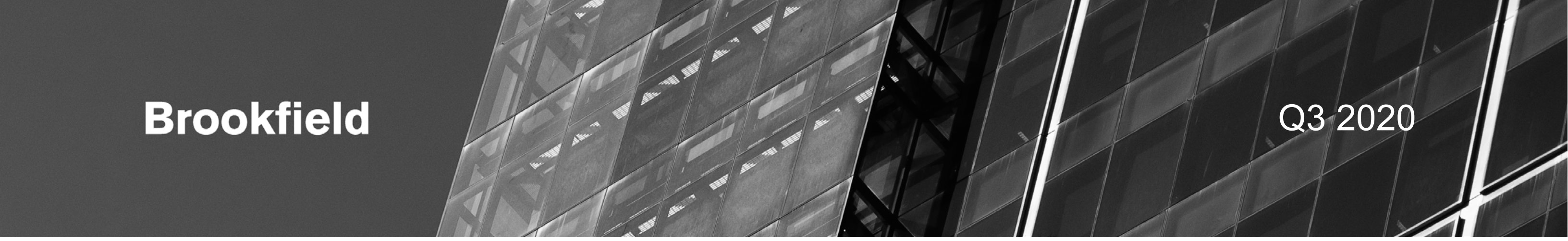

Letter to Shareholders

Overview

The third quarter saw a strong rebound globally, once the economic shutdown of the second quarter was behind us. We are hopeful that heading into 2021, we will see a resumption of normalcy for all our businesses. Every day we are taking small steps forward, virtually everywhere.

Results in our asset management business were very strong, with FFO up 22% over the comparable period last year. The results also look strong on a go-forward basis, given record capital raised and with the next round of fundraising for our private flagship funds just beginning.

The exceptional performer over the quarter was our renewables business, with both our private and listed businesses performing extremely well. As an indication of this, our listed security, Brookfield Renewable, increased its market cap from the start of the year by $13 billion—and it now stands at nearly $30 billion today. Brookfield Asset Management's share of that is $15 billion, or an increase of $6 billion just this year.

Over the years, we have grown our business through many challenging periods, while always maintaining a strong balance sheet and significant liquidity. This has enabled us to establish our listed affiliates as globally leading companies, build world-class private flagship and perpetual funds, and to diversify our product offerings and the ways in which our clients can invest with us. We are therefore now onto our next stages of growth.

Operating results were very strong

During the quarter, FFO was $1.0 billion, an increase of 26% from the same period last year. This strong performance was broad based, with virtually all of our businesses either continuing to generate solid results or rebounding strongly. The strongest recovery was in our operations associated with residential single-family properties, which were up 50% over the comparable period last year. All of this led to record total cash available for distribution and/or reinvestment (CAFDR) of $2.8 billion or $1.79 per share over the last 12 months.

AS AT AND FOR THE 12 MONTHS ENDED SEPT 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2016	2017	2018	2019	2020	CAGR
Cash available for reinvestment or distribution to BAM shareholders per share (CAFDR)	$ 1.19	$ 1.35	$ 1.65	$ 1.66	$ 1.79	11%
Total assets under management	238,015	268,987	331,622	510,565	577,535	25%
Fee-related earnings (before performance fees)	690	720	823	1,034	1,411	20%
Gross annual run rate of fees plus target carry	1,992	2,210	2,700	5,427	6,092	32%

Our asset management franchise performed very well in the quarter, reflecting strong demand for Alternatives by our clients in this low-interest rate environment. Our fee-bearing capital now stands at $290 billion, a $16 billion increase over the last 12 months. Fee-related earnings increased 36% over the last 12 months. We also have approximately $30 billion of additional capital that will begin to earn fees of approximately $300 million once deployed, giving us a tailwind in our earnings.

Fundraising for the quarter totaled $18 billion. This included $12 billion of commitments to our latest distressed debt fund and $6 billion of commitments raised across our perpetual core strategies, private credit funds and other co-investments and separately managed accounts. We launched our European core-plus real estate fund during the quarter, raising over €1 billion and exceeding its initial target. Our second vintage private infrastructure debt fund has raised over $1.8 billion to date, compared with its predecessor fund of $875 million. In addition, we made the first investment in our new Real Estate Secondaries strategy, and we expect it to raise initial third-party capital in the coming months.

