



# **Brookfield Asset Management Inc.**

## **2017 Third Quarter Results**

### **Conference Call Transcript**

**Date:** Thursday, November 9, 2017

**Time:** 11:00 AM ET

**Speakers:** **Bruce Flatt**  
Senior Managing Partner and Chief Executive Officer

**Brian Lawson**  
Senior Managing Partner and Chief Financial Officer

**Suzanne Fleming**  
Managing Partner, Branding and Communications

**OPERATOR:**

Welcome to the Brookfield Asset Management Third Quarter 2017 Conference Call and Webcast. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

I would now like to turn the conference over to Suzanne Fleming, Managing Partner, Branding and Communications. Please go ahead, Ms. Fleming.

**SUZANNE FLEMING:**

Thank you, Operator, and good morning, everyone. Welcome to Brookfield's Third Quarter Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer, and Brian Lawson, our Chief Financial Officer. Brian will start off by discussing the highlights of our financial and operating results for the quarter and Bruce will then give an overview of our market outlook and Brookfield's investment approach. After our formal comments, we will turn the call over to the Operator and take your questions. We ask that you refrain from asking multiple questions at one time, in order to provide an opportunity for others in the queue. 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 law. These statements reflect predictions of future events and trends and do not relate to historic events. They are 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 I'll now turn the call over to Brian.

**BRIAN LAWSON:**

Thank you, Suzanne, and good morning to all of you on the call. We are pleased with the results we reported this morning. Funds from operations, or FFO, totaled \$809 million, and, looking at the key components, fee related earnings increased by 8%, in line with the year-over-year growth in fee bearing

capital, which now stands at \$120 billion. I would note that the growth in fee related earnings is below trend, but that's simply because we brought nearly \$30 billion in new funds online in 2016, and we are in that window between these closings and the next series of flagship funds.

In that regard, we continued to make good progress on investing these funds. As you aware, once we have invested 75% to 80% of a fund, we can move on to raising a successor fund. We are through 80% on a real estate fund, and so we're currently fundraising in that sector, and our infrastructure and private equity funds are through 45% to 70%, respectively.

We're also making good progress in building out our credit business, are continuing to grow our core real estate fund, and advancing several other important new funded strategies to develop broader product offerings for our clients and opportunities to continue expanding our fee bearing capital.

We're also seeing an increase in the amount of carried interest generated, as a number of our larger funds raised several years ago are now through their investment period and into the value-creation and monetization phases. This quarter, we generated \$367 million of unrealized carry, \$786 million on an LTM basis, which will brought into FFO and net income down the road as the funds are distributed and the claw back potential dissipates.

Performance in the funds has been strong across the board and benefited, particularly, from the sale of a European industrial business within our first Global Real Estate Opportunity Fund at exceptional returns, and are also benefiting, in particular, from a very successful turnaround in a large industrial business within one of our private equity funds.

I will now turn to FFO from our invested capital, which increased by 19%. The pickup reflects the contribution from acquisitions, particularly in our infrastructure business, as well as higher generation and pricing in our renewable power business and strong performance in our short-term investment portfolios. Realized disposition gains in the current quarter included gains on the sales of several office properties, as well as a portion of our investment in Norbord, and we booked \$25 million of previously generated carry that was no longer subject to claw back.

Net income prior to tax was \$1.3 billion, versus \$1 billion in 2016, due to the aforementioned operating improvements and fair value gains. After including the impact of tax, which reflected a \$1 billion recovery in the prior quarter, net income was \$992 million, compared to \$2 billion.

Some of you may have noticed that we included in our Shareholders Letter a discussion on our use of International Financial Reporting Standards, or IFRS, and, in particular, the use of fair value accounting. As a Canadian company, we are required to report under IFRS, as are companies in 100 other countries, but not the U.S. So, understandably, U.S. investors are, therefore, less familiar with it, and so we like to periodically touch on this point. We encourage you to read our letter, as well as the disclosures in our annual and interim reports provide more detail on this matter. However, I will recap the highlights here.

