Letter to Shareholders

Overview

We had an excellent quarter and were active on many fronts. Cash flows and earnings were strong, and we closed on a number of acquisitions. We continue to see the impacts from Covid diminishing and we have had no major disruptions resulting from the various current macroeconomic issues. And while macro challenges are always of concern, time has shown us that the best option for long-term investors is to stay the course—owning great businesses for long periods of time is the key to wealth creation.

The main focus in the investment world today is on determining where capital is best invested. On the one hand, buying fixed income with duration offers some return but a lot of risk—and staying in short-duration bonds offers low risk but generates little yield. On the other hand, however, real assets and real businesses offer the opportunity for investors to ride out markets while the businesses continue to generate cash and compound in value. Moreover, many of these real assets and businesses offer significant inflation protection as the world adjusts.

We expect by year end to make a special distribution, on a tax-free basis to most shareholders, in the form of 25% of the shares of our Asset Management business. We believe, like other distributions we have made, that separating this entity will be a very strategic transaction in the longer term for our business.

The Market Environment Had Lots of Volatility

Global central banks are raising rates and pulling back on stimulus. The 10-year bond in the U.S. now sits at 3%, which represents more than a 1% increase from the start of the year. While large in percentages, it is important to remember that by historical standards, interest rates continue to remain very low—and therefore constructive for businesses.

The overriding worries today are about inflation and its effect on the economy, and central bank interest rates. The good news is that the underlying investments we own are very resilient in an inflationary environment and continue to provide a compelling alternative to traditional investments. We don't own the super high growth speculative technology related businesses which have been reevaluated in these markets.

Capital markets have tightened but remain open, and liquidity is available for good businesses. Labor markets continue to trend positively, with unemployment rates in most major economies recovering to near, or better than, pre-pandemic levels. The U.S. labor market is, by some measures, the strongest it has been in decades.

Financial Results Were Strong

Distributable earnings before realizations were $947 million in the quarter and $3.7 billion over the last 12 months. This is approximately 30% greater than the comparable periods. Fee-related earnings and distributions from principal investments continue to grow significantly as a result of strong fundraising, new products and strong operating results across our businesses. Total Distributable Earnings were $1.2 billion in the quarter.

Our underlying operations continue to perform well, supporting stable and growing cash distributions. We received distributions from principal investments of $622 million in the quarter and $2.3 billion over the past year, representing 27% and 19% increases over the comparative periods.

AS AT AND FOR THE 12 MONTHS ENDED MAR 31 ($US MILLIONS, EXCEPT PER SHARE AMOUNTS)	2018	2019	2020	2021	2022	CAGR
Distributable Earnings						
– Total	$ 2,294	$ 2,444	$ 2,659	$ 6,113	$ 4,957	21%
– Per share	$ 1.56	$ 1.67	$ 1.77	$ 3.97	$ 3.09	19%
– Before realizations	2,155	2,119	2,225	2,872	3,674	14%
Gross annual run rate of fees plus target carry	2,465	3,100	5,561	6,637	7,969	34%
Total assets under management	282,731	365,957	518,956	609,075	720,161	26%

In the current economic environment, real assets continue to be the place to invest. We closed our latest credit opportunities fund at $16 billion and will shortly close our $15 billion global transition fund. Our real estate fund has raised $12 billion to date and will be closed out by year end, and our perpetual private infrastructure and real estate funds have raised a total of $5 billion since the start of the year. We launched our fifth flagship infrastructure fund and our sixth flagship private equity fund, both expected to have first closes in the near term. We launched fundraising for both our third infrastructure debt fund and our third growth equity fund, and our non-traded REIT is now approved on numerous distribution platforms, and we expect to see inflows ramp up throughout 2022 and beyond.

With the public market volatility in the quarter, we were very successful in closing a number of public market bids with companies. We acquired or are in the process of acquiring three public property companies—in Ireland, Belgium and Germany, totaling an investment of about $3 billion of equity. We acquired one and are acquiring two other infrastructure businesses in Australia for $8 billion. Our private equity business acquired two listed entities, one private entity and one carve-out transaction. This included a $4 billion software and technology services company that provides backbone technology for car dealerships globally; a 50% interest in an iconic information services business; a non-bank asset manager in Australia; and a payment services provider in the UAE.

On the other hand, private markets remain robust for the sale of assets that generate cash returns and have a form of inflation protection. We agreed to sell two office complexes in Melbourne and Sydney for $2 billion and $1 billion, respectively—well above IFRS values and at the tightest cap rates we have ever sold properties in Australia. In London, we are in the process of selling an office property for over £300 million for just under a 4% cap rate – market setting; and we are progressing sales processes across other properties as well.

