

Brookfield

TRANSCRIPT: Q2 2021 CONFERENCE CALL / WEBCAST

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Corporate Speakers:

- Suzanne Fleming, Managing Partner, Communications and Branding
- Bruce Flatt, CEO, Managing Partner
- Nicholas Goodman, CFO, Managing Partner
- Sachin Shah, CIO Brookfield & CEO, Brookfield Reinsurance

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Brookfield Asset Management Second Quarter 2021 Results Conference Call.

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Ms. Suzanne Fleming, Managing Partner. Thank you. Please go ahead.

Suzanne Fleming, Managing Partner, Brookfield Asset Management Inc.

Thank you, operator, and good morning, everyone. Welcome to Brookfield's Second Quarter 2021 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, our Chief Financial Officer; and Sachin Shah, Chief Investment Officer for Brookfield and CEO of our insurance business. Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results for the quarter. And finally, Sachin will give an update on our insurance business. After our formal remarks, we'll turn the call over to the operator and take analyst questions.

I'd like to remind you that in today's comments, including in responding to questions and in discussing new initiatives and our financial and operating performance, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. Securities Law. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks, and future events and results may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website.

And with that, I'll turn the call over to Bruce.

Bruce Flatt Brookfield Asset Management Inc. - CEO

Thank you, Suzanne, and welcome, everyone on the call. Nick Goodman will walk you through our financial results in more detail in a moment, but I am pleased to say they are good on almost every front. The market environment has been strong and continues to get stronger in most, if not almost all of our key markets we operate in. While a total reopening will not be without challenges, we seem to be on a good path and GDP growth remains strong. We are seeing this in almost all of our operating businesses.

Just to give you a few examples. In our infrastructure business, new connections doubled this quarter within our U.K. regulated distribution business, where we install and after that own household connections for water, gas, electricity and fiber. In our U.S. real estate business, tenant sales per square foot on average have now increased to higher than 2019 levels, not 2020 – 2019 levels across our retail centers. In our private equity business, we saw our residential mortgage insurance company benefit from higher premiums earned supported by the continued strength of the housing market. These are just a few examples of which they are accomplished others across the business.

Capital markets remain very strong with strong levels of global liquidity and a search for yield driving demand. 10-year treasury, as most of you know, is in the low 1% range. It appears certain that interest rates will remain low-ish for some time. Overall, with a strong GDP growth backdrop and lower for longer interest rates, this leaves us well positioned to execute on our growth plans as we push further to assist our clients with capital and fixed income investment options. To that end, we recently announced a transaction to acquire 100% of American National, which will add a great base to our insurance businesses.

Sachin Shah, as Suzanne mentioned, is here with us today, and will discuss what our plans are with regards to reinsurance – insurance and reinsurance transactions specifically. More broadly, across all of our businesses, our teams have been busy. While valuations are generally high, we continue to find assets for value. This is because we often find ourselves as a buyer of choice, given our operational capabilities, our bench strength across a number of industries, our access to large scale capital, and we can therefore execute on transactions swiftly, and also our proven and long-term track record. So while the market is competitive right now, we're still very confident that we can deploy capital while staying disciplined within the business.

Moving to fundraising efforts. We've made significant progress with \$24 billion of private capital raise since we last spoke to you, including three of our flagship funds, which are now in active fundraising. The capital raise so far includes the \$7 billion of our founders' close for our inaugural Global Transition fund and capital raised as part of our initial close for our fourth flagship real estate fund of \$9 billion to date. Compared to the first close of its prior vintage, this is more capital raised in a quicker timeline and should lead to a much larger fund than last vintage.

Our latest private equity fund signed agreements for a couple of transactions. Recently, our latest private equity fund has passed the commitment threshold to start fundraising for its next vintage, and we expect that launch to happen soon.

Deployment within our large infrastructure fund is progressing well, and we're confident we will shortly complete the acquisition of IPL. This acquisition sets us up well to be in the market with the next vintage of our flagship infrastructure fund early next year and should be an excellent investment for our listed entity Brookfield Infrastructure Partners.

