

**TRANSCRIPT: Q3 2022 CONFERENCE CALL / WEBCAST**  
**November 10, 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 of the Corporation, Managing Partner*

Bahir Manios, *Chief Financial Officer of the Manager, Managing Partner*

## PRESENTATION

**Operator**

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Good day and thank you for standing by. Welcome to the Brookfield Asset Management Third Quarter 2022 Earnings Conference Call and Webcast. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Suzanne Fleming. Please go ahead.

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

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Thank you, Operator, and good morning. Welcome to Brookfield's Third Quarter 2022 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, Chief Financial Officer of Brookfield Corporation; and Bahir Manios, Chief Financial Officer of our Asset Management Business. Bruce will start off by giving a business update, followed by Bahir, who will walk you through the results of our asset management business. And finally, Nick will discuss our overall financial and operating results. After our formal remarks, we'll turn the call over to the operator and take analyst questions. [Operator Instructions].

I'd like to remind you that in today's comments, including in responding to questions and in discussing new initiatives in our financial and operating performance, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. securities law. These statements reflect predictions of future events and trends and do not relate to historic events. They'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, Brookfield Asset Management**

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Thank you, Suzanne, and welcome, everyone, on the call. Our third quarter results were strong, demonstrating the resilience and the diversification of our franchise. We reported over \$700 million of net income and \$1.4 billion of distributable earnings. In addition to these strong results, we entered into a number of strategic partnerships where we will deploy a significant amount of capital alongside our partners. The economic backdrop has continued to create volatility in the capital markets, with bonds and equities underperforming in the last while. On the contrary, private real assets have proven to be a safe haven, further enhancing their appeal to investors.

Interest rates should be set to peak in the next 6 months, and many major economies around the world look like they will experience a recession with a central bank-induced slowdown. Rates are then set to stabilize and should eventually decline. Dislocation in the financial market has meant access to capital has become less available for many. Fortunately, we are well positioned to thrive in the current environment with a record level of investable capital of over \$125 billion and more importantly, the skills to navigate these types of markets and execute transactions.

Our assets to liquidity, combined with our deep operating expertise sets us apart and makes us an extremely attractive partner for many companies. Our recently announced strategic partnerships are hopefully only in the beginning of what we want to accomplish when we bring our competitive advantages to bear.

Touching on a few of these recent partnerships briefly. We agreed to fund half of a \$30 billion chip manufacturing facility with Intel, with Brookfield funding \$15 billion through our infrastructure business. This is just one chip manufacturing facility and the trends towards deglobalization may result in similar opportunities going forward.

We partnered with Deutsche Telekom to acquire part of half of a 51% interest in their \$17.5 billion tower business. This is a marquee portfolio of 36,000 towers in Germany and includes a greenfield development portfolio of an additional over 5,000 towers. Our renewable power and transition business partnered with Cameco to acquire Westinghouse for \$8 billion following an incredibly successful turnaround by our private equity group. We are very excited about this business going forward and the partnership with Cameco.

Fundraising continues to go extremely well with a significant amount of capital coming in for our flagship funds, but also for our complementary strategies. We continue to see clients consolidate the number of managers that they allocate capital to. And with our strong track record, focused client service and wide breadth of product offerings, we have been successful at deepening our existing relationships and attracting new clients to our business.

We also continue to focus on enhancing private wealth product offerings. Bahir will talk about this a

little later. Our insurance solutions business continues to make strides and is providing a natural hedge for us against interest rates. Having stayed short in duration in our investment portfolio and largely sitting on cash since the acquisition of American National, over the last while, we've started to invest in a variety of higher earnings strategies. Additionally, with the direct origination capabilities obtained through the acquisition of American National, we have been writing new annuities directly and are actively deploying this capital. These efforts are steadily increasing the cash earnings from the business and to date have delivered very attractive returns on our equity beyond what we expected when we launched the business two years ago.

Before I turn the call over, I wanted to highlight that yesterday at our special meeting, shareholders approved the distribution and listing of 25% of our asset management business. We remain on track to complete the distribution and listing by the end of this year.

Thank you to those who follow Brookfield and who joined us at our Investor Day or watched online. Thank you for the interest in our business, and I'll now turn the call over to Bahir.