Our Asset Management Business Will be Listed and 25% Distributed to Shareholders

In our year-end letter, we mentioned that we were considering publicly listing a partial interest in our asset management organization. We have been very encouraged by the feedback we received from shareholders and **concluded that publicly listing a 25% interest in our asset management business will be overwhelmingly positive. We expect that these shares can be distributed to shareholders before year end. The special distribution of shares of the Manager, based on our estimate of Value[1], will be around $20 billion or approximately $12.00 for each share of Brookfield you own at that time. The distribution will be executed on a tax-free basis to Canadian and U.S. shareholders and we are working through the taxation in other jurisdictions.**

[1] See Cautionary Statement Regarding Forward-Looking Statements and Information for further disclosure relevant to the distribution and our outlook on the equity value of the management business.

As you may know, Brookfield's history dates back to the establishment of its predecessor company in 1899 for the purpose of providing electricity and transportation services. The company evolved throughout the 20th century and underwent a number of name changes. In the 1970s, the company shifted its investment focus to real estate, financial services, hydroelectric power and industrial investments. Thus, our roots are in the direct ownership and operation of businesses, sometimes in partnership with others but mostly for our own account. It may surprise some of today's shareholders to learn that we didn't begin to provide asset management services to third parties, in a meaningful way, until the late 1990s.

Over the more than 20 years since then, our expertise in investing our own capital has greatly benefitted our asset management clients, and the asset management business has expanded rapidly. The investment sectors we focus on—renewable power & transition, infrastructure, private equity, real estate, credit and insurance solutions—which have turned out to be prime components of what is now known as the "alternative investment" industry, are very much in demand. We have emphasized achieving superior returns on our clients' investments and Brookfield's investments alongside those clients, and we have developed dedicated, expert management in each of the sectors.

Thus, Brookfield has made a lot of money investing on its own balance sheet, to the point where Brookfield now has proprietary assets representing approximately $75 billion of invested capital, and our asset management organization has taken its place as one of the very top alternative investment firms.

The combination of our top-tier alternative asset management organization with our very significant invested capital makes us unique among our peers and has represented a significant competitive advantage to us in building our business. This combination leverages our significant operating expertise across all our businesses, it further aligns our interests with the investors in our funds, and it means we can move rapidly to seize new opportunities. The bottom line is that today's Brookfield consists of two businesses that are very different in nature but work together very well.

Looking forward, we believe that each of these businesses has incredible potential to expand further. To achieve this growth, however, we have concluded that they should now be separated, while preserving the benefits of their complementary nature and alignment.

We have seen the benefits that can be derived from this type of separation of businesses. Over close to 15 years, we have methodically launched our renewables, infrastructure, real estate and private equity platforms into separately managed businesses. We attribute their outstanding success in no small part to them having strong, dedicated, decentralized management teams whose efforts are concentrated on their respective businesses. This experience gives us great confidence that implementing operational separation between our asset manager and the capital investor will provide each business a platform and focus to deliver on its growth plan.

Moreover, if we are successful in our objective, creating a "pure-play" asset manager should also expand our investor base. Today, some potential investors interested in our asset management business may be put off by the need to also understand and value our proprietary investments (or they may avoid making this effort by taking our proprietary assets into account at a severe discount). Having a new security or "currency" that is well understood and appreciated by the public markets will maximize optionality for us as we continue to scale and diversify our asset management platform.

Here's how we think about this: for now, we will refer to the capital investor of our proprietary assets as the "Corporation" and our asset management entity as the "Manager":

Corporation

- Invests for its own account
- Is capital intensive
- Retains/invests the bulk of its earnings

Manager

- Manages money for others
- Requires little or no capital
- Can thus adopt a higher dividend payout ratio

As a first step, the Corporation will publicly distribute a 25% interest in the Manager to our shareholders. This will make the Manager a pure play in money management and one of the clear leaders in alternatives. The Manager's balance sheet will be free of the substantial proprietary investments the Corporation makes for its own account, facilitating comparison of its financial statements with those of other asset managers, and its performance as a pure money manager will be clear. Since asset managers don't need much in the way of facilities, equipment or working capital to do business, we plan for the Manager to pay out approximately 90% of its annual earnings in dividends. At our midpoint of valuation estimates, the Manager will in our view have a Value of ±$80 billion ("trading price" may be more or less) and based on that will have a free float of ±$20 billion.