First of all, under IFRS, there are a number of asset classes, real estate, in particular, that are carried at fair value, as opposed to depreciated cost, so it differs from U.S. GAAP in this regard. Most REITs outside the U.S. use IFRS and report their properties at fair value, so we are hardly unique, and this includes Europe, Australia, Canada and the United Kingdom, among others.

Second, we have extensive expertise and robust processes around valuing our assets. As an asset manager, valuing assets is a core competency and something that we do day in and day out. Valuations are subject to extensive scrutiny both internally and are also benchmarked against external valuations on a regular basis.

Third, we believe that fair value information is useful to investors, but needs to be considered in the context of other metrics, and that it is, at the end of the day, an estimate. In fact, our primary performance metric, funds from operations, does not include fair value changes. We believe that our ability to increase FFO is the primary determinant and creator of value in the long run.

Finally, the real test of our performance and our valuations come when we sell an asset. We are very comfortable with our record on this. Of the more than 400 assets sold over the past five years, we've realized aggregate value of \$44 billion, compared with the associated IFRS value of \$41 billion, representing 110% of the value we held them at.

Finally, I am pleased to confirm that our Board of Directors has declared the regular \$0.14 dividend payable at the end of December.

With that, I will hand the call over to Bruce.

**BRUCE FLATT:**

Thanks, Brian, and good morning, everyone. As Brian noted, assets under management, and fees associated with them, continue to grow at a rapid pace. Most of our operations performed well, and we continue to find ways to invest capital despite a competitive environment. We put that down to, largely, our three main competitive strengths, which are size, global presence and our operating platforms.

Fundraising in both private and public markets for real assets remains strong, as institutional funds continue to allocate greater amounts of capital to our sectors, and with interest rates still very low, this should continue for the foreseeable future.

As a number of you know, we held our 13th Annual Investor Day in New York this quarter. For those not able to attend, the presentation materials and transcripts are on our website. We believe they provide a good summary of our business plan, so we encourage you to read them to understand where we're going with the business.

We covered overall Brookfield and each of the four partnerships that trade on the stock market, and our short story is that we are now benefiting from the work over the last 20 years of building up our institutional relationships. These investors that we built the relationships with are allocating more capital now to real assets, because of a few factors, the first one being low volatility, the second being strong returns compared to alternatives, and the third being yield and upside from the assets that we purchase for them. We expect the percentages of overall capital pools to continue to increase substantially from today's level, and the size of capital institutional funds is growing, and the compounding effect of both will be significant on allocations to real assets.

As a result of that, if we achieve our plans over the next five years, we should double the size of our business by most metrics, which should result in significant growth in intrinsic value of a BAM share. The keys to doing this are successfully looking after all of our fund investors, performing for them, and growing each of our listed partnerships, both in size and in returns. In our presentations, we laid out the goals for each of these businesses, and I'll just mention a couple things on each.

In our property partnership, Brookfield Property Partners, we're focused on bringing to completion several major development projects, investing our opportunistic capital that we have available, and capitalizing on the retail property changes occurring in the United States.

In Brookfield Infrastructure, we're building out each of our businesses that we built over the last 10 years, and what we see today is significant opportunity in the global telecom tower buildout, and growth in India, coming from both population growth, more broadly, but more specifically from an underfinanced corporate sector.

In Renewable Partners, we are one of the few well-financed renewable companies amid what we see as a once-in-a-generation shift over the next 25 years of the energy stack in most countries to renewables.

Lastly, our Business Partners launch has been successful and we're positioned now to make long-term focused decisions, because of our permanent capital and our ability to make long-term commitments to both partners and counterparties.

These days, the most asked question to us, as a management group, by investors is how do we get capital to work and why are we able to acquire certain assets in an otherwise competitive environment. I will highlight our TerraForm investment, as it is a great example of why we earn the returns we earn and what differentiates some of the things that we do. Bottom line, it's quite a simplistic story, it's just a lot of hard work.

In this situation, we followed SunEdison and its affiliates for many years, as we participated in the same markets and, in many cases, competed for the same assets. In 2015, SunEdison encountered serious financial issues. We assessed the situation and considered participating in their reorganization by buying debt, and eventually converting it to equity, but, based on our knowledge of the asset values and the trading values of the debt, we didn't think it was prudent at that time.

