

**TRANSCRIPT: Q2 2022 CONFERENCE CALL / WEBCAST**  
**August 11, 2022 at 10.00 am (ET)**

### **Corporate Speakers:**

Suzanne Fleming, *Managing Partner, Corporate Communications*

Bruce Flatt, *Chief Executive Officer, Managing Partner*

Nicholas Goodman, *Chief Financial Officer, Managing Partner*

Sachin Shah, *Chief Executive Officer, Brookfield Reinsurance*

## PRESENTATION

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### **Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the Brookfield Asset Management Second Quarter 2022 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**

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Thank you, operator, and good morning everyone. Welcome to Brookfield's Second Quarter 2022 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, our Chief Financial Officer; and Sachin Shah, CEO, Insurance Solutions. Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results. And finally, Sachin will give an update on our Insurance Solutions business. After our formal remarks, we'll turn the call over to the operator and take analyst questions.

### **Operator**

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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 are subject to known and unknown risks, and future events and results may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website.

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

### **Bruce Flatt, CEO, Brookfield Asset Management**

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Thank you, Suzanne, and welcome, everyone, on the call. We had a very strong second quarter, reporting \$1.5 billion of net income and \$1.2 billion of distributable earnings for common shareholders as well as record capital inflows. Earnings were underpinned by the essential and resilient nature of our underlying operations, the stability, diversity and scale of our business shows in markets like these.

There was a significant amount of market volatility during the quarter, but even with the rate hikes we have seen, rates remain historically low-ish, and we expect them to settle in a historically lowest range in the fullness of time. We remain well positioned to take advantage of potential opportunities with a record level of investable capital of \$111 billion. The investing opportunities for businesses like ours continue to strengthen. Our fundraising efforts remain strong with record inflows of \$56 billion since the end of last quarter.

Our flagship fundraising continues to progress well with institutions attracted to the type of assets we own. We are now planning for a next round of flagship fundraising. We also continue to raise and deploy capital across our perpetual strategies. Our non-traded REIT is now in 10 platforms and is well positioned for investing. Nick will go into more detail on fundraising later. Our Insurance Solutions business closed on the acquisition of American National this quarter, adding \$30 billion of assets to the business. This accelerates the growth of our Insurance Solutions business and Sachin Shah, CEO of our Insurance business, is here today to talk to you about that business.

As a reminder, we own one of the largest portfolios of inflation-protected assets in the world. Our underlying businesses are essential in nature and therefore, continue to generate stable and growing cash flows throughout cycles. These assets are highly cash generative with high margins and are largely inflation protected hence are very attractive to buyers through market cycles. We sold \$21 billion of assets at premium valuations during the quarter.

While not the reason we did this, it underlines the attractiveness of the type of assets we own. Half of these sales were in our real estate business as an example. These assets generated exceptional returns and further added to our investable liquidity available to be deployed into new opportunities.

As an update on the distribution and listing of 25% of our asset management business, we are progressing well towards completing the distribution by the end of the year. As part of this and using this split as an opportunity to look to the future, our senior most team are focused on how we continue to move along our next generation of leaders. As you know, most of our senior partners remain at Brookfield to assist with business relationships and clients, but we believe in advancing younger executives as fast as we can. The company today, known as Brookfield Asset Management will be renamed Brookfield Corporation post the split. This is the company that you currently own shares in, and it will retain most of the proprietary capital owned by Brookfield as well as continue to own 75% of the manager. I will remain CEO, and Nick Goodman will be appointed President and CFO.

His focus in the future will be on capital allocation among our operating businesses and new business initiatives. Brookfield Reinsurance will remain as prepared security to Brookfield Corporation as it is today

## Brookfield

and holds our insurance business. Sachin Shah will remain CEO of the business, and we expect this business to become a significant operating business for Brookfield Corporation and Brookfield Reinsurance. And we are excited at what has already been done and for the growth to come. Sachin will expand on that in a moment. Our managers spin-off will be named Brookfield Asset Management Limited and will be the new entity for all of our asset management activities. You, as a shareholder, will receive new shares of this entity on the split. We refer to this entity in our materials as the manager. With respect to the management and the board of the manager, Mark Carney will be appointed Chair of the manager in addition to his other responsibilities at Brookfield.