We also expect to have a final close on our opportunistic credit flagship fund in the coming months with the final closeout of our \$15 billion fund, the largest in Oaktree's history. And while we continue to scale

up our flagship funds, we are also focused on expanding our client base and growing our product offering, designing and innovating new products to cater to our clients' needs, in particular, in this low interest rate environment. As an example of this, in July, we announced the creation of our private non-traded REIT, which we'll merge with an existing Oaktree REIT, which will assist us getting to market quicker, and it will be rebranded as Brookfield REIT. This private wealth product is geared towards private income-oriented investors in the focus in the United States, and we expect it will be very attractive in this wealth channel.

Brookfield REIT will own high occupancy de-risked assets with recurring cash flows, of course, which has been long a specialty of our real estate business. We hope to fully launch the strategy by the end of 2021. The flexibility provided by the privatization of BPY will be instrumental to this launch and the forward business plan for this product.

Lastly, we completed or progressed a number of our key initiatives that we previously laid out for the business, including the spinoff of Brookfield Reinsurance Partners to you by way of a special dividend at the end of June and the privatization of BPY, which closed in July.

Thank you all for your continued support, and I'll turn it over to Nick to discuss the financial performance.

Nicholas Goodman *Brookfield Asset Management Inc. - CFO*

Thank you, Bruce, and good morning, everyone. Performance for the second quarter was very strong. We recorded \$1.2 billion of distributable earnings, supported by growth in our asset management business and steady distributions from our principal investments. Momentum in our asset management business continues to grow, supported by a very constructive economic backdrop. Our flagship funds are growing in size. We're developing new products that are being well received by the market, and we are investing in our distribution capabilities to reach and serve more clients.

In addition, the current environment is very supportive of our asset sales program, enabling us to surface profits for our clients, return capital to them and realize carried interest in the process. Inflows during the quarter totaled \$8 billion across several of our perpetual and long-term fund strategies, including a first close for our latest real estate debt fund and further capital raises for our Special Investment strategy.

Subsequent to quarter end, we held successful initial closes for inaugural global transition fund and our fourth flagship real estate fund for a total of \$16 billion and expect them to grow significantly with further closes over the next 12 months. Together with the successful fundraising of our latest flagship opportunistic credit fund, we are on track to meet our fundraising goals outlined in our 2020 Investor Day. We completed the privatization of BPY on July 26th and now own 100% of the business. We expect the privatization will be accretive to our distributable earnings. And over time, through asset monetizations, the portfolio will provide us with capital to fuel the next phase of our growth.

Turning to quarterly results. Total funds from operations of \$1.6 billion, operating FFO of \$813 million and net income of \$2.4 billion were all up meaningfully from the prior year period. In our asset management business, fee-bearing capital increased by \$6 billion to \$325 billion at quarter end and is up by \$48 billion over the last 12 months. This led to strong growth in fee-related earnings, which was \$483 million for the 3-month period and totaled \$1.7 billion over the last 12 months, an increase of 25% from the prior period.

We have \$32 billion of additional committed capital that will become fee-bearing once invested, translating to approximately \$320 million of incremental annual fee revenues. We've continued to execute on capital recycling initiatives at favorable prices. We generated \$8 billion of proceeds from

monetization's during the quarter, allowing us to return \$6 billion to our clients and realize \$335 million of carried interest into income. Year-to-date, we have now realized over \$1 billion of gross carried interest, meeting our 2021 full year target, well ahead of schedule, and we expect more to come over the balance of the year.

Our investments performed very well during the quarter. We generated over \$1 billion of unrealized carried interest, increasing the total accumulated carried interest by 20% to over \$6 billion. We expect to recognize this into income over time as we continue to execute on asset sales. We want to remind everyone that much of our accumulated unrealized carried interest is in our earlier vintage funds, which are much smaller than the current vintages. And if we do our jobs right, we expect realized carried interest to scale meaningfully as we create value for our investors.

As for our invested capital, our operating businesses continue to perform very well, and as Bruce mentioned, some are specifically benefiting from the relaxing restrictions and continued reopening of the global economy. This contributed to FFO for the quarter of \$330 million with the strong earnings being offset by a decrease in FFO contribution from our renewables and infrastructure businesses following secondary sales of some of our shares in these companies over the last 12 months and the sale of our majority interest in West Fraser.

Distributable earnings, or DE, before realizations increased 35% over the last 12-month period. The increase was largely driven by the continued growth in our asset management franchise as well as increased distributions across our listed affiliates. Including realizations, DE doubled for the 12-month period to \$6.3 billion.

Our liquidity continues to remain very strong. In addition to \$60 billion of uncalled fund commitments, we have approximately \$18 billion of core liquidity, including close to \$9 billion directly at the BAM level. All of this adds to a total of \$78 billion of deployable capital. Following the quarter, we further bolstered our liquidity with an \$850 million debt issuance, taking advantage of an attractive rate environment. Proceeds from the offering will be used to finance eligible green projects and for general corporate purposes.

Our balance sheet remains conservatively capitalized, with 94% of our debt having no recourse to the corporation and a debt to market capitalization ratio of around 10%. When combined with our corporate balance sheet, it has over \$9 billion of core liquidity, \$60 billion of investments and the \$3 billion of DE that we generate on an annual basis, we have a strong foundation to fund strategic acquisitions, such as American National, which will be highly accretive or use the capital to continue to buy back shares.

Before I hand the call over to Sachin, I'm pleased to confirm that our Board of Directors has declared a \$0.13 per share dividend payable at the end of September. Sachin?

Sachin Shah *Brookfield, CIO & Brookfield Reinsurance, CEO*

Thank you, Nick, and good morning, everyone. I'm pleased to be here today to provide you an update on the activities taking place across Brookfield's growing insurance solutions platform, Brookfield Reinsurance. Over the past two decades, we have transformed Brookfield into a leading alternative asset manager with access to scale amounts of capital, including our own strong capital base, global presence and investment expertise across real estate, infrastructure, renewable power, private equity and more latterly credit. These businesses have enabled us to deploy large amounts of capital at attractive risk-adjusted returns for us and our clients.

Increasingly, over the last decade, as rates have come down, many of our clients have been insurance companies around the world, looking for low volatility, higher returning investment opportunities backed by high-quality assets. Our businesses and our expertise, in particular, in real estate, infrastructure, power and private credit, match up very nicely against the needs of asset-intensive life and annuity insurers. As our insurance client capital has grown, so has the desire from insurers to look more broadly for partners like us who can offer diverse capital solutions, such as block or future flow reinsurance capital, investment management and partnership opportunities. All of these skills are well suited to Brookfield's investment franchise, given our deployable capital, investment expertise and ability to partner with counterparties over the long term.

To focus our efforts at the end of June, we completed the spin-off of Brookfield Reinsurance Partners, a separate public company that was established to own and operate insurance companies and conduct reinsurance. Since the spin-off, we have been actively progressing our previously announced deals, such as our cornerstone investment in American Equity Life, and we have been working on a robust pipeline of new opportunities.

To be clear and before I speak about our recent activities, the opportunity has always existed to be in insurance and reinsurance. It helps that our franchise is now bigger and our credit platform is much broader to ensure that we can put the capital to work effectively. But the real change over the last couple of years is that interest rates are as close to zero as they have ever been. Therefore, the risk profile of losing money on annuity-like products is lower than it has ever been.

Accordingly, the opportunity for us to out-earn and generate a substantial return on equity is excellent. Bottom line, when rates were at 5%, annuities needed to out-earn that 5%. As rates have fallen to 1%, the losses on the liabilities for those who took on policies to pay that circa 5% rate has been significant. But now with rates at 1% and with it unlikely that nominal yields will go negative for any long period of time, the risk on the liability side of the business is far less. We believe, therefore, that this is the ideal time to enter the business in a large way, and therefore, we have been working on this plan for the last year.

Cutting through it all, we're always trying to find ways to invest money in businesses which have good returns, but low risk. We think that annuities, as long as you have a strong investment franchise to put money to work into offers that today. With that backdrop, earlier this week, we announced that Brookfield Reinsurance entered into an agreement to acquire a 100% interest in American National Group, a U.S.-based insurance company founded in Texas nearly 100 years ago. American National is predominantly focused on life and annuities products with a smaller P&C business.

We believe the acquisition will significantly enhance our capabilities in the U.S. and provide us with a scale platform for future growth. Today, the company manages approximately \$30 billion of assets and has a net asset value of just over \$6 billion. We are acquiring the company for \$5.1 billion, funded with \$1.5 billion of non-recourse debt with the balance coming from equity. We believe we can grow the net asset value of the business meaningfully over the next five years through asset optimization and expanding into new lines of business. Accordingly, for Brookfield reinsurance, this represents an attractive and value-oriented entry into the U.S. insurance market.

To elaborate on these themes, I will describe some of the key features of the business. First, the company has an excellent management team with decades of experience, a conservative and prudent underwriting culture and a long track record of stable earnings and capital management. Second, the operational base of the company, its employees, its distribution partners, is very strong. This gives us tremendous confidence to manage the existing business while pursuing growth.

As a result, we will focus our efforts on enhancing profitability and lowering risk through our investment capabilities. We believe this is achievable due to the significant credit products we have within Brookfield that as I previously mentioned, are ideally suited to the broader insurance community due to their low volatility, stable returns and capital efficiency. These are typically our credit strategies across real estate, infrastructure and renewable power, where we have a depth of operating and investment origination expertise and have been further enhanced through our partnership with Oaktree.

Today, we already have more than 100 insurers in North America and Europe as clients in these strategies. We also believe we can add new lines of business such as pension risk transfer and third-party reinsurance to the American National business, given these services match up nicely with the investment products I just referenced. All of these factors give us conviction that the business has strong downside protection and substantial upside potential through asset optimization, growth and capital efficiency initiatives. We look forward to working with all stakeholders over the next decade.

We expect the transaction to generate strong risk-adjusted returns and are currently targeting to close the transaction in the first half of 2022. Once the American National transaction is closed, Brookfield Reinsurance will manage over \$40 billion of reinsurance assets through a combination of our pension business and the reinsurance transactions signed to date with several U.S. domestic insurers. We look forward to providing you an update on the progress of these initiatives in coming quarters.

With that, I will pass the call over to the operator for any questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Cherilyn Radbourne from TD Securities.

Cherilyn Radbourne TD Securities Equity Research - Analyst

I was hoping if you could give a bit more color on Brookfield Oaktree Wealth Solutions and how that compares versus how the company was accessing the wealth channel previously, including whether that team is global or primarily focused on North America for now?

Nicholas Goodman Brookfield Asset Management Inc. - CFO

Cherilyn, yes, the team, I would say, used to be in three different spots. We had an Oaktree team, we had a team in Brookfield, and we had a team in our Public Securities group, all doing a job of kind of accessing and penetrating different parts of the channel with different products. And so putting it together will be immensely powerful. And there are people, I would say, focused on this predominantly in the U.S., but also we have some people in Europe and will broaden the team, and we have been accessing channels. So it's really a combination of all of what we were doing before. So the RIAs, the bank wealth channels, the high net worth, the family office and putting it together with the right products that we think will give a tremendous scale and a product like the non-traded REIT is a perfect example of that.

Cherilyn Radbourne TD Securities Equity Research - Analyst

And so just as a follow-up, beyond that non-traded REIT, would you anticipate creating other products specifically for the wealth channel? And just what would be the interplay between those products and your listed affiliates?

Nicholas Goodman Brookfield Asset Management Inc. - CFO

Yes, we would. I think there will be new products. And I think whatever we look to do, obviously, there are certain return requirements in these different kinds of products, and some might work for the listed affiliates and like the private funds, if that's the case, we can work out the way to do investment outside each other. But some of these are products like in our super core infrastructure fund have different risk return attributes than we sometimes look for in the listed affiliates, but either the investment inside each other or they're tailored specifically for that channel.

Operator

Our next question comes from the line of Bill Katz from Citigroup.

William Katz Citigroup Inc., Research Division - MD & Global Head of Diversified Financials

You may have covered this, so I apologize. So the shareholder letter read very favorably to me around asset gathering across a broadening platform at scale and sort of reinforced, reiterated the \$100 billion goal and all on the way with a good track record into the third quarter already. Stepping back a little bit, Bruce, many of your peers have had similar type of bogeys and have significantly ramped the opportunity set on the other side of that. So as you look now today at that \$100 billion, more or less confident, where could it ultimately get to, you think, in terms of sort of ultimate rate for the cycle.

Bruce Flatt Brookfield Asset Management Inc. - CEO

Yes. Look, I'd just say, if you look more broadly across the business, those numbers aren't included. What's not included in them is our insurance, accumulation of assets. I think our private funds can be much larger. I think our perpetual funds can get bigger. The only thing I would say is – and we said in the latter that our goal is to get each of our private flagship funds to \$25 billion. They will probably – after that point in time, they won't get that much bigger than that. They may split and will do ones in Asia or Europe. But that's sort of a size where institutions are comfortable. But I think there's lots of room on the sides to keep growing. Years ago, I wouldn't have thought we'd have 5 flagship funds, we had 3, and we keep expanding the business.

William Katz Citigroup Inc., Research Division - MD & Global Head of Diversified Financials

Okay. Just a quick follow-up. So in terms of BPY, I guess I was reading some of the footnotes there that you expect to keep some of the \$15-plus billion potentially forever on the balance sheet. I'm just sort of wondering, just conceptually why such a strong statement? And what would cause you to potentially maybe liquidate that capital and redeploy the proceeds elsewhere?

Nicholas Goodman Brookfield Asset Management Inc. - CFO

Yes, Bill, maybe I'll start. I would probably answer it a different way to maybe to ask the question. We have \$30 billion of equity in real estate today, and we think that we'll continue to generate strong returns and cash flow. But over the next 5 to 7 years, we outlined that we could surface up to \$25 billion of cash against that \$30 billion today. Now that will continue to compound in value that maybe gets you to your hold, but that's a significant amount of capital that we think we can raise. And if the market is even more constructive than we think it will be, then maybe we can accelerate it. And by having new products in the business, such as our non-traded REIT, other private funds and insurance business, maybe there's another path to accelerate. But I would focus on the fact that against \$30 billion of equity today, there's potential to raise up to \$25 billion of cash.

Operator

Our next question comes from the line of Alex Blostein from Goldman Sachs.

Alexander Blostein *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

This is actually Ryan Bailey on behalf of Alex. I also had a question on BPY. I was wondering if we could walk through some of the economic implications now that the deal is closed, and this is a little bit of a nested question. But I guess, how have economics change related to FRE now that you own BPY, how you expect it to change over time? And then also in terms of valuing the assets on the balance sheet, how do you expect that to happen going forward as well as the assets appreciate?

Bruce Flatt *Brookfield Asset Management Inc. - CEO*

So I'll answer the second question first. There is no change to the way the assets will be valued on the balance sheet. They were always fair valued on our balance sheet and consolidated, and that won't change going forward. On the first part, I think we've talked about this in the past, BPY, the entity continues to exist. It continues to file financial statements because it has public prefs and debt, let's say. So the stand-alone entity now is just private as opposed to public, and it will pay fees more in line with a private perpetual real estate vehicle, and basis points on equity, and we expect the fees to be not too different than they are today. And as that portfolio changes over time, fees will change. But at the same time, we will be creating new fee streams with some of the moves that we outlined on the call. So I'd say in the short term, no change, but over time, we'll surface capital create fee streams and the portfolio value will just move along with that.

Alexander Blostein *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Okay. Got it. And then maybe one on Brookfield's REIT. In terms of some of the distribution dynamics, which platforms are you on at the moment, which ones do you expect to be on? I guess, what are you seeing in terms of competition? And as you think about some of those distribution partners, how do you think about them sort of prioritizing your product relative to some of the other ones out there in terms of getting it in front of financial advisers and clients?

Nicholas Goodman *Brookfield Asset Management Inc. - CFO*

So to accelerate, as Bruce mentioned, we are taking over the Oaktree REIT, which will accelerate things, and we expect to be approved and launched in the fourth quarter. It is already on one of the bank platforms, and we are working with the other banks, the major banks, say, 3 or 4 others to have it on their platform later this year, early next year. And I think given the – our scale and reputation in the real estate business and our track record and what we can deliver, I think that we are well positioned to get on the platform and to get the attention of investors.

Operator

Our next question comes from the line of Ken Worthington from JPMorgan.

Kenneth Worthington *JPMorgan Chase & Co, Research Division - MD*

With regard to BPY, first, how are you thinking about selling and migrating BPY assets to other existing or newly created Brookfield funds over time? In your prepared remarks, you mentioned that the privatization of BPY being instrumental, I think, to the launch of your non-traded REIT. So help me make the connection there. And do you see leveraging BPY assets in other Brookfield funds or initiatives, including in insurance? And how might that work?