### ***Bahir Manios, Chief Financial Officer of the Manager, Managing Partner***

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Great. Thank you, Bruce, and good morning, everyone. I'm pleased to report that our asset management business had an excellent quarter and continues to prove out its resiliency and ability to deliver strong profitability and growth through the cycle. As Bruce noted, the business had a great quarter from a fundraising perspective. We progressed a number of initiatives on the product innovation side and delivered strong financial results. I'll provide an update in my remarks on all three fronts.

First, from a fundraising perspective, we remain on track to deliver our best fundraising year ever. Our clients continue to allocate large sums of capital to our real asset strategies that provide predominantly contracted and inflation-protected cash flows, which offers shelter during times of volatility in the financial markets. Since the end of the last quarter, we had inflows of \$33 billion. This was predominantly driven by first close for our fifth flagship infrastructure fund and our sixth flagship private equity fund which now stand at approximately \$21 billion and \$8.4 billion, respectively.

We also finished fundraising for our fourth flagship real estate fund and have raised \$17 billion for the strategy. In addition, we continue to raise capital across our other complementary strategies. Our third infrastructure debt fund had a first close for \$2.8 billion, and our super core infrastructure fund raised \$1 billion during the quarter. We recently launched fundraising for the next vintage of our opportunistic credit flagship fund. This strategy, along with the broader Oaktree franchise, specializes in investing capital during periods of capital scarcity and market volatility, and we expect this period of time to be no different.

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Our target is for the next opportunistic credit fund to be larger than the prior vintage, which stood at \$16 billion. As a result of all these initiatives, we ended the quarter with \$407 billion of fee-bearing capital, which was up almost 20% compared to the prior year. On the product innovation front, we continue to focus on solutions designed for private wealth, leveraging our strengths in private real estate and private and public performing credit as well as our newest strategy focused on infrastructure.

We recently launched a private wealth product that will give investors the ability to invest alongside our institutional clients in our infrastructure funds, providing investors with exposure to a balanced portfolio of the highest quality debt and equity infrastructure investments. We believe there is a great potential for this product similar to other products we have designed for this distribution channel that are steadily scaling up.

From a financial results perspective, as I noted earlier in my remarks, they were very strong. Fee-related earnings were \$531 million in the quarter and \$2.1 billion over the last twelve months, representing increases of 18% and 20%, respectively, over the prior period. Our fee-related earning margins were 59% over the last twelve months, unchanged from the prior year comparative period as we continue to focus on cost discipline as we scale up our business.

In addition to our current fee-bearing capital, we have \$39 billion of committed capital that, when invested, will translate to approximately \$390 million of incremental annual fee revenues. This, in addition to the capital raised across our latest flagship series will be a strong catalyst for continued growth in our fee-related earnings for years to come. Asset valuations across our managed strategies continue to be supported by the growing revenues as we benefit from higher same-store demand and the positive impact of inflation.

That, combined with our minimal exposure to public securities resulted in the business generating \$379 million of carried interest during the quarter. We currently have total accumulated unrealized carried interest of \$9 billion, which is up almost 30% from last year.

Moving on to investment performance and monetization activity. We continue to execute on a number of monetizations of high-quality derisked assets. During the quarter, we agreed on the sale of Westinghouse in our private equity business, realizing an approximately 60% IRR and a 6x multiple of capital. Our real estate business continues to recycle capital including the sale of an office property in Melbourne. And although the pace of monetization in the broader market has slowed, our pipeline of capital recycling initiatives across our mature, high-quality assets remains strong.

As we look forward, our growth profile remains very strong and highly visible as we continue to build on our position as the preeminent manager across renewable power, transition, infrastructure and real estate assets. Furthermore, we'll continue to reap the benefits of synergies with the corporation and maintain significant access to capital to support growth as well as benefit from capital allocation from

## Brookfield

our insurance solutions business, which should propel both fund size and fees going forward.

So that was a recap on our activities for the quarter. Before I hand the call off to Nick, I thought I'd spend a few minutes speaking about the upcoming special distribution of our manager business.