I will remain CEO of the business. Connor Teskey will be appointed President of the manager in addition to his responsibilities as CEO of our Renewable Power and Transition business, which for now will take up most of his time. Bahir Manios, will be appointed CFO of the manager and Anuj Ranjan will be appointed President of the Private Equity Group in addition to his overall business development responsibilities in the manager. Brian Kingston, Cyrus Madon and Sam Pollock, who many of you know, will remain CEOs of their respective businesses, and each will become directors of the manager with Mark, myself and 7 independent directors. Oaktree will continue to be run by Howard Marks and Bruce Karsh. We are all excited for the future and believe these changes set us up to deliver continued long-term success for our clients and our shareholders.

I will end these comments for this portion by saying that we believe succession is best when effected as an evolution, and we are all thrilled at advancing our efforts in this regard. I will now pass it over to Nick over the financial results of the business.

Before I do that, thank you for your continued support and interest in Brookfield. We look forward to seeing many of you at our Investor Day, which is on September 12 in New York. Additional details on this are available on our website. Over to you, Nick.

### **Nicholas Goodman, CFO, Brookfield Asset Management**

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Thank you, Bruce, and good morning, everyone. We delivered strong financial results during the second quarter, supported by our resilient portfolio of inflation-protected assets and record levels of fundraising. Distributable earnings, or DE, were \$1.2 billion for the quarter and \$4.9 billion over the last 12 months. DE before realizations, a measure of our recurring annuity like cash flows were up \$1 billion for the quarter and \$3.9 billion over the last 12 months which is an increase of 25% compared to last year. FFO and net income totaled \$1.4 billion and \$1.5 billion, respectively, for the quarter.

Since we last reported, our asset management business had record inflows of \$56 billion, of which \$41 billion was raised in the quarter and \$15 billion after quarter end. We held the final close for our inaugural transition fund, raising \$15 billion in total and are finalizing the first clauses of our sixth private equity fund and our fifth infrastructure fund for approximately \$8 billion and \$20 billion, respectively. We have raised \$14.5 billion for our flagship real estate fund and expect to have the final close this fall.

Our \$16 billion flagship opportunistic credit fund is moving to 80% invested or committed, and we expect to start fundraising for the next vintage later this year. We ended the quarter with \$392 billion of fee-

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bearing capital. That's not including the \$15 billion raise after quarter end, which was up 21% compared to the prior year.

Fee-related earnings were \$525 million in the quarter and \$2 billion over the last 12 months, representing increases of 30% and 22% from the prior periods, excluding the benefit of performance fees earned in the prior year. The higher fee-related earnings were as a direct result of the aforementioned strong fundraising as well as capital deployment on existing fund strategies. In addition to the current fee-bearing capital, we have \$36 billion of additional committed capital that when invested will translate to approximately \$360 million of incremental annual fee revenues. This, plus the additional capital raised across our latest flagship series will be a continued tailwind for growth in earnings.

On the capital deployment front, we had an active quarter committing and/or investing \$36 billion of capital. This includes the \$5.1 billion deployed to acquire American National and further expand our reinsurance business. \$8.5 billion to acquire a car dealership software business and \$3 billion of real estate at significant discount to intrinsic value.

Following the quarter, we also announced a partnership to buy majority interest in Deutsche Telekom's tower business in Germany for EUR 17.5 billion. Moving on to investment performance and monetization activity. Despite the market volatility during the second quarter, our capital recycling activities across our mature de-risked investments continue to remain strong. Since the end of the first quarter, we have monetized \$21 billion of assets and recognized \$5 million of gains, including \$10 billion of asset sales within our real estate business.

Notable sales during the quarter included our U.K. student housing business for \$4.3 billion and our ports business in Los Angeles for \$1 billion. And as we look forward, we have a number of sales processes underway, and our monetization pipeline remains very strong. Our investments continue to perform well, resulting in strong valuation uplift. This is in contrast to many businesses to date. We generated \$553 million of carried interest during the quarter, increasing the total accumulated, unrealized carried interest by 7% to \$8.6 billion, net of what had been realized into income.

