

Value Creation

We create shareholder value by increasing the earnings of our asset management activities and increasing the value of our Invested Capital, as follows:

ASSET MANAGEMENT

1. Increasing fee bearing capital, which increases our fee related earnings. We track the value created by applying a multiple to our current fee related earnings.
2. Achieving attractive investment returns, which allows us to earn performance income (carried interest). We measure the value created by applying a multiple to our target carried interest, net of costs¹.

INVESTED CAPITAL

3. Increasing the cash income generated by the investments as well as capital appreciation, through operational improvements and disciplined recycling of the underlying assets. We measure the value created using a combination of market values and fair values as determined under IFRS.

Asset Management

AS AT AND FOR THE YEAR ENDED DEC. 31, 2018
(MILLIONS)

	Actual	Current ¹
Fee revenues	\$ 1,693	\$ 1,545
Direct costs	(564)	(618)
Fee related earnings	1,129	927
Carried interest, gross	661	1,430
Direct costs	(171)	(430)
Carried interest, net ⁶	490	1,000
Total	\$ 1,619	\$ 1,927

Invested Capital

AS AT DEC. 31, 2018
(MILLIONS)

	Quoted ²	IFRS ³	Blended ⁴
BPY	\$ 8,855	\$ 15,595	\$ 15,595
BEP	4,879	4,749	4,879
BIP	4,063	1,916	4,063
BBU	2,671	2,017	2,671
Other listed ⁵	3,859	4,224	3,859
Total listed investments	\$ 24,327	28,501	31,067
Unlisted investments and working capital, net		7,395	8,436
Invested capital		35,896	39,503
Leverage ¹		(10,577)	(10,577)
Invested capital, net ¹		\$ 25,319	\$ 28,926



1. See definition in the Notice to Readers on page 16.

2. Quoted based on December 31, 2018 public pricing.

3. Total IFRS invested capital excludes \$328 million of common equity in our Asset Management segment.

4. For business planning purposes, we consider the value of invested capital to be the quoted value of listed investments and IFRS value of unlisted investments, subject to two adjustments. First, we reflect BPY at IFRS values as we believe that this best reflects the fair value of the underlying properties. Second, we reflect Brookfield Residential at its privatization value.

5. Includes \$2.3 billion of corporate cash and financial assets.

6. For the purposes of value creation, "current" carried interest, net represents target carried interest, net. Target carried interest, net, is defined in the Notice to Readers on page 16.