Bruce Flatt *Brookfield Asset Management Inc. - CEO*

Listen, I think – Ken, it's a great question. And I think now that BPY is private. Executing what you just outlined becomes a lot easier because those conflicts, perceived conflicts don't exist anymore. And I think we launched the NTR, there were a few seed assets from the portfolio that are going in there. That's an illustration of what could happen in the future. Obviously, we balance value, creating the new product

and wanting to get best value, but there's definitely a path for some of the assets to go in there. Some of the assets, as we said, could be sold out right, and that capital gets reinvested elsewhere in the business, maybe into something like reinsurance, which creates fees and return on capital. So we will optimize the portfolio as we move forward, but there's definitely potential for these assets to be used to create and grow new and existing products.

Kenneth Worthington *JPMorgan Chase & Co, Research Division - MD*

Okay. And then I believe the thought initially was something like 1/3 of the assets – BPY assets might be sold, 1/3 might find their way into other Brookfield products, and a third might remain on balance sheet for longer than the 5 to 6 years. Does that sort of at least roughly reconcile with how you're thinking about things today? It feels like that \$10 billion that remains on the balance sheet for a long time or permanently fits with what you're thinking? Does the rest sort of fall in line as well? Or do the pieces change a bit based on what you know today?

Bruce Flatt *Brookfield Asset Management Inc. - CEO*

Listen, I think it falls in line. And the only thing I would say, Ken, is what the piece we see we're holding. These are fantastic assets, the best assets with great cash flow and they'll compound a great value, but they represent a sort of liquidity on the balance sheet should it be attractive, should there be a need for capital, they'll be available to raise more capital over time. So I'd say in line, but it could be accelerated if there's some tenanted use for that capital. And these are great assets that will appreciate in value over the long term.

Operator

Our next question comes from the line of Sohrab Movahedi from BMO Capital Markets.

Sohrab Movahedi *BMO Capital Markets Equity Research - Analyst*

First, just for Sachin. I think you noted that you are at around circa \$40 billion. At the Investor Day, you talked about an opportunity for reinsurance in the \$100 billion to \$200 billion. So I was – first of all, I wanted to just confirm that the opportunity set of \$100 billion to \$200 billion is still a good guidepost. And then secondarily, if you think you'll be able to realize on that, maybe at the upper end of that, if you think you will still have to do some, I'll call it, business acquisition as opposed to reinsurance portfolio purchases.

Sachin Shah *Brookfield, CIO & Brookfield Reinsurance, CEO*

Sohrab, sure. First of all, look, the \$100 billion to \$200 billion that Bruce set out last year is the right guidepost. I don't think we have any reason to change it. I would not have expected that we would have made as much progress as we have this quickly. And it is a function of where rates are and how much activity this space is seeing because of the difficulty for insurers to earn a proper return. So I think you can take from that, that the higher end of that guidepost is possible.

And therefore, if you're trying to figure out where this is all going, I think we can get to the scale and likely on the higher end. In terms of business acquisitions versus reinsurance, I think you should expect that reinsurance is our focus. It was important for us to have all the tools available to be a good partner to insurance companies to have a domestic U.S. platform, and American National fits that bill. It's diversity, its people, and its systems and operations and distribution partners just give us tremendous flexibility to be a good partner to the insurance community more broadly. And I think with that in place, we can then accelerate our reinsurance activities. So you should assume that that's our path forward.

Sohrab Movahedi *BMO Capital Markets Equity Research - Analyst*

Okay. And maybe if I can get one in for Bruce as well. I mean, Bruce, when you kind of zoom out, obviously, lots happening around the world since the pandemic was declared, I don't know, 1.5 years ago. When you think about all the puts and takes, how has your business fared? Would you say BAM has been a COVID winner here? Do you think the acceleration of maybe dispositions is the biggest net positive over here? Or how should we be thinking about the key drivers of your business and how they were impacted over the last year?

Bruce Flatt *Brookfield Asset Management Inc. - CEO*

Look, I think there are two backdrops that have helped our business for a long time, and the last 1.5 years has accelerated both of them. The first one is interest rates were going down, and they went to zero and it appears like they're going to stay low for a long period of time. The question was whether they were going to go up before. And I don't think that many people think they're going to go up. And when people think they're going up, if you test them, what they say is they think rates on the 10-year treasury will go to 3%. That's an incredibly positive thing for our business. As a result of that, institutional investors and individual investors globally are trying to find alternative places to put their money. And their alternative places are alternatives. So our skills in offering our products are more sought after today than ever were.