We continued to follow the bankruptcy and eventually, when SunEdison filed, TerraForm Power and TerraForm Global, their two yieldcos, traded down substantially. We knew they had great assets, and after the filing of SunEdison, the shares came into a range where we finally saw value. At that point, we decided to buy common shares, eventually making proposals to the Boards of both companies and their creditors, and ultimately we were chosen to sponsor a recapitalization.

All of this led us to recently conclude the purchase of 51% of TerraForm Power and we'll act as its new sponsor, and we expect to shortly close the acquisition of 100% of TerraForm Global, which, in aggregate, the two transactions will expand our renewable operations by 3,600 megawatts, with an

investment on our part of about \$1.4 billion.

In summary, why did this happen? First, we had \$1.4 billion to invest. Not too many have that amount of capital in a concentrated investment. Second, we understood the business very well, as we owned the same type of assets that they owned. Not many others have that. Third, we have flexible capital to lock up toehold positions. Many don't have the flexibility in their fund or their capital to do that. Fourth, we could be flexible as to buying 100% of a company or 50%. That was very important here and maybe was one of the most important things in the transaction. Most can't do that. Fifth, we have the people to run the business from an operations perspective. Few have that. Last, we negotiated for two years with counterparties to complete this transaction. Not too many can afford that patience.

Bottom line, our strength in competing for transactions is usually one, or all, of scale, capital, time, scope, patience, or operating skills. In this case, it was virtually all six of them.

With that, Operator, I conclude my remarks. I'll turn it over to you and we'll take questions, if there are any.

**OPERATOR:**

Thank you. We will now begin the analyst question and answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

The first question is from Cherilyn Radbourne with TD Securities. Please go ahead.

**CHERYLYN RADBOURNE:**

Thanks very much and good morning. I wanted to start by asking about the acquisition of Center Coast Capital, which I appreciate is not an overly large deal, but can you just talk about why you decided to buy versus build in that case, and whether the retail distribution capability that they bring can enhance the retail distribution of your private funds?

**BRICE FLATT:**

Just for everyone's benefit, the question relates to the acquisition of a master limited partnership manager, that largely buys oil and gas master limited partnerships and other master limited partnerships in the United States, which we acquired in the quarter, and it was acquired by our public securities group. So, we've managed real estate securities and infrastructure securities, both long-only and in a hedge fund format, for a number of years. We've never really had—in the context of our infrastructure management, we do MLPs, but we've never had a specific fund for master limited partnerships, and we just felt we'd found a team that we were really excited about and they wanted to join us, and so we brought them into the group. We think it's going to be a win-win, because our platform will be able to help them a lot and they're bringing those skills to us to manage master limited partnerships. So, I think, from that perspective, it's a win-win.

The second part of your question relates to their retail distribution which we also acquired. We think it's important for their business, we think it's important for our public securities business, but, more broadly, we think, longer term, it could be important for our overall business as we continue to broaden out the retail clients in different types of distribution that we use across the franchise. So, I'd say the first decisions were made just off the business we bought, but we think it could be important for the overall franchise longer term.

**CHERILYN RADBOURNE:**

Great. Then, separately, I wanted to ask about some of the expanded disclosure around carry in the supplemental this quarter. We've obviously seen a big jump year-over-year in your LTM-generated carried interest, and I just wondered if you could talk about, roughly, how much of that represents compounding through the passage of time as your funds mature versus specific transactions over the period.

**BRIAN LAWSON:**

Yes, thanks, Cherilyn. It's Brian. So, that reflects a couple things. First of all, as you've noted, it did step up a fair bit this quarter, and to some degree, that's, as I think you may have been alluding to, the passage of time; meaning that when the funds are in the early stage, that investment period, you're putting the money to work and the fund isn't fully invested until you get through that, and sometimes that'll take you a couple of years, at which point in time you get into the whole value-creation side of things, and that's when you'll see the actual value start to accrete in the fund and, hence, the associated performance and, therefore, the carry. That's, I guess, essentially, the J-curve effect. Then,



it increases throughout the life of the fund and then tapers off a bit as you distribute things. So, I think a lot of it is simply the passage of time, getting the funds put to work, and getting to work on the assets, to create the value.

