

TRANSCRIPT: Q4 2021 CONFERENCE CALL / WEBCAST
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Corporate Speakers:

Suzanne Fleming, *Managing Partner, Corporate Communications*

Bruce Flatt, *Chief Executive Officer, Managing Partner*

Nicholas Goodman, *Chief Financial Officer, Managing Partner*

Natalie Adomait, *Managing Director, Renewable Power & Transition*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Brookfield Asset Management Fourth 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, Ms. Suzanne Fleming, Managing Partner. Please go ahead.

Suzanne Fleming, Brookfield Asset Management, Managing Partner, Corporate Communications

Thank you, operator, and good morning everyone. Welcome to Brookfield's Fourth Quarter and 2021 Full Year Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, our Chief Financial Officer; and Natalie Adomait, Managing Director in our Renewable Power and Transition Group. Bruce will start off by giving a business update, followed by Nick who will discuss our financial and operating results. And finally, Natalie will give an update on our transition strategy. After our formal remarks, we'll turn the call over to the operator and take analyst questions.

In order to accommodate all those who want to ask questions, we ask that you refrain from asking more than two questions at a time. If you have additional questions, please rejoin the queue, and we will be happy to take any additional questions at the end, if time permits.

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 laws. These statements reflect predictions of future events and trends, and do not relate to historic events. They're 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 impact 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, CEO

Thank you, Suzanne, and welcome, everyone on the call. We reported strong results for the year, with record total net income of \$12.4 billion and distributable earnings for common shareholders of \$6.3 billion. Results were driven by \$71 billion of inflows of capital and associated fee-related earnings, strong performance from our principal investments and gains in carry received from \$42 billion of asset sales where we booked \$16 billion of gains; \$12 billion for clients and \$4 billion which came to BAM.

As we enter 2022, the normalization of central bank monetary policy has caused volatility in the markets, mostly in sectors trading at high multiples. Those did not affect us in any major way. Our general view is that this has been a healthy rerating and will likely create opportunity. For our business, with interest rates still very low on a relative basis, and expected to stay so for some time, combined with the positive inflation of revenues, we are seeing a positive backdrop for most of our businesses.

Our asset management business is continuing to attract large amounts of capital with our product offerings aligned around several positive global investment themes. Our underlying operations continue to strengthen coming out of the recession and with many of our businesses generating inflation-linked cash flows or positioned to benefit from economic growth, we are well positioned.

Turning now to our strategic initiatives, 2021 was a busy year in that regard. First off, we spun out and paired our reinsurance business, establishing BAMR. Subsequent to that, we completed a number of reinsurance agreements and committed to acquire American National, which we expect to close in the coming months. American National will give us a U.S. insurance platform and provide us with direct origination capabilities. In total, we are heading towards \$50 billion of insurance AUM and the team is just getting started.

Second, we privatized our real estate business. In short, we own one of the highest quality portfolios of prime properties in the world. Real estate securities were, and in fact still are, trading in the market at discounts to their fair value. On the other hand, private markets are not. BPY shareholders were offered the ability to participate in BAM, so in our view of the privatization, was a win-win. To date, it has turned out to be that way for everyone. In the last year, the tone of the private real estate market has improved dramatically and liquidity in private markets is now returning to pre-pandemic levels. The recovery started with the growth sectors like industrial and life sciences, followed by multifamily, and has now turned to office with the rest to follow.

In accordance with the plans we laid out for you at the time, we recently sold approximately \$10 billion of real estate across a variety of sectors. We realized a gain of \$2 billion above purchase price last year in these sales, representing a 47% annualized gain on the asset portion of ours. A good example of this is One Manhattan West, which is a phenomenal office tower in New York City that we completed in 2019, in a complex where we own 5 other towers. We recently signed an agreement to sell a stake in it, which values the property at \$2.9 billion, representing a 2.5x multiple of capital and a 25% IRR since we started it. We're also retaining a controlling stake in the property that will continue to provide us with long-term compounding cash flows going forward. As the recovery continues to gather pace, we are well

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positioned to strategically monetize further select assets and unlock more value in our real estate to be deployed elsewhere.

Our third strategic initiative was to repackage, rebrand and expand our renewables investing strategy into a fund for the transition to net zero. This culminated in a large fund which will close at \$15 billion shortly. Natalie Adomait is here today to provide more details for you on that.