Yesterday, we received shareholder approval to proceed with the special distribution and the listing of a 25% interest in our asset management business before the end of the year. As a reminder, for every 4 shares you own of Brookfield today, you will receive 1 share of the newly listed manager company. Consequently, when the manager business begins to trade later this year, the share count of this company will be 1/4 of the share count of Brookfield today. The manager will be called Brookfield Asset Management and trade under the symbol of BAM, while the existing business today will be renamed to Brookfield Corporation and trade under the symbol BN. The manager is a market-leading global platform that is on track to more than double its fee-bearing capital from roughly \$400 billion today to \$1 trillion over the next 5 years, translating directly to fee-related earnings, growing from \$2 billion annually today to over \$4 billion five years from now.

In addition to the management fees it generates, the manager will receive upside from 2/3 of gross carried interest on new funds. The manager will require a minimal amount of capital and will target a dividend payout ratio of approximately 90% of its distributable earnings. We anticipate being in a position to communicate to the market the dividend rate for the company for fiscal 2023 before the start of trading in December.

We strongly believe that this manager company will have one of the most attractive dividend profiles out there. We laid out the story on this at our Investor Day held in September, but as a brief recap, the dividend will be underpinned by a highly predictable cash flow profile as over 90% of our cash flows underpinning this dividend will be derived from fee-related earnings that are predominantly generated from long-dated and perpetual strategies.

It will have a very strong growth trajectory as we expect to grow our fee-related earnings by 15% to 20% over the five-year plan period. And finally, this dividend will be anchored by a strong balance sheet that has no debt and a significant liquidity position right out of the gate with almost \$3 billion of cash on the balance sheet.

And so with that, thank you for your time and attention this morning, and I'll pass it on to Nick.

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Thanks, Bahir. And good morning, everyone. To reiterate the previous comments, our financial results were excellent during the quarter. Distributable earnings, or DE, were \$1.4 billion for the quarter and \$5 billion over the last twelve months. DE before realizations were \$1.2 billion for the quarter and \$4.2 billion over the last twelve months, and that's up 39% and 29%, respectively, compared to last year.

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FFO and net income for the quarter were \$1.5 billion and \$716 million, respectively.

The strength of the earnings is due to the high quality and essential nature of our assets and businesses that generate predominantly contracted inflation-protected cash flows, underpinned by conservative and stable capital structures. As a reminder, we always strive to minimize the risk of our capital structures by financing largely on an investment-grade, fixed-rate basis, matching the currency of the debt to that of the underlying asset cash flows. We also seek to hedge the residual currency exposure of our equity, maintaining high hedge levels against developed market currencies, which have been most affected in the last 12 months. The result is a resilient asset portfolio that continues to perform well.

As Bahir mentioned earlier, this model continues to benefit our clients as well as our own capital as our investment portfolio on the whole continues to generate stable and growing cash flows and the values of our investments are robust. It is worth noting that the performance of our insurance solutions business has also been very strong as it continues to ramp up its investments.

Operating FFO was \$1.2 billion for the quarter, a 30% increase compared to the prior year period. The increase was largely driven by the continued growth in our asset management franchise, the benefit of same-store growth across our operating businesses, contributions from recent acquisitions and the substantial growth in our insurance solutions business. Distributions from our investments were \$696 million, 23% higher than the prior year. These results are especially impressive when you consider the economic backdrop. Across the portfolio, we have seen growing demand for our essential services, be it for backbone infrastructure, renewable power contracts, premier office space or to expand physical retail presence.

The market-leading positions of many of the businesses we own is also providing strong underlying growth, either through inflation indexation or our ability to pass on real pricing increases to consumers. While these strong underlying operating results were partially offset by the impact of higher rates for certain of our businesses, in markets like these, it is worth noting that a large percentage of our debt is fixed rate and our insurance operations provide a natural hedge to interest rates, and the performance of that business to date has been very strong.

Our insurance solutions business had an excellent quarter, generating almost \$160 million of distributable earnings, reflecting the first quarter with a full contribution from American National. This business, which has largely been sitting on cash until now, is very well positioned to benefit from the current rising rate environment with the ability to deploy a significant amount of insurance capital into our alternative strategies and therefore, earn strong returns, this business is beginning to demonstrate why we believe it has such strong long-term growth potential.

