2024 figure, we had significant step changes in terms of our compensation into '23 and albeit a little bit less so from '23 into '24. We do very much expect to see those costs on a much lower growth rate than our revenue, which will continue to drive margins in 2025. We're a growing business. Our costs will continue to grow up, but we continue to expect to see the trajectory of costs continue to plateau.

Mario Saric, Scotiabank

Okay. And my second question just relates to potential external growth that's been cited a couple of times now. You've mentioned kind of the unique opportunity in terms of buying assets really well and selling assets really well in the broader market. How would you characterize the market for add-on kind of GP expertise today? And how important do you think kind of BAM's node debt structure as it stands today is to differentiating Brookfield versus some of its U.S. peers.

Connor Teskey, President

So two parts to that. We will continue to be very opportunistic as it pertains to GP acquisitions and GP M&A. The consolidation in the industry at large continues, and we, therefore, continue to monitor it and remain active in that space. But we're only going to do things that are highly accretive, strategic and are additive to our business. Are there a number of opportunities being reviewed? Yes. But we'll continue to be very selective.

In terms of the comments in and around our balance sheet, I'll start, but Hadley, feel free to jump in. We see a real opportunity given the growth we are seeing, particularly in our key themes and focuses to launch new products that can scale very quickly and be big revenue drivers for our business in years to come. That will take some investment. And therefore, we do expect to use our balance sheet more meaningfully in 2025 in order to catalyze some of that growth. We certainly think that's the most effective use of both our existing balance sheet as well as some of the credit capacity we have available. We will use that to drive organic FRE growth within our business.

Hadley Peer Marshall, Chief Financial Officer

Yes. And just as a reminder, I mean we have \$1.8 billion of liquidity, a \$750 million revolver that is undrawn and \$5 billion today of capacity at very attractive high investment-grade ratings. So as we grow, that capacity will grow with it. So we do have an opportunistic liquidity position to support that growth.

Mario Saric, Scotiabank

Got it. Okay. So just to summarize in terms of using the balance sheet, it sounds like it's more likely to fund co-investments as opposed to a substantial external M&A in '25.

Connor Teskey, President

If I could perhaps characterize that differently, it will be used to fund two things. One is GP M&A on the programmatic buyout of some of our partner managers. That would be

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bucket one. Then bucket two is to be seed capital for new strategies. I think that's probably the easiest way to think about it.

Operator

Our next question comes from Robert Kwan with RBC Capital Markets.

Robert Kwan, *RBC*

Maybe come back to the data AI infrastructure. And just between your digital infrastructure, renewable power and nuclear, you've got these platform businesses in all the facets of the AI infrastructure side of things. So how do you see this playing out? Do you see this just being more transactions than your peers because of your broader reach? Or could we see more deals along the lines of the French announcement where you're bringing multiple solutions as part of a single transaction and then do deals like that where your competitors can't do it. Does that lead to stronger returns?

Connor Teskey, *President*

To the first part of your question, I don't mean to sound like we're hedging, but the answer is both. We certainly will look to do more large-scale transactions that bring multiple facets of the organization together where there are a few that can compete and obviously where there's less competition, there's a better chance of outsized returns. But maybe going back to some of the comments earlier in the call the supply-demand imbalance today is very much in favor of those that can build new projects that have either ready-to-build projects or advanced pipeline. The scarcity value of those projects is higher today than ever before. That bodes very well for our significant investments in data centers and renewable powers in recent years, but we'll look to continue to add advanced pipeline and ready-to-build projects to meet the needs of our biggest counterparties around the world.

Maybe to sum it up, the scale and the multifaceted solutions we can bring across data centers, fiber, telecom, nuclear power, renewables, they're unmatched in the space. Therefore, that's why that's what we think the French announcement is representative of, and we think there'll be more to come along those lines.

Robert Kwan, *RBC*

That's great. If I can just finish with a question on the transaction environment and just the notion that it's a good environment to be both an acquirer and a seller. Are you seeing that broadly across all of your core strategies? Or are there some mismatches out there between the strategies where there's a much more significant tilt to being a buyer versus a seller or vice versa? And which one of those mismatches might be if there are?

Connor Teskey, *President*

Yes. There definitely are individual mismatches within different subsegments. But perhaps the more prevailing comment we are seeing around the world, we could probably make two comments that are pretty widespread across all of our asset classes. One is high-quality assets, whether it's high-quality real estate, high-quality infrastructure, those are seeing incredibly robust bids around the world today where lower quality assets are still seeing more tepid market demand. That certainly favors our portfolio given our broad-based focus on highest quality assets in most strategic and core markets.

The other comment we would generally see that we're seeing across asset classes is operating cash generative, high-quality assets, particularly ones that still have a bit of a growth angle, very, very robust bid, lots of liquidity, lots of capital, good market to sell into. Where we are seeing a scarcity of capital is opportunities to fund the build-out, the growth of new platforms that are going to need significant capital and equity injections to build themselves out over time. That's where you're seeing us deploy more capital in the infrastructure, renewable power and even the real estate space to some extent.

Operator

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

Jason Fooks, *Managing Director, Investor Relations*

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

Operator

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