Then, as I noted in the remarks, there had been a couple things, in particular, where you can then capture, and sometimes even enhance that value, when you go through the monetization phase, and so, in particular, with the industrial portfolio in Europe, there would have been a particular instance of that, where a specific transaction will establish a higher level of carry, as well.

**CHERILYN RADBOURNE:**

Great, that's my two. Thank you.

**BRUCE FLATT:**

Thank you.

**OPERATOR:**

The next question is from Ann Dai with KBW. Please go ahead.

**ANN DAI:**

Thanks. Good morning, and thanks for taking my question. My first one is for Bruce. You briefly referenced capitalizing on changes in the retail space in the U.S. in your prepared remarks, so I guess was just wondering if you could kind of refresh our memories on what you think the market might currently be underappreciating about your current retail investments and their relative positioning; and then, also, I guess I'm wondering, if you were to be looking to invest further into the space, whether you'd be more likely to look inside of the GDP franchise and stick to what you know, or maybe also look at third-party brands.

**BRUCE FLATT:**

Our view is that the retail industry is undergoing three general changes. The first one is that we came off very strong retail sales over the past eight years. Since the recession in 2008, retail sales grew exponentially, and that can't go on forever. So, eventually, retail sales will levelize out to a normalized amount. That's the first thing.

Second, there's no doubt the Internet is affecting some amount of retail sales, and there's debate on

whether it will go to X or Y percentage of retail sales in America, but there's some form of numbers of going in there.

Third, there's no doubt there is an overcapacity in the United States for retail, and our view is that there's great retail, which will continue to be great retail longer term, and there's retail that needs to be repurposed and redeveloped. There aren't that many great malls available to be purchased, but what we have been taking advantage of, both in GDP and both in our opportunity funds, where we have other retail strategies, we've been buying retail centers, which are really just forms of real estate being repurposed, and these take very long periods of time, but they can be extremely lucrative if you can repurpose apartments, multifamily, hotels, et cetera, office buildings on those parcels of land, because, usually, what these are, are very large pieces of urban land which can be repurposed, because in they're in the middle of big cities in the United States. Especially on the coast, some of those pieces of land are very valuable. But, it takes a lot of skill, money, capital and vision to be able to do it, so everyone isn't capable of doing that.

**ANN DAI:**

I appreciate the color. I guess, as my follow-up, I'd just like to take the discussion of distribution a bit broader. I know this is still work in progress, but can you talk a little bit about the investments that you've made, or are making, into growing the distribution footprint across your platform, not just in public markets, and do you have any updated numbers around how your client base has grown as you've expanded distribution and your product set and capabilities?

**BRIAN LAWSON:**

Sure. It's Brian, Ann, and thanks for that. So, I think, as we referred to at our Investor Day, as well, is a push to expand our distribution more into the high net worth channels, in particular, there's a couple of ways that we've been doing it. One is we have worked with some of the major financial institutions in introducing our funds into their clients and into their high net worth distribution systems, and so that's one element of it, and we've been making some good progress in that regard. Of the past series of closes, there's been, I'll say, a modest amount of capital that was placed in that regard, and we're looking to step that up with the next series of funds. Then, the other part is working with specific channels to distribute more broadly into their high net work distributions, and we've got a couple of fund strategies that we're working on there.

We don't have any concrete numbers for you today in terms of the quantum of capital that's been placed in that regard, because, with the most recent ones, it's still in process. Having said that, I think we've indicated that getting up around the 10% level would be a near-term target in that regard, and we seem to be heading in that direction.

**ANN DAI:**

Thanks very much.

**OPERATOR:**

The next question is from Bill Katz with Citigroup. Please go ahead.

**BILL KATZ:**

Okay, thanks so much, and I appreciate the color on the international accounting. Just on that vein, just sort of going back to your Investor Day, I remember one of the surveys you took was what would investors like to see more, and so I feel like there might be a little bit more discussion around the concept of ENI, or economic net income, very much like some of your U.S. counterparts present their information. Where are you in your thinking in terms of your sort of presentation of your financials, beyond funds from operations construct?