Since the end of the second quarter, we have bought back \$136 million of shares. Over the last twelve months, our share buybacks totaled

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\$626 million and when combined with our regular and special dividends, we've returned over \$1.5 billion of capital to our shareholders. Further, the manager distribution next month will return \$10 billion to \$20 billion to shareholders depending on how you view what you receive and its value.

We ended the quarter with record liquidity at approximately \$125 billion of deployable capital. This includes approximately \$36 billion of core liquidity and \$89 billion of uncalled fund commitments. As we look forward, we are very well positioned to leverage this liquidity, combined with our ability to source proprietary scale investment opportunities to do something large and interesting should that show up.

Finally, 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 December to shareholders of record as at the close of business on November 30.

I want to thank you for your time, and I'd now like to pass the call back to the operator for questions.

## QUESTIONS AND ANSWERS

### Operator

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[Operator Instructions] And our first question will come from Cherilyn Radbourne from TD Securities.

### ***Cherilyn Radbourne, Analyst, TD Securities Equity Research***

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My first question is with respect to the secondaries market where there's clearly an expectation of more LP activity in the near term. Is it logical that more GP activity where BAM is more focused should follow that? And is that something you're preparing for?

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

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Yes. It's Bruce, Cherilyn. And I'd just say, look, I think during times of less capital availability versus "more" capital availability, those with capital more opportunities come to them. So I think when GPs can't wind up a fund by selling assets outright, continuity vehicles make even more sense. So I think there'll be much greater opportunity looking forward to continue to expand our business. So I think it will be a good time.

### ***Cherilyn Radbourne, Analyst, TD Securities Equity Research***

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And then in terms of the retail wealth channel, maybe you could just expand a little bit there on how many platforms you're listed on, the kind of receptivity you're seeing from advisers in terms of alternative products. And how much was baked into your 5-year plan in terms of retail inflows?

### ***Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner***

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## Brookfield

Cherilyn, it's Nick. So listen, we're advancing the initiatives that we laid out, which is developing more products, our nontraded REIT, as you know, is on 13 platforms right now, and also expanding into the RIA channels. We have our Oaktree product, which recently launched through their BDC, and we are in the process of getting our infrastructure product out there as well, which is really providing retail and wealth with access to the full suite of our capabilities and products. And we think that's going to resonate very well with the channel over time.

We know it takes time. The first stage of getting on the channels, which we've achieved now, now it's about the performance, which has been very good. Our nontraded REIT is performing well and scaling up. And now it's just about getting out and distributing the product and that's the next stage of the growth for this product. And the change that we have in the next five years has not deviated from what we laid out in Investor Day, it was about \$50 billion to \$60 billion over five years, and we still believe that's achievable.

### Operator

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And our next question will come from Ken Worthington from JPMorgan.

### **Ken Worthington, Managing Director, Research Division, JPMorgan Chase & Co**

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Maybe first for Bruce. I'd love to hear how you're characterizing the real estate market in the U.S. at this point, both the corporate building and the retail parts of the U.S. real estate market. And if you could give us some flavor on how you see the path forward in 2023 in real estate for Brookfield.

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

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So that's a pretty broad question. You could -- it could take a while, but I'll try to give you a couple of points. I think point #1 is the real estate market there is almost a tale of two cities. Now it always has been, but I think it's -- in this environment, the gap has widened between premier everything and poor quality things. And I would say poor quality things, whether it's residential, industrial, retail or office is not lower priced. It's no bid. And in some of these things, they're going to be plowed down and the real estate -- and those assets are going to have trouble and they're either going to get handed back to lenders, recapitalized or things are going to occur. So that's one sector of the market.

On the other hand, our assets generally or predominantly fit into the category of the best of the best. We've always had a strategy of focusing on the best of the best. And in high-quality assets in most -- in all asset classes in real estate today are getting higher rents and just to give you a couple of anecdotes, retail sales broadly across the U.S. are up 30% hike in shopping centers from pre-COVID numbers. But high-quality centers are even up more than that, some of them. Office space in major markets like New York on the premium side, rents are up 50% from where they were pre-COVID and what we expected before COVID.