And lastly, our principal investments continued to be a steady and growing contributor to our earnings. During the quarter, our infrastructure portfolio's organic growth remained robust at 10%, reflecting the benefit of inflation indexation and the returns on recently commissioned capital projects. In the real estate portfolio, we had very strong demand for hospitality assets and robust leasing activity across our core office and retail assets.

Our renewable power assets performed well as a result of strong asset availability, higher power prices and continued growth, both through development and acquisitions and our private equity portfolio benefited from the strong operating performance and contributions from recently acquired assets.

Operating FFO was \$1.2 billion for the quarter, a 42% increase compared to the prior year period. The increase was largely as a result of the aforementioned strength across our principal investments and the continued growth of our asset management franchise.

## Brookfield

Total FFO was \$1.4 billion for the quarter. Distributions from our investments were \$612 million, 29% 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. Our liquidity remains very strong and provides us with significant financial flexibility to deploy capital opportunistically, seed new products and return capital to shareholders.

We continued the pace of our share buyback program deployed \$237 million of capital to share repurchases in the second quarter. Over the last 12 months, share buybacks totaled \$500 million approximately. And when combined with our regular dividends, we have returned over \$1.3 billion of capital to our shareholders. We ended the quarter with \$111 billion of capital to deploy into new investments, which includes \$74 billion of uncalled fund commitments and approximately \$37 billion of core liquidity. Growth in our Insurance Solutions business has added \$23 billion of short-term cash and liquidity and liquid investments.

Before turning the call over to Sachin, 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 September. Over to you Sachin.

### **Sachin Shah, CEO, Brookfield Reinsurance**

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Thank you, Nick, and good morning, everyone. I'm pleased to be here today to provide an update on our Insurance Solutions platform.

Over the course of 2020, we saw unprecedented economic shutdowns and stimulus programs across much of the world. Rates in the Western world already at very low levels were reduced to almost 0. It was in the midst of this backdrop that we decided to pursue the build-out of an insurance solutions business for Brookfield. This would combine our investment capabilities with our access to capital and prudent risk management to help insurance companies in the U.S., Canada and Europe manage capital efficiency, invest for higher yields and transfer risk.

In conjunction with this effort, we spun-out Brookfield Reinsurance. We acquired American National, a domestic U.S. insurer with operations that cover life, annuities and P&C, and we completed a strategic partnership with American Equity Life, while also entering into a number of reinsurance transactions along the way.

In all, we deployed \$4 billion of equity capital while establishing ourselves as a key long-term partner to frontline insurers. These efforts have resulted in us now managing over \$40 billion of insurance assets coupled with long duration, low-rate, annuity-based reserves. As major economies opened up over the last few years, we maintained our patient approach to capital allocation, purposely keeping our portfolio in a short duration and highly liquid position, maintaining approximately \$25 billion of assets in the form of cash and liquid securities with the balance invested in accretive Brookfield and Oaktree funds or into direct private credit opportunities. Accordingly, we are now in an excellent position to invest capital for value and drive outsized returns.

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Today, with the high degree of cash and liquid securities on our balance sheet, our business earns in excess of \$400 million of distributable earnings on an annualized basis, of which approximately \$50 million is in the form of investment management fees. Looking ahead, we are prioritizing the following: First, we are now investing our cash in liquid assets into excellent opportunities that are accretive to our franchise. We have seen spreads widen and liquidity tighten in the leveraged loan market. We are seeing term premium come back across the capital stack in both new public issuances and the secondary market, and we continue to see numerous private credit opportunities at much better returns than just 8 months ago.

In this environment, we are leveraging the strengths of the Brookfield franchise to acquire credit across real estate, infrastructure and private equity. Given our 2,000 investment professionals around the world and the coverage of companies and assets our teams provide, we have unique insight into the risk profile of credit opportunities in the market today. As we deploy our excess capital into this market, we expect distributable earnings to increase to over \$800 million annually. Second, we believe the rate environment is still very low and highly constructive.

Accordingly, we are focused on growing our annuity writing capabilities. Part of the attraction to the American National acquisition was their history of writing circa \$2 billion of annuities annually. The combination of our investment franchise and our commitment to build out American National means we see a credible path to growing annuity capabilities to \$5 billion to \$7 billion annually in the medium term, assuming this rate environment persists. We also continue to support our partner, American Equity Life, through our existing flow arrangements, where we recently increased the scope of the products we support. This should add another \$5 billion of assets to our portfolio in the near term. In addition to annuity writing, the American National platform gives us a domestic U.S. presence across all 50 states to continue our reinsurance program.

Accordingly, we can now partner domestically with U.S. insurers across life, annuity and P&C products, all supported by a 4,500-person team with deep claims and administration capabilities. Third, we continue to scale our Canadian pension risk transfer or PRT business. We have built this business over the last 6 years, growing to more than \$3 billion in insurance assets. This is a \$1 trillion market with circa \$5 billion of PRT annuities coming to the market each year. In the last 2 years, we have been successful in closing more than \$1 billion in PRT annuities each year, placing us as the top 1 or 2 in market share in this rate environment.

This year's activity included closing on the single largest PRT transaction ever completed in the Canadian market for approximately \$1 billion. We expect to further grow our PRT efforts through expanding into the U.S. and European markets. These are both well-established markets that offer significant scale where we can leverage our corporate relationships and the broader Brookfield Global presence. Growth in these markets will allow us to more than double annual PRT sales in the coming years. Lastly, we continue to pursue new M&A and reinsurance opportunities with domestic insurers in the U.S. and Europe across life annuities and P&C. We are seeing continued opportunities to acquire small tuck-in, annuity and P&C platforms in the U.S. We are making inroads in Europe to provide both reinsurance and potentially acquire direct platforms.

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Although the market has slowed down recently, we remain an attractive partner for management teams looking for a well-capitalized partner with strong investment capabilities across the insurance spectrum. In conclusion, we believe the market to increase scale in this business is highly constructive, and we remain focused on compounding our capital at [mid- to high teen] returns while keeping our risk profile low. With that, I will pass the call back to the operator for any questions. Thank you.

## Q&A

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### Operator

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Our first question comes from the line of Rob Lee with KBW.

### Robert Lee, KBW

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So, I guess my two questions. The first one is, can you maybe with the strong fundraising, can you maybe give us a sense of how your LP base may be evolving or mixing like-- if we looked at it, what percent is kind of [re-up] versus new LPs to the family. And maybe the second part of that is, how are you anticipating your own participation in the funds evolving? Should we expect that I think in infrastructure, you were 25% in the last month. So, we expect that participation is going to diminish to make room for new LP? How should we think of that in this place?

### Bruce Flatt, CEO, Brookfield Asset Management

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It's Bruce. And I'll just say that look, each fund is different. So, we market many funds across the whole business. But if you took a generality across the whole thing, I'd say that today is no different than most of the times. The initial phases of our fundraising are usual re-ups and the later phases are new clients coming in, and there's a mix of both as we -- as today. So, I don't think it's any different today than in the past. And as to the quantum of our investment within the fund through our balance sheet. I guess the only thing I would say is as these funds get bigger and bigger and bigger, there's a limit to how much money that we can -- have to be called at one point in time from us. So we just have to watch that.

And it's a balance between having that and having a meaningful commitment from our balance sheet into the funds. In any event, these are large sums of capital that we're putting in, even if we go down from 25 to 20 or 15, they're large, large sums of money.

### Operator

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

### Ken Worthington, JPMorgan

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So bear with me. As you think about Brookfield Corporation after the spin-off of Brookfield Asset Management Limited, you're left with basically a private real estate portfolio. And as your strategy plays out, ownership of a number of publicly traded Brookfield affiliated companies. Can you talk about how Brookfield Corporation might invest in cash going forward and how the focus of your investing in the future might be different than it's been in the past given the asset management spin?

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So as I think about it with a public currency for Brookfield Asset Management Limited, I think we all expect it will trade at a premium valuation. I assume that the asset management business will sort of support its own investment. And since you're selling down VPG, these 2 suggest that your capital deployment may change going forward. So again, the question is, how does the investment of Brookfield Corporation look over the next 5 years? And what are you going to be doing with all this cash that you're pulling in?

### **Bruce Flatt, CEO, Brookfield Asset Management**

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I'll start off and then maybe Nick, since it's his job in the future, can add something if he feels there's something to add. But I would just say that, look, we're -- as you separate businesses, we're excited about this because we'll have a number of core positions in Brookfield Corporation. The one that you didn't mention is that we will have the big investment in the insurance business because it's a paired security. So that will be additive to this. And the money in the future will be put into investments which were brought to us by our investment management business, the manager, either supporting the funds or co-investments, or it's possible over time, there are businesses that we add into the corporation that we wouldn't otherwise have been able to add in.

And so we'll have to see as that going forward. If we have excess cash, we'll continue to buy back shares or distribute it to the owners of Brookfield Corporation. So there's I would say the real job of the corporation is to take the cash and the excess resources we have and deploy it into the businesses productively or else give it back to the shareholders, and we will do that going forward.

### **Ken Worthington, JPMorgan**

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Maybe as a follow-up, you mentioned dividends and buy-backs. Is that just obviously a bigger part of capital management going forward? Is it obvious that like insurance becomes the logical place for investment at least over the next couple of years? And maybe since you have so much cash instead of selling down BIP and BEP investment and BPU opportunistically as you've done in the past, might you do more, maybe increasing ownership opportunistically in those areas? Like I guess those are the ideas that I had.

### **Nicholas Goodman, CFO, Brookfield Asset Management**

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Ken, it's Nick here. But just following up from Bruce, I think our job will be to invest the capital strategically and where we believe we continue to compound value over the long term. And we used our capital over the last 10, 15 years to support our businesses and grow and incubate a large manager. We're doing the same with our capital now great returns with the reinsurance business. And there may be some things said in the future where we use our capital to incubate, grow and invest in the next business for the franchise, but it's going to be our job to take the excess capital and allocate it where we believe we can compound value over the long term.

### **Bruce Flatt, CEO, Brookfield Asset Management**

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The only other thing I'd add is the way you should think about the corporation is that we're the largest co-investor beside the funds that we have. And when we do acquisitions in infrastructure renewables, private equity or real estate and the scale is needed, we go to our 5 or 7 large clients and try to bring them in to help us do larger and larger transactions. The corporation is going to have significant capital to be able to



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support that and wants to put its money to work. So it -- that will be another thing that we'll be doing with the capital in the business.

### Operator

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Our next question comes from the line of Geoff Kwan with RBC Capital Markets.

### Geoffrey Kwan, RBC Capital Markets

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I just kind of have one question. There's been kind of commentary within the industry about some private equity and alternatives managers just running into, I think, I guess, relatively greater fundraising challenges than before, whether or not it's just getting commitments or that LPs are fully committed for this year and cannot commit to new funds until next year. It doesn't seem like that's an issue for BAM, but I'm just wondering your thoughts on whether LPs maybe consolidating which managers they're investing with, whether it's maybe an asset allocation issue either within alternative strategies or alternatives versus other asset classes or whether or not there may be other factors at play?

### Bruce Flatt, CEO, Brookfield Asset Management

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Yes. I'd just say tougher times always mean consolidation of every business. And that's -- it's not different in the alternatives business. During tougher times groups cut their relationships down and usually the large, diverse, scaled, professional managers get capital, and some don't. So luckily, we're on the positive side of that, and that continues to scale out. I'd just say our -- maybe the most important thing to emphasize in relation to your question is that our businesses are cash flowing, highly diverse, scalable and high quality. And because of that, these are the type of things people want to invest into. We were not the flavor of the day 2 years ago.

But today, people are coming back to these type of businesses. So I think the -- many of the managers that you might have heard anecdotal information about our businesses that are buying things that are different than what we own. So that would be the most -- maybe the most relevant thing I could say towards that.

### Operator

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

### Alexander Blostein, Goldman Sachs

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So I had a quick follow-up to Ken's question actually along similar lines, but from an asset managers' perspective. I believe at the time of the announcement, you guys talked about the asset manager paying out 90-plus percent of distributable earnings and generally having a pretty light balance sheet. So should we continue to think as the asset manager grows, the corporation will fund all of the GP commitments to the asset manager as they kind of grow the business and perhaps expand into new products as well as M&A. So if there is a deal that you'd like to do on the pure asset management side of things, would the funding for that come from the corporation? And kind of, how would that work against the public ownership of 25%?

### Nicholas Goodman, CFO, Brookfield Asset Management

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Alex, this is Nick. So I think on the first part, I think the short answer is yes, you should continue to expect the fundraising to come from our invested capital side of the balance sheet, which is going to be from BAM or through the listed issuers, but no change to that. And as Bruce said, also bringing the balance sheet there to support co-invest or strategic growth. As it relates to growth within the manager, there would be capital available, but the intention would also be that the manager assuming trades well would have a currency in its stock to use towards consideration for growth. So it's not just necessarily about cash. But yes, the corporation would be there to support the growth of the business.

### Alexander Blostein, Goldman Sachs

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Great. And then my follow-up, maybe around insurance. Apologies for 2-parter here. But I guess, as we think about the \$40 million of investment management fees that the asset manager is currently owning - - earning, rather, from the ownership structure, can you talk a little bit about how you expect that to evolve? Obviously, the underlying base at the insurance company will grow and the IMA will sort of grow with it. But as you think about the ultimate size of how much you could sub-advise across different products, the fee rates on that and kind of how that entire frame in which it will evolve. And then from a structure perspective, any updated thoughts on sort of putting third-party capital alongside the insurance ownership because right now, obviously, BAM kind of owns the 100% on its balance sheet.

### Sachin Shah, CEO, Brookfield Reinsurance

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Sure. It's Sachin here. First... On fees, so we have \$40 billion of insurance assets. And I think we're at the stage where we're generating about \$50 million in aggregate fees by deploying into our various funds. And based on the pace of activity we've had in the last 1.5 years to 2 years, we feel pretty good that, that path towards \$200 billion to \$300 billion of insurance assets over the next 3 to 5 years is achievable. Obviously, if the current market persists, we think it's very achievable. And so you can then take the current fees today and extrapolate where they could grow in light of the fact that you could take 1/3 of that portfolio of general assets, general account assets and put them back into high-quality credit products that are originated by Brookfield and Oaktree.

So if you're looking to kind of put a little bit of math around it and do some modeling, I would look at it as 1/3 goes into that on \$200 billion and you can build up your analysis of how long it would take us to get there. On LPs and when we bring third-party capital into the business? Look, it's not out of the question. We would consider it. Today, we've decided to build this out, like many of the businesses at Brookfield historically, we've incubated this. It's going well, and its early days, and we want to take advantage of the current environment to drive value. But we'll always keep an open mind. If clients express an interest in being a part of this business, a number of our competitors do bring clients into this strategy. And therefore, it's not a novel idea, and we would be absolutely open-minded to it.

### Operator

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

### Andrew Kuske, Credit Suisse

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I guess the question that originates from Page 19 of the supplemental. And I guess if I think about the capital you've invested that's longer than 3 years in duration, \$41 billion is under 3 years, \$76 billion. And

## Brookfield

if we just look at the fundraising you just announced. It seems like the velocity of the capital that you're raising and deploying is accelerating. So if you could maybe just give us context on the tipping point that you see on returns amplifying [carry-generation] being greater and then just overall FRE.

### **Nicholas Goodman, CFO, Brookfield Asset Management**

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Yes. Andrew, it's Nick. Listen, I think the -- listen, the outlook and what we're achieving right now in our fundraising, you're going to see, as we said, this year was going to be an important year in terms of the next step of leg of growth in FRE and that's playing out. So I think you talk of the FRE growth this year is an important year with the record inflows, the progress we've made on the flagship strategy is at close to \$75 billion now of maybe the \$100 billion we laid out previously. And we're still in fundraising for a few of those strategies. So I think large component is this year for bringing in excess fee or additional fee-bearing capital, and you're seeing the strong performance of a number of our other complementary strategies, which to Bruce's point, they are proving -- continuing to prove to be very attractive in this environment, given the nature of what we're investing in. So I think this year is an important year, and then you're just going to see continued growth as those complementary strategies are consistently fundraising whilst we go through cycles of flagships.

And then on carried interest, as we said this year, obviously, the higher the fee-bearing capital, the carry eligible capital will grow. And it's kind of progressing in line with plan. Our funds are delivering excellent returns. They're largely beating their targets. We're seeing monetization activity pick up. We had a good carried interest year in realization last year from early vintage funds. We expect the same again this year from those early vintage funds. And now we're starting to sell assets out of the second and third vintages.

And as we make progress towards returning capital passing preferred return, carried interest will continue to -- realization will continue to pick up in the next 2, 3, 4, 5 years. So I think it's just the evolution of the business and as fee-bearing capital grows and funding goes well, the whole business grows in step change. To pick up in the next 2, 3, 4, 5 years. So I think it's just the evolution of the business and as fee bearing capital grows and funding goes well, the whole business grows in step change.

### **Andrew Kuske, Credit Suisse**

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I appreciate the color and commentary on that. And then I guess, maybe bringing that kind of background to the price and value, which has been a recurring theme over the years from a lot, do you think about the ability to deploy capital and the capital you've raised your client capital in the market at this point in time, a pretty compelling levels in certain areas? And then as the scale of the funds increases, are you seeing less competition for certain assets and that also helps drive returns?

### **Nicholas Goodman, CFO, Brookfield Asset Management**

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Look, the -- I'll answer the second one first. The scale of the business allows us to differentiate the transactions that we can do because there's not that many people that we can compete against or that have capital to compete against us. And therefore, we continue to differentiate the franchise with large transactions as one of the key attributes of our business. So I think that just that we're not the only one, but there's not that many, and that's a clear advantage for us. So I guess, bottom line is -- it's -- that's a very positive thing for the business.

### Operator

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

### Brian Bedell, Deutsche Bank

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Maybe just on the infrastructure and energy transition. Bruce, I appreciated the comments you had in the shareholder letter, talking a little bit more deeply about energy transition and the rewiring of European energy in terms of the scaling the vast need for global infrastructure investment and scaling that. Can you talk a little bit about, as we think about these platforms developing for you in the future on the renewable and transition side as well as the infrastructure side, whether these themes fit into both of those strategies? And as you think about, obviously, the vast amount of investment opportunities there are for these funds, do you foresee the LP demand following that potentially create different adjacencies of these funds that may have some different return profiles. I know you're targeting still like the low to mid-teens for you to expand the investments and then maybe target lower returns such as in core strategies, for example.

### Bruce Flatt, CEO, Brookfield Asset Management

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Yes. Maybe Nick can talk about some of the perpetual funds we have in a second, but I'll just comment and say that these -- I guess, the trends of what's going on in infrastructure globally, and I'll include transition. We have a separate fund, obviously, renewables and transition, but I'll include it into one large area. This is an enormous amount of capital that's required globally. Governments don't have it. And the good news is institutions do.

So to directly answer the question, the returns are good. The risks are modest, and the capital is therefore there to [base-load] many institutional funds around the world. And there's trillions and trillions and trillions of dollars of capital that's sitting in funds and need to get put to work, and there's a lot of need for that with infrastructure and the build-out of -- as we noted in the letter, the Internet and mobile, the energy transition, critical infrastructure reshoring and in Europe for energy. So these are all really, really large businesses. And we're trying to bring capital to work in all spectrums for our clients.

### Nicholas Goodman, CFO, Brookfield Asset Management

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Yes. And Brian, I would just add to, I guess, the success of the fundraising that we had for the transition fund and first closed that were in the process of executing for the infrastructure fund shows the client demand and the position that we have in this space. Our expertise, knowledge, operating presence and ability to put capital to work in good returns. So I think all of that leaves us very well positioned. On the perpetual strategies, we look at our infrastructure perpetual strategy, which we started maybe a couple of years ago. It's already in excess of \$7 billion now of that recurring perpetual fee-bearing capital and demand is still proving to be very strong. Fundraising is very strong since the last quarter, we raised about another \$1 billion, there's probably about another \$1 billion in the queue and fundraising is going very well.

So that strategy is resonating really well with investors. Again, the one exposure to inflation-protected, recurring cash flow assets, and we are very well positioned to be able to deliver that product to clients

## Brookfield

with our presence, and we can replicate that, to your point, broaden our infrastructure transition, and we're seeing similar demand for our infrastructure debt strategy as well. So I think this is an enormous growth area, and we're very well positioned in this space.

### Operator

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Our next question is a follow-up from Rob Lee with KBW.

### Robert Lee, KBW

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Yes. follow-up. Just kind of curious, I mean, well, 2 parts here. I mean you commented about having a very strong monetization pipeline. You've certainly seen somewhat more optimistic, I'd say, at least over the near term versus some of your peers out there. So I mean, obviously, you do have a different business mix in many of them, less PE-centric. But I don't know, could you maybe -- Is it possible maybe drawn-- Maybe that's the reason may be drawn into that a little bit more why you're seeing kind of somewhat more optimistic to the extent you can versus some of your peers and what you're seeing on monetization potential? That would be my first question.

### Bruce Flatt, CEO, Brookfield Asset Management

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Yes. So I -- look, I can't comment too much on the competition because I don't know inside their portfolios. But I'd say broadly, 2 things probably apply to us as a differentiator. The first is we're highly global, and we're in many countries. And all countries don't march to the same federal reserve rules. So most managers are highly U.S.-centric, and our business is more global, and therefore, I think that differentiates it to some degree. If you look at some of the things we sold in the first quarter, many of them were outside the United States.

Secondly, our business is highly diverse and differentiated by being cash flowing businesses. And even in our PE business, their service and industrials, they're not high-tech technology businesses. And I think it's just -- it's not better or worse. It's just different, and we happen to be in a good spot right now versus some others that were in a good spot 24 months ago maybe.

### Robert Lee, KBW

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Great. And I appreciate it. And maybe just as a quick follow-up. I mean, clearly, you're having success of your latest real estate fund. I guess your commitments are already close to what the last fund was, if I'm not mistaken. But have you seen any change in the LP appetite from when you first started marking the fund to today, maybe with the weakness or sell-off is more LP interest as you've gone along? So should we be thinking that maybe even your last closing could be specifically particularly large. I mean -- and as part of the context for this as I'm sure you know, Blackstone raised their latest fund pretty big, pretty quickly. So is there anything that's maybe changed in the environment that over the last couple of months or a quarter or 2 that you give kind of an extra-large final close?

### Bruce Flatt, CEO, Brookfield Asset Management

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Yes. I would say if I took the investment strategies, infrastructure and renewables, which are highly inflation-sensitive and cash-flowing or probably the most positive that people want to invest into. Real estate is somewhere in the middle because it's highly cash-flowing and inflation-sensitive, but people are

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unsure about some asset classes. Therefore, there's some great acquisition opportunities, but people are unsure. And then private equity probably on balance, if you take all private equity, it would be the hardest in fundraising anecdote here out there. So I'd say that's the spectrum of it. And real estate probably sits in the middle. But it's -- for us, I don't think there's any real change over the last while. It's sort of the same as what it has been.

### Operator

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Our next follow-up is from the line of Alexander Blostein with Goldman Sachs.

### Alexander Blostein, Goldman Sachs

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I wanted to circle back to the transition fund specifically. You guys raised a considerable amount of capital fairly quickly. With the climate bill passing here or likely to pass, I guess, as you think about the opportunities for deployment that, that creates to an extent it accelerates anything for the transition franchise for you guys. And as you think about just bigger picture how this platform could evolve over the next couple of years, I've seen how there's likely to be more incentives and more government spending in this area.

### Nicholas Goodman, CFO, Brookfield Asset Management

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Alex, it's Nick. Listen, it's all around the edge is positive for what we're looking to achieve. As you know, there's 2 objectives to our transition fund on the incentives are available for the build-out of renewable energy. That is one of our focus areas. We've been delivering in that area for a long period of time. So this might create even more opportunity. But even today, we're seeing lots of opportunity to deploy capital into this space. And then obviously, there's a broader investment set around just the transition of broader business. But I think all of it is net positive to the franchise. And yes, it definitely is a tailwind for scaling up even further that opportunity set.

### Operator

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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

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Thank you, operator. Thank you for joining us, and we look forward to seeing you at Investor Day in September.

### Operator

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