Our last strategic initiative was a review of our overall structure of our asset management business as the financial markets evolve. As noted in our year-end letter, over the past 25 years, we have become one of the largest, fastest-growing, and most diversified managers globally. Combined with the fact that we have very long duration annuity-like cash flows, our manager is now of the scale that it could be separated out from the rest of our capital. In a market environment that seemingly prefers asset-light managers, it may therefore make sense to separate part of the manager and offer investors a security that owns our asset manager separate from our capital.

For backdrop, based on comparable multiples for pure-play asset-light alternative investment managers, our manager should be valued in the range of \$70 billion to \$100 billion. This is in addition to the \$50 billion of net capital that we have invested in our businesses today. If we separate part of the manager, this could increase the simplicity and ease of valuing our asset management business, provide a security for those that wish asset-light, and also possibly open up new growth options for the overall business. As you all know, our business has compounded at an annualized return of 20% for 20 years. Our job is always to continue to invest well, take care of our clients, and review our structure from time to time to ensure we unlock value for all shareholders. We will report on this as we move along. As always, thank you for your support. And with that, I'll turn the call over to Nick to tell you about our financial results.

Nicholas Goodman, *Brookfield Asset Management, CFO*

Thank you, Bruce, and good morning, everyone. We had strong financial results for the year with record net income of \$12.4 billion, and this compares to \$707 million of net income in the prior year.

Distributable earnings or DE for the year were \$6.3 billion or \$3.96 a share compared to \$4.2 billion or \$2.74 a share in 2020. The uplift in both net income and DE was due to excellent operating and financial performance across our businesses.

Our asset manager continued its strong growth trajectory, supported by record levels of fundraising with total inflows of \$71 billion. We ended the year with \$364 billion of fee-bearing capital, an increase of 17% from the prior year. Inflows were supported by the continued scaling of our flagship funds as well as the success of many of our complementary product offerings. During the year, we held a final close for our latest opportunistic credit fund for \$16 billion, the largest ever raised for the strategy, and we've been successful in deploying this capital at attractive returns with this fund already approximately 75% invested or committed today. We will shortly close on \$15 billion for our transition fund and combined with our fourth flagship real estate fund, we have raised \$24 billion in aggregate for those two funds to date.

Our sixth flagship private equity fund launched fundraising in the fourth quarter, and we also recently started fundraising for our fifth flagship infrastructure fund. And to meet our clients' needs, we're also introducing new products. To give a couple of examples, our growth equity fund, which focuses on technology investments that are adjacent to our businesses, recently had a final close of over \$500 million, and we've seen an accelerated pace of deployment for this fund. And as a result, we expect to be in the market with the next vintage shortly.

We also launched our real estate secondaries strategy, raised \$2 billion of capital for it, and have now launched a traditional commingled fund. We also established a focused wealth solutions marketing group. This team is focused on developing and distributing our products into the private wealth channel, and this includes our traditional closed-end funds and new products, including our private non-traded REIT. The growth in fee-bearing capital directly resulted in higher fee-related earnings, which were \$1.9 billion for the year, an increase of 33% from the prior period. And as the business scales, we would note that our margins continue to remain stable.

In addition to the current capital base earning management fees, we have \$40 billion of additional committed capital, that when invested, will translate to approximately \$400 million of incremental annual fee revenues, and this is a big tailwind to add to our earnings. And looking into 2022, we expect a notable step change in our fee-related earnings as we receive the full benefits from the funds raised in 2021 and our ongoing fundraising initiatives. As our earlier vintage funds mature, we are now realizing carried interest in each of our flagship strategies and in other complementary funds. We executed on a number of landmark capital recycling initiatives during the year, surfacing \$42 billion of capital and crystallizing gains of \$16 billion. We realized a record \$1.7 billion of carried interest and \$2.1 billion of disposition gains from principal investments.

Our remaining investments continue to perform very well across all our managed funds. We generated \$5 billion of unrealized carried interest during the year, increasing the total accumulated unrealized carried interest by 107% to \$7.7 billion, net of that realized into income. We are projecting to realize up to \$1 billion of carried interest in 2022 as we continue to execute on asset sales.

Lastly, our principal investments continue to provide strong and steady contributions to our distributable earnings. This year, distributions from our investments were \$2.2 billion, 19% higher than the prior year. The increase was driven by distribution growth at BIP and BEP and the higher ownership of our real estate business.