We generated $703 million of carried interest in the quarter, and now have $4.0 billion of accrued unrealized carried interest on capital deployed to date. We realized $482 million of carried interest over the last 12 months, and we expect to realize additional carried interest in the coming quarters as we complete the sales processes on assets within our early vintage flagship funds, many of which were deferred from earlier this year.

During the quarter, we invested $9 billion of private fund capital and $3 billion of co-investment capital, bringing our latest vintage of flagship funds to approximately 60% committed. We expect to be in the market with our next round of flagships shortly, starting with real estate in early 2021. We funded BPY's purchase of close to $1 billion of its units/shares (approximately $600 million for our own balance sheet and the rest for partners) through purchases in the stock market. We also repurchased approximately $100 million of BAM shares since quarter end, and we will remain active with repurchases as long as the shares trade at a meaningful discount to their underlying value. We also continued to increase the public floats of Brookfield Infrastructure Corporation (BIPC) and Brookfield Renewable Corporation (BEPC) by selling approximately $500 million of shares in those two securities combined.

Annual Investor Day

We hosted our annual Investor Day in September, which looked different than in previous years. We held the event in both New York and Toronto, with some of you in person and others via live stream. We look forward to hosting everyone in person next year as we have in the past, although we will likely continue with the live streaming regardless. For those of you who missed the day, a replay of the webcast and related materials are posted on our website and a summary is as follows:

From an overall Brookfield Asset Management perspective, we emphasized that a prolonged period of low interest rates is a strong backdrop for the overall franchise. We are therefore well set up to emerge from this recession stronger than before, and are now launching our next stage of growth. In this regard, we are progressing a number of newer strategies, including Reinsurance, a Global Transition Fund, a Secondary Funds business, and widening our technology investing skillset. This is all in addition to expanding our five main businesses, which are also all still growing. We expect each one of these strategies to have a very meaningful impact on our growth trajectory for the next 10 years and beyond.

Brookfield Renewable Partners has become one of the largest multi-technology renewable energy businesses in the world. Over the years, renewables have increasingly become one of the lowest cost forms of energy, critical for the world to reach its goals around decarbonization. This is a theme that has become more and more important, as indicated by the number of investors signing up for the Principles of Responsible Investing. Our long-term approach to operations—which is anchored in three main strategies of sustainability, additionality (the development of new assets), and transition—sets our business up well to capitalize on the growing opportunity set in front of us.

Brookfield Property Partners is one of the largest owners, developers, and operators of premier real estate, with irreplaceable office, retail, and multifamily properties across the globe. Our office portfolio is composed of iconic properties in key gateway cities around the world, was largely unaffected during the shutdown, and continued to be a source of cash flow stability. While many companies survived an extended work-from-home period, those companies are recognizing that without employees working in proximity with one another, they lose the ability to build or strengthen their culture, develop talent, and to ultimately drive innovation. Our retail business experienced challenges due to the shutdowns; however, it is recovering now, with some of the stores in our high-quality U.S. malls seeing an increase in sales of more than 35% year over year. Furthermore, the events of 2020 underscore the importance of physical stores accompanying any successful online strategy—in particular for premium properties like ours.

Brookfield Infrastructure Partners is looking ahead towards the start of an "infrastructure investment super cycle." Governments and many corporations incurred—and are incurring—large amounts of debt to weather this downturn. We are also seeing a significant need for capital to address rapidly increasing data consumption and replace aging data infrastructure that is struggling to keep up with this growing global demand. Likewise, dislocation in the energy markets is creating value opportunities, and we have found a number of natural gas midstream opportunities. We also expect contrarian opportunities related to airports and other transport areas to emerge over the next 12 months.

Brookfield Business Partners has continued to enhance the scale and growth potential of its private equity business, putting a significant amount of capital to work in addition to crystallizing value through a number of asset sales. The opportunities ahead of us are significant, given the breadth of our franchise. The significant amount of government stimulus provided throughout this period made it easier for some businesses to access credit, but we believe this will lead to companies requiring equity capital—and with our substantial dry powder, this should lead to many investment opportunities.

Global Transition Fund is coming

During the quarter, we announced that we will launch a new series of Impact Funds for our clients. These funds will invest with the dual objectives of earning an attractive financial return and generating a measurable positive environmental change. To lead this effort, Mark Carney has joined us as Brookfield's Head of ESG and Impact Investing. Mark brings with him a wealth of knowledge and expertise as a leading figure in the global capital markets as former Governor of both the Bank of England and Canada, and as a global leader in climate change and sustainability.

While our range of Impact product offerings will grow over time, we will initially focus on what we believe is one of the most pressing and significant issues facing our society today: climate change. In doing so, we will leverage our existing background and capabilities of investing in renewable power in combination with Mark's experience and commitment to climate change. With this strong foundation, the Brookfield Global Transition Fund will focus on investments that accelerate the world's transition to a net-zero carbon economy while investing in a manner consistent with Brookfield's approach of investing in high-quality, sustainable assets that form the backbone of the global economy.

There is growing demand for sustainable investing strategies, and in particular to invest alongside established and reputable investors that have operational capabilities. Today, options are limited for investors looking to deploy capital at scale in this space. It is for this reason that we believe this strategy will be a $50 to $100 billion AUM business in the medium term—and possibly more over the longer term.

Our belief is that over the next 30+ years, global economies will require very large amounts of capital to reach their environmental targets and transition their industrial base to net-zero carbon. Globally, this will mean an even greater buildout of renewables—and in various regions, a substantial conversion of carbon-intensive energy production to cleaner and more sustainable methods of operation. Finally, new products and solutions are needed to reduce carbon emissions in all industries through the reduction of usage in energy-intensive sectors and the increased penetration of clean energy. And while these themes will be the focus of our initial fund, they will not preclude us from making other Impact-qualifying investments that help the environment.

We believe this represents a multi-trillion dollar investable universe, and that this business proposition will allow us to earn strong returns while helping governments and corporates move to net-zero. Our intention is to raise a first private fund of the scale of our others, while also establishing a platform that will allow future iterations of the fund to scale with the rapidly growing market opportunities. This Global Transition Fund is another step in our longstanding commitment to sustainability, and it comes in addition to the ESG principles already embedded across our investment processes and the operation of our businesses.

Alternatives are the solution

Low interest rates have been a tailwind for Alternative assets over the last 20 years. Once considered a complementary investment to a traditional fixed income and equities portfolio—and concentrated amongst the largest institutional investors, Alternatives today are an essential and growing part of most investment portfolios. The trend is also accelerating as a result of the recent moves to even lower rates and by the broad range of investments and products across Alternatives now available to investors.

As demand for Alternatives has grown, so too have the breadth and variety of investment offerings. Twenty years ago, investments in Alternatives represented roughly 5% of institutions' investment portfolios and were largely concentrated in hedge funds and private equity. Today, that number is closer to 25%. Over the same period, the number of investible strategies has grown significantly with the emergence of private credit and real asset investing (real estate, infrastructure, and renewable energy, as examples). Going forward, our clients tell us that these allocations are increasing towards 60%.

The benefits of real assets in a normal economic environment are clear: they offer stable yield underpinned by high-quality contracts. The investments are often private in nature—and are therefore not subject to mark-to-market volatility—and returns are inflation-protected. A low-interest rate environment amplifies these benefits, and is now forcing more investors to either consider Alternatives for the first time or increase their existing allocations.

The reason for this is simple; pension plans, sovereign wealth funds, insurance companies, and many other investors have medium to long-term risk adjusted return targets that can't be satisfied in the public equity and bond markets. A decade ago, an investor could hold a 10-Year German Treasury bond and earn a 4% yield; today the return stands at negative 1%. And while a select few large institutional investors have built out direct real asset investing capabilities, all have seen the benefits of partnering with asset managers like us who are able to leverage investment expertise and operating scale to drive investment performance and provide access to quality assets.

Across Alternatives, there are many categories of investment across the risk-return spectrum, and these numbers continue to grow to meet the demand of clients. Today we offer private investors over 15 different strategies across five different asset classes, which enables them to build a balanced real asset portfolio that can be tailored to meet their investment objectives. Our listed affiliates are an amalgam of these for public market investors. Beyond the traditional flagship funds, we offer our clients perpetual core private funds, private debt funds, listed credit products and region-specific funds. As we have grown, we have attracted new clients, and their commitments to our funds have grown, as has the average number of funds our clients invest in. From our own experience, it is clear that the allocation to Alternatives is growing faster now than it ever has, and we don't see any reason for it to slow down.