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So the story in real estate has always been focused on premier quality and it always wins. And in this environment, and I think going forward, to answer the last part of your question for '23, the race to the best always wins, and it's even more so and exacerbated in this environment. So I would just say our business is very good. There's no doubt interest rates are higher. So if you didn't have fixed rate financing and some transitional assets or assets like hotels have floating rate financing on them, but the revenues are inflating as well with inflation.

So these are inflation-sensitive assets, and you get the income back eventually. So I'd say we're quite constructive and positive about the environment. And on the acquisition side, there's a number of very interesting things to do.

**Ken Worthington, Managing Director, Research Division, JPMorgan Chase & Co**

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And then maybe for Nick. On the margin outlook, you're in the midst of a significant flagship fundraising cycle, the perpetual funds are growing. We assume that this is very high incremental margin but you're investing in the business. So as we think about Brookfield Asset Management and Brookfield Corp. to the extent that it's different, how should we think about the margin outlook and even expense allocation between the spin and holdco going forward? But really, the question is about the margin outlook and what we should expect.

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Yes. Thanks, Ken. Listen, I think the margin outlook guidance from us really hasn't changed. Over the long term for Brookfield, we've guided to around 60, which we knew include Oaktree, that's roughly where we are right now around 59, 60. You might see some margin expansion short term because we really have loaded up on the cost ahead of the fundraising for this round of flagship, so we're almost done with the fundraising. The people are, obviously, in their seats looking for investments. We've raised the capital few extra people to service the additional clients, but the costs have been incurred and now you'll see the revenue coming through. But as you said, we're also continuing to invest in the growth of the business. So I would guide you to the consistent margin outlook that we've given for the last couple of years.

**Operator**

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And our next question will come from Alexander Blostein from Goldman Sachs.

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

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I was hoping we could dig into some of the fundraising dynamics in the quarter outside of the flagship. And Bruce, you mentioned \$14 billion of capital raised outside of the flagship campaign, which is quite strong. Can you help unpack where that's coming from? And more importantly, as you look forward at the growth of the business into '23 and beyond, how do you think about these kind of

contributions outside of the flagships and where they would be coming from?

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Alex, this is Nick. Maybe I'll start off, and Bruce can add in if he wants at the end. Listen, I think we've talked about the flagships and the scaling up of what was really going to help propel the growth of our business is the growth of these complementary strategies. And they have proven to be very popular with our clients. Maybe people thought in a rising rate environment, some of these lower income, lower-risk strategies may struggle, but we've actually found they resonate even better given their stability and the areas in which we're focused on the inflation protection of the underlying investments. And we've seen really strong demand across our infrastructure debt strategy, had a really strong first close, our super core infrastructure, which is an inflation-protected long-term core return. And even in the quarter, we had about \$750 million to \$1 billion coming across our perpetual real estate strategies across real estate debt and non-traded REIT.

So we're continuing to see that capital come in. It's coming from a broad array of clients. I'd say another benefit to this is also attracting new clients to Brookfield and a lot of the investors coming into this are first-time investors in Brookfield strategies. So I think it's got really positive momentum and fundraising has not slowed down. If anything, it's accelerated this year, and we're really optimistic for its contribution over the long term.

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

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Great. My second question is around the transition business. You guys have outlined a lot of secular growth drivers in that business at the Investor Day. If we look at the pace of deployment, I believe roughly \$7 billion or so out of the global transition fund has already been committed or deployed. I think that's almost half of the fund size. So given the opportunity set you see for capital needs in this part of the market, I guess how are you thinking about deployment here over the next several quarters? And when should we think about Global Transition Fund 2.0?

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Yes. So Alex, your observation on the amount invested or committed is correct. And listen, the fund is seeing tremendous opportunities. This was the whole idea behind the strategy that the amount of capital needed to invest in the transition is enormous. And with the pool of capital that can effectively go where the emissions are and start to help companies achieve their decarbonization efforts. The opportunities are -- they're vast and some of them are very large in size. And so listen, the pace of deployment will be thoughtful. We will target stuff that achieves that and strong returns for our clients. But we are seeing lots of good opportunities. And as we work through that, then yes, at some point, we will move on to 2.0. Hard to say exact timing, but the pace of deployment is going well.

## Brookfield

### Operator

And our next question will come from Geoff Kwan from RBC Capital Markets.

