

Brookfield

TRANSCRIPT: Q1 2019 CONFERENCE CALL / WEBCAST May 9, 2019 at 11 am

Corporate Speakers:

- Suzanne Fleming, Brookfield Asset Management Inc., Managing Partner, Branding & Communications
- Brian Lawson, Brookfield Asset Management Inc., Managing Partner, CFO & Director
- Mark Weinberg, Brookfield Asset Management Inc., Managing Partner, Private Equity Group
- Bruce Flatt, Brookfield Asset Management Inc., Chief Executive Officer

Participants:

- Cheryl Radbourne, TD Securities Equity Research, Analyst
- William Katz, Citigroup Inc, Research Division, MD
- Pell Bermingham, KBW; Assistant Vice President
- Dean Wilkinson, CIBC Capital Markets, Research Division, Director of Institutional Equity Research
- Mario Saric, Scotiabank Global Banking and Markets, Research Division, Analyst
- Sohrab Movahedi, BMO Capital Markets Equity Research, Analyst
- Andrew Kuske, Credit Suisse, Managing Director

PRESENTATION

Operator: Thank you for standing by. This is the conference operator. Welcome to the Brookfield Asset Management 2019 First Quarter Results Conference Call and Webcast. As a reminder, all participants are in a listen-only mode and the conference is being recorded.

(Operator Instructions)

At this time, I would like to turn the conference over to Suzanne Fleming, Managing Partner, Branding & Communications for Brookfield Asset Management. Please go ahead, Ms. Fleming.

Suzanne Fleming: Thank you, operator, and good morning. Welcome to Brookfield's first quarter 2019 conference call. On the call today are Bruce Flatt, our Chief Executive Officer; Brian Lawson, our Chief Financial Officer; as well as Mark Weinberg, Managing Partner in our Private Equity Group.

Brian will start off by discussing the highlights of our financial and operating results for the quarter and Mark will then give an update on our investment in Clarios. And finally, Bruce will give an update on the business.

After our formal comments, we'll turn the call over to the operator and take analysts questions. In order to accommodate those who want to ask questions, we ask that you refrain from asking multiple questions at one time. We'll be happy to respond to additional questions later in the call as time permits.

I'd like to remind you that in responding to questions and in talking about new initiatives and our financial and operating performance, we may make forward-looking statements, including

forward-looking statements within the meaning of applicable Canadian and U.S. securities laws. These statements reflect predictions of future events and trends and do not relate to historic events. They're subject to known and unknown risks, and future events 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.

Thank you. And with that I'll turn it over to Brian.

Brian Lawson: Great. Thank you, Suzanne, and good morning to all of you on the call. I'll start off by saying that we're pleased with the results for the first quarter of 2019. Funds from operations, or FFO, totaled \$1.1 billion, or \$1.04 per share.

Net income was \$1.3 billion, with \$0.58 per share of that attributable to shareholders. Both FFO and net income benefitted from the continued expansion of our asset management operations and strong performance by the underlying businesses.

This includes significant progress in closing new fund commitments, deploying capital into new investments across all of our funds' strategies over the last 12 months, and increasing returns from the existing businesses through operational improvements.

I will first touch on the results of our asset management operations, which include fee related earnings and carried interests. Fee related earnings were \$238 million in the quarter, which before performance fees is a 19% increase from the prior year. This mirrors the 18% year-over-year increase in fee bearing capital.

The fee bearing capital increased by \$23 billion over the last 12 months and that's due to additional capital commitments to our private funds, including the current vintage of flagship funds, as well as newer product offerings and an increase in the capitalization of our listed partnerships due to increases in their unit prices.

So now to carried interest. We generated \$332 million of unrealized carried interest before costs in the quarter and that increases the total amount of carried interest attributable to us at this point in time to \$2.7 billion before costs. We recorded \$119 million of realized carry into our funds from operations, FFO.

This, to remind you, is the amount that became no longer subject to clawback during the quarter as a result of dispositions and distributions to fund investors. In the first quarter this related primarily to assets sales within one of our global flagship real estate funds.

We continue to work on several other asset realizations across our more mature funds, and if successful, we could crystallize up to \$1 billion during 2019. So this would be our highest amount of carried realized in a single year to-date, but it still represents a small portion of the overall current accrued balance of nearly \$3 billion that I referenced earlier, as well as our annualized target carry which stood at \$1.5 billion annually at quarter end.

