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TRANSCRIPT: Q1 2021 CONFERENCE CALL / WEBCAST
May 12, 2022 at 10.00 am (ET)

Corporate Speakers:

- Suzanne Fleming, Managing Partner, Communications and Branding
- Bruce Flatt, CEO, Managing Partner
- Nicholas Goodman, CFO, Managing Partner

PRESENTATION

Operator

Hello and welcome to the Brookfield Asset Management first quarter 2022 conference call and webcast. At this time, all participants are in listen only mode. After the speaker presentation, there will be a question and answer session. To ask a question during the session, you will need to press “*1” on your telephone. If you require further assistance, please press “*0”. It is now my pleasure to introduce Managing Partner, Suzanne Fleming.

Suzanne Fleming, Managing Partner, Communications and Branding

Thank you, operator, and good morning. Welcome to Brookfield's First Quarter 2022 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer, and Nick Goodman, our Chief Financial Officer. Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results as well as the distribution and partial listing of the asset manager.

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 one time. If you have additional questions, please rejoin the queue and we will be happy to take the 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 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, CEO, Managing Partner

Thank you, Suzanne, and welcome to everyone on the call. We had a strong first quarter, reporting net income of \$3 billion and distributable earnings for common shareholders of \$1.2 billion. Earnings were supported by the continued strong performance of both our asset management business and our underlying operations.

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Following our last earnings release, we had discussions with a lot of shareholders. Thank you all for that. Post these discussions, we decided to move forward with separately listing our asset management business by distributing a 25% interest to our shareholders. Based on our estimate of values, shareholders will receive a special distribution of \$20 billion of shares, which is somewhere around \$12 per share at that time.

This will be done tax-free for Canadian and U.S. shareholders, and we are working on the other jurisdictions. We will complete this by the end of 2022, and Nick will provide more details after discussing our financial results.

Turning first to markets. With elevated inflation, Central Banks are now raising interest rates and pulling back on stimulus. The 10-year U.S. Treasury recently hit 3%, which is over 1% higher than it was at the start of the year. It is really important though to remember that for cash generative businesses, in particular, ones that we own, 2%, 3%, 4%, 5% interest rates are low by historical standards and can be absorbed in our margins.

What is more important for us is that we own one of the largest portfolios of inflation-protected assets in the world. Our assets generally have a high investment cost upfront, earn very high margins and have low expenses compared with the capital cost. Therefore, in periods of inflation, we capture most of the benefit from the revenue expansion and the overall value of our investments tend to increase over time.

The compounding effects are more profound as you go forward. We are seeing this impact across most of our businesses. In our infrastructure business, for example, we acquired many assets last year based on expectations and inflation would exceed market outlooks and we would be able to capture the upside. We are doing that now.

Within real estate, based on our experience, construction costs have increased at least 20% over the past 3 years. To maintain returns on a new building, rental rates will also need to be approximately 20% higher. This is what we are seeing in New York right now for high-quality office buildings where rents have increased by even more than 30% from pre-pandemic levels for great properties.

Great companies are wanting great space for their people. Our leasing pipeline in our very high-quality portfolio for space is very robust. We're seeing similar impacts on inflation across our portfolio, and it underscores the value of real return assets. They generate strong cash flows through economic cycles while continuing to compound in value.

Our clients recognize this. This has led our fundraising to be very strong. We have a vast partner network and a very broad group of clients across the world. In addition, our forms of capital are diverse and have always differentiated us. This will be even more important going forward. We closed our latest credit opportunities fund at \$16 billion, and we'll soon be closing our global transition fund at \$15 billion.

Our latest real estate flagship fund has raised over \$12 billion and will be fully closed by year-end. We expect very strong first closes in the second quarter for our infrastructure and private equity funds and have been seeing strong inflows into our perpetual funds.

We now have our nontraded REIT approved on numerous distribution platforms and expect to see

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increased inflows during the second half of this year. Deployment has also been strong. With the public market volatility in the last number of months, we were successful in closing a number of public market bids.

In the first quarter, investor committed \$33 billion to new acquisitions, and our pipeline remains robust. We committed \$10 billion from our latest flagship real estate fund as the dislocation in markets led to a number of value opportunities for us. We're acquiring numerous companies across our other businesses, including a leading software company that is mission-critical to car dealers, a \$15 billion electricity transmission business in Australia and numerous other things.

At the same time, the private markets are robust in terms of asset sales, particularly assets that generate strong cash flows and have some form of inflation protection. We continue to actively sell down assets within our real estate portfolio. Notably, we have agreed to sell 2 office complexes in Australia for a total of \$3 billion, and recently sold a £300 million London office building for a sub 4% cap rate. We're also progressing efforts to monetize mature assets across a number of our other businesses.