The Corporation will initially hold a 75% ownership of the Manager. In addition to the shares of the Manager and our other proprietary investments, the Corporation will own its existing interest in Brookfield Reinsurance, the most recent example of a company we have built by investing our own funds. In essence, following the transaction, the Corporation (at our midpoint valuation estimates) will hold ±$135 billion of investments: the ±$75 billion of investments it currently owns plus ±$60 billion of Manager shares—its 75% ownership in the Manager. Shareholders will directly own the other 25% of the Manager.

The Corporation is also the entity that will continue to make early investment commitments to funds managed by the Manager, make direct investments in new and existing businesses, or repurchase shares when they represent the best potential use of funds. The Corporation's objective will be to continue investing and compounding capital over the long term at an annualized rate in excess of 15%, consistent with our historical returns. The Corporation's appetite for investment capital means, however, that its annual dividend will initially be set at a lower level (which, when combined with the dividends shareholders will receive from the high payout of the Manager, will be around the same as they receive today).

The result of this transaction will be two companies: a leading alternative asset management firm and a capital investor focused on compounding its capital over time, each of which has its own financial dynamics and each of which will be easier to analyze when viewed from the outside. However, through their common ownership and the fact that the Manager will manage many of the Corporation's investments, we will preserve the extensive synergies that historically have existed between our asset management and proprietary capital investing functions. These include the sharing of industry expertise; accessing the operating expertise across our platforms; joint sourcing of deals; and the capital investor's use of its strong balance sheet to invest alongside the asset manager, enabling our combined entities to complete large-scale transactions.

We think this is the best of both worlds: separate identities for our two distinct businesses, but preservation of their ability to benefit each other, and thus all shareholders. Separated from "asset-heavy" investments, we think the performance of the Manager as an investment manager will become even more visible, and therefore be more appealing to investors desirous of a pure-play investment in the alternatives industry. On the other hand, shareholders who wish to retain exposure to the capital investment function may favor the Corporation. Of course, any shareholder who likes things exactly the way they've been will be able to hold both shares side-by-side and have just that.

We hope you will share our enthusiasm for this transaction, and we look forward to having you with us in the Corporation and/or the Manager, in whatever combination you find most attractive. As we move forward, we look forward to providing you with further updates as we finalize the details of the transaction.

Lastly, as to the fundamental mechanics of the transaction, we expect them to be as follows:

- The split and distribution of shares will be structured to be tax-free for shareholders in the U.S. and Canada.
- The Corporation and the Manager will both trade on the New York and Toronto stock exchanges.
- Immediately post-transaction, the Corporation will own 75% of the Manager and current Brookfield shareholders will own the remaining 25% via the shares they receive from the distribution.
- We will also ensure that holders of Brookfield Reinsurance shares (which are exchangeable for Class A shares of Brookfield Asset Management Inc.) will be treated equally from an economic perspective.
- The transaction will proceed by way of a "plan of arrangement" in accordance with Canadian laws, subject to approval of our shareholders.

Inflation Is Very Positive for Real Assets and Businesses

We own and manage one of the largest portfolios of cash generating inflation-protected assets in the world.

In general, we own assets and businesses that require large investment up front, earn very high margins, and generally have low expenses compared with their capital cost. As a result, the impact of inflation is on our expenses, which represent approximately 30-40% of revenues. But correspondingly, we benefit from expansion on 100% of revenues. Therefore, as inflation occurs, margins increase—which means that inflation has a positive impact for owners of real assets and real return businesses. With approximately $725 billion of assets of this nature and prices up 10-20%, the value of our overall investment portfolio increases and the compounding effect over time is even more meaningful.

As an example, last year we acquired a number of utility assets in our super core infrastructure strategy, which is a fixed income alternative for our clients. These utility assets are long-dated and low risk, mostly contracted or regulated, so the risk of disruption of income is minimal. That said, our upside is capped within a reasonable band. Last year, with a view that odds favored more inflation rather than less, we acquired many assets that are regulated/contracted, with the expectation of inflation increases in the portfolio greater than the 2% assumed in the purchase prices.

These acquisitions included part of an electricity transmission line in the U.S., part of a natural gas delivery system in the U.K., and numerous electricity transmission and distributions systems in Australia. Our expectation at acquisition was an all-in 9% return on these assets, and we started with an average of 5% current yield. Fast forward to today, with inflation running at 5% plus, the cash flows dropping to the bottom line will be higher—and the compounding effect in the future even greater. This is because both the overall revenues are higher, and the benefits are amplified when one has fixed-rate financial leverage.