Funds from operations, or FFO before realizations, increased 15% compared to the prior year. The increase is largely driven by the continued growth in our asset management franchise, strong organic growth across our existing operations, as well as contributions from recent acquisitions. Including realizations, FFO grew by 46% to \$7.6 billion. And it's worth noting that going forward to further enhance and align our financial disclosure, we will use DE as the primary measure of our performance.

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Our liquidity position remains very strong. In addition to \$77 billion of uncalled fund commitments, we have approximately \$15 billion of core liquidity, meaning we have a total of \$92 billion of deployable capital. This is further bolstered by our annualized DE before realizations. Our scale capital will continue to allow us to capitalize on the attractive investment opportunities we see every day.

Before I hand the call over to Natalie to discuss our transition strategy, I am pleased to confirm that our Board of Directors has declared a quarterly dividend of \$0.14 a share payable at the end of March, representing an 8% increase over the prior quarter. Natalie?

Natalie Adomait, Brookfield Asset Management, Managing Director, Renewable Power & Transition

Thanks, Nick, and good morning, everyone. I'm pleased to be here today to talk to you about Brookfield's new transition fund and the exciting opportunities we see for this strategy. Climate change is one of the most pressing and significant issues facing the economy today. While climate change has been a focused topic for governments for years, the pace at which corporates are making commitments to lower emissions to net zero are now accelerating at a rapid pace. In the last two years, we've seen emissions covered by net zero commitments triple, an increase in the number of commitments of 7x for countries, 5x for companies, and finally, commitments from the financial sector recognized by the Glasgow Financial Alliance for net zero increased 26x from \$5 trillion to over \$130 trillion.

Achieving net zero emissions and more specifically the goals of the Paris Agreement, will require a massive amount of capital. It is estimated that over \$150 trillion will need to be invested through 2050 to drive the decarbonization of energy systems and our economy. That's approximately \$5 trillion every year. At Brookfield, we are rising to meet this capital need and exciting investment opportunity. We are currently in the final stages of raising approximately \$15 billion for our first flagship transition fund, the Brookfield Global Transition Fund, of which Brookfield itself will be the largest investor. And our fundraising has exceeded our expectations. Once we reach final close, we will have raised more capital and faster than we had planned, and we have already started to put that capital to work.

The success of our fundraising demonstrates that we have many like-minded investors who also recognize the urgency and the magnitude of capital required to transition the global economy to net zero. More importantly, they also understand that this investment opportunity can deliver strong financial returns and also a positive environmental impact. But more than that, our investors have chosen to invest with us because they recognize that in order to be a successful investor in decarbonization, it is essential to not only have access to capital, but to have deep operating expertise, particularly in power markets and renewables, both of which Brookfield has a proven track record in. The reason this expertise is so important is because about $\frac{3}{4}$ of global carbon emissions can be traced back directly or indirectly to power generation and the energy sector. Every business uses energy. Therefore, if you can help decarbonize the production of energy and electricity, you can enable the decarbonization of every industry in the world. And if renewables are the first step to decarbonization, we think our platform puts us in a leadership position. To date, we own and operate one of the largest renewable power platforms globally. We are a leader in major renewable technologies and perhaps, most importantly, operate in every major power market around the world. We have operating and development capabilities as well as local M&A teams

sourcing and identifying decarbonization investments across every continent.

Our fund will have two overarching goals: to generate strong risk-adjusted returns for our investors and to deliver on meaningful decarbonization targets. While we see a very wide range of opportunities to deploy capital which can meet these objectives, today I want to highlight just two. The first of course is clean energy. Given the scale of new build clean energy required, a core theme of our transition fund will be adding clean energy to the global electricity grid. In fact, one of the first investments that we recently made was Urban Grid, a leading U.S. solar developer with a 20 thousand-megawatt development pipeline and a strong position in a high-value energy market. We acquired the business for \$650 million with the opportunity to invest hundreds of millions of dollars into further growth in the future.

This was a bilaterally sourced opportunity, where our ability to transact quickly and leverage our existing commercial relationships enabled us to transact with Urban Grid at attractive terms. And as an example of how we bring these commercial relationships to our development projects, well, the fund has already made investments into other renewable assets for the benefit of commercial partners across various sectors, including for the likes of Amazon, Enbridge and Scotiabank.