Given recent events around the world, we wanted to remind you about our global presence. We operate in over 30 countries and do not have plans for this number to change too much over time. We have no Brookfield business in Russia. We've been very disciplined about which countries we invest in and have a few criteria that must be met before investing in a certain geography.

Those are: the standard of governance needs to be at the level of advanced countries, the country must be proven over time to have a respect for foreign capital, we should be able to scale the investments meaningfully in the country, and lastly, we should be able to invest across most of our sectors, so we get the benefits of economies of scale.

We will continue to refer to these criteria when assessing investment opportunities going forward and will remain choosy about where we put your capital to work. Before I turn it over to Nick, I wanted to end with three final points about our overall business.

First, we continue to see our fundraising accelerating. While some sponsors are having indigestion, the breadth of our franchise and the diversification of capital makes our business very different. In times of consolidation, large brands win. And as a result, we continue to widen our moat.

We expect to have our best fundraising year ever this year, and that is on top of a record past few years. Our manager split is meant to continue to advance our strengths even further.

Second, we own a vast and highly diversified group of cash-generative inflation-protected assets. In the times we're heading into, this portfolio is what you want to own. We also used the past two years to widen our strength. This is starting to pay off and should be true even more over the next 24 months.

And last, technology has and is changing the world. We always knew this. Our main issue has always been valuation, which often made no sense to us. The difference now versus 20 years ago, is that many technology businesses have become real backbone cash-generative businesses. With valuations now down and may be going lower, this presents great opportunity.

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We believe we will be able to do many things such as the recent enterprise software acquisition that we added into our private equity business. We have been laying the seeds for years, but for the first time in 20 years, we're really excited about buying great technology businesses at reasonable valuations.

Thank you for your continued support. I'll now pass it over to Nick to go over the financial results and more details on our distribution of 25% of our asset management business.

Nicholas Goodman, CFO, Managing Partner

Thank you, Bruce, and good morning, everyone. Financial results for the quarter were strong. Distributable earnings or DE were \$1.2 billion, and DE before realizations were \$947 million, up 28% from the prior year quarter, and that's supported by the growth in our asset management franchise and strong underlying performance across the business.

FFO and net income totaled \$1.6 billion and \$3 billion, respectively. Our asset management business continued to expand and its growth trajectory remains strong. We ended the quarter with \$379 billion of fee-bearing capital, and that's up \$59 billion compared to the prior year. As Bruce mentioned, we expect 2022 to be our largest fundraising year ever with nearly 50 funds currently in marketing.

These funds include the latest series of flagships across our verticals as well as a suite of complementary fund products. In Infrastructure, we launched the fundraising of our third infrastructure debt fund in February and have received strong investor engagement. We expect that this fund will be significantly larger than the previous vintage.

In private equity, we launched fundraising on the third vintage of our technology fund with a very strong initial pipeline of seed investments. And as Bruce mentioned, we continue to ramp up the number of distribution channels for our nontraded REIT. The growth in fee-bearing capital directly resulted in higher fee-related earnings, which grew by 21% in the quarter to \$501 million and \$2 billion over the last 12 months.

In addition to the current fee-bearing capital, we have \$33 billion of additional committed capital that, when invested, will translate to approximately \$330 million of incremental annual fee revenues. This, plus the additional capital that we expect to raise over the next few months, is a significant tailwind for continued growth in our earnings.

Moving on to investment performance and monetization activity. Despite recent market volatility, our capital recycling activities across our mature investments continue to remain strong, and we are on track to realize up to \$1 billion of realized carried interest during the year. On the back of realization activity within our real estate, infrastructure and credit funds during the first quarter, we realized \$303 million of gross carried interest.

Our remaining investments continue to perform well, resulting in strong valuation uplifts. We generated approximately \$900 million of carried interest during the quarter, increasing the total accumulated unrealized carried interest to \$8.4 billion, net of what has been realized into income already.

Lastly, our principal investments continue to provide strong and steady distributions, supporting our

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distributable earnings. Distributions from our investments were \$622 million and that's 27% higher than the prior year. The increase was driven by distribution growth at BIP and BEP and the increased ownership of our real estate business.

Operating FFO was \$1.1 billion for the quarter, a 43% increase compared to the prior period. The increase was largely driven by the continued growth in our asset management franchise, strong organic growth across our operations, as well as contributions from recent acquisitions.

