

Letter to Shareholders

Overview

During the third quarter, markets were positive, liquidity was strong, and most of our businesses performed on plan. We moved forward on numerous strategic initiatives, advanced fundraising, closed our Oaktree transaction, and continued to invest capital.

The backdrop for investing capital into alternative assets continues to be very favorable, and the long-term trend appears to be even stronger. We continue to strengthen our position as a leading global alternative asset manager, enabling our investors to benefit from our scale, global reach and operating expertise.

Total assets under management now exceed \$500 billion, and our total capital available for new investments increased to ±\$65 billion. We are actively adding capital in virtually all areas across the business and while we are cautious about overall market conditions, we continue to find attractive opportunities to put capital to work.

Market Environment

The global business environment continues to be a tale of two cities. Business fundamentals in most markets are still good: slower than 2018, but still very constructive. On the other hand, politics dominate the headlines and continue to unsettle investors. Looking longer term, however, these conditions in themselves are creating opportunity for investors like us who have on-the-ground intelligence and can therefore differentiate between headline news, and news that actually affects business fundamentals.

Interest rates continued to settle back in at historic lows, with the potential for them to go even lower when a global slowdown occurs. With interest rates in Japan and Europe now negative for all maturities, we seem to be in a new phase with global rates in the range of -2% to +2% for the next five to seven years. This is particularly relevant for us and will positively impact on all asset values and businesses that generate cash.

Should this interest rate environment continue to prevail, and with institutional capital growing, we expect that capital will increasingly be allocated to alternatives. We think that institutional investors will continue a push towards 60% alternatives allocation in their portfolios—from a global estimate of 25% today.

Performance in the Quarter

Our asset management operations generated strong results as a result of both significant fundraising over the last twelve months and the increase in unit prices across our listed partnerships. Fee related earnings before performance fees increased 35% over the prior year quarter; and this excludes Oaktree's fee related earnings as the acquisition closed at quarter end. In total, annualized fees and carried interest are now \$5.4 billion—including annualized fee revenues of \$2.8 billion, and annualized target carried interest of \$2.6 billion.

AS AT AND FOR THE TWELVE MONTHS ENDED SEPTEMBER 30 (MILLIONS)	2015	2016	2017	2018	2019	CAGR
Total assets under management ¹	\$220,383	\$238,015	\$268,987	\$331,622	\$510,565	23%
Gross annual run rate of fees plus target carry ¹	1,399	1,992	2,210	2,700	5,387	40%
Fee related earnings (before performance fees)	448	690	720	823	1,034	23%
Cash available for reinvestment or distribution to BAM shareholders						
– Total	1,068	1,622	1,795	2,449	2,448	23%
– Per share	1.10	1.66	1.84	2.50	2.50	23%

1) 2019 includes 100% of Oaktree assets under management, annualized fee revenues and target carried interest.

Our income over the last twelve months included \$595 million of realized carried interest before costs, including \$59 million in the current quarter from capital returned within our first flagship real estate fund. We expect continued realizations within this fund in the fourth quarter of 2019 and in the first half of 2020, as we sell the remaining investments and return capital to investors. As a result of our normal course fundraising and the Oaktree acquisition, total assets under management are over \$500 billion, and we continue to raise and deploy additional capital across our businesses.

We raised \$2 billion of private fund capital in the quarter, bringing the total third-party capital raised over the last twelve months to just short of \$30 billion. This included \$19 billion of fee bearing capital across our latest round of flagship fundraising, \$3 billion in our long-life fund strategies, and \$6 billion in other funds and co-investments. We also added \$102 billion of private fund fee bearing capital as a result of the closing of Oaktree. Together with Oaktree, we now have ±\$275 billion of total fee bearing capital, and our private fund investor base includes over 1,800 investors.