A second large growth opportunity for BGTF is to use our knowledge of power markets and our operating capabilities to provide energy transition and decarbonization solutions to governments and businesses around the world that need help reaching their own decarbonization goals. This is a theme we're calling business transformation. Industries such as steel, cement, chemicals and utilities all require both clean energy to lower their carbon footprint, and capital to decarbonize their production processes or way of doing business. The auto industry is an example of this. Significant investments in public electrical vehicle charging infrastructure will need to be made to decarbonize the transport sector.

Similarly, in the power sector, utilities require significant capital to enable them to shift from coal to gas and from gas to renewables. And to have a material impact, you need to be willing to go where the emissions are. Our fund plans to target companies in the hard-to-abate, energy-intensive sectors, which will continue to be a fundamental part of our society for years to come and make sure that companies in those industries have the capital and the shareholder support to put them on a viable pathway towards lower emissions.

We believe that businesses on a path to net zero will benefit from premium valuations versus their peers given the de-risked nature of their operations. Therefore, by investing in this theme, we will not only achieve our desired decarbonization impact, but also generate attractive commercial returns for our investors. The Brookfield Global Transition Fund will be just the first fund in what we believe will be a very attractive growth avenue for Brookfield. We see the potential for this business to grow to \$200 billion+ for Brookfield over the coming decades. Similar to our other platforms, such as infrastructure and real estate, we are beginning with a flagship fund, but we expect that over time, this theme could present the opportunity to offer a number of additional products to our investors, including equity and debt and at various risk return profiles across the spectrum.

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Lastly, we recognize that our clients' needs have grown and that ESG has become a big theme. We feel confident that we can leverage our history in renewables and the build-out of our transition business to maintain our best-in-class ESG approach within all our investment strategies. Over the next decade, we will continue embedding that into all our investment processes and further strengthen measurement, reporting and disclosure around ESG. This is a priority for our clients, and we think that this will become a critical part of how we put capital to work going forward. Thank you all for your time. And I'll turn the call now back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. To ask a question, please press *1 on your telephone. We respectfully ask that you please limit yourself to two questions. To withdraw your questions, please press the # key. Please stand by as we compile the Q&A roster. Our first question will come from Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne, TD Securities Equity Research – Analyst

In terms of the discussion regarding the separation of an asset-light manager, can you expand a little more on how you weigh that internally, just considering the flexibility that the balance sheet has provided historically versus the opportunities that you referred to that would open up if you had a more appropriately valued asset manager?

Nicholas Goodman, Brookfield Asset Management, CFO

Hi Cherilyn, it's Nick. I think as Bruce laid out and we talked about in the letter, we've always been focused on delivering strong returns to shareholders. And over the last 20 years, we've realized 20%. And we've achieved that by deploying capital for value and evolving with financial markets. We know we've done it in the past, and we're always wanting to make sure that we're evolving with markets. And two things have happened over the last few years. One, our asset management business has achieved significant scale, and it has benefits of being close to capital, and that has benefited us as we've grown the business from its infancy, but now is of a position where it's one of the largest asset managers in its own right with a strong growth profile. And secondly, the markets have evolved, and currently have a clear preference for asset-light. And to Bruce's point, we listen to the market, and we often look to respond accordingly, and we believe that spinning out a part of the manager would allow investors who want access to just that asset-light part of the business, that access without maybe losing the overall synergies that we have in the business.

Cherilyn Radbourne, TD Securities Equity Research – Analyst

Okay. I'll let others pick that up. I'm sure you're going to get lots of questions. I did want to ask one about the wealth channel, which the asset management industry has really just only started to tap. Can you talk about how much of your fee-bearing capital and current fundraising is coming from that channel? But also, how do you factor in the significant retail ownership of the perpetual affiliates when you think about your scale in a retail way?

Nicholas Goodman *Brookfield Asset Management, CFO*

Yes. That's a good question, Cherilyn. I think on the private fund fundraising, it was in that 7% to 10% range that's coming from that private wealth channel of our fee bearing capital. But you're right to observe that with our listed affiliates, we also have a really strong retail following in a retail product through that channel. So that does play into it. For the business, as you know, we have been building out our retail marketing efforts with the creation of Brookfield Oaktree Wealth Solutions, and with the creation of the distribution capabilities, we've been selling existing products but also creating new products that are specifically designed and resonate with that channel with the private REIT being the first. But I think there's more to follow and I think it's just an extension of what we already do in some of our products and where we have that expertise and we can leverage the platforms that we have. And so there should be more products to follow, and we think that it will be a good source of capital going forward.

