

Letter to Shareholders

Overview

During the second quarter we continued to grow the business on several fronts. We announced the \$14.5 billion first close of our latest flagship private infrastructure fund and added capital to our latest flagship private equity fund, as well as our other private long-life real estate and infrastructure funds. Our listed partnerships achieved their plans for the quarter, and the share price of each recovered as stock markets around the world advanced. This enabled us to pre-fund their equity plans by issuing \$840 million of equity for Brookfield Business Partners, and \$825 million for Brookfield Infrastructure Partners.

Overall liquidity at Brookfield and our permanent listed partnerships stood at nearly \$15 billion. In addition, we have over \$35 billion of committed capital from private clients available for investment. With nearly \$50 billion of capital available, our resources have never been stronger. This is particularly important, given that we are now 10 years into this market recovery.

We invested \$33 billion of capital across our businesses over the past twelve months. This included one of the largest battery companies globally, a number of data infrastructure businesses, 50% of a solar power development business, a rail company, a hospital business, and the continued build of our real estate development projects. At the same time, we monetized a number of assets where we had achieved our goals—and with capital markets open, we continue to dispose of assets across our businesses.

Market Environment

The global business environment continues to be constructive despite the constant political distractions. The U.S. economy is slowing but still remarkably resilient, and with interest rate reductions started, should stay positive in the short term. Europe is decelerating—due largely to a trade slowdown, although it is worth recalling the stress Europe was under just a few years ago. We are a long way from that.

India's growth is strong, although corporations are capital constrained. This is leading to opportunity for us. Brazil is stuttering, however with pension reform tail winds, business investment is expected to recover. Asia is being hit with an export slowdown but will still grow at strong rates on a relative basis.

Long-term interest rates are now back below 2% in the U.S., and negative in both other major markets for capital globally: Japan and Europe. We are not certain what that means for the global economy, but we do know that in this environment real assets and businesses tend to earn high returns on a relative and absolute basis and can be leveraged for the long term at low interest rates. This results in excellent cash on cash returns. For investors looking for yield and overall return globally, the types of assets we acquire are one of the few places left to earn a decent return.

Capital is freely available both in the credit and equity markets. Global sovereign and institutional investors continue to increase allocations to the types of assets we invest in for them. While good for our capital raising activities, this has commensurately increased capital to other sponsors like us, and therefore increased competition for investments. Despite this, and largely because of our scale, global business and operating capabilities, we believe we will continue to be able to invest capital in good companies on behalf of our investors in a disciplined way and generate strong returns.

Performance in the Quarter

Total assets under management are now over \$385 billion, as we continue to raise and deploy additional capital across our businesses. This does not include the Oaktree transaction, which is targeted to close in this third quarter. This will bring total assets under management to approximately \$509 billion and fee bearing capital to approximately \$227 billion.

AS AT AND FOR THE TWELVE MONTHS ENDED JUNE 30 (MILLIONS)	2015	2016	2017	2018	2019	CAGR
Total assets under management	\$ 217,948	\$ 243,479	\$ 257,538	\$ 287,025	\$ 388,327	16%
Fee related earnings (before performance fees)	436	639	707	783	954	22%
Gross annual run rate of fees plus target carry	1,430	1,950	2,150	2,590	3,435	24%
Cash available for reinvestment or distribution to BAM shareholders	1,044	1,531	1,750	2,184	2,512	25%

We raised \$19 billion of private fund capital in the quarter, bringing the total capital raised over the last twelve months to \$40 billion. This included \$27 billion of commitments for our latest round of flagship funds and \$13 billion for our newer strategies and from co-investments. Our private fund investor base now stands at over 700 institutional investors, as we raised new commitments from investors across all geographies.

We completed the first close of \$14.5 billion for our latest infrastructure fund. We also raised additional capital for our latest flagship private equity fund, which currently has commitments of approximately \$8 billion. We also continue to raise capital for our perpetual life real estate and infrastructure funds and are considering launching a similar long-dated private equity fund.

We launched our Special Opportunities Program with an initial close of \$1.0 billion and are targeting approximately \$5 billion. This is a tailored program with the flexibility to invest in a wide range of global opportunities—from credit to hybrid to equity—that fall outside the investment mandates of our existing private funds.

We invested \$7 billion of capital during the quarter. We closed on our acquisition of Healthscope, the second largest hospital group in Australia, for \$4 billion. Having built and operated hospital facilities for years, we decided that this was a good business opportunity to utilize all of this knowledge. We also announced the \$2 billion acquisition of one of the two main mobile phone/internet providers in New Zealand which owns significant infrastructure across the country. We also advanced developments in our real estate business, sold a number of assets at strong prices, and announced the acquisition of 50% of a solar power development business in Spain.

Fundraising and capital deployment across the business contributed to strong operating results. Our FFO from invested capital performed well as a result of new investments and operational improvements at our existing businesses. We also recognized gains on the sale of our facilities management business and a residential relocation business. Within our asset management business, our gross annual run rates on fee revenues plus target carry stands at over \$3.4 billion, or \$2.2 billion net of costs. For the last twelve months, fee related earnings increased 22% from the prior year, to \$954 million before performance fees.

Going forward, we expect our margin on fee related earnings to benefit from full period contributions from the latest round of flagship fundraising, as well as additional fee revenues from the BPY capital issued in association with the privatization of its retail business. We also recognized \$536 million of carried interest income into profits, before costs in the last twelve months. Carried interest of \$190 million recognized in the second quarter was related to asset dispositions in our fourth flagship private equity fund as well as our first flagship real estate fund. We will continue to sell assets within these funds as we find exit opportunities at optimal value. With that in mind, we expect to recognize additional carried interest from both of these funds in the second half of 2019 and the first half of 2020.

Free Cash Flow

There are many factors that contribute to the success of a business and various ways to measure that success. Increasingly, we have been focusing our reporting on a few key metrics. One of the most important measures, we believe, is the Free Cash Flow available for shareholders. This measure is important as it is the cash that can be utilized by owners for investment, or distributed back to owners (similar to what remains in a bank account after paying the bills, making home repairs, and paying for the family expenses).

Our Free Cash Flow is expected to grow steadily and in the absence of something more beneficial, we will increasingly return this cash to shareholders through increased share buybacks (our preferred choice) or increased dividends. The following table was shown in our recent prospectus, but we thought worth highlighting here as it was on page 82 of the document, and some of you may have missed it. It highlights the expected Free Cash Flow generated in Brookfield's parent company (before the Oaktree transaction) over the next five years.

(MILLIONS)	2019	2020	2021	2022	2023
Free Cash Flow ¹	\$ 2,550	\$ 2,990	\$ 3,400	\$ 4,180	\$ 5,390

1. "Free Cash Flow" is cash available for distribution and/or reinvestment as defined in our Supplemental.

As you can see, should we be successful with our plans, the Free Cash Flow numbers grow significantly. To emphasize this, if we achieve our plans, in five years we will be generating an 11% Free Cash Flow yield for shareholders on our current equity market capitalization of approximately \$49 billion. This compares to zero return in a bank account and 2% on a 10-year treasury bond. Assuming we have not determined that there is a more beneficial use for this cash, our base case plan is that $\pm$ \$50 billion will be available to be returned from time to time to shareholders over the next 10 years.

The recently announced transaction with Oaktree utilizes \$2.4 billion of cash that could otherwise have been returned to owners. We will also issue approximately 53 million Brookfield shares to complete the transaction. This moves us in the opposite direction to reducing the share count and returning capital; however, we think the benefits of buying Oaktree will be as great or greater than returning the capital to shareholders, as we will add an exceptional asset management franchise to Brookfield. The benefits are expected to enable us to achieve more on a per share basis than we could have without the addition of Oaktree. Rest assured, it has not altered our long-term plans for the return of capital to owners.

Genesee & Wyoming (G&W)

We look for investment opportunities that allow us to utilize our competitive advantages to earn attractive returns. The recently announced take private of Genesee & Wyoming, Inc. ("G&W") for a total consideration of \$8.4 billion is an example of this approach at work.

G&W is a strategic rail business with a long history of providing critical "last mile" transport and related services to a base of 3,000+ customers. It is the lowest cost provider of this necessary market connectivity to customers and Class I rail operators, and benefits from limited competition across its service area. The large customer base and diversification of goods moved across its network result in a cash flow profile that is resilient through economic cycles. This is a rare opportunity to make a significant investment in a business that forms an essential component of the transportation network in the world's largest economy.

This transaction highlights three key advantages we have that we believe will enable us to earn strong returns over the long term. They were all critical in enabling us to move fast to execute on this opportunity.

First, our size and scale provide access to multiple sources of capital, which enabled us to assemble the capital in a short period of time. We were able to access capital from our publicly listed infrastructure entity, our latest private infrastructure fund, and from a number of co-investment and joint venture partners.

Second, our global presence provides us with a unique perspective across the global markets where we operate. In this case, we formed an investment thesis informed by our experience as owners and operators of logistics networks that include rail and port operations in the U.S., Australia, South America and the U.K. This expertise

allowed us to underwrite the company's international operations. Being both a local and global business makes a difference.

Finally, our significant operating capabilities in this sector allowed us to establish views on unlocking value to earn the returns we require for our capital. Our key areas of focus for G&W include margin improvements and utilizing our relationships to maximize commercial opportunities to position the business for growth. The company also has an expansive and attractive real estate footprint across North America and the U.K., with certain sites to realize value through alternate uses. We will look to leverage our expertise in real estate development to explore these opportunities, something that most other purchasers likely did not focus on.

Vistra Investment

Several years ago, we formed a consortium to acquire distressed debt in a Texas-based electricity generator called Energy Future Holdings. In 2016 following a lengthy Chapter 11 bankruptcy proceeding, the company emerged from bankruptcy as Vistra Energy.

Over the past few years, we have assisted Vistra in hiring a new management team led by industry veteran Curt Morgan. Under his leadership and following a series of acquisitions, as well as a repositioning of the business, Vistra is now a leading competitive power producer in the U.S., serving 3.7 million retail customers in 20 states, and with a generation fleet totaling 41,000 megawatts.

The company has been substantially transformed from a Texas-only business to one that today has many competitive advantages that give it strong investment characteristics, including (a) a national integrated retail and generation platform with high-quality generation assets supporting the lowest operating costs in the industry; (b) diversity in fuel types, including natural gas, wind and solar generation; and (c) stable cash flows backed by its large-scale retail customer base and capacity payments.

Through a combination of improved operating performance and synergies, annual cash flow has improved by more than \$1 billion, and the business now expects to generate \$3.3 billion in annual adjusted EBITDA and \$2.2 billion in annual adjusted free cash flow. Its strong cash flow generation has enabled Vistra to reduce debt (it is well positioned to achieve an investment grade credit rating in the near future with this continued performance) and repurchase shares. To put this in context, the business is yielding greater than 20% in free cash flow relative to its current equity trading price, meaning the company, in the absence of something better, could buy itself back within five years.

Given that the share price of Vistra has doubled since emerging from bankruptcy, we plan to distribute our consortium's Vistra shares to individual consortium members. That said, we believe the trading price of the company's shares remains remarkably inexpensive and have the potential to increase considerably. As a result, we intend to hold a portion of our own investment in Vistra for a much longer duration.

Asia-Pacific

The Asia-Pacific region represents \$36 billion of our assets under management, or approximately 9% of the total. Australia is the largest portion of this, and we have made great strides with our business there over the past 15 years. India is next, and our scale continues to grow with recent large property and infrastructure transactions. Our presence also continues to grow in China, Japan and South Korea, and while each of these markets will be important, it is inevitable due to sheer scale that over the long term, China will be the largest investment concentration for us in this region.

China continues its march toward becoming one of the leading global economies, and while its growth rate has slowed, it still exceeds 6%—a very rapid pace. More importantly, its economy continues to mature in terms of the institutions, support structures, capital markets and ease of doing business. Of particular relevance to us is China's real estate market, which has now matured to the point where its major cities resemble most global office markets, and therefore opportunity exists to acquire scale investments. It is also apparent to us that the quality of product and service is generally lower than most global organizations are used to, and therefore can be upgraded for international companies. We believe this will be an attractive opportunity for us for years.