**BRIAN LAWSON:**

Thanks, Bill. It's Brian. So, yes, absolutely, we're trying to get our disclosures aligned in a way that we can make it easier for folks to benchmark our performance or understand our performance relative to the other alternative managers, and so in that regard, what we have done in the quarter is—well, we haven't gone out and explicitly called it economic net income—I'll come back to that point—but we've essentially captured that for our asset management activities by presenting fee related earnings and generated carry together, which would be, essentially, in our view, what most of the other alternative managers are doing.

Now, the one difference, in particular, with us is, because we do have a substantial amount of our capital, \$30 billion odd, invested alongside our clients in our various funds, and so—in some cases, an alternative manager, their concept of ENI would also include all of the investment earnings and mark-to-markets, and things like that, with respect to their investment capital, their investment portfolio, as well, which, as I mentioned, in our case, that's a much larger number. So, our thinking in that regard is to, essentially, give people what is ENI for our asset management activities, but separately give

everybody else, though, the performance of our invested capital, and so you can understand the one relative to the other alternatives, and then the invested capital is just what the investment capital is, and you add the two together and, setting aside overall franchise value, which we'd never want to underestimate, that should give you a good sense of the performance of Brookfield. So, we're trying to move along that road, but we're not entirely comparable in that regard.

**BILL KATZ:**

Okay, that is helpful, and then just—sorry to hit the same topic one more time, but I'm sort of intrigued with sort of the focus on the U.S. retail, not so much in real estate, but just in terms of from a distribution perspective—and, obviously, this transaction sort of moves it along a little bit, the CCE deal—when you sort of think about getting retail up to about 10% of your business, was that just a construct of incremental distribution or is that more of a function of AUM, and if it's more the latter, or fee bearing capital, I'm also wondering how you're thinking about the interplay between incremental volume versus economics, specifically, in terms of maybe margins for the business looking ahead?

**BRUCE FLATT:**

Well, just to be specific, there's a balance between how much it cost to get incremental retail distribution and to maintain it and to administer it, versus bringing in institutional money. On the other hand, large institutional clients sometimes drive different economics on funds. So, there's a fine balance. Our long-term view is retail high net worth—we're probably never going to do retail, that's what our listed securities are, but retail high net worth is probably an important balance for our broad distribution that we have within the company, and we think it's important. It introduces us to a lot of different groups and people across the world, and, actually, sometimes even, just like on the institutional side, it brings us transactions, because you get to know people. So, I'd say it just helps broaden out our franchise to a greater group of people, and that is helpful.

**WILLIAM KATZ:**

Okay. Thank you.

**OPERATOR:**

The next question is from Andrew Kuske with Credit Suisse. Please go ahead.

**ANDREW KUSKE:**

Thank you. Good morning. Given the fact BSREP II is at 80% invested or committed at this stage, and you're going out and really ascertaining interest from clients at this stage on the next fund, what's the dynamic between really fundraising on a pool basis, as you've done in the past, versus, say, direct investments on assets, and what's really the appetite from the client base right now?

**BRUCE FLATT:**

I'd say it's similar to what it's been in the last five years. It's not really that much different. Our investors, and probably all institutional managers' investors break out into different categories. There's a few that do direct investing on their own, there are some that invest in our funds and like us to bring them co-investments, and then there's some that just don't have the capabilities and they like us to do the investments for them. There's different groups and we deal with all of them.

The good news about our business is that we generate large transactions, they often with co-investments, and we have our listed vehicles, which do direct investments, and often there's things that don't fit the specific funds, either the type of investment, the country it's in, the concentration limit, It allows us to bring our clients other types of investments. We do those with many people that come into our funds, as a first priority, and that often makes sure that we cement the relationship with them. I'd say, generally, that's how it breaks out, and it's not much different than it's been over the last number of years.

**ANDREW KUSKE:**

Then, maybe just an extension on that. Is there any evolution from either the co-investors morphing into like a perpetual kind of construct that you've proposed in the past in specific asset classes?