Operator

Our next question will come from Mario Saric with Scotiabank.

Mario Saric, *Scotiabank Global Banking and Markets, Research Division – Analyst*

Just coming back to the potential asset manager spinoff, I think you've referenced a couple of times the potential to spin out or separate a part of the manager. If we sit back and just think about the intrinsic value of the company today and invested capital you pointed out in the value of the asset manager, is the part in reference to differentiating between kind of public and private fee streams? I'm just hoping you can expand on how you define "part" in terms of the options that you're considering.

Nicholas Goodman, *Brookfield Asset Management, CFO*

Yes. "Part," Mario, more just refers to the actual percentage of the manager that we spin into public hands. Maybe the public would own X% of the business and Brookfield parent would still own a meaningful part of the business, meaning if people have a preference to invest in asset-light, they can invest directly into the manager. Or for those that want to invest in the manager and the capital, that option would still exist.

Mario Saric, *Scotiabank Global Banking and Markets, Research Division – Analyst*

Got it. Okay. And then I guess there's a couple of different ways you can go about doing it in terms of separating the asset manager from the invested capital. What are some of the ways that you're thinking about today? Or is it too early to say?

Nicholas Goodman *Brookfield Asset Management, CFO*

It's too early to say. I think those parts we're working through, and it's too early to talk through that in detail.

Mario Saric, Scotiabank Global Banking and Markets, Research Division – Analyst

Right. Okay. And then just my second question just pertains to real estate asset dispositions. It seems like there are daily headlines of BAM selling assets, as you pointed out, at good valuations. Do you have an expected range of real estate dispositions, of BAM's share for 2022? And if so, where do you think most of the focus will come from in terms of geography and asset type?

Nicholas Goodman, Brookfield Asset Management, CFO

Yes, Mario, I don't think we have an expected range, but we obviously have assets that we've executed the business plan on. And we think if the markets are right, then there are candidates to sell in line with what we laid out at Investor Day. We executed a lot in Q4, and we have others coming, and I'd say it's broadly spread geographically and by asset class. As Bruce said, others are catching up. Retail is probably the one that the ground on the data is excellent and the leasing activity, the spreads are back, performance is great. Maybe sales for retail might not be the immediate focus, but other asset classes where capital is flowing significantly, we're being very active.

Operator

Our next question will come from Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, BMO Capital Markets Equity Research – Analyst

I just wanted to also maybe start off by thinking about the scheme you're talking about to make sure that the underappreciated value of the asset manager is realized. I mean, Nick, in the past we've talked about maybe buybacks as a way of extracting some of that value. And I wonder if you could even talk a little bit about where we are on that. But also, what about distributing some of the invested capital to the BAM shareholders? I guess the essence of the question being, why would the Holdco, if you will, then not trade at a discount if you had this spinout? I'm just trying to kind of think through a bunch of these things if you can, please.

Bruce Flatt, Brookfield Asset Management, CEO

It's Bruce, and maybe I'll take a shot at trying to answer your question. Look, our thinking is that our job is to run a great business, which we're still trying to do, and to unlock shareholder value when it makes sense and optimize our structure. If we can have our cake and eat it too, i.e., we can have our capital up top, investors that want to invest into the parent company will stay there, keep their shares in that company, and they'll have us invest their capital plus they'll own a part of the manager. But if we list part of manager separately, it would enable those investors who choose to or want to own an asset-light asset manager the ability to do that. If either of those securities in the future don't trade properly, we can always buy shares back into the treasury and continue to increase value if they're trading at less than fair value. The bottom line is, all of those options are open. All we're trying to do is maximize the value of the business in the longer term, and so all the things you say are possible.

Operator

Our next question will come from Robert Lee with KBW.

Robert Andrew Lee, Keefe, Bruyette, & Woods, Inc., Research Division – MD & Analyst

Maybe just sticking with the theme of the day on the potential spin, it kind of sounds like this is something on a high level, I don't want to put words in your mouth, but maybe you've decided, so really is at this point just kind of going through the mechanics of how that would look. Any tax impacts? Again, kind of like we think this will be a good thing, but we now just got to work through the mechanics of it. Is that kind of pretty much where you're at right now?

Bruce Flatt, Brookfield Asset Management, CEO

The bottom line is, we think it's a very executable plan. It's now in the public. All of our owners can express their views to us, and we're going to come up with the right plan based off of all that plus the information we have. We're heading down a path and we're quite serious about it or we wouldn't have put it in the letter the way we did.