Now turning to invested capital, excluding disposition gains, FFO from invested capital in the current quarter with \$505 million, and that's a 17% quarter-over-quarter increase on a comparable basis. FFO benefitted from a number of new investments across our business and the performance of our financial asset portfolio which recovered from the market volatility experienced in late 2018.

Disposition gains above and beyond the amount I just referenced, totaled \$223 million in the quarter and that represents our share of gains on the sale of several investments across our

portfolios. These included the partial sale of interest in a Chilean toll road business and the sale of partial interest in three North American hydroelectric sites.

We had approximately \$36 billion of deployable capital across the business at the end of the quarter. This includes \$12 billion of core liquidity and \$24 billion of uncalled private fund commitments. We expect this to grow in the second quarter with the first close of our latest flagship infrastructure fund and further funds raised across our other products.

Our deployable capital is supplemented by accessing the capital markets when opportunities arise, or the timing is right. And to that end, in January, we raised \$1 billion of 10-year medium-term notes at a favorable rate. A portion of the proceeds were used in April to repay a maturing note, ensuring that our capitalization remains very strong with a very long term to maturity, and a debt to capitalization level of less than 20% of book value.

Our liquidity is also enhanced by the increasing amount of recurring cash flowing into Brookfield from our asset management earnings and distributions from the capital we have invested in our funds. We refer to this as cash flow available for distribution and reinvestment and provide this metric to provide insight into free cash flow generated by our business.

Since 2015, this cash flow has more than doubled and now stands at over \$2 billion being generated annually. We expect this to continue to increase as our asset management business grows along with distributions received from our invested capital and carried interest and continues the trend towards the level exceeding \$5 billion in five-years' time.

Finally, I'm pleased to confirm that our Board of Directors has declared a U\$0.16 quarterly dividend per share payable at the end of June.

And with that I will hand the call over to Mark Weinberg, who's going to provide an update on our private equity business' recently closed acquisition of Clarios.

Thank you.

Mark Weinberg: Thank you, Brian, and good morning to everyone on the call. Today, I am pleased to speak with you about our private equity business' recent acquisition of the world's leading automotive battery manufacturer and distributor from Johnson Controls. The transaction closed just this past week and the business has subsequently been rebranded as Clarios. This transaction provides a great case study, highlighting Brookfield's competitive advantages that you hear us speak of often.

As we have noted in the past, and in this quarter's shareholder letter, there are a few key ways in which we look to acquire businesses. We have had success recently in privatizing large companies, completing seven transaction totaling \$55 billion in assets over the last two years. But we have also completed five transactions over the same time period where we carved out assets from owners who wish to realize cash from a non-core business. These are high-quality assets, run by strong operating teams, but they were just not core to the seller's business or capital strategies.

This was the case with the acquisition of Clarios, which was an operating unit under the broader Johnson Controls, or what we call JCI portfolio. Both JCI and the Power Solutions businesses are fantastic businesses in their own right. But, for various reasons, JCI decided to run a strategic review process for their Power Solutions business which ultimately led to a sale process.

When it comes to underwriting and being the successful bidder in transactions such as this one, Brookfield has three distinct competitive advantages. These advantages allow us to consistently identify and acquire high-quality assets for which we can then create significant value. This transaction is a perfect example of how we are able to use these competitive advantages.

Our three competitive advantages that many of you are very familiar with if you have been following us for a while are: One, the scale of our business and our access to capital. Two, our proven operating capabilities that we have built up from being an operator of real assets for over 120 years; and three, our global platform and presence.

First, I will start with the scale of the transaction. In fact, this acquisition is the largest deal completed within our private equity business to-date. With the total transaction size of \$13 billion, it was funded with approximately \$3 billion of equity, including capital from our latest flagship private equity fund as well as BBU and a long-time institutional partner of ours who participated as a co-investor.

Additionally, we were able to secure \$10 billion of debt financing at very favorable terms, with no recourse to BAM, BBU the fund or any co-investors. There are a few firms in the world that can commit to a deal of this size, which in turn narrows down the competition and allows us to acquire assets at fair prices. We can do this because of our ability to access multiple pools of capital at any given time. It is this access to capital, and our ability to move quickly and deliver certainty on closing, that sellers seek on large transactions such as this one.

Carve out transactions can be particularly complex, especially carve outs of such an operationally intensive business like Clarios, and this is where our operating expertise sets us apart. We have a long history of running and optimizing manufacturing operations globally and this expertise helps us to identify opportunities where others may not see them or where others may even perceive there to be risks.

Take for example in the case of Clarios, the perceived risk surrounding the future for car batteries as the demand for electric cars grows. In fact, the industry expects the total number of cars on the road to grow by 30% globally over the next 10 years, allowing us to provide batteries to the manufacturers of these cars as well as replacement batteries for decades to come.

This is true even in a world where there is a higher take up of electric cars, as today every electric or hybrid car also has a traditional 12-volt battery that performs many of the same functions as it would in an internal combustion engine car. And to add to this, as vehicles are increasing in complexity, the car battery is becoming more critical than ever before in order to manage the increasing electrical loads in automobiles. This is driving an industry shift toward advanced batteries where we believe Clarios is by far the industry leader.

During the diligence phase of any transaction, our operating expertise is essential in understanding how to maximize efficiency and productivity, mitigate risks and ultimately get comfortable over the downside protection of capital and the ability to deliver on returns.

Our team dedicated months on the ground working through detailed diligence and coming up with a granular business plan. Our level of diligence and prior relationship with Johnson Controls in a different joint venture helped reinforce our ability to affect the carve out and complete the transaction.

Following the signing of the transaction, we started the carve out process. We worked very closely with the management team, ensuring the right infrastructure would be in place on day one to enable Clarios to operate as a standalone business. In this regard, we were able to leverage what we have learned from completing other carve out transactions in the past.

Now turning to our global presence, Clarios will continue to maintain its current global manufacturing and operations footprint. As with our other operations for which we have over 100,000 employees on the ground across all the regions that we operate in, the combination of our strong local presence on the ground, as well as our cross-border reach allows us to bring global relationships and operating best practices to Clarios. And now with the acquisition closed,

we are excited to roll up our sleeves and work on delivering on the opportunities we identified within the manufacturing and supply chain processes to further support the business' profitability and to work closely with the management team on these and other initiatives to enhance the business.

And with that I will turn the call over to Bruce. Thank you very much for your time.

Bruce Flatt: Thank you, Mark and good day everyone. Coming off a record fundraising year for us in 2018, our efforts in fundraising continue to be strong. In January, we had the final close of our \$15 billion flagship real estate fund and throughout the quarter we progress closes across many of our other fund strategies.

We also expect to reach a first close of approximately \$14 billion in our latest infrastructure fund shortly, which is on pace to be our largest infrastructure fund raised to-date. We see no signs that allocations to real assets are slowing.

Turning to investment markets, while it's on the forefront of everyone's mind that we are 10 years into an economic recovery, overall our businesses and the global environment for real asset investments look good. Within North America, economies are strong as evidenced by employment levels that are higher than we have seen in half a century.

Meanwhile, South American countries are still recovering, albeit at different levels, and Europe is slower. But the U.K. is very resilient, and we are often asked how Brexit has impacted our businesses, and in fact, most of our U.K. businesses are doing very well. As long-term investors, we do not get too concerned with any short-term government changes and we believe that in the long term the U.K. will still be a great place to invest.

Moving on, Australia is doing okay with some residential pressures. China is slowing, but is still robust relatively speaking. And India is struggling with over leverage in the financial system. But overall, we think the global markets remain very constructive for our businesses.

The same can be said for the capital markets. So far in 2019, we have not seen a slowdown in our ability to access the capital markets. An example of this, and as Mark mentioned, we successfully completed the sizeable financing for the recent Clarios transaction on very favorable terms. The markets are good, but I would make a comment that we don't see them as too good. Meaning, we do not see major excesses building, or put in quotations, yet, like we saw in 2007.

Lastly, turning to Oaktree, in March, as most of you will know, we announced our agreement to acquire 62% of Oaktree with a balance of 38% continuing to be owned by the management group who will remain with Oaktree and run the business for us.

Howard Marks, Bruce Karsh, and their management team have built a first-class asset management business, focusing on credit, and with a particular promise in distressed credit. And we are thrilled to partner with them to own this business. We believe we can learn a lot from the team at Oaktree, and while their business will be run separately from ours, we believe there is still many ways that we will all gain.

The strategic benefits of the partnership should come by way of a combined delivery of our products to our clients. From an opportunistic standpoint, as many of you know, we have been bolstering our financial resources in preparation for the inevitable downturn in markets in credit that will come at some point in time in the future. This partnership should strengthen our position in this regard.