And the last point, maybe just to make is that we're out raising \$24 billion in private funds, plus all the other things we raised this quarter. There are many people that they can't go visit people in their offices, and they can't start new funds. So anybody that has a brand one over the last 18 months in financial alternatives because they are familiar with the institutional investors, and therefore, they got all the money, and they continue to. So I'd say the franchise is much deeper, much stronger today than it ever was. And we're not the only one, but there's a few of those franchises in the world, and they are just getting stronger.

Operator

Our next question comes from the line of Dean Wilkinson from CIBC.

Dean Wilkinson *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

Just a question on the reinsurance. Post this acquisition, it will be a \$40 billion business, potentially going to \$200 billion. Can you give any thought as to what size that business needs to be before you could consider de-coupling it from BAM? And perhaps what would the funding mechanism be to get to that size?

Sachin Shah *Brookfield, CIO & Brookfield Reinsurance, CEO*

Dean, it's Sachin. Look, I think we're a ways away from that at this stage. We really need to just build up scale in our operational capabilities and work with management of American National to close the transaction and also to execute our business plans. I think the idea of decoupling it will really come down to – is it a good product for shareholders in the marketplace as a separate entity where the security can create a lot of value for our shareholders that we spun it out to. On the other hand, the way it's set up today gives our existing shareholders tremendous visibility into the business, but also all the upside as we build it out because it's a paired security. So I think retaining that optionality is a good thing. And the decoupling discussions, I think there's still time to be had on that, and we're going to be patient in that regard.

Nicholas Goodman *Brookfield Asset Management Inc. - CFO*

And Dean, it's Nick here. I'd probably just add that if there comes a point where – and it's soon or not, we think of external capital, there's just as good a chance that we think about raising private capital to come alongside us to support the growth of the insurance business versus necessarily spinning it out into the public. So there's a decision point to be made when we decide external capital makes sense, it may be that we go down the private capital route, which – because this product could be very attractive to our clients.

Dean Wilkinson *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*

That would seem to be the path of least resistance for that for sure.

Operator

Our next question comes from the line of Andrew Kuske from Credit Suisse.

Andrew Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research*

I think it's a question for Sachin. And it really revolves around just an evolution of insurance regulation. Given insurance regulation as far as their investments go, can tend to be quite prescriptive at times. And so do you see an evolution of that to really benefit your product offerings? And then, I guess, related to that, are you targeting the equity sleeves or really fixed income alternatives at this stage?

Sachin Shah *Brookfield, CIO & Brookfield Reinsurance, CEO*

Andrew, I'll start with the regs. First of all, they have been evolving in the U.S. and very recently, they continue to evolve, in particular, in the favor of two things: one is private alternatives; and two is real estate. And both are areas where we obviously have a depth of capabilities. And when I say they're evolving in a favorable way, the NAIC rules in the U.S. and the CM rules in the U.S. have all recently evolved with a broader and a deeper rating set and a more favorable capital treatment for private credit, alternative credit and, in particular, real estate oriented credit. So I think all of that plays really well to our strengths. Both, obviously, on the real estate side, but more broadly, on the private side, long duration infrastructure credit is an emerging asset class. And again, because of our infrastructure franchise, it plays well to our strength.

So I think with that, we're really well positioned to grow the business out. And then in terms of designing products and getting into equities, I'd say there, you really need to have a meaningful amount of capital in your insurance business and excess capital in your insurance business, if you want to start to broaden out the investment portfolio into equities. And given our balance sheet strength and the amount of permanent capital we have up at Brookfield, we have the flexibility and the optionality to invest in the business, have excess capital, and over time, if we want to invest in equities, we can. So I think that again positions us quite uniquely relative to our peers.

Andrew M. Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research*

And then the follow-up and somewhat related question, and really goes to Bruce. Quite a few years ago, you made a comment about the infrastructure business being the most exciting in the overall Brookfield portfolio. And I think at the time, BAIF was maybe just shy of the \$3 billion raise. And how do you think about the business position now? Are you equally excited about the energy transition business and the insurance activities? At this point, is there a good parallel there?

