

# Value Creation

We create value for our shareholders by increasing both the value of our Asset Management franchise and of our Invested Capital, as follows:

## ASSET MANAGEMENT

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

## 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 thereby created using a combination of market values and fair values as determined under IFRS.

### Asset Management

FOR THE YEAR ENDED DEC. 31, 2020  
(MILLIONS)

	Actual	Current <sup>1</sup>
Fee revenues	\$ 2,840	\$ 3,283
Direct costs	(1,296)	(1,606)
	1,544	1,677
Oaktree earnings not attributable to BAM	(116)	(112)
Fee-related earnings, net	1,428	1,565
Carried interest, gross	1,167	3,189
Direct costs	(494)	(1,218)
	673	1,971
Oaktree carried interest not attributable to BAM	(117)	(251)
Carried interest, net <sup>6</sup>	556	1,720
<b>Total</b>	<b>\$ 1,984</b>	<b>\$ 3,285</b>

### Invested Capital

AS AT DEC. 31, 2020  
(MILLIONS)

	Quoted <sup>2</sup>	IFRS <sup>3</sup>	Blended <sup>4</sup>
BPY	\$ 8,378	\$ 15,538	\$ 15,538
BEP	15,015	4,573	15,015
BIP	6,743	1,920	6,743
BBU	3,546	2,175	3,546
Other listed <sup>5</sup>	6,113	5,937	6,113
Total listed investments	\$ 39,795	30,143	46,955
Unlisted investments and working capital, net		10,055	11,323
Invested capital		40,198	58,278
Leverage		(13,452)	(13,452)
Invested capital, net		\$ 26,746	\$ 44,826



1. See definition in the Notice to Readers on page 15.
2. Quoted based on December 31, 2020 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 adjust Brookfield Residential values to approximate public pricing using industry comparables.
5. Includes \$4.5 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 15.