**BRUCE FLATT:**

Our view is that, if interest rates stay low, more and more fixed income allocations are going to flow into these types of products, and what the ideal investments are, are long-term hold, relatively modest yield investments, with low risk, and those are perpetual funds, and that's going to continue to grow and grow and grow. So, we're, eventually, going to set them up in all our businesses and manage those type of assets for investors. Really, what they are is long-term, fixed income alternatives, to help balance their portfolios, with moderate risk.

**ANDREW KUSKE**

Okay, that's helpful, and if I may just sneak one more in on Center Coast. How would you compare Center Coast to, say, the past deals you had in the history of Hyperion and KG Redding? Like, how is it similar or how is it different?

**BRUCE FLATT:**

Yes, you know, each one of these has never been relevant to the overall franchise, but what they brought us was a special capability or people to be able to grow in an area of the business and, therefore, I think over the longer term, they're all highly additive. Each one of them has been great in their own way over the past. We've never been big on buying managers and they're modest amounts of money that we've done it with.

**ANDREW KUSKE:**

Okay, that's great. Thank you.

**OPERATOR:**

The next question is from Dean Wilkinson with CIBC. Please go ahead.

**DEAN WILKINSON:**

Thanks. Good morning, everyone. Bruce, a bigger picture question for me. Given the amount of capital you've got to invest, a doubling of that, potentially, over the next five years, as you look out the next year or so, where do you think the sort of single best opportunity is, or perhaps said another, where are the greatest chances for mispricing of assets, and if you had a preference, what would you sort of be looking towards?

**BRUCE FLATT:**

I would say, more broadly, if you look at our business, it's about the franchise attracts, finds locates. Every fund is filled with 50% of investments which just comes because of the businesses we're in and the people we have, the franchise we have, the relationships we have, and they're just singles and doubles and we're just tucking them in. They're normally in the businesses that we already operate. They're something down the street or something in another city, or something just like the one we have. So, I would say, no matter what environment we're in, that occurs, and that's just a ready, stable—and I'll just call it 50% of all the funds.

The other 50% generally changes from time to time, based on capital flows around the world and where we've set up, we've set up our people to be able to take advantage of those, and we're never actually sure where that's going to be. Over the past 24 months, that was in South America, and most specifically in Brazil. That's still in existence, but less so than it was 18 months ago, because the markets bottomed and recovering. India, we've done a number of things, and I think we'll continue to see it, because there's an underfinanced corporate sector and, therefore, there's a lot of opportunities coming out of that as banks try to take loans to the sectors off their books. But, we always surprise ourselves where the opportunities come from, but those, I guess, would be the two ones where there's the least capital in the world today, at the current time.

**DEAN WILKINSON:**

So, it's fair to say that the view is, perhaps, a little less domestic than it may have been historically?

**BRUCE FLATT:**

If we went through the real estate fund, the last real estate—or the current real estate we're investing and just closing off, despite the environment that we've been in, which has been very good and we've been sellers of a lot of assets in Europe and in the United States, I think—I'm just going to guess here—I think 50% of the portfolio that we invested in, a \$900 billion portfolio of equity, was invested in the United States. So, despite that, because of the advantages we have of size, capital availability, scope, geography, et cetera, we were able to find 50% domestic investments. So, we always find things. But, on balance, reflecting back to 2009, we hadn't thought the United States would be where all our money would go, and it just so happened, why would you go anywhere else if you can buy 50% of replacement cost in the United States. So, it just all depends on what's the capital flows.

**DEAN WILKINSON:**

Okay, that's great. That's it for me. Thanks, guys. I'll hand it back.

**OPERATOR:**

The next question is from Neil Downey with RBC Capital Markets. Please go ahead.

**NEIL DOWNEY:**

Thank you. On the subject of—I'll call it accrued versus realized carry, we do see a list of your private funds in your supplemental information package. Can you help us think about which funds, in particular, over the next—let's call it two years are really moving through that monetization stage? Obviously,

we've seen the deal to sell Gazeley in Europe, and that's closing, I believe, in the fourth quarter, and you generated a sizeable carry accrual on that, but which funds are going to continue to go in through that monetization stage?