Bruce Flatt Brookfield Asset Management Inc. - CEO

For you and others that know me, I'm excited about all of our businesses. But look, I think the alternative area of investments, if interest rates stay low, are all unbelievably positive. I think the transition business is at a very low base, and it can grow for the next 25 years. Decarbonization is not happening in full. There won't be a bell run for 4 years. And therefore, we're in the very, very early stages of it. And if we can – and we're just seeing it today and dealing with some major corporations in helping them achieve some of their goals. And we think it's going to be really exciting. So I would say all the businesses have a lot of growth in them, but that one just because it's brand new, has a lot of runway, I think.

Operator

(Operator Instructions) Our next question comes from the line of Geoff Kwan from RBC Capital Markets.

Geoffrey Kwan RBC Capital Markets, Research Division - Analyst

On the Global Transition fund, just I wanted to see what types of opportunities you're seeing in the near-term to start making new investments, but also, two, is how the competitive environment for winning those deals and how it may be different or maybe not versus the other types of deals you would do in your other platforms? In other words, is there less competition? Are you seeing more proprietary situations, that sort of thing?

Sachin Shah Brookfield, CIO & Brookfield Reinsurance, CEO

It's Sachin again. I will answer this just in light of our renewable power business that really underpins our decarbonization and transition efforts. I would say the opportunity set is very broad. I think what we're seeing in the marketplace is that every institution of size and substance today is targeting some form of decarbonization. And it really starts with electricity because that's the easiest place and the low-hanging fruit is to decarbonize, first, your electricity demand. And that involves investing in renewables, signing renewable PPAs. And we have a depth of expertise in that regard across Brookfield. But in particular, in our renewable business, we would have over 500 corporate clients in the United States.

If we include LatAm and Europe, that number gets close to 1,000 corporate clients where we sell power. And that can include corporation, but also utilities. And therefore, it gives us an amazing access point to talk to these companies about their broader needs, beyond just electricity, carbon capture, ensuring that they can electrify their industrial output. So dealing with automotive companies, technology companies with data center needs, our renewable power business and our transition fund just announced a global partnership with Amazon to help provide green data centers. And data centers are very large consumers of electricity, and therefore, it's critically important to source that electricity from renewables. So as Bruce said, I think the runway here, we're really in the early stages, but it's a 25 to 40-year runway to electrify industry, electrify transportation and ultimately drive CO2 levels down, and we have a leading business in that regard.

Geoffrey Kwan RBC Capital Markets, Research Division - Analyst

Great. And then my second question was one of the key messages this year has been we should expect to see a lot of monetization activity. And so far, that's been the case. And then that, I kind of got two-part questions. First off, of the assets that you've monetized, how would you describe the realized sale values versus what you expected? And then secondly, of the assets you had planned to monetize in 2021, kind of ballpark, like how much have you monetized so far?

Nicholas Goodman Brookfield Asset Management Inc. - CFO

Geoff, it's Nick. So listen, I think we've talked a lot about the demand for real assets, high-quality assets, assets that generate stable cash flow. And as you know, we like to buy assets where we can enhance the operations and turn them into kind of stabilized assets that are very attractive to the broader market. And those are the assets that we've been bringing to market. And given the interest rate environment, the values that we have been obtaining are probably higher than what we would have expected 12 to 18 months ago. And so I'd say that the assets are – the sales are going very well. The assets are incredibly attractive. These are very, very high-quality assets.

And so to global investors, they're very attractive. So the values have been very strong, and we've been pleased with the outcome. And as we look forward to the rest of the year, it's hard to say where we are in the ballpark. Maybe we have done half of what we expect to do. We've got a bunch more – we are at that point in the franchise and in the business that we've talked about where the earlier vintage funds have a lot of high-quality assets and where the business plan has been executed. The assets have been stabilized, and now is the right time, given the market environment to look at transacting. So whether it happens in Q3, Q4 or a drift into Q1 or Q2 of next year, the pipeline is very full. And we have a number of assets that we're looking at monetizing in the next little while.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Suzanne for any further remarks.

Suzanne Fleming Brookfield Asset Management Inc. - Managing Partner

Thank you, operator. And with that, we will end the call. Thank you all for joining us, and we look forward to seeing as many of you as possible at our Investor Day in New York at Brookfield place that's on September 20th. Thank you.

Operator

Thank you. Ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.