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#### **Geoffrey Kwan, Analyst, RBC Capital Markets, Research Division**

I was just wondering if there's any sort of sensitivity to plan value per share, you could provide to higher interest rates because I would think the sensitivity would be around the principal investment in your NAV as opposed to -- or your planned value as opposed to the FRE or carry.

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#### **Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

Jeff, it's Nick. Listen, I think if you were to take interest rates in isolation, then you could say there could be an impact. But I think when you take interest rates combined with the inflation that we have right now, then when we look at our portfolio, we believe that the valuations are fairly robust in this environment, and the two seem pretty closely intertwined right now. If inflation comes down, rates come down. So I think we feel pretty good about the value of the investments. And as we've just said, it's not impacting for now our fundraising ability on the private fund side. So we feel good about the business in this environment.

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#### **Geoffrey Kwan, Analyst, RBC Capital Markets, Research Division**

Okay. And just my second question. I know it's not material to your NAV, but just on that American Equity Life situation. Just wondering if there's any colour you can provide us the rationale for the decision that was made, but also too specifically, will BAM Reinsurance still do the remaining new flow requirements under the original agreement? And also for the shares that you're not, it looks like, planning to sell initially, I think it's because there's a lockup. Just wondering how much long you'd have to wait? Or is there a plan to sell those other shares as soon as you can?

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

So it's Bruce. I'll just say, I'm not sure I can add much to answer those questions because it is a public company. And so I can't really say too much. But maybe just to put it into context, it's a small investment in 300 businesses that we have. Sometimes small events catch the press, sometimes large ones don't. You just never know what catches the press. It will get sorted out in due course. And what we can say is follow publicly. So you should look at those materials. And it does contain some answer to your questions and the other ones I just can't deviate from that.

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### Operator

And our next question will come from Sohrab Movahedi from BMO Capital Markets.

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#### **Sohrab Movahedi, Banks Analyst, BMO Capital Markets Equity Research**

I just wanted to get maybe a bit more meat on the bone. I think in the shareholder report, Bruce, you

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talk about leveraging the manager to source investment opportunities, opportunistically grow the business and odds of something large and interesting showing up is increasing. Any chance you could kind of maybe give us a bit of direction as to what would be large, what sort of areas would be good opportunities, maybe including jurisdictions as well?

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

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Yes. Look, I would say, first off, our -- the Corporation will continue to put money into all the funds that are sponsored by the Manager and be, hopefully, a very large co-investor beside it in transactions, just like many of our other clients. And from time to time, there may be a business or an asset which doesn't fit any one of those funds or it's such -- so large that the Corporation can take a very meaningful piece of the business besides one of the funds. So I'd say that was -- that's maybe the first point of how we're thinking about investing.

On top of that, look, the bottom line is when the markets are extremely volatile and equities in some sectors go down between 75% and 90%, odds favour one of those businesses may be being an opportunity to purchase or the volatility of the current environment creates opportunities where there are liquidity issues for some entities that come into the market. And increasingly, we've been seeing and continue to see, and I think will increasingly see over the next while, while this environment persists, many more opportunities coming to us that you wouldn't have imagined six, twelve months ago.

So I just -- I don't -- we don't know what they are. They show up on a daily basis. Most of them we don't do, but there will be one of them, I think that could be very interesting, and having liquidity and capital available is always a great place to be in, in this environment.

### **Sohrab Movahedi, Banks Analyst, BMO Capital Markets Equity Research**

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And then maybe just as a follow-up to that. I mean, to get the full leverage, if you will, out of the Manager, doubling the fee-bearing capital and fee-related earnings and the like, would there be anything that as a group you would think you would need to add on acquisition wise? Or is this the kind of the organic trajectory by itself that will get us there?

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

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Yes. I think our plans -- and Nick can add to this, or Bahir can add to this, but our plans are essentially everything you see is just an organic build-out of our businesses. Having said that, -- and we don't need to add anything. I think we have an excellent breadth of products, and we're increasingly building other areas adjacent step-outs to our plans. But from time to time, people come to us with things, and we look at them. And there could be something one day that is inorganic, and we'll just assess it as they come along.

**Operator**

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And our next question will come from Andrew Kuske from Credit Suisse.