Total FFO was \$1.6 billion for the quarter. We're continuing to see trends supporting the recovery in the real estate market. In addition to executing a number of asset sales, we're also seeing strong interest in new leases with many negotiations underway with large-scale global firms on a long-term basis.

Our liquidity remains very strong and provides us with significant financial flexibility to deploy capital opportunistically, seed new products and return capital to shareholders through share buybacks. Since the beginning of the year, we've deployed \$170 million of capital towards share buybacks, and if market conditions remain the same, we expect to continue to repurchase shares opportunistically.

We ended the quarter with \$85 billion of deployable capital, which includes \$70 billion of uncalled fund commitments and approximately \$15 billion of core liquidity. During the quarter, we enhanced our liquidity by issuing \$400 million of 30-year green bonds at 3.63% and \$400 million notes at 2.55% by reopening our existing 2028 notes.

Our liquidity is further bolstered by \$4.1 billion of annualized DE before realizations. And with Brookfield realized reinsurance shortly closing on its American National acquisition, that will add \$30 billion of insurance assets to its portfolio, including \$8 billion of cash and short-dated liquid assets.

Before turning to the details of the asset management distribution, I'm pleased to confirm that our Board of Directors has declared a quarterly dividend of \$0.14 per share payable at the end of June. As mentioned earlier, we are proceeding with our plan to publicly list and distribute to our shareholders a 25% interest in our asset management business.

The special distribution based on our estimate of value will be around \$20 billion or \$12 for each share that you own today. We expect to complete the distribution by the end of the year on a tax-free basis to at least Canadian and U.S. shareholders.

Over the last 20 years, we have successfully grown two businesses, our capital investments and our alternative asset management franchise side by side. The combination of the two has been a significant competitive advantage to us. And while they are different in nature, they have worked very well together.

We have used our capital to create alignment with our clients and provide them with flexibility and leveraged our deep investing and operating expertise to deliver excellent returns over a long period of time. Our business has been built around our core competencies of acquiring, owning and operating real assets, which provide essential services and form the backbone of the global economy.

Each of our verticals across renewable power & transition, infrastructure, private equity, real estate and credit operate on a decentralized basis with strong dedicated management, investment and operating

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teams singularly focused on their respective business and with their own access to capital.

This, we feel, has been a large contributor to our success and the performance of the listed affiliates share prices has also created further optionality for growth along the way. Today, we have approximately \$725 billion of assets under management and fee-bearing capital of \$380 billion and have delivered excellent returns to our clients and the capital that we have invested alongside our clients has benefited, compounding at north of 15% returns and now stands at \$75 billion gross, around \$60 billion net.

All in, BAM the public security has delivered around a 20% return over the last 20 years and roughly 17% over the last 30 years. And as we look forward, we're striving to set the business up for the next 20 years in order to achieve similar growth and returns.

And looking ahead, we see a tremendous growth opportunity. For our asset management business, our plan is to more than double our fee-bearing capital over the next five years to over \$800 billion, which will in turn more than double our fee revenues.

Our \$75 billion of capital currently provides us with \$3 billion of annual cash distributions and has generated an approximate 15% return over time. Going forward, we plan to continue recycling and investing our capital and compounding value at north of 15% a year over the long term.

Applying the benefits of our learnings over the last 20 years, we have concluded that to optimize this growth, it is best that there will be a degree of operational separation between the capital and the asset manager, while still preserving the benefit of their complementary nature and alignment.

Central to everything that we do is our people and our culture. And one of our differentiating philosophies as a business has been and will always be very strong alignment with our shareholders and our clients, and this will not change. We have always made sure to invest our own capital alongside our clients, and we will continue to do so. This includes us continuing to commit capital to our funds and invest alongside LPs, and we will continue to be anchor investors in our perpetual affiliates, BIP, BEP, and BBU.

We will also continue to ensure the strong alignment of our people with our shareholders and clients as well. And our day-to-day business practices and investment philosophies will not change. As mentioned, we plan to distribute a 25% interest in our asset management business to shareholders, allowing our existing and prospective shareholders the ability to own a direct interest in our pure-play asset manager that will look more comparable to asset-light alternative asset managers and should expand our investor base.

The manager will have a high payout ratio, 90% or higher, as it does not require much capital going forward, and it will have minimal day-over leverage. It will, in our view, have an approximate equity value of \$80 billion based on a midpoint of current market valuation multiples and subject to the allocation of carried interest, and therefore, a free float of around \$20 billion.

The corporation will initially own 75% of the asset management business, which we value at around \$60 billion. This is in addition to the \$75 billion of capital investments we have to date. So, in total, the corporation will hold around \$135 billion of investments. The corporation will have a lower payout ratio as it will focus on reinvesting and compounding its capital and continuing to build new businesses by

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leveraging its deep investing and operating expertise.