And as some of you have asked since the announcement of the deal, Oaktree also participates in private equity, real estate, and the infrastructure asset classes. In this regard, we intend to retain two premier brands in the marketplace; Brookfield as the large scale transaction brand, with funds

that are between the range of \$10 billion to \$25 billion, and Oaktree as the boutique smaller fund sized brand with funds, say, up to \$5 billion and we intend to support both of those strategies in many ways.

As for the timeline of the transaction closing, our initial plan for working through our required approvals is on track and we continue to target closing in the third quarter of 2019. So, when that time comes, we hope that shareholders of Oaktree will keep their shares and join the rest of us.

Operator, that completes my remarks and we will turn it back to you for any questions that there may be from the lines for any of us.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

Our first question comes from Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne: First one is for Bruce. I've read a few articles recently suggesting that China's ongoing deleveraging program may be creating sort of a window of opportunity for foreign investors. And was just hoping you could get some Brookfield perspective on that.

Bruce Flatt: Yes. So as most of you know, our presence in China is small relative to the rest of the business. But we've been increasing our investments there over the years. We recently committed to a number of real estate purchases and a solar power joint venture. And not yet closed, we committed to buy a major office complex in Shanghai.

I would just say that generally what we do is set up in countries where we have the ability to acquire assets and wait for times when more dislocation happens than when capital is freely available. And for the first time in a long time, I think the local state-owned entities and some of the entrepreneurs in China are paying back – are deleveraging and paying that back to banks.

And usually, what that means is that we can find opportunity to participate in transactions. So, I think odds favor us doing more things in China, although, we are always careful when we're in places where we're less familiar. So, for a long time it won't be a major, major presence of the company, but it keeps increasing every year.

Cherilyn Radbourne: And then secondly, I was hoping that one of you could comment on the trend among your peers to convert the C-Corp structures and standardize on distributable cash flow as the key earnings metric. And whether you think those changes will be helpful in terms of how the market values your own asset management franchise and particularly the carried interest component?

Brian Lawson: Sure Cherilyn, this is Brian. I'll take a shot at that. So, I guess, as a general observation, we welcome that in the sense that it makes the class more comparable, makes us and our structure more comparable as well. So, I think generally it's helpful.

In terms of the specific metrics you're referring to, we do think that's a useful way. And as you know, we've been focusing more on what we refer to as cash available for distribution and reinvestment. And – because we do think it provides a pretty clear insight on the business and how it's performing in terms of the cash flows generating.

And then of course gives some sense as to what we have available to us in pursuing growth opportunities within the business, and we've also referenced potentially returning the cash to shareholders as well down the road. So, I think we're pleased with both developments and I think it's helpful to us.

Operator: Our next question comes from Bill Katz with Citi.

William Katz: I guess, maybe come back to your Oaktree transaction for a moment, just want to talk about the internal decision of build versus buy. And then is there any way to sort of lay out the potential financial accretion related to transaction?

Bruce Flatt: I'll maybe take the first part and Brian can ponder the second part, whether he can answer that given where we are with the process. But I would just say the first, and I've said this often before and an investor said to me the other day, he wasn't sure that I was correct. But I'll state what I have said before and I'll make a couple of comments on.

And what I've said before is, probably over the next 10 years, we could have built a credit business like Oaktree. And what the investor said to me is, "I don't think you could have in the next 10 years built a credit business like Oaktree." And I guess the point was – this is one of the finest credit businesses focused on distressed credit in the world and the individuals that have built the business and the whole team has spent the last 25 years doing it and – even more than that.

And I think probably that's a correct comment. Because I don't think many people can build the businesses we have in 10 years, and it might take 25 years. So, it gives us instant credibility in the markets to raise significant amounts of capital in those areas and moves us forward in a much more significant pace. So, we just felt that it was the right thing for us to do.

Brian Lawson: Yes. So, in terms of the financial side, Bill – its Brian here. The way that we've positioned it to-date and communicated, I'd say we've used the word sort of "modestly accretive." But generally, this is not about an immediate step up in returns in the near term or anything like that. This is the transaction that we think is fair for everybody involved and it's a good transaction.

And as Bruce alluded to, a lot of this is about really building our collective ability to grow the business. And so, hence that obviously it's going to happen as we progress. And I would note the transaction is not closing for something yet. So – and we're somewhat limited in what we can communicate on that front in any event.