Subsequent to quarter end, we completed the final close of our fifth private equity flagship fund, raising \$9 billion. We expect our latest flagship infrastructure fund to hold its final close by the end of 2019 or early in 2020, bringing to completion the latest round of flagship fundraising. Together with co-investment capital raised to date, this round of flagship fundraising will total approximately \$50 billion. More importantly, with the growth of our strategies and our expanded credit franchise, we expect the next round of fundraising for our flagship funds to be ±\$100 billion. Our latest flagship real estate, infrastructure and private equity funds are approximately 45% invested in aggregate, and we therefore anticipate that we will be back in the markets with our flagships in 2021/2022.

Our investment partnerships also continue to grow. Our listed partnerships have seen combined growth in their funds from operations (“FFO”) over the last twelve months of more than 13%. This growth came from strong transportation volumes and expansion projects within our infrastructure business, strong wind pricing within our renewable business, margin improvement within a number of our private equity businesses, and leasing and new developments coming online within our real estate business. We have deployed \$33 billion of capital across our funds and listed partnerships over the last twelve months and expect to see this contribute to further growth in our invested capital and FFO going forward.

Investor Day

During the quarter we hosted our annual Investor Day at Brookfield Place in Manhattan. The event was webcast live and the materials are posted on our website. A quick summary is as follows:

Brookfield Asset Management’s outlook is strong; global interest rates appear likely to stay low for a while, causing institutional investors to allocate larger amounts of their capital to alternatives. Alternatives are therefore no longer ‘alternative,’ but rather mainstream, and we think they could reach a percentage of 60% of institutional funds in the next 10 years. In addition, asset values in this environment are increasing, as recourse only borrowing is cheaper, leveraged equity returns are higher, and investors’ choices are fewer. Our next round of funds, including credit, should reach \$100 billion, and all of this positions us well for the coming several years. As our cash generation continues to grow, we will need to decide if, when, and how to return capital to shareholders.

Brookfield Property Partners has transformed itself over the past five years since its spin-off from BAM. In addition, NAV and cash flows have grown at a compound $\pm 10\%$ annually. For various reasons, similar to most real estate securities, this is not reflected (yet) in the stock price, enabling a buyer today to make an investment at an estimated 35% discount to the appraised IFRS value of its underlying assets and a going-in yield of over 6%. This is almost unprecedented for the quality of portfolio that this entity owns. As a result, BPY has been repurchasing units with extra cash while adding value through completion of its significant development program. The opportunities to redevelop retail centers into office, residential, hotel, and other uses are expected to continue for many years, and we have some incredible office projects coming online in the next few quarters. This should enable cash flows to grow at 7% to 9%, and NAV to compound at $\pm 15\%$ for years. At today's trading price, this is a great opportunity to own this business at a 35% margin of safety to IFRS value.

Brookfield Infrastructure Partners owns one of the highest quality, most diverse group of utility assets globally. In the 13 years since its spin-off, we have compounded the returns to investors at an annualized 18%. Going forward, with the critical mass to set us apart from most others, we believe we can continue to operate our assets well, dispose of mature ones, and acquire new ones opportunistically to drive 6% to 9% annual cash flow growth. In conjunction with a growing cash distribution, this should drive 12-15% in annualized returns to investors looking forward. These assets are the backbone of the global economy, many of which will continue to exist 100 years from now.

Brookfield Renewable Partners is one of the largest privately-owned renewable energy entities in the world and has produced a 16% annualized compound return over the past 20 years. We believe that the renewables industry is at an inflection point: wind and solar are now profitable without subsidies, and the push for decarbonization of the electricity grid is substantial. We believe we can continue to grow our cash flows at 5% to 9%—and with the cash distribution, this generates an all-in return to investors of $\pm 15\%$. In addition, owning one of the largest renewable businesses ensures that we are on the right side of one of the dominant trends in the global economy today.