Robert Andrew Lee, Keefe, Bruyette, & Woods, Inc., Research Division – MD & Analyst

Great. And then maybe shifting gears a little bit to fundraising, I mean clearly for you guys it's going gangbusters. You've seen it actually across many of your peers. I'm just curious, number one, are you seeing any signs of, for lack of a better way of putting it, fatigue among LPs? I mean clearly, we know there's secular demand here given the rate environment and whatnot, but are you starting to see at least on an interim basis, kind of getting this impression that LPs are flooded with fund offerings and that maybe there's been like slow this down pushback? Are you seeing any signs of that that may change or impact how you're thinking about the timing of fund closes at all?

Bruce Flatt, Brookfield Asset Management, CEO

I'll give you a short answer. No. Look, the longer answer is, we're in a very low interest rate environment. As noted in the letter, 8 interest rate hikes get your short rate to 2%. We're in a very low environment, especially when the products that we invest for clients earn 6% on the low end and 25% on the high end. These are very attractive products and there doesn't seem to be any reason to have that slowdown.

Operator

Our next question will come from Geoff Kwan with RBC Capital Markets.

Geoffrey Kwan, RBC Capital Markets, Research Division – Analyst

Just going back to the asset manager potential spin, I'm just wondering, obviously you've talked about it is still a little bit preliminary, but would any sort of spinoff have, at least theoretically, the potential to change the relationship with BIP, BEP, BPG, BBU in terms of management services agreement, whether or not it's financial terms or other, as opposed to keeping the status quo? Or is that probably one of the considerations as you think about what ways to go about doing it if you decide to go with the spin?

Nicholas Goodman Brookfield Asset Management, CFO

Geoff, the short answer is we would expect no change.

Geoffrey Kwan, RBC Capital Markets, Research Division – Analyst

Okay. And then my second question was just on the Global Transition Fund, I mean it sounds like obviously, the opportunity is large and numerous. I'm just trying to I guess understand a little bit how you're going about figuring out where to focus on, where the best opportunities are, whether or not it's the renewable assets themselves or if it's making investments with operating companies that need help with the transition. Are there certain geographies that are more attractive, that sort of thing?

Natalie Adomait, Brookfield Asset Management, Managing Director, Renewable Power & Transition

Sure, Geoff. I'll take that. It's Natalie here. First of all, the immediate first place we're starting is renewable energy. When you look at the range of decarbonization solutions that are available for corporates today, thinking about cleaning up their Scope 2 emissions, so cleaning up how they purchase their electricity or reducing their electricity consumption by the way of investing in things like distributed generation, that is the best way for corporates today to make an immediate impact on their carbon footprint and to help buy them time as the cost of other decarbonization technologies comes down. That's the absolute first place we'll start.

But I would say what's exciting and particularly why we mentioned that we're going to be spending time with the hard-to-abate sectors like steel, cement and chemicals, is because the timeline for those companies to implement their solutions will take 5 to 10 years to invest in the infrastructure to actually enable them to decarbonize by 2030. And so those capital projects are starting now and those conversations are starting now, and we're having active dialogue with all of them. And we will focus on those that have the highest energy intensity and the largest capital need, and is where we're seeing the most opportunities to add value.

Operator

Our next question will come from Alexander Blostein with Goldman Sachs.

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

Back to the structure, from what it sounds like, you're really considering the spinoff to be not really separation, but more of a tracking stock, they'll just give investors an opportunity to play the kind of pure asset management side of the business. A) Just want to understand if that's correct. And B) I guess what is your timing in ultimately in terms of the structure? How should ultimately investors think about the cash flows that will be coming into that vehicle? Meaning that, are you guys going to distribute it? Are you going to retain it? And currently, you guys have a pretty material tax shield given that everything is combined under the BAM umbrella. Are you going to be able to retain the tax shield or the kind of earning from the NewCo, the asset manager will be taxed at a typical rate?

Bruce Flatt, Brookfield Asset Management, CEO

It's Bruce. I think you asked four questions. I'll try to be quick, although I'm not going to get into too much detail on this call until we have more fulsome answers for you. I'll try to answer three. First, you said is the security going to be a security or a tracking stock? It will be a full security and a listed company. The BAM parent may own a part of it, and we're going to separate and distribute to our shareholders a part of the

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business, a quarter, a third, whatever that number is to start off with, but it will be a separately listed security. As to payout, we'll have to consider that based on all the other securities that are out there and what's best for the shareholders. But there will not be a lot of need for cash in the company, so it could have a full payout of its cash flows if we so choose. And as to the shields we have within the business, we'll allocate them to the right spot at the time when we list the security and everyone will know about that at the time.