Before I wrap up, I just want to go over a few points worth noting on the transaction. We do not expect any impact to our debt holders or preferred shareholders. Our borrowings and preferred shares will be held at the corporation, but we do not anticipate any impact to our ratings. The split and distribution of our shares will be structured so that it's distributed tax-free to U.S. and Canadian shareholders, and we are currently working through the tax impact for other jurisdictions.

The structure of the manager will be same as our structure now. It will be a Canadian C-Corp that will be dual-listed on the New York and Toronto Stock Exchanges. We will ensure that Brookfield reinsurance shareholders are treated equally to Brookfield Class A shareholders from an economic perspective as a result of the conversion feature in their shares. In terms of timing, we are expecting that this will be completed before the end of the year through a plan of arrangement. Between now and then, we will have a number of customary regulatory filings that will be completed, including issuing a prospectus, shareholder, and court approval.

There are a number of details that are being worked through, but we will be sure to provide updates as they become available on our quarterly earnings call and at our Annual Investor Day in September.

Thank you for your time, and I'll now turn the call back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. And as a reminder, ladies and gentlemen, if you have a question, please press “*1” on your telephone. If your question has been answered or you want to remove yourself from the queue, please press the “#” key. And our first question comes from the line of Geoff Kwan with RBC Capital Markets.

Geoffrey Kwan, RBC Capital Markets, Research Division - Analyst

Hi, good morning. My first question was, when we've seen the markets kind of down or turbulent in the past, Brookfield has sometimes used those opportunities to buy securities in companies. Have you been doing that given what we've seen over the past month or so? And if so, were there particular parts or sectors or parts of BAM that were more active than others? In other words, whether it was top of the house maybe on the infrastructure side or private equity side?

Bruce Flatt, CEO, Managing Partner

It's Bruce. So, the answer is yes. In some of our funds, we do buy securities from time to time when markets are going down, and we have been buying some. I would say broadly, though, as you know, the Dow is off 14%, S&P is off 18%, NASDAQ is off 25% or 30%, and half of NASDAQ is off 50%. So, the real declines have occurred in securities that haven't really been of interest to us.

But we continue, obviously, to monitor it. And I'd say maybe even more importantly than that, the public market transactions, which we have been working on over the past three, four months, many of those,

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we've been able to crystallize and take them private or are in the process of taking them private. So that's been highly additive.

Geoffrey Kwan, RBC Capital Markets, Research Division - Analyst

Okay. And that actually led into the other question that I had is on the M&A side of the business. Given, again, what we've seen in the markets, has there been adjustments that you've seen in terms of businesses you're looking at and the asking prices, have they been adjusted given what's been happening in the markets?

And then also from the funding side, has that generally been okay for you? Or have you seen signs of turbulence, whether or not it's certain types of deals or geographies?

Bruce Flatt, CEO, Managing Partner

I'm going to maybe just answer the one on financing quickly and then Nick can go on to it. And I'd just say that generally, financing is freely available in the market for good businesses and everything that we buy or I would put it in a category of good businesses. But maybe Nick just wants to cover specifically on the capital markets.

Nicholas Goodman, CFO, Managing Partner

Yes, sure. Happy to Geoff. Yes, I agree with Bruce's sentiment that financing and liquidity is still available for good businesses, assets and strong sponsors with a good reputation. Definitely, markets broadly are tighter. But for everything that we've been looking to do in new financings or re-financings, we have still found capital readily available.

Bruce Flatt, CEO, Managing Partner

And the second question or to your first question, it's just on have values changed in the market and have board or companies decided to lower their prices? What I would say is, in transactions in the marketplace, generally, sometimes people selling assets keep running an auction longer, want to ask for more. And generally, when they're in markets like this, they take the bid. So, I would say it's your strike ratio is much more significant at these periods in time than when markets are strong.

Operator

Your next question comes from the line of Cherilyn Radbourne with TD Securities.

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Cherilyn Radbourne, TD Securities, Equity Research - Analyst

The first question is on real estate. Your letter references several property dispositions at very strong values. And I assume that those are dispositions out of funds. But I was hoping you could give us, one, some color on the fundraising environment for real estate, specifically. And also give us a high-level update on the progress that's been made repositioning the BPY portfolio and ultimately reducing the balance sheet capital invested in real estate?

Nicholas Goodman, CFO, Managing Partner

So maybe I'll start with, I think, the start and the end of your question. So, the assets that we have been selling have not exclusively been in fund. Some of the office that we referenced that we're selling would be directly off of the BPY/BPG balance sheet. So, it's a mixture of the 2, but what we are seeing, and it comes back to some of the comments we made earlier, is that for the highest quality real estate which, as you know, in our office portfolio is largely what we own and the highest quality assets in our private funds, we are still seeing very strong bids for them in the private market.

So, it's a combination of the two. And in our fundraising, again, this comes back to the attractiveness of owning inflation-protected real assets in this environment. We continue to see a constructive fundraising environment. We had strong closes last year for our latest flagship real estate fund.

We're engaged with many investors in building up to the next closest for that fund. And then our Supercore perpetual real estate fund, we've actually seen fundraising for that pick up in the first quarter compared to last year as people get more comfortable with owning high-quality real estate and the attractiveness of the inflation linkage.

Cherilyn Radbourne, TD Securities, Equity Research - Analyst

Great. That's helpful colour. And then the next one, I think, is for you as well, Nick. Obviously, when the public markets become volatile, investors naturally get worried about the carried interest. So, was hoping you could speak to the visibility that the company has to realizing the \$1 billion of growth carried interest during 2022? And also, to the composition of the unrealized carried interest balance by strategy, and how much of that you think would be dependent on an exit strategy involving the public market?

Nicholas Goodman, CFO, Managing Partner

Yes. And your question right at the end gets to the issue, Cherilyn, very little of what we are doing -- as we look at the potential dispositions we have, very little would be reliant on the public markets. And

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we've talked about this in the past. The benefit of owning a diversified global portfolio, which is predominantly in real assets, the majority of them would transact in the private markets to buyers that still have very strong levels of capital and strong desire to own these inflation-protected assets.

So, as we look through the \$1 billion, we're still reiterating that number. Obviously, it's subject to change in timing. But based on the pipeline and what the attractiveness and interest in our assets, we still believe that's achievable. And the broader composition, again, little reliance on public markets and still very attractive in private markets.

Operator

Your next question comes from the line of Kenneth Worthington with J.P. Morgan.

Kenneth Worthington, JP Morgan Chase & Co, Research Division - MD

You highlighted an \$80 billion valuation for the asset management business. Maybe if we look at 1Q '22 as an example, what would the earnings be attributed to the asset management business that you're spinning off? And can you share with us the rough math you're using to get to that \$80 billion valuation for both? I think we know conceptually what you're doing, but if you put some hard numbers around it, it'll make sure we're not missing anything.

Nicholas Goodman, CFO, Managing Partner

Yes. Sure, Ken. So, I think we disclosed some of the details in the letter, but we're using our annualized fee-related earnings and our target carried interest as the real inputs to it. So, the 1.9 annualized fee-related earnings, we've used a market-based range. What we've used for now is 25x to 35x and taking the midpoint of that range.

We've taken just over \$2 billion of annualized carried interest, around 2.2 at 10x multiple, and then the 5 of accumulated unrealized, and that gets us to the gross value, and we used the midpoint of the range for right numbers, \$80 billion, and at 25%, that's the \$20 billion. And that's obviously based on our view, kind of our planned value of the intrinsic value of the business and what we think it could be worth at the time.

Kenneth Worthington, JP Morgan Chase & Co, Research Division - MD

Excellent. That's perfect. And then on the spin-off of the asset management business, does the spin-off position the asset management business to grow better in the future than it did prior to the spin-off? So, I understand that the leading motivation is to unlock value. And if you can do what you are highlighting you think you can do, there's definitely unlocked value there.

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But is there also value creation as part of the spin-off? So, assuming that the spin-off yields more highly valued public currency for the new cCo., are there opportunities? And is management ready to use a new public currency to maybe better or faster grow the business, better so than would have otherwise been the case?

Bruce Flatt, CEO, Managing Partner

Yes, it's Bruce. And I would say the answer is yes. And to expand on that, an extra benefit of this is we may unlock value for shareholders, and they may realize it quicker than they otherwise have realized it. But the real reason we're doing this is the industrial logic of mixing all of our capital with an asset manager. It doesn't allow us to have a security that might trade in the marketplace as an asset manager.

And if it does, then we can utilize that security from time to time if we so choose. So, it should allow us, just like it has in our other businesses, to do transactions we otherwise would not be able to do or not want to do because of the undue dilution to shareholders. So, we think it's going to be very helpful for the growth of the business over the next 20 years.

Operator

Your next question comes from the line of Robert Lee with KBW.

Robert Lee, Keefe, Bruyette, & Woods, Inc., Research Division - Associate Director Research

Great. Couple of questions. So first, maybe could we dig a little deeper maybe into the wealth management initiative? I believe you pointed to \$5 billion of flows to perpetual products and have a range of new platforms you're going to be getting retail on. But of that \$5 billion now or maybe beyond that, how much of that are you currently driving from wealth management? And can you maybe kind of dig a little deeper in terms of what your expectations are for that over the coming quarters? Are you seeing, given this environment, any pullback in the wealth management channel? And then I have a follow-up.

Bruce Flatt, CEO, Managing Partner

Look, just I'd say in general, the wealth management business is small, relatively speaking, for our overall organization today, but it's going to be growing fast over the next 10 years. And the products that we have are just getting formed and distributed within private wealth, but it's going to be significant.

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And times like we're going through right now are only going to prove to wealth investors that these are the type of things they should be invested in. As to the exact specifics, most of the money that we raised in perpetual private products is from institutional flows today, but it will continue to increase over time.

Robert Lee, Keefe, Bruyette, & Woods, Inc., Research Division - Associate Director Research

Great. And then maybe as a follow-up. Many of your peers, most notably KKR, but the others are kind of following, have created capital markets businesses, but basically look to tap into the natural deal flow, if you will, of their portfolio companies and businesses, including origination platform.

So, is that a business that you're thinking about entering, that maybe you're investing in? How should we think about that opportunity for the asset management business post spin or currently?

Bruce Flatt, CEO, Managing Partner

The only thing I'd say is that our business is a little different than most of those other organizations. We have a vast fundraising organization and very significant banking relationships that we received capital from to do transactions, just the type of assets that we acquire and sell. So, to date, we have not set up one of those groups, but it's not that we couldn't do it in the future, we just haven't done it to date.

Operator

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

Sohrab Movahedi, BMO Capital Markets Equity Research - Analyst

Bruce, I just wanted to go back to the answer you gave to one of the questions that having the asset manager have its own cost of capital will open up some opportunities for it over the long term. Can you put a little bit more meat on the bone on that? Is this capability? Is it geographies? Is it scaling up some of the stuff you already have? I'm just trying to kind of get a better feel for what are some of those opportunities that will arguably put it on a faster trajectory of growth?

Bruce Flatt, CEO, Managing Partner

Look, I think it's all of the above. It's our people will in the future have a security, which ties exactly to what they do. And that's great for business. It will allow us to have a security, which we could offer apples for apples to somebody to expand geographically within another sector that's not within our business or add into things.

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And often, people don't want to do taxable cash transactions. And when you have a security you can offer, it allows you to do things that you can't otherwise do. And that's if we don't have any intention of diluting Brookfield parent shares, so this will allow us to do things that we wouldn't otherwise do.

Sohrab Movahedi, BMO Capital Markets Equity Research - Analyst

And was there any – maybe it's both for you and Nick. Was there any, I'll call it, science behind the 25% as opposed to a different number that's getting spun-out?

Nicholas Goodman, CFO, Managing Partner

No, Sohrab, think there was a few inputs to that, but I think we wanted to be material enough that would have a large free float and attractive to investors and scale. And on the balancing side, we have, as I think we talked about, debt and preferred share commitments up at the corporation and we want to maintain existing ratings. So, there was a few variables, but we felt that this was a good starting point.

And at 25%, with the corporation still owning 75%, maybe most important, that preserves alignment and creates that alignment going forward, which we think is really important to the success of the business.

Operator

Your next question comes from the line of Alexander Blostein with Goldman Sachs.

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

So back to the \$80 billion valuation and just, Nick, heard your framework of how you guys came up with that. But clearly, the public markets have been pretty punitive to old space in the last several months. Is the \$80 billion valuation plan likely to be adjusted as you guys get kind of closer to the spin to kind of reflect the mark-to-market and what's happening with the public comps, or is that more kind of a set number?

Bruce Flatt, CEO, Managing Partner

So, the only thing I'd say is we were and are always trying to be helpful to our shareholders to understand where we're going and what we're trying to accomplish. So as opposed to just saying, "We're spinning out 25% of the business," we were just trying to put parameters of value around it. So, we've now told you what the parameters are.

Everyone can decide from now on what it will be worth. And when it gets spun-off, the market will

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decide. So, there's no real -- it's not worth x or y. It will be whatever it trades for. It's just -- all we were trying to do is make sure people understood the scope and scale of what this is. And from now on, people can decide and make their own decisions as to what value is.

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

Got it. That makes some sense. My second follow-up also around the structure, and it's really around just the 75% ownership of the corporation that is likely to happen in the new spun-off asset management company. Does that percentage go down over time? Or what will ultimately determine that ownership as the asset management company kind of becomes a stand-alone entity?

Because the asset manager will still be dependent on sort of the legacy bank balance sheet for capital needs, what it sounds like, so co-investments, seed capital, GP commitments, things like that. Just based on comments that the balance sheet on the asset manager is likely to be pretty light. So how are you thinking about that relationship over time? And will the public always essentially be a minority shareholder in the asset management company?

Bruce Flatt, CEO, Managing Partner

Look, our current intention is to keep a very meaningful interest in the corporation -- in the parent corporation in the asset manager. So, I don't know what that number is. Just say, 50%. And it may be 75% forever. It could be diluted down because we issued shares in the asset manager to do a transaction to grow the business, and therefore, it got diluted down, or it's possible over time that it could raise capital by selling shares.

But our intention is to have a very significant interest in the asset manager to make sure the businesses are aligned. And as Nick said earlier, there's no science to the number. We were just trying to make sure alignment, float, all sort of was together. And I guess I'd say we always like to make sure that we walk before we run.

So, 25% seemed like a good number, especially when \$20 billion float is bigger than probably almost every other alternative manager in themselves than two or three. So our 25% is bigger than most other alternative managers in the marketplace.

Nicholas Goodman, CFO, Managing Partner

And Alex, I would just add that all of these options are obviously available over time. But we have no intention to be reducing the ownership in the short term.

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Operator

Your next question comes from the line of Mario Saric with Scotiabank.

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

I think just coming back to the spin-off, two questions. The letter kind of highlighted the benefits of concentrated and specialized management team, and I think Bruce, you've highlighted kind of the incremental benefits of having shares and what you run. Have you decided on kind of the C-suite composition of the asset manager, as if Bruce and Nick as if you're not busy enough already, how do you think about that transition in terms of the composition of the management team?

Bruce Flatt, CEO, Managing Partner

Of course, we have a little bit. We have some time to make final decisions. But I guess what I'd say is the Brookfield people today are running all of this -- both of these businesses. And in the fullness of time, we should separate them. But for the time being, they'd probably just stay exactly the same as they are, and then we'll figure it out over time.

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

Okay. And then my second question, just in terms of the asset manager cash flow. Can you talk about how tax efficient that may be going forward without the cash flow being attached to the invested capital that's going to remain within the corporation?

Nicholas Goodman, CFO, Managing Partner

Mario, it's Nick. I think we currently assume that there will be no significant change to the current tax profile of the manager.

Operator

Your next question comes from the line of Dean Wilkinson with CIBC.

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

Nick, just one question for you. On the 90% payout on the asset manager post the transaction, does that include the carry -- what I'm trying to get to is, is that yield looking something closer to 2% or 4%?

Nicholas Goodman, CFO, Managing Partner

It would be on the total distributable earnings of the manager, so it would include everything.

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

Include everything. So, a 3% to 4% yield is probably where this would be looking at an \$80 billion enterprise value?

Nicholas Goodman, CFO, Managing Partner

Yes. In that range, using those multiples.

Operator

Your next question comes from the line of Brian Bedell with Deutsche Bank.

Brian Bedell, Deutsche Bank AG, Research Division - Director in Equity Research

Just a couple. You talked about doubling the fee-bearing capital over a 5-year period, I guess, would imply like a 15% compounded growth rate. Are you seeing the -- are you thinking FRE growth at a similar rate or is there leverage in the model that it would grow faster, or would there be other factors that would change that?

Nicholas Goodman, CFO, Managing Partner

Brian, I think we're consistent with what we put out in Investor Day, nothing has changed from last year, and maybe FRE grows marginally higher than that, but it's in and around that range.

Brian Bedell, Deutsche Bank AG, Research Division - Director in Equity Research

Okay. Great. And then just 1 clarification. So, on the spin-off, the P&L structure is similar post spin, but it's curving out the fee-related earnings, for example, the \$501 million in the first quarter and the carry, not the perpetual affiliates component?

Nicholas Goodman, CFO, Managing Partner

That's correct. Although the fees on the perpetual affiliates will be there. So, it's the total FRE and the total carry and not the distributions from perpetual investments.

Operator

And our next question comes from the line of Robert Lee with KBW.

Robert Lee, Keefe, Bruyette, & Woods, Inc., Research Division - Associate Director Research

Great. Just kind of curious, maybe going back to real estate fundraising. I just want to make sure I was looking at these numbers correctly. So, it looks like you've already deployed or committed \$10 billion

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of the \$12 billion you've raised for, I think, it's Fund IV.

Could you maybe update us, I mean, is that making you think that you could upsize that fund even further, just given your pace of deployment and maybe what you're seeing in demand out there?

And then maybe, Nick, as a quick follow-up on American National. I guess that closes around midyear. Can you remind us what the impact would be on fee-bearing capital and how we should think of the incremental contribution of those assets from a management fee perspective?

Bruce Flatt, CEO, Managing Partner

Why don't I take the first one just on real estate fundraising. The fund is -- I don't think I can tell you the size of the fund that's on the cover. So, it's a larger fund than \$12 billion. So, \$12 billion is what's been raised to date. It will close at a larger figure than that when it's fully closed out this year.

So, we just continue to invest that fund. And when we're fully invested in the fund, we'll go and raise another fund for opportunistic investing in real estate like we do our other strategies.

Nicholas Goodman, CFO, Managing Partner

Rob, just on the second part, yes, we expect the transaction to close soon. And I think as it relates to fee-bearing capital, it'd probably be around \$20 billion of fee-bearing capital, and once fully deployed into all the strategies, that would be around \$45 million of annualized fees, but it will take a little bit of time to ramp up to that as we get the capital deployed into the various strategies across the business.

Robert Lee, Keefe, Bruyette, & Woods, Inc., Research Division - Associate Director Research

And maybe as a quick follow-up. I mean are you -- like many of your peers in their insurance strategies or insurance business they own, they also earn a more modest advisory fee, so to speak, so you'll be earning that too, I assume?

Nicholas Goodman, CFO, Managing Partner

Yes. Sorry, I think the \$45 million I referenced is the IMA, which is around 25 basis points, and then there'll be more on top as we deploy into our various strategies.

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Operator

And our next question comes from the line of Alexander Blostein with Goldman Sachs.

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

Just away from this and offer maybe a couple of business-related questions. So, I wanted to zone on Oaktree and the opportunities the team could use right now in credit markets given volatility in credit markets obviously and rising probability of some of the credit default. So, as you sort of think about the opportunity for both deployment and fundraising across the Oaktree franchise, what are you guys seeing over the next kind of 12 to 18 months?

Bruce Flatt, CEO, Managing Partner

Look, I would say that the credit franchise that Oaktree has is good in all markets because it has a broad credit franchise, but really good when there is more stress in the markets. So, the franchise came into its own and did put a lot of money out in March, April, May, June of 2020, and this period of time is going to be really good for deploying capital in their funds. Which will get us probably back out raising another large opportunistic fund within a relatively short period of time.

Operator

And your next question comes from the line of Mario Saric with Scotiabank.

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

Sorry, one more. Just coming back to the non-traded REIT, I may have missed this, but what's roughly the fee-bearing capital in the REIT today? Have you been able to bend in any former BPY assets into the REIT, or has your kind of thought process changed at all on that? And how should we think about the fee-bearing capital growth within that nontraded REIT, let's say, over the next two years given the increasing number of platforms that the REIT is currently on?

Nicholas Goodman, CFO, Managing Partner

Mario, it's Nick. Yes, the gross asset value of what we have in the nontraded REIT today is around \$2 billion, and we did seed some assets into the seed portfolio when we launched the strategy. And there may be assets in the portfolio that could be suitable going forward.

As you know, we own an excellent portfolio with attributes that are attractive to these kinds of platforms, but then also we have a strong sort of M&A pipeline for new acquisitions that will be perfect for this kind of security. So, I think the pipeline of acquisitions is definitely not lacking.

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And on fundraising, you have to remember that it's a huge effort to get on the platforms of the banks. They're very exclusive. There are not many platforms that get on to the bank channel. And so, we're on them now. And that kind of gets us to the start line, and now we have to do the education, and we expect the fundraising to ramp up, as we said, in the coming months and years. So, the fundraising now is really just in very, very early stages, and the flows will increase as we move forward.

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

Great. And then just based on kind of past experience around the market, how long do you expect it to take for the fundraising to mature, like once you're on the platform, what's your growth like?

Nicholas Goodman, CFO, Managing Partner

Mature takes time, but I expect in the next 6 months, we're hopeful. And we'll see what happens for the next six months, the numbers should pick up materially. Mature could take time because there is an enormous amount of capital in the wealth system broadly that's massively under allocated to all.

So, I think what the maturity looks like is unknown, and that's why there's so much focus on it. But for us, the next six months, we should start to see the ramp-up come.

Operator

And I'm showing no further questions at this time. So, with that, I'll hand the call back over to Suzanne Fleming for any closing remarks.

Suzanne Fleming, Managing Partner, Communications and Branding Thank you, operator. And with that, we'll conclude the call. Thank you, everyone, for joining us.

Operator

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