

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, 2019
(MILLIONS)

	Actual	Current ¹
Fee revenues	\$ 2,014	\$ 3,021
Direct costs	(792)	(1,481)
	1,222	1,540
Oaktree earnings not attributable to BAM	(21)	(106)
Fee-related earnings, net	1,201	1,434
Carried interest, gross	980	2,760
Direct costs	(292)	(1,020)
	688	1,740
Oaktree carried interest not attributable to BAM	(28)	(186)
Carried interest, net ⁶	660	1,554
Total	\$ 1,861	\$ 2,988

Invested Capital

AS AT DEC. 31, 2019
(MILLIONS)

	Quoted ²	IFRS ³	Blended ⁴
BPY	\$ 9,564	\$ 15,786	\$ 15,786
BEP	8,784	4,810	8,784
BIP	6,189	2,141	6,189
BBU	3,901	2,389	3,901
Other listed ⁵	3,111	3,549	3,111
Total listed investments	\$ 31,549	28,675	37,771
Unlisted investments and working capital, net		8,494	9,210
Invested capital		37,169	46,981
Leverage		(11,228)	(11,228)
Invested capital, net		\$ 25,941	\$ 35,753



1. See definition in the Notice to Readers on page 19.

2. Quoted based on December 31, 2019 public pricing.

3. Total IFRS invested capital excludes \$4.9 billion 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 \$2.2 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 19.