In retail, e-commerce is at greater percentages than anywhere else globally. Ironically, this is because the property offerings for retailers lagged the market build-out of e-commerce. As street and mall retail is built to be utilized by retailers, this integration is the opposite perspective to Western markets, but it is happening and will offer investment opportunities. Industrial and cold storage build-out has years to go to even come close to matching Western economies, and therefore we believe these areas of investment will also offer opportunities for years.

In power, Chinese renewables continue to capture the largest percentage of new build-out, however thermal generation will be extremely important as base-load capacity. We are installing solar on rooftops of industrial properties, and we own wind facilities where we sell power into the grid. Our focus will continue to be on well-located renewables in major population markets in China and Japan. In China, we have yet to find infrastructure opportunities we feel comfortable with, but we are confident that we will eventually also build a presence in this area.

The banks in China are now encouraging companies to reduce debt, which means that for the first time we are seeing excellent opportunities to acquire assets from owners without having to complete ground-up construction. For example, we recently bought a major mixed-use office complex in Shanghai for \$1.5 billion, as well as three completed community retail centers. We believe this trend will continue and it will therefore present excellent opportunities.

We are laying the foundation for significant growth in Asia. As a result, it is reasonable to estimate that in 10 years, the Asia-Pacific markets will represent 25% of our total assets under management, offering significant growth for our business.

Closing

We look forward to seeing you on September 26 in Manhattan at our Investor Day. If you cannot attend in person, our main sessions will be webcast live on our website, and also available for replay.

We remain committed to being a leading, world-class alternative asset manager, and investing capital for you and our investment partners in high-quality assets that earn solid cash returns on equity, while emphasizing downside protection for the capital employed. The primary objective of the company continues to be generating increased cash flows on a per share basis and as a result, higher intrinsic value per share over the longer term.

Please do not hesitate to contact any of us should you have suggestions, questions, comments, or ideas you wish to share with us.

Sincerely,



J. Bruce Flatt
Chief Executive Officer

August 8, 2019

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This letter to shareholders contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Brookfield Asset Management Inc. and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.”

Forward looking statements also include references to “free cash flow” or “cash available for distribution and/or reinvestment.” Where this letter refers to future estimates of “free cash flow” or “cash available for reinvestment,” it is based on, among other things, assumptions regarding: (i) growth in private fund fee bearing capital (in particular, it assumes that flagship funds are raised every two to three years based on historical growth in fund series and non-flagship funds are raised annually within certain strategies, and in others, every two years and funds sizes remain constant and consistent with target funds from period-to-period; distributions are based on fund realizations evenly over three years of sales; and the year in which sales commence range from year 6 to 10 depending on investment strategy); (ii) growth of and future distributions from listed partnerships (in particular, it assumes that BIP, BEP, and TERP grow at a rate equal to the mid-point of their target distribution growth rate, assuming current yield; the market price to IFRS discount on BPY is eliminated; BBU share price grows at a 10% annual rate; and total listed partnership capitalization includes issuances related to debt and preferred equity for BPY, BIP, and BEP, based on a debt to total capitalization ratio of 20-30%); (iii) carried interest on existing funds based on June 30, 2018 carry eligible capital (in particular, it assumes that existing funds meet their target gross return which are typically 20+% for opportunistic funds, 13% to 15% for value add funds, 12% to 15% for credit and core plus funds); and (iv) cash flow from financial assets (in particular, it assumes 8% annualized total return on the weighted average balance over the last twelve month period).

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of Brookfield Asset Management Inc. to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: investment returns that are lower than target; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behavior of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; the performance of the Brookfield Asset Management Inc. shares or the stock exchanges generally; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; ability to collect amounts owed; catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts and cyber terrorism; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Brookfield Asset Management Inc. undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Past performance is not indicative nor a guarantee of future results. There can be no assurance that comparable results will be achieved in the future, that future investments will be similar to the historic investments discussed herein (because of economic conditions, the availability of investment opportunities or otherwise), that targeted returns, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved.

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