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

Great, thanks so much. And then I guess my second question or maybe second topic, I want to circle back on the wealth business. It sounds like you guys are on four platforms now, up from one earlier or late last year. Curious to get your sort of take on what the reception has been from financial advisers and kind of key gatekeepers to the product? Any update you have for us in terms of monthly flows would be helpful. And ultimately, what would you consider a sort of success from this wealth channel over the course of the year?

Bruce Flatt, Brookfield Asset Management, CEO

Look, we're early days. We put together Brookfield Oaktree Wealth Solutions six to nine months ago and it's had a very meaningful impact on our relationships with the wealth channels. I think it could be, it will be very meaningful going forward, but we're just starting into it. I don't really have a prediction for you as to the numbers that will be coming in on a monthly basis. But the early indications are that our products, like they are to institutional clients, will be highly attractive to wealth, and we need to pick the right ones to put into those channels, and we're going to do that.

Operator

Our next question will come from Andrew Kuske with Credit Suisse.

Andrew Kuske, Cr dit Suisse AG, Research Division - MD, Head of Canadian Equity Research

I guess one of the key principles for Brookfield on a longer-term basis has been compounding, historically, and you highlighted this in the letter this morning as the miracle of finance. Could you maybe just step back a little bit and address your businesses? And are you seeing multiplier effects across some of the businesses as they interact together? And maybe one example would be just what you can do on the residential front. The residential infrastructure being HVAC, multifamily, distributed generation, do you see multiplier effects across those businesses as they're now sort of merging together to a certain degree from an opportunity standpoint?

Bruce Flatt, Brookfield Asset Management, CEO

Yes. Look, I think that part of the success of our business is that we've tried to ensure that we coordinate all of the affairs within the business. And therefore, many of our groups work together. And when we find new ideas, we try to flow them across different areas. I think it helps when you have a big broad platform to be able to do that. And maybe even as important is when we learn something in one country, it may not have been applied the same way in 29 other countries that we're in. And therefore, we can take our businesses and globalize them. Many of the things we're doing today are taking ideas that we have in one

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country that we found that are really successful and applying them in other areas. Doing the same thing, but doing it in another country where it hasn't been done before. And both from an operating and a financial perspective, that has been extremely positive for the business.

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

That's helpful. And then maybe related to that, slightly different as you look at the market conditions now globally, where there's a bit more volatility, some inflation concerns in parts of the world, unknown economic recovery, you're positioned in multiple markets. Do you see the transactional environment as potential now in the outlook in the next 12 months as being more favorable from a deployment standpoint than what you saw in the last 18 months?

Bruce Flatt, *Brookfield Asset Management, CEO*

Look, there's never a perfect environment. Because when there is no money available, there's usually lots of opportunity. And when there's lots of money available, there's less opportunity. But I would just say that given our broad platform in many countries, and we're in multiple sectors, every one of them doesn't offer opportunities, but there's always something to do. And I'd say today, we see lots of opportunity out there. And I'd say it's no less than it was before. And a lot of them are things that you would not even think there should be opportunity available, but people require our capital, require our operating skills, require a partnership with somebody like us, and therefore, we find opportunities. There's an excellent market today for opportunities for most or all of our businesses.

Operator

Our next question will come from Bill Katz with Citigroup.

William Katz, *Citigroup Inc. Exchange Research - Research Analyst*

Just coming back to spin yet again, certainly apologize. I guess maybe a conceptual question for me. Why not spin the whole asset management business or spin the invested capital platform? And how do you think about milestones here just to keep the market abreast of your thinking? Thank you.

Bruce Flatt, *Brookfield Asset Management, CEO*

Look, here's what I would say. If we create the most value by entirely separating the business, we would do it. Our view today is that having the capital company have an interest in the manager, to be able to align itself and put its capital and have its capital managed in a fashion that it's happy about, is the right way to go. But over time, if that made sense, we could do it in four steps or we could do it in one all upfront. But our view today is that creating the asset-light manager, listing part of it, is the way to go. But if owners of ours have views, we'd be pleased to talk about it.