Brookfield Business Partners has now reached a critical mass and has acquired some exceptional businesses since its launch. An investor in this entity participates in all the private equity strategies in which we invest for our private clients. Recently we added Clarios, the largest battery provider to the automotive industry; Westinghouse, the leading infrastructure services provider to the nuclear industry; and Healthscope, a leader in private hospitals in Australia. We also sold a facilities management company and an industrial mining business for substantial gains. This entity is focused on achieving NAV growth of $\pm 15\%$ on an annualized basis over time, with substantial upside to the NAV if we successfully execute our plans for these exciting businesses.

Oaktree

We completed the acquisition of approximately 61% of Oaktree, with the balance continuing to be owned by the current and former management partners. This is a very exciting partnership for us, and Oaktree continues to deploy capital into all of their primarily credit strategies, as well as raise capital for successor funds or adjacent strategies. In addition to this, we are working to help them scale up some of their strategies and are considering where we can jointly provide products to our clients.

We are thrilled to also benefit from the world-class expertise of the Oaktree team. Oaktree is the premier global credit franchise, and we intend to utilize this expertise to make us better investors in everything we do. This should enhance our ability to engage with our clients in more ways and help them achieve their investment objectives in a more responsive and all-encompassing fashion. It is still early days, but we are pleased by our progress to date.

Longer term, Oaktree will also help us prepare for the inevitable downturn in the markets. We are positioning ourselves to put our resources behind the Oaktree franchise to allow it to excel even more when, inevitably, the market turns.

Data Infrastructure

Over the last few years, we have focused on growing our data infrastructure business. Data has been one of the fastest growing commodities in the world, and we expect this to continue for the foreseeable future. This is being

driven by several factors, including greater smartphone penetration, increasing video consumption, and the advent of 5G networks. It is also driven by more connected devices everywhere, greater use of artificial intelligence, and other applications that are being developed every day.

We believe strongly that as people, places and objects become increasingly interconnected, the importance and value of data infrastructure assets will continue to grow. Given the ongoing evolution and innovation taking place in the telecom sector, we are looking to partner with telecom owners by investing in and leasing back their infrastructure. The other factor that is helpful to this trend is that the capital required to build out this data infrastructure is far greater than the capital the traditional telecom owners typically have access to within their own financial resources.

We own the leading independent telecom tower operator in France, with over 7,000 towers and active rooftop sites. More recently, we secured an exclusive agreement to invest into one of the largest privately-owned tower businesses in the world—130,000 telecom towers that support Reliance Jio in India. We have also been acquiring and building out fiber networks. Our U.K. regulated distribution business is deploying fiber-to-the-home networks in new housing developments as part of its multi-utility offering in response to customer demand for faster and more reliable broadband solutions. Meanwhile, our French telecommunications infrastructure business is rolling out four fiber networks to connect over 700,000 households in the next few years as part of the French government's national broadband plan, and in New Zealand we are deploying 5G technology on our networks.

Lastly, we have been active in acquiring data centers, and now own businesses on three continents. We own a U.S. business that deals with large, blue-chip enterprise customers and the U.S. Federal Government, having acquired it as a carve-out from a major telecommunications company. In South America and Asia-Pacific, where cloud computing is at an earlier stage of adoption, we are building major cloud data centers that are leased to the global technology giants.

We think data infrastructure is an exciting area for us, and that it has many decades of growth ahead.

Global Urbanization

By 2050, another two billion people will move into cities globally. A great percentage of these are in emerging countries, but the past 20 years has seen increasing intensification in every large city in the world. This trend affects many businesses in our portfolio—including our office space, residential high-rise, and a number of our infrastructure businesses.

Office space globally has never been more fully occupied. Supply has been relatively constrained in most places, and due to residential demand in cities, many sites that would have been built as office were instead converted to residential use. More importantly, though, many companies that used to move to campuses in the suburbs are moving back into the city. This is for one simple reason: people, old and young, want to enjoy the vibrancy of a great city. As a small example, because of this phenomena, Sydney and Toronto have virtually zero percent commercial vacancy today. Very seldom does this happen in any major city.