With interest rates likely to be anchored at close to zero for the next several years, we expect this will also translate into strong support for asset valuations. Our partner, Howard Marks, recently published a letter titled "Coming into Focus" that discusses in depth how lower risk-free interest rates increase asset valuations, which we encourage you to read. We are at the very early stages of this playing out in the private markets, but as transaction activity returns, we fully expect to see higher valuations for the best assets. The recent sale of one of our office buildings in London at 10% higher than the price we paid for the property 12 months ago is a perfect illustration of this point, where lower interest rates increased the discounted cash flow value of the asset. While it could take time for transaction activity to fully ramp up, and contrary to the sentiment that has existed in the market, this sale provides us with clear evidence that the high-quality real asset portfolio we own is today worth even more than it was just nine months ago.

Reinsurance is set to grow

At various points over the past decade, we have considered expanding our asset management business to include reinsuring obligations related to long-term annuities, as the capital is of long duration and our investing skills can add value in the investing of the capital. We previously had two misgivings: the first was our strong belief that interest rates might decline, which made it unattractive to lock in long-dated liabilities at high interest rates. The second was the fact that much of the capital from reinsurance activities would need to be invested in credit instruments, and we were concerned that our credit platform was not sufficiently large to take on the scale of capital involved.

Fast forward to 2020: interest rates globally have dropped to near zero, and while rates could go negative, in our view the odds do not favor that for any significant length of time. As a result, we believe the risk involved in reinsuring long-tail liabilities is the lowest it has ever been. Furthermore, our recent partnership with Oaktree has significantly added to the scale of our credit capabilities. Together, these developments have meaningfully changed the nature of the opportunity for us.

Our first step in preparing for this opportunity was to establish our reinsurance business, and we have received a number of licenses over the past few years. The ownership of the business and its operational oversight will be conducted through our newly created Bermuda company for this purpose called Brookfield Asset Management Reinsurance Partners (BAM Reinsurance).

As a next step in building the business, we announced a strategic partnership with American Equity Investment Life (AEL) under which BAM Reinsurance will reinsure annuity policies. We have agreed to take on $5 billion of existing policies in our reinsurance company and take an additional $5 billion of future policies as they are written. The simple story is that we will receive up to $10 billion of cash, invest those funds in our alternatives and income-oriented investment strategies and, if we can out-earn the rates we pay on the liabilities, we will do very well.

In order to set up this business for the long term but continue to have this reinsurance entity benefit from everything that exists at overall Brookfield Asset Management Inc., we are planning to replicate the success we have had pairing corporations and partnerships for each of our businesses. Thus, we will split off to all shareholders of Brookfield Asset Management a fractional share of Brookfield Asset Management Reinsurance Partners. Each new whole share of BAM Reinsurance, once assembled from fractional shares on distribution to you, will be equivalent in value to a current BAM Class A share. For those of you who follow our listed partnerships, you will know that we have done comparable distributions of “paired” securities in the past. In all cases, the “paired” corporate shares have traded in tandem with the partnership units, thanks to their equivalent distributions and exchange features.

Subject to the receipt of regulatory approvals, we plan to complete the distribution of BAM Reinsurance shares in the first half of 2021. The distribution will amount to a dividend of approximately $500 million of capital, or approximately a $0.33 for each BAM share you own.

Closing

We remain committed to being a world-class Alternative asset manager, and to investing capital for you and the rest of 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 to generate increasing cash flows on a per-share basis, and as a result, higher intrinsic value per share over the longer term.

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

Sincerely,

Bruce Flatt
Chief Executive Officer

November 12, 2020

Cautionary Statement Regarding Forward-Looking Statements and Information

Brookfield is not making any offer or invitation of any kind by communication of this letter and under no circumstance is it to be construed as a prospectus or an advertisement. 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 markets; the expected future trading price of our shares or financial results; the results of future fundraising efforts; the expected growth of future or existing strategies, or the results of future asset sales. In addition, forward-looking statements contained in this News Release include statements regarding the formation, business, and performance of BAM Reinsurance, as well as the expected trading price of its shares.

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, including the ongoing and developing COVID-19 pandemic and the global economic shutdown, 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 and the related global economic shutdown; (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.

Expect 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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