

**TRANSCRIPT: RBC Capital Markets Global Financial Institutions Conference, Keynote Session
March 7, 2023 at 8:15am (ET)**

PRESENTATION

Master of Ceremonies

Good morning. Please welcome Managing Director, Head of Bank Equity Strategy, and Large Cap Analyst, Gerard Cassidy.

Gerard Cassidy, Managing Director, Head of Bank Equity Strategy, and Large Cap Analyst, RBC

Thank you, and good morning, everyone. As you heard, I'm Gerard Cassidy. I'm Head of Bank Equity Strategy and the Large Cap Bank Analyst here at RBC. On behalf of my colleagues, I want to thank you all for attending our 27th Annual Financial Institutions Conference. This conference had humble beginnings back 27 years ago on Martha's Vineyard when we had about 30 companies and 75 investors.

Today, it has grown to a record conference for us with over 120 corporates that have been registered, as well as over 300 institutional investors. That growth could not have been done without folks like you in this room, our institutional investor clients, so we thank you. But also, it couldn't have been done without Dave McKay and his senior management team making the investments and supports in capital markets and investment research, so thank you.

We have our first fireside chat today with Dave. As many of you know, Dave is President and CEO of RBC. He joined RBC back in the '80s as a management trainee and worked his way up to the current position when he was named CEO in 2014. As many of you also know, RBC is the largest bank in Canada and has one of the largest global market caps for financial institutions. Dave was recently named Canada's Outstanding CEO of the Year.

Joining Dave on the fireside chat is Bruce Flatt. He's CEO of Brookfield, a leading global alternative asset manager with about \$800 billion in assets. Prior to his role as CEO, he was running their real estate investment operations before he took this role as CEO in 2002. Bruce joined Brookfield back in 1990. Please join me in a warm welcome for Dave and Bruce. Dave, Bruce.

Dave Cassidy, President and CEO, RBC

Well, good morning, everyone, and welcome to our 2023 conference. Bruce, thanks so much for taking the time to join us today and kick off the conference as our keynote speaker. We have got a lot of ground to cover on macro. We're going to talk about raising money and we're going to talk about putting money to work, and then maybe any lessons you have for us on leadership.

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Congratulations on the franchise that you built, one of the top two largest alternative asset managers in the world, with \$800+ billion in money at work and money in and I think it's just absolutely incredible what you've done and we're all looking forward to hearing about your plans to grow the franchise.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Thanks for having me, Dave. When your largest bank calls you, you have to go. You've got to show up at 7:30 in the morning.

Dave Cassidy, President and CEO, RBC

Let's start with macro, because I think the backdrop puts the context to bringing money in and putting money to work. How do you read? Everyone seems to use the proverbial recession around the corner, yet the probability of that recession seems to slim out a little bit, shallow, deep, how we come out, what does kind of '24, '25 look like, and the impact of rates on your business as well. Maybe just your perspective on macro and how it affects your business.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Our view is probably a little bit different than most. First, it's often much more longer term focused than others. Second, many of the things, or most of the things that we do are positively disposed to inflation. Inflation's actually a positive to most of the things we do. In infrastructure, you get the effect right away because you get rate-based adjustments with increases in inflation. Even real estate, you're seeing prices going up in good real estate.

So, I'd say we have that perspective. Look, on – here's what I'd say about interest rates – is the really good news is that all of the medicine has been dealt. It hasn't coursed through the system yet totally, but it's coursing through as we see it right now. But we're not, the debate today is are we having another two increases at 25 basis points or one of 50 and one of 25 or whatever that is in the Fed. And if you look around the world, [inaudible], Japan, everywhere, you're seeing modest more increases, and in fact, at some point people predicting rates are going down. Are they going to be in six months, a year-and-a-half, when there's a recession, whether it's light or heavy.

So, I would just say, we've seen 400 basis points up. We're still in a very lowish environment. If anyone, I guess what I would say, is anyone got used to 1% interest rates, that was an abnormal thing and they shouldn't have been investing based off of that. We never did. Most didn't. And therefore, it's not going to affect long-term investing that's out there. And for many of the things that we do, it's just normal course.

Yes, you're paying a little more in interest rates, but you're seeing revenues, for the first time in really 15 years, you're seeing inflation actually hit the revenue part of the equation. And interest rates go up once and maybe stay there or possibly go down if you have some modest amounts of inflation. Now, embedded in the economy, remember, we were in dis-inflation for a long period of time, and that's what we were worried about.

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And if we have some modest inflation, it's going to affect revenues, and over time that compounds on each other and it's very positive. So, we're actually quite positive about the environment that we're in right now for these type of assets.

Dave Cassidy, President and CEO, RBC

We see the world quite similarly, and how does the bank adjust to higher rates in an inflationary world. Certainly, asset inflation is the only way that our revenues go up. We can reprice our service charges, but whether it's on our MERs or on our assets, like our mortgages, that inflation drives revenue, offsets our cost base going up. Therefore, you need to see that to adjust to the inflationary environment in our perspective.

On the positive side, you're seeing while wage inflation, like wages and salaries didn't keep up early on during the inflationary jump, we're certainly seeing that gap close, as our customers are making more money adjusting to the inflationary world.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

I assume also that the interest rates don't affect right away in most of those residential mortgages because a lot of them are fixed. Here in the US for sure, but in Canada, many of them are, I guess.