William Katz: Just in terms of the realization – Brian, maybe one for you as well, you sort of – you hedged your answer little bit on \$1 billion. Is there sort of a shift in your expectations around the pace of realizations this year around that \$1 billion plus or minus in either direction?

Brian Lawson: No, it wasn't really intended to be a scaling back. As you know, these things are all transactions and so they're depending on a number of things. So, I don't think we'd be hedging or qualifying that any differently today than we would have when we first alluded to the prospect of generating that carry.

Operator: And our next question comes from Robert Lee with KBW.

Pell Bermingham: This is actually Pell Bermingham on for Rob Lee. I was wondering if you guys could provide more color on your fundraising pipeline kind of two to three years out after sort of these big flagship fundraisings kind of wrapping up. What sort of new strategies you may be launching and focused on?

Brian Lawson: I would – the comment I would make is every few years we raise flagships. So, as we wrap these up, we would expect to have another flagship come 18, 24, 30 months afterwards. So, you can think about for each of the flagships.

On top of that, we're always fundraising for our open-ended strategies and those continue to grow, and I would say they take a long time to start. But once they get going and get invested, they often can attract significant amounts of capital. So, we continue to grow those.

And then all the other strategies that we have, we're constantly in the markets fundraising for those. In general, we raise \$10 billion to \$25 billion a year and I think that will continue in the future.

Operator: Our next question comes from Dean Wilkinson with CIBC.

Dean Wilkinson: Just a two-part question on the opportunities that the stock market volatility is creating. Are there any specific areas that you are looking at where you see value or is it just as it comes to you?

And the second question is, would you look at partial ownership interest there, sort of like Berkshiresque, if I can say, way or do you want it on all or nothing ownership?

Brian Lawson: So, the answer to the first question, just where are the opportunities coming from, I would say we're always looking at businesses in the stock market that are in our areas of expertise. And that's a pretty wide group of stocks when you look – when you have a global mandate and we're in the number of countries that we have. So, I wouldn't say it's – it's not in any specific area, but it's in the areas that we're invested in. So, I'd say that's the way to think of it.

And then, as the partial interest, I would just say that we've tended not to own partial interest in companies, because our strategy has been to operationally rework businesses and that's not really what you do when you're into partial interest. So that's not to say that we wouldn't own partial interest and we do own partial interest of companies, but it's generally not the strategy that we deploy.

Operator: Our next question comes from Mario Saric with Scotia Bank.

Mario Saric: I just wanted to touch on return of capital, Brian you mentioned earlier on the call. I think with your Q2 results last August you noted the plan to reduce the share count back to '99-line levels over the medium term.

And recognizing, I guess, timings predicate on many things and can ultimately dictate if there are opportunities, can you just comment on whether the Oaktree transaction and the issuance's just over 50 million BAM shares as part of the deal changes either kind of the timing of that medium-term definition or the absolute scope going forward? So, in essence, can have plan right or ultimate decimation changed as a result of the transaction?

Brian Lawson: Sure. So, Mario thanks. Actually, there's no real change in terms of the overall strategy. And to flush that out, I'd kind of revisit that the central themes to it; One is, as noted, we have significant cash flow today and that's growing significantly.

And when we think about what we want to be doing with that cash flow to enhance value, we look at – and what we've done principally over the past period of time has been reinvesting in the business and investing for growth of the business. So clearly the Oaktree transaction falls into that category. And we do value the opportunity to be able to return capital to shareholders and we have typically done that in the way of repurchasing our stock and so that's still a very compelling use of capital to us.

So, if you pull that all together, it's still going to be a mix over the next number of years about how do we allocate that cash flow. Growing the business, clearly that's an Oaktree priority and we'd say – I'd say, we generally have a tilt towards growing the business as opposed to buying back stock. But, when we see that cash flow stripping the ability to put it back into the business – to grow in the business, then we will look at more the return to capital side, more on the stock buyback side.

So, I'll frame the answers that way. And obviously, we're going to be putting a meaningful amount of cash to work with the Oaktree acquisition and so that means that that cash is not available for stock buybacks, but it doesn't influence the overall longer-term strategy.

Mario Saric: And my follow up would be, if you can provide us with an update on the syndication efforts on the acquired 28% interest in New York real estate portfolio from BPY last year.