In real estate, we estimate that in the last three years, prices for construction materials are up at least 20%—and even more in some parts of the world. This number is based on the knowledge in our construction and development businesses, and as we price the construction of buildings daily. The ramification of this is that to build a new building, the costs will be over 20% higher than three years ago. As a result, and keeping returns equal, rental rates to start a new building need to be at least 20% higher. This means that upon vacancies getting utilized, rents are going higher. Our experience today in New York is that for quality office buildings, rents have increased more than 30% from pre-pandemic levels.

The Country Matters – It Always Has

Given recent events, and as global investors, it is worth revisiting our views on global markets, and where we will invest. As many of you will recall, we are very global, but very choosy. We invest in 30 or so countries, but we are very methodical about where and how we invest. This process always matters, and while sometimes it is tempting to be lured into a situation, one only finds out the ramifications when it is too late. Recent events have only emphasized this point.

Before we describe our process, we would like to emphasize that we have no Brookfield business in Russia. We have no people, and we have no direct exposures. Of course, given the scale of our business, we have some de minimis indirect exposure to businesses that had dealings in Russia, but they are essentially inconsequential.

Most importantly, this is not by accident. It was, and is, the direct result of the rigorous process we go through before entering a country and deciding that we will invest the time, energy and resources to be there for the long term. Once the decision is made, it is difficult to stop the train from moving forward.

Our rules are quite simple, but they require rigorous discipline to adhere to them. Over the years, we have been approached to do business in most countries. Often the transactions in themselves look very appealing. Each time we ponder and consider investing, but we try to always adhere to our principles. The last few months have provided us all a very good reminder as to why we have our rules.

As a refresher, our rules are:

- We must be able to operate with governance that we adhere to in advanced countries globally;
- The country must respect the capital of foreign private investors;
- The country must be large enough that we can make the opportunity meaningful for Brookfield; and
- We would like to operate in most of our sectors, so we get the benefits of synergy and scale.

We are in over 30 countries that fit these criteria, and there are not many others that we need to be in—or that we want to be in. For example, there are some great small countries we do not operate in; it is simply that they are too small for us. In others, we don't feel confident that we can operate with our standards.

As you know, we buy long-term assets and businesses that generate reasonable cash flows that grow over time. If we look after and enhance the assets, they tend to grow in value over the longer term. If there is any chance that we might not get our value back at the end, or that the value could otherwise be impaired by things other than regular business risk, the country does not fit our investment criteria.

The world is a big place and we do not need to be everywhere. In fact, concentrating our efforts often has ancillary benefits, so we don't ever plan to be everywhere. There are so many great opportunities around the world for a franchise like ours and it is exciting to be at the center of them.

Closing

We remain committed to being a world-class 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

May 12, 2022

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, the expected future trading price of our shares or financial results, the results of future fundraising efforts, the expected growth, size or performance of future or existing strategies, future investment opportunities, or the results of future asset sales. In addition, forward-looking statements contained in this letter to shareholders include statements regarding the listing and distribution of our asset management business, including the anticipated timing and value of such transaction and the impact that such transaction may have on Brookfield and its shareholders. The board of directors of Brookfield has approved, in principle, Brookfield pursuing the transaction. The transaction will be subject to the satisfaction of a number of conditions, including shareholder approval, and, as such, there can be no certainty that the transaction will proceed or proceed in the manner described. Our outlook on the equity value of the Manager and the Corporation and their respective shares are based on (i) annualized fee-related earnings and net target carried interest of approximately $1.9 billion and $2.2 billion, respectively, (ii) applying a 30x multiple, being the midpoint of a market-based valuation multiple range of 25-35x to fee-related earnings, and a 10x multiple to net target carried interest, in each case as adopted by management in its business planning, and (iii) our accumulated unrealized carried interest balance as of March 31, 2022, however the trading price of the shares of the Corporation and the Manager following the distribution may differ, possibly materially.

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 COVID-19 pandemic and related global economic disruptions, which may cause the actual results, performance or achievements of Brookfield Asset Management Inc. or the Manager 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 related global economic disruptions; (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.

Certain of the information contained herein is based on or derived from information provided by independent third-party sources. While Brookfield believes that such information is accurate as of the date it was produced and that the sources from which such information has been obtained are reliable, Brookfield makes no representation or warranty, express or implied, with respect to the accuracy, reasonableness or completeness of any of the information or the assumptions on which such information is based, contained herein, including but not limited to, information obtained from third parties.

Cautionary Statement Regarding the Use of Non-IFRS Measures

This letter to shareholders contains references to financial measures that are calculated and presented using methodologies other than in accordance with IFRS. These financial measures, which include Distributable Earnings, its components and its per share equivalent, should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures or other financial metrics are not standardized under IFRS and may differ from the financial measures or other financial metrics disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities.