

Letter to Shareholders

Overview

During the first quarter of 2020, our fee income grew significantly, most of our underlying businesses were resilient, and our financial assets were largely protected as we had hedged many of them with indexes. As a result, our recurring results were very strong, and the hedges offset a good portion of the mark-to-market losses on our financial positions. We reported fee earnings up 44% on a last twelve-month basis, and operating FFO up 6% on the same basis. During the quarter, we reported FFO of \$884 million, cash available for distribution or reinvestment of \$751 million, and a net loss as a result of a number of one-time non-cash adjustments of \$157 million.

In addition to managing our businesses over the last few months, we supported many relief initiatives across the United States, Canada, Europe, India, Brazil, Australia and Asia. In addition to capital, we provided medical supplies to hospitals and hotel rooms for frontline medical staff, and made our hospitals available to governments. We also have tens of thousands of people working in difficult situations to keep water and electricity flowing, natural gas for heating and cooling delivered, offices open, goods available in stores, and mission-critical infrastructure operating. Without these services the world does not operate, and we thank our people for their commitment and fortitude.

The outlook for our asset management franchise is very strong as we have substantial capital for investment and broad relationships through which to source further capital. In addition, our Oaktree distressed debt franchise is finding attractive opportunities to pursue. As for all the businesses we own, on balance we are in good shape. Most of our businesses have only been tangentially affected by Covid-19. Our renewables, infrastructure, and office property businesses have performed very well. We are also working hard to ensure that in those businesses that have been affected, we are able to not only withstand the downturn, but also use our capital position to enhance operations through this period of stress.

While a large portion of our businesses have operated throughout this crisis as they are critical infrastructure, we have now moved our focus to the re-opening phase for all of our remaining operations and offices.

Market Environment

The first quarter saw records set for many historical metrics. These have been well reported, so we will not repeat them here. It is safe to say, however, that while acknowledging the health and financial issues during the quarter, we came through the period in relatively good shape. While the second quarter will be tough for every business, including ours, it appears that we at least know better what we are dealing with.

Credit markets have opened for investment-grade borrowers; some non-investment grade issuers have been able to access capital; and equity markets have partially recovered in what would technically be considered a bull market. At the same time, economic numbers for the next while are going to look quite poor, and there is no doubt that business will continue to be challenging for some time.

The more positive tone of the stock and bond markets are the result of the government measures to combat the health crisis, and the enormous stimulus programs that have been unleashed into the markets globally – in particular in the United States. No one knows how either will ultimately fare, but it is clear that without these efforts we would all be in a much different place.

Performance Update

Financial results were strong this quarter, benefiting from stable and growing cash flows from our asset management franchise and strong underlying performance from our assets and portfolio companies. Assets under management and fee-bearing capital grew over the last twelve months to \$519 billion and \$264 billion respectively, representing increases of 42% and 76% from the prior year. This growth includes the addition of Oaktree and more than \$45 billion of capital raised from third parties over the last twelve months, including approximately \$9 billion in the most recent quarter.

AS AT AND FOR THE TWELVE MONTHS ENDED MARCH 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2016	2017	2018	2019	2020	CAGR
Cash available for reinvestment or distribution to BAM shareholders per share (CAFDR)	\$ 0.95	\$ 1.26	\$ 1.51	\$ 1.67	\$ 1.88	19%
Total assets under management	\$ 239,766	\$ 245,205	\$ 282,731	\$ 365,957	\$ 518,956	21%
Fee-related earnings (before performance fees)	567	691	791	889	1,284	23%
Gross annual run rate of fees plus target carry	1,568	2,058	2,465	3,100	5,561	37%

Fundraising and Fee-Bearing Capital

Our latest round of flagship funds are now approximately 50% invested or committed, and we expect to continue to find strong opportunities to deploy their remaining capital as the current environment begins to stabilize over the coming months. Oaktree has also been actively investing its latest distressed debt fund, as opportunities have picked up considerably. The fund is now approximately 80% invested and fundraising has been launched for its next fund vintage, which is expected to hold its first close in the coming months.

Our growth in fee-bearing capital led to an increase in fee-related earnings of 35% in the quarter relative to the same period a year ago, and a 44% increase in earnings for the last twelve months, both before performance fees. These increases are due to the capital raised in our infrastructure and private equity flagship funds, and across our perpetual private fund strategies. Fee-related earnings also benefited from increased revenues from our partnerships over the last twelve months, and the addition of two quarters of fee-related earnings from Oaktree.

Funds from Operations (“FFO”) and Cash Available for Distribution and Reinvestment (“CAFDR”)

Our Funds from Operations (“FFO”) from invested capital during the quarter and last twelve months decreased modestly, primarily as a result of lower mark-to-market gains on financial assets and cash flows within our renewables marketing business. In addition, certain portfolio companies experienced production slowdowns during the quarter as a result of the economic environment, but these impacts were modest, and while the impact will be greater next quarter, we expect this effect to be short-lived, given the quality and defensive nature of our businesses. All this resulted in our operating FFO being broadly even with the prior year’s level, at roughly \$720 million. On a trailing twelve-month basis, results are comparatively strong, with operating FFO of \$2.9 billion.

The other important operating metric we report is our Cash Available for Distribution or Reinvestment (“CAFDR”), which is the free cash flow we generate at BAM (fee-related earnings plus the distributions we receive from our listed affiliates). In the first quarter we generated \$721 million of CAFDR before carried interest, which is higher than Q4 2019 and considerably higher than the same quarter last year, reflecting the growth in the asset management franchise and growth in distributions from the listed issuers. While our FFO reflects our in-quarter earnings, the CAFDR is a good indicator of the long-term earnings power of the franchise, as it combines fee-

related earnings with what we believe to be the long-term sustainable earnings of the listed affiliates. These results further underline the resiliency and stability of our business model. Our annualized CAFDR is \$2.4 billion, before accounting for any carried interest.

Carried Interest

As of March 31, 2020, the gross unrealized carried interest accumulated for our portion of investment gains was \$3.2 billion. The long-term nature of our funds allows us to be patient with regard to exiting investments, and to therefore better maximize value creation. This is different from many other managers who own far greater amounts of liquid securities in funds and have therefore had to take greater mark-to-market losses during the quarter. In addition, we follow conservative accounting standards and this \$3.2 billion asset has not yet been recorded in our income statement, nor is it recorded as an asset on our balance sheet.

Over the past twelve months, we took \$370 million of net realized carried interest into income, including \$59 million during the first quarter. We also accrued \$379 million of new carried interest, before the impact of foreign exchange and costs over the same twelve-month period. The impact of the most recent quarter was not significant compared to our total unrealized carried interest today, as the majority of the investments within our funds are critical assets and/or are assets that have long-term, contracted or regulated cash flow streams. We have minimal exposure to public securities or energy investments, so most of our assets were not impacted by the volatility in those markets.

Investments

We invested or committed for investment approximately \$11 billion of capital during the quarter. We closed on several previously announced transactions, and we announced a merger agreement to take TerraForm Power private into Brookfield Renewable. We invested \$5.5 billion across Brookfield strategies, and Oaktree invested \$1.5 billion of capital from their latest flagship distressed debt fund as well as an additional \$4 billion across their other strategies.

We have recently deployed approximately \$2 billion of capital into the public equity markets, including repurchasing shares of BAM and our public affiliates at significant discounts to what we believe to be their intrinsic value, as their prices traded down with the general market sell-off. We have also built up toehold positions in the shares of several companies that we feel, like ours, are being significantly undervalued in the current market environment.

Capital Availability

We have over \$60 billion of cash and uncalled fund and loan commitments from clients and financial partners. This includes \$46 billion of client commitments for new investments and \$15 billion of liquidity in the form of cash, financial assets, and long-dated committed credit facilities across BAM and our public affiliates, which remain largely undrawn. This number includes approximately \$1.5 billion of long-term financing across BAM and our public affiliates raised after quarter end, which included \$750 million at BAM, C\$400 million at BIP, and C\$350 million at BEP.

We also increased our credit facilities by \$2 billion, and we continue to experience strong access to credit markets. A few weeks ago, one of our U.S. hydro facilities finalized a \$560 million, 10-year asset recourse-only debt financing with an all-in coupon of 4%. Looking forward, we will continue to add to our liquidity and deploy capital as opportunities arise. Together with our various pools of capital – including the dry powder within our flagship private funds, Oaktree's funds, and other funds we are raising – we are well positioned, with a target to have in the short term over \$75 billion of dry powder (investable capital) to support our strategies.

Liquidity, Liquidity and Liquidity

In reflecting on what really matters to our business, it is Liquidity, Liquidity and Liquidity, in that order. It is not this quarter's results or next quarter's, and it is not whether we make great investments during this financial crisis. It also is not whether we raise another large fund. All of these are important, but none is the most critical. And while we hope to report strong results, make great investments and raise large new funds, they are not what really matters.

What really matters is liquidity. The most damaging thing for any business owner is to find yourself out of business and unable to participate in the recovery, or in a position of needing to issue shares which dilute the owners, and therefore make it impossible to ever recover from undue dilution at the wrong time. As all of you know, most businesses survive, but sometimes with new owners (debt converted into equity or shares issued to new investors), and that dilutive process is one of the most destructive forces that exists in long-term wealth creation.

It is important to note that if a business has not previously prepared for a period like the one we're in now, it is often too late. As Mr. Buffett has been famously quoted as saying over the years, "Only when the tide goes out do you discover who's been swimming naked." The one thing that really matters is that a business can make it through this period, intact and without undue harm. That is what counts. And it is usually a function of having made preparations before the tide went out.

Fortunately, we are in a very strong position financially. This includes low amounts of long-term corporate leverage; \$15 billion of cash and available term credit lines on our parent company and partnership balance sheets; \$46 billion of investor capital available for deployment; virtually no cross or corporate guarantees on asset-specific debt; and relationships with financial institutions and institutional clients that span decades. As a result, we are confident that we are well prepared in terms of what really matters.

Adaptability

At Brookfield, our goal for a very long time has been to build one of the best alternative asset management businesses globally, and to provide these services to an expanding array of institutional and retail clients. While this is our solidly established long-term goal, we have always believed that we should be very flexible with regard to execution. No one really knows what the future holds; the current situation exemplifies the need for flexibility within the confines of our long-term goals.

Our investment strategy is based on buying value. We underwrite businesses' cash flows and look at the long-term sustainability of those cash flows. But we remain flexible in terms of how we access opportunities as markets change. Our private funds had been investing in carve-outs of assets from companies for years, as high valuations in the public markets offered few opportunities. Today, the opposite is true. We are buying shares of companies in our private funds at a fraction of what we would have to pay to acquire those same assets directly from the companies. Our goal is the same; it is just the execution that is different.

We partnered with Oaktree last year because we wanted to have a full-scale operation to acquire debt in the secondary markets, and to have professionals capable of underwriting financing to companies when capital is unavailable elsewhere. The Oaktree franchise has a goal of providing primary capital to companies, or buying secondary debt, on a value basis. Depending on markets, they adapt their strategy to deploy capital. During March, prior to announcement of the Federal Reserve's bond buying programs, they were purchasing significant amounts of debt in the secondary markets, as the yield spreads had gapped out significantly. Post the announcements, spreads tightened and a greater focus in April was on providing funds directly to companies in need of capital.

The important point of these examples is that we are constantly adapting our strategies for investment, but the underlying goal is always the same – to build one of the highest-quality alternative investment managers.

Permanent Capital

One of the great strengths of Brookfield is our very large base of permanent capital. With over \$100 billion of permanent equity, we have the ability to ride out storms that inevitably occur in markets. This has been exemplified recently, as we had minimal financing issues despite the market stress. We are fortunate to have been in the markets, issuing investment-grade financing from our balance sheet and from our permanent equity listed affiliates. This distinction is always very helpful; however, in times like this it is the difference between being able to look to the future rather than having to spend time focusing on the past.

For many years, our perpetual listed affiliates have played an integral role in the growth of our business. Brookfield Property Partners (“BPY”), Infrastructure Partners (“BIP”), Renewable Partners (“BEP”) and Business Partners (“BBU”) provide dedicated investment entities for investors seeking exposure to specific asset classes. They have delivered strong compound annual returns for their shareholders’ invested capital and our own, while providing transparent and stable cash flow streams. The creation of these entities enabled us to simplify our balance sheet for investors, and they now are a powerful source of permanent capital for us.

These entities own high-quality assets with strong downside protection, and they generate sustainable long-term, cash flows. Within BIP and BEP, revenues are generated from long-dated contracts, regulated revenues or “take-or-pay” arrangements. In BPY, the majority of the properties have long-dated lease agreements with high credit-quality tenants. As a result of the stability of the cash flows, each of these entities was set up to pay their annual distributions that equated to a long-term target of approximately 70% of FFO. The quality of our assets, combined with our investment-grade balance sheets, should enable the partnerships to continue to do that.

As a result, each of these entities has met its long-term growth and distribution targets since inception. Even in times of stress, such as the prolonged period of low water levels within our renewable power business in 2016, we maintained and grew our distributions because of the conviction we had in the long-term profitability of the underlying business. This strategy was validated in 2018 and 2019 when water levels returned to normal levels, bringing our distributions back on track to our long-term ratios.

All of these entities are conservatively capitalized with strong access to capital, with the goal of being self-sustaining to fund their growth activities and obligations. Today, each of BPY, BIP and BEP has an investment-grade balance sheet supported by a strategy of financing underlying assets on a standalone, predominantly investment-grade basis. Even just in the past few weeks, through all the uncertainty and volatility, they all have been able to access the capital markets to further bolster their liquidity.

The existence of the four businesses as listed entities also affords us the ability to use them to make large-scale acquisitions. This is a meaningful competitive advantage that has proven to be tremendously powerful in its own right, but even more so when combined with the capital available from our private funds and co-investment partners. A few examples of this in the recent past are the acquisitions of Babcock and Brown Infrastructure in BIP, TerraForm Power in BEP, and Canary Wharf and GGP in BPY.

Today, the distributions we receive from our ownership in each of the four listed affiliates provide us \$1.4 billion of stable and predictable annual free cash flows that we use to re-invest into our business or return to shareholders, as we see fit. We also receive perpetual fee revenues for managing these entities, which currently run at approximately \$535 million per year. We intend to continue to grow these entities along with the rest of our business in the longer term.

Lastly, from time to time, these partnerships, like most marketable securities, trade in the market at discounts to intrinsic value. We will continue to purchase shares of these entities during these periods. Furthermore, where these discounts persist, we will also always consider more meaningful changes to these entities in order to maximize value.

Retail Real Estate

In retail real estate, we own a very high-quality portfolio of properties that we believe, in the medium term, will be stronger than in the past. We expect that our centers will continue to benefit from their premier locations in a consolidating retail environment. This has already been happening over the last few years, and the current environment will accelerate it. Recent trends will also increase our ability to convert space into alternative uses at strong long-term returns.

Our “places” have always provided a safe and clean environment for people to shop and be entertained. We are in the midst of re-opening our centers, with new measures in place that will enable them to be among the safest places for people to send their families. As a result, we do believe that these major centers will once again flourish.

With respect to revenues in the short term, our centers are leased to three types of tenants. The first includes healthy global high-quality retailers that are in good financial shape, need their stores to operate, and have paid or will pay their rent. The second includes other high-quality retailers – but for them, this shutdown is causing financial stress. We suspect some will do well and move through this crisis without issues, others will be recapitalized (some have recently issued equity), and some will file for bankruptcy protection, which will likely result in some spaces being freed up. Prior to this shutdown, we had a long list of online retailers looking for space in our premier locations, and we expect that to continue in the future.

The third tenant group consists of small businesses (such as restaurants, bars, and other retail establishments). Many of the government programs are targeted at this group, and we too are focused on assisting these entrepreneurs in getting back on their feet and continuing to employ people. In addition to providing assistance to smaller retailers, we also plan on utilizing the knowledge and position we enjoy to invest in retail companies as this industry consolidates.

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 increasing 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. And please take care and be safe.

Sincerely,



Bruce Flatt
Chief Executive Officer

May 14, 2020

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 which reflect management's expectations 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." In particular, the forward-looking statements contained in this letter include statements referring to the impact of current market or economic conditions on our businesses, the future state of the economy or securities market, and the expected future trading price of our shares or results of future fundraising efforts.

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 including as a result of Covid-19; (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, hurricanes and epidemics/pandemics; (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) the existence of information barriers between certain businesses within our asset management operations; (xxiv) risks specific to our business segments including our real estate, renewable power, infrastructure, private equity, credit, and residential development activities; and (xxv) 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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