Brian Lawson: Sure. So, I guess the shorter answer to it is we continue to own that interest and we're continuing to work on syndicating and monetizing those assets.

Operator: (Operator Instructions)

Our next question comes from Sohrab Movahedi with BMO Capital.

Sohrab Movahedi: I just wanted to also go back to the commentary in the shareholder letter, Bruce, about opportunities in the take-private kind of realm of things. I guess two-part question on that. Would that suggest more of a bias in the BBU franchise or across I guess the rest of the franchises as well? I'll think of it like that.

And then secondarily, does that alter any of the views you would have shared last quarter around periods where it's good to deploy capital and then there are periods where it's good to retain dry powder?

Bruce Flatt: Yes. Those are all, those are all excellent points. I guess, I'd start maybe with the last one. The comments in the letter about stock market volatility and doing take-privates really has nothing to do with a macro cycle comment, and I'd say our view is still the same.

We're at the upper portion of the cycle, where we are, not sure. And in that point, we should all be very careful about how we're deploying our capital, making sure we have our balance sheets in good shape and capital available if and when the market turns. So, I wouldn't say it changes our overall macro – general thesis of how we invest.

The comments really are towards in all of our areas – so to answer your first question, as opposed to just BBU. In all of our areas we continue to see increasing differentiations between stocks in the global markets and some shares not trading at fair value.

And as a result of that, it just presents more opportunity and we increasingly having the ability to take companies private and successfully done it many times and having the credibility to do it and the capital available to do it. It allows us to be able to access those that many people can't, and that's just, I'd say, that's always been out there. It's just we see an increasing disparity between what we would view often as fair value and what trading prices are in some securities

Sohrab Movahedi: And maybe just as a follow up, depending on where the growth comes, regardless of whether I guess it's the take-private or otherwise, as far as capital deployment. Is there one franchise or over another that would be accretive or dilutive to do over all margins?

Bruce Flatt: I think this will answer your question. But our opportunistic strategies that have the highest returns, it's natural would pay the highest fees. And opportunistic real estate and opportunistic – I'd call it private equity, are the highest returning strategy we pay and they pay the highest fees.

Infrastructure is in the middle of the road and credit would be farther across other than real distressed strategies. So – but they're not meaningfully different in what the earnings out of them are. There's not a significant difference between.

Operator: And our next question comes from Andrew Kuske with Credit Suisse.

Andrew Kuske: I guess, the first question is, when you look at all your historical funds and you look at just the factors. What factors have created the big delta from the dollars raised at first close to final close? What are the things we should be looking for on your existing set of funds that are out there?

Bruce Flatt: Andrew, do you mean like how do we earn how do the returns get earned out of the funds generally?

Andrew Kuske: More and more the absolute dollar size and maybe just a more on a more specific example, I think the last BIF III, the last infrastructure fund, your sort of mid-close announcement was call it \$11 billion or \$12 billion, and I think the fund landed at \$14 billion in the end. So, it's more from when you announce something like this morning at \$14 billion, where do you expect the final close? And what sort of changes that number.

Brian Lawson: Yes. Andrew, I'll just make one limited comment on that, which is – I think it's really hard to go from a predecessor example, because a lot of times it'll depend on the pace of fundraising given where you might have set a hard cap and there are a whole variety of potential influences on it. So, I think it would be not wise for us to try and extrapolate from one to the next in these circumstances.

Andrew Kuske: Maybe just a broader question is, as your fundraising momentum is increasing. I mean, you historically had a unique view versus some of the other alts out there by offering co-investment to your largest clients. So as the funds get bigger in scale, will that remain a feature of your deployment offering or that could be less of a focus given the fact you're going to have bigger funds out there?

Bruce Flatt: I would just say we were trained by many large institutions when we started into the investment management business by doing co-investments with them. We think it offers an added feature to be able to do it. It gives us extra firepower to be able to do larger transactions.

And even though the funds are getting bigger, we've been able to offer very significant amounts of co-invest to our clients. We intend to do that increasingly, as in the same amounts and hopefully larger amounts going forward, because we think it's important to them and therefore it's important to us.

Operator: And this concludes our question and answer session. I will now hold the call back over to Ms. Fleming.

Suzanne Fleming: Thank you, and with that we will wrap up the call. Thank you everyone for joining us.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program and you may all disconnect. Everyone have a wonderful day.