**BRIAN LAWSON:**

Hi, Neil. It's Brian. So, I'd say the fund that you pointed to there, which would be our first Global Real Estate Opportunity Fund, BSREP I, is definitely into that mode. We've got a couple of the private equity funds that are a little bit further along in terms of their vintage. They're a bit smaller, but they have stepped into that phase, as well. I'd say, as a general observation, you tend to get a slightly shorter investment duration within the private equity in the Real Estate Opportunity Fund than, for example, in the infrastructure fund. Those tend to be a little bit longer dated. So, I'd say those ones will take a bit longer in terms of getting into the actual distribution phase and, hence, locking in the carry. Having said that, the infrastructure fund, as we've noted, the last one is already 40% invested, and that's a pretty big fund. So, there's a fair bit of capital that's at work and has been invested and, hence, is accreting in value and, therefore, generating carry, even if it's not getting through the claw back period and broadened FFO.

**NEIL DOWNEY:**

Okay. Thank you.

**BRIAN LAWSON:**

Thank you.

**OPERATOR:**

Once again, if you have a question, please press star, then one. The next question is from Mario Saric with Scotiabank. Please go ahead.

**MARIO SARIC:**

Hi, good morning. Just looking at the percentage of your respective flagship funds that's committed, real estate, infrastructure, private equity, at 80%, 45% and 70%, respectively, when you launched these funds, how does the commitment kind of pace or capital deployment compare to your original expectations on the various funds?



**BRIAN LAWSON:**

I would say they're generally pretty much in line, and part of the reason why I say that, Mario, is by the time you're getting towards the end of raising the funds, you're always looking around for those investment opportunities and you're always processing them through, so you've got some pretty good visibility. In some cases, you can have a fund that you know is going to be pretty well spoken for within the first year. The investment period is three years for a reason, to give you that time to go through it, but just given the comments Bruce made earlier, in our ability to have visibility on a number of things, either, I'll say, generated tangential to our existing businesses and operations, and then the things that we find more opportunistically, is such that we find we can put the capital to work at a measured pace, but one that's generally shorter than the investment period.

**MARIO SARIC:**

Got it, okay, and my second question is—I appreciated the color on the singles and doubles in the Letter to Shareholders, especially on the back of a pretty exciting World Series that we've seen, but as you get bigger over time, presumably—you've indicated scale is very important in your ability to source transactions and, arguably, deploy capital. As the funds get bigger and Brookfield gets bigger, how should we think about the proportion of singles and doubles versus home runs, that others may not necessarily be able to compete on?

**BRUCE FLATT:**

Yes, you know, I would say that if you look back, I see no reason it wouldn't be the same going forward. Just the general investments we make that are straight down the middle, based on our franchise, that can earn us an easy 15% or 20% return, depending on the type of investment we're making in which fund, probably are half of the fund, and that just gives us a good base of investments. We're taking not a lot of risk and we find them easily. The other half is allocating capital to the most interesting jurisdictions. We kind of try to balance it out, to make sure that we have a balance of both in each different hemisphere and different type of fund.

**MARIO SARIC:**

Okay, and then maybe just on real estate, in particular, have you seen any change in kind of client attitudes towards opportunistic versus core plus versus core on the margin?

**BRUCE FLATT:**

Yes, for real estate, I would say opportunistic is highly sought after, people want returns in their funds and we see no abating of allocations to opportunistic real estate globally. Some institutions are always, and have been for years, worried about interest rates and, therefore, worried about buying core real estate, but there's an enormous amount of other people behind them that have been buying core real estate. So, I think there's still lots of investors for all of those products.

**MARIO SARIC:**

Okay. Thank you.

**OPERATOR:**

This concludes the question and answer session. I will now hand the call back over to Ms. Suzanne Fleming for closing remarks.

**SUZANNE FLEMING:**

Thank you, Operator, and with that, we will end today's call. Thank you everyone for participating.

**OPERATOR:**

This concludes today's conference call. Thank you for participating and have a pleasant day.