William Katz, *Citigroup Inc. Exchange Research - Research Analyst*

Okay, and just a follow-up. You had mentioned that your current form is holding you back in certain growth opportunities. I was wondering if you could expand a little bit about what the holdbacks are and what growth opportunities you see? And then which comps were you using to value the asset management business?

Bruce Flatt, Brookfield Asset Management, CEO

I'm going to let Nick deal with the second one. But what I would say is, just to be crystal clear, we've compounded at 20% for 20 years. There aren't any holdbacks here. What our job is to do, our job is to look at the business, run a great business, unlock shareholder value as we can. That's what we're in business to do. And our view, therefore, is just we should keep at that effort. And if we have securities that trade properly in the marketplace at their fair value, it opens up options to use those securities for something you want to do in the future if the opportunity presents itself.

Nicholas Goodman, Brookfield Asset Management, CFO

Bill, it's Nick. On the second question, it's consistent with what we used at our Investor Day, so 25x to 40x on FRE and 10x on our target carry.

Operator

We do have a follow-up question from Robert Lee with KBW.

Robert Lee, Keefe, Bruyette, & Woods, Inc., Research Division – MD & Analyst

Maybe sticking with fundraising and not the spin, really maybe a two-parter. I mean if I look at the number of strategies outside of the flagship strategies that you have in market, I think you pointed out something like 35. I mean it's really kind of expanded tremendously in the last bunch of years. I'm just curious, could you maybe give us a sense of how you actually have maybe changed your organization or how you go to market to actually try to maximize that? Because to have so many things in so many places, how do you make sure you are kind of not missing opportunities or maximizing your potential there? And then maybe the second part of the fundraising is, there is, as you point out, there's so much demand. Historically, you've taken very large chunks of your own funds. How is your own appetite for whether your participation will be 5% or 15% changing to create more capacity for third-party clients?

Nicholas Goodman, Brookfield Asset Management, CFO

Rob, yes. On the first part, I think the number of complementary strategies has really evolved as the scale and size of each of our businesses has evolved. How we have evolved is, we have four businesses, plus we have Oaktree, so five businesses. And each of those businesses have client relationships, and as clients have allocated more and more capital to alternatives and have looked for solutions, I'd say up and down the capital stack with different risk profiles. We have the investing and the operating expertise and the experience to offering those products across the channel. It's really leveraging the platforms that we have and catering to our clients' needs and providing them with these products. And as Natalie said, like we're doing in transition, we started with the flagship funds.

But that knowledge and expertise translates well to scaling up a core offering in the same sectors with different risk or profile and adding a couple of investment professionals to lead each strategy but really leveraging the underlying platform to inform our decision making, our diligence, and then operating when we own the asset. I'd say that's how we have evolved, and we stay on top of it by having close relationships with our clients and responding to their needs. And that has led to this growth in products. And as we laid

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out at Investor Day, real estate is probably the most evolved and our other businesses are evolving quickly with new products all the time and catering to new channels as we go. On our own appetite, I would say that as the size of the funds has grown, it's a decision we make each time, but the absolute dollars are still significant. Percentages may change, but the dollars are meaningful, which shows our conviction in the funds and still creates that strong alignment of interest. And so it evolves over time, but the capital is still meaningful.

Operator

We do have a follow-up from Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, *BMO Capital Markets Equity Research - Analyst*

Just a more detailed or maybe a final one. I think you mentioned about \$10 billion of real estate dispositions. Any indications as to what the plan is for that cash?

Nicholas Goodman, *Brookfield Asset Management, CFO*

Yes. So Sohrab, the \$10 billion would have been the gross number of sales. I think we mentioned about a couple of billion dollars of gains. So that gain is obviously accruing to the real estate business, some being reinvested and some being repatriated to Brookfield. It's in line with the plan that we would have laid out. We'll look for opportunities where the most optimal place is to deploy that capital within the organization.

Sohrab Movahedi, *BMO Capital Markets Equity Research - Analyst*

Nick, just to be crystal clear, it may involve making new investments in the real estate sleeve?

Nicholas Goodman, *Brookfield Asset Management, CFO*

It could. It could, yes, or it could be repatriated.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Ms. Suzanne Fleming for any closing remarks.

Suzanne Fleming, *Brookfield Asset Management, Managing Partner, Corporate Communications*

Thank you, operator. And with that, we will end today's call. Thank you for joining us.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.