**Andrew Kuske, Managing Director, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research Crédit Suisse AG, Research Division**

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It'd be greatly appreciated if you could provide us just some color on your client coverage model and really how you benchmark it versus some of your peer group. And I guess the gist of the question is just the number of your private LP clients that you're effectively covering now that are investors in the funds, average ticket size. I think it's been a while since you've updated that information.

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Andrew, it's Nick. Listen, our client coverage model is global, and we run client coverage regionally, where, as you can expect, we have a lot of CRMs building relationships with clients and maintaining relationships with clients every day, and we do that with the largest pension funds, sovereign wealth funds down to the smaller institutional investors. And then we have a dedicated team covering insurance clients as well, leveraging our expertise that we are building all the time through our reinsurance business to help structure the right ways for insurance to invest into our strategies. And so that's the frontline for institutional clients.

And obviously, we're building out our wealth solutions business to target the retail channel, and then supporting that is a huge effort around client service. And that's where managing our clients' request and reporting every day once they're investors in the fund. So it's a significant effort. It's more of a regional approach today, complemented by senior executives who also manage and maintain significant relationships.

Listen, the average size of investors is growing. It's up from previous years. It's about 175 million right now and growing significantly and also the average funds that are invested in is also stepping up over time. So things are improving, and the client coverage is, obviously, growing all the time as we continue to try and target, a) more clients but, b) do more with existing clients. So it's a continual effort.

**Andrew Kuske, Managing Director, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research Crédit Suisse AG, Research Division**

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I appreciate those comments. And then maybe just to dive into that a little bit more. Are there certain regions where you're growing at a faster rate from a coverage standpoint versus some others?

**Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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## Brookfield

Not necessarily. Listen, I think the U.S. is still a tremendous opportunity for us. We're, obviously, very well covered in Canada, as you would expect, great relationships in the Middle East and Asia. Europe, I think, is a market where we're continuing to grow as we tailor new products for that market that seem to be resonating well, and we're growing the client penetration there, and the U.S. is still a significant opportunity for us. So that's probably the summary.

### Operator

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And we will take our last question from Mike Brown with KBW.

### **Mike Brown, Associate, Keefe, Bruyette, & Woods, Inc., Research Division**

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So for the insurance business, how should we think about the organic and inorganic path forward? And I guess, on the inorganic side, there are some attractive assets in the market. So how are you thinking about other potential insurance partner opportunities?

### **Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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Mike, it's Nick. There's been a lot of the organic growth in the short term has been just the earnings growth in the short term has really been about investing the significant capital that we have that was largely sitting in short-dated cash and short-term assets and reallocating them now we're investing into still very high credit quality but much higher yielding opportunities and that spread expansion is a significant boost for earnings.

From an organic perspective, obviously, with our American National platform, we're out there originating product every day, and we are still looking at building strategic partnerships with insurance companies in the market and being a good partner and trying to grow through that way. And that can be a combination of pension risk transfer from which we're building a very strong market position in Canada and looking to grow that globally into Europe and the U.S. at some point.

And it's also just through life and annuity products and just being a partner for insurance companies across a whole host of opportunities. So I'd say the organic comes largely through pension risk transfer and American National and inorganic through opportunities we continue to see in the market through blocks and strategic partnerships.

### **Mike Brown, Associate, Keefe, Bruyette, & Woods, Inc., Research Division**

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Okay. Great. And then on the insurance business, just to dive in a little more there. It does sound like there's some good growth opportunities in the business near term. How should we think about that in terms of how the contribution can continue to progress here over the coming quarters? And as it grows in size, can we expect to get a bit more disclosure on that business?

### **Nicholas Goodman, Chief Financial Officer of the Corporation, Managing Partner**

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## Brookfield

To answer the second question first, yes, as it grows in size, it becomes more material, there will be more disclosure. Listen, I think this quarter, we were about \$160 million of FFO in the quarter and annualized number has increased to \$550 million. And I think that's a decent sort of annualized number based on what we're seeing in the quarter. But as we continue to allocate more of that cash and capital into higher-yielding opportunities, we could see further expansion.

### Operator

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And that does conclude our question-and-answer session for today's conference. I'd now like to turn the conference back over to Suzanne Fleming for any closing remarks.

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

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

### Operator

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Thank you. This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.