Residential high-rise condominiums (owned by individuals) or apartments (multiple units owned by large investors and rented to individuals) have also increased in scale and value in all major cities. This started because young employees could live relatively inexpensively and close to their offices. Further, due to the success and the build-out of amenities (restaurants, bars, gyms) to service these young residents, older, wealthier people started moving into the city. Instead of downsizing to a small house and living in the suburbs, the empty nesters are now moving to the vibrancy of the cities, with all of their benefits—such as museums, galleries, sports arenas, theatres and concert halls. This trend is accelerating and making cities better, and land and apartments are increasingly valuable.

Within our infrastructure business, these factors are leading to increased opportunities for us. Our district cooling and heating business (an outsourced provider to a property) is a beneficiary of increased demand for and subsequent construction of properties. The combination of two mega-trends—environmental sustainability and urbanization—is at the heart of a number of our infrastructure businesses and should enable substantial growth for us in the coming years.

Operating Standards

Recently, the Business Roundtable came out with what they deem to be new standards on how business should conduct itself. We thought it worthwhile to share our views on this with you. Our basic starting point has always been that to sustain a business over the longer term, one must operate with high governance standards, respect the environment, and operate in a socially responsible manner.

As a result, we have always aimed to operate with strong governance standards in every country in which we operate. This is an expectation that, once understood across an organization, ensures employees “know how to act.” With respect to governance, as a fiduciary, we hold ourselves to very high standards. We have significant responsibilities to our stakeholders, including pensioners, countries, governments, investors, and employees. That does not mean we don’t face difficult decisions from time to time; it does, however, mean that we strive always to act with integrity and to be transparent about how we solve each situation.

We believe that being environmentally conscious is a requirement as a successful long-term investor, and our investments demonstrate this. Over the last few decades, we have assembled one of the largest privately-owned portfolio of renewable power facilities globally. We own ±\$50 billion of hydro, wind and solar facilities—enough renewable power to serve the combined needs of Ireland and Denmark on an annual basis. In real estate, we have one of the largest portfolios of properties globally, a large percentage of which meet the highest standard of environmentally positive working environments. Our global tenants, many of whom are leading international companies, have been demanding this for decades, and we have worked with them for many years to ensure that we meet their advancing needs and expectations.

With respect to social responsibility, we believe in supporting the communities in which we operate. Our expertise in turnarounds means that we often save companies from liquidation—and in many cases, reinvigorate communities as a result. In infrastructure, for example, the companies we own deliver critical services to tens of millions of people around the world. One of these, BRK Ambiental, provides water distribution and wastewater treatment for 15 million people in Brazil, a country that still struggles to deliver these services. As another example, last year we purchased Westinghouse from bankruptcy and have now turned it into a healthy global leader in the servicing of the power industry. As we grow these businesses, we are providing critical services, as well as earning solid returns for our investors.

Closing

We remain committed to being a world-class alternative asset manager, and to 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, rising 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

November 14, 2019

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

All references to "\$" or "Dollars" are to U.S. Dollars. 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."

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: (i) investment returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes and hurricanes; (xviii) the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; (xix) the introduction, withdrawal, success and timing of business initiatives and strategies; (xx) the failure of effective disclosure controls and procedures and internal controls over financial reporting and other risks; (xxi) health, safety and environmental risks; (xxii) the maintenance of adequate insurance coverage; (xxiii) risks specific to our business segments including our real estate, renewable power, infrastructure, private equity, and residential development activities; (xxiv) 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 and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, as well as other uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information.

Except where otherwise indicated, the information provided herein is based on matters as they exist as of the date hereof and not as of any future date. Unless required by law, we undertake no obligation to publicly update or otherwise revise any such information, whether written or oral, to reflect information that subsequently becomes available or circumstances existing or changes occurring after the date hereof.

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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