Dave Cassidy, President and CEO, RBC

Right. The resets are on a four- or five-year term versus a 30-year open fixed here. So, you do look at a cycle where '24 and '25 has a bigger delta to a rate reset than say '23 and early part of '24 where the rate resets coming from 2020 and '21, or 2019, 2020. I think those rates are a little higher. We're hoping that rates have peaked out, and for our customers they've come down a little bit to make that rate reset.

That's certainly how we look at it very similarly to what you're seeing through the piece. Anything else on the macro environment? Do you think about that may be raising funds and how your investors are looking at the overall opportunity to create wealth? Because you certainly, I think of \$120+ billion of liquidity, I'm sure you're attracting more capital into Brookfield. How do you think about money in in this environment?

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Look, I think the environment, everyone is depressed, stressed about the volatility in the markets today. I think the difference today, the way I look at it anyway, or we look at it, is the entry point at this point in time, in most investments, is much better than it was when people were happy about it 18 months ago. What that means is that if you, the entry point is always really important in investing, and the entry point today, just stock markets are down.

Now will they go down further? I don't know. Possibly, but they're down a lot from before, which means that if you're buying the stock market in general, you're buying at a better point. Bonds interest rates are higher on the bonds; therefore, the bonds are down. Therefore, if you're buying a new bond, you're earning a reasonable return. If you have money in your account, in a money market account at the bank, you can earn a reasonable return.

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I would say we're in a much more normal environment where people can actually earn a reasonable return, which means that odds favor returns going forward better than what you would have got 18 months ago. I would say we're pretty interested, I guess we're pretty positive on the investing environment. The one thing that has been constrained for the last nine months is bank financing.

The banks, particularly in the United States, were straining companies for credit, especially on the buyout side and the private equity side. That's starting to abate and that will slowly go away for everyone. But being, having a large platform as ours and having a very global platform and being in the things we do – so renewables on the investment front is capital is freely available, both on the equity side and on the debt side.

Infrastructure, freely available. Not as freely, but freely available, and it goes down that compendium all the way to private equity. And I'd say growth stocks and tech stocks, if you're in those sectors, it's tough. And that's where many people, that's where the vocabulary of that, people talking about a tough environment, comes from. And many, and institutional money on the fundraising front – so you mentioned capital coming in – on the fundraising front, we raised, last year, \$100 billion of equity to put to work. We'll raise circa \$100 billion this year, maybe more.

Those are large sums of money, but there is a denominator effect in endowments, foundations, and some US institutions, but there's a numerator effect going on in other parts of the world. And a lot of that is resource money pouring into sovereign funds. I guess the difference between large franchises and smaller ones is the large ones have the ability to source money from those institutions which are undergoing a numerator effect. If you only raise money from over here, it's tough.

Dave Cassidy, *President and CEO, RBC*

Do you think strategically about putting all that liquidity to work and continuing to drive the incredible returns, over 30 years of compounded 20% return for your investors, which is just phenomenal. Do you think about trying to replicate that? You recently spun off and made a structural change to your asset management business strategically to help you think about being flexible for the future. But maybe walk the investors through kind of your thinking around the 25% spinoff and what that does for your overall flexibility and how that positions Brookfield for future prosperity.

Bruce Flatt, *Chief Executive Officer, Brookfield Corporation*

First, we've done this seven times before. We're a big believer in the fact that if you create businesses with focused management teams, and sometimes a public listing extra hyper focuses a management team on what their day-to-day job is. So, I'm a big believer in focus and accountability within businesses. Our business is run very decentralized, even on the private side. Our private businesses are very decentralized.

But a public focus really gives accountability and focus to a business. That's point number one. Point number two is, we've found that our investors split, almost split, between people that wanted to invest with us in the next investment that we've made. They've been doing it for 30 years. They've done very well. They want to invest in the capital that we deploy. That's group one. Group two is the investors that want to just not have the confusion of what we do on a day-to-day basis, but they want to invest in asset light to asset manager.

And over the 25 years, as we've built our asset management business, it became very large, and therefore, it was just, for those two reasons, we felt it was good to – and we didn't sell anything, we just gave 25% to our shareholders – and we just split this out. Now we have a security that trades separately for the asset management business. It's a very high-quality stream of income. We're paying out 90% dividends, 90% of the free cashflow as a dividend. It grows fast.

It's a vast franchise. It should be highly successful on its own, which allows us to focus the management, compensate them with that security, and possibly, and I say possibly, opens up other avenues for us to utilize that security, which are not available prior to us doing this. Whether we ever issue a share in a swap to do another acquisition like we did with Oaktree we'll see. But having options is always good, and that was the goal.

Dave Cassidy, *President and CEO, RBC*

It's been a phenomenal strategic optionality, so you really thought that through really, really well. As we maybe then pivot to putting that money to work and the various funds and verticals that you have, maybe we could go through them and start with real estate. As you think about, something we talked about at dinner last night and breakfast this morning, and we'll go through some of the transition fund and renewables and then into the infrastructure fund. As you think of putting that money into real estate and as you look at the environment, how do you?

Bruce Flatt, *Chief Executive Officer, Brookfield Corporation*

The issue with real estate is everyone owns some and everyone lives in a house, they go to an office, maybe, they shop in a store, so it's a vast business and everyone has an opinion. Not everyone runs a bank, but everyone has an opinion on real estate. There are lots of opinions out there. That means at the top it's really good often, and at the bottom, people get cyclicly depressed. We're in one of those moments today.

I think the biggest – so I won't, because we don't have much time – I'm going to say one really important thing, that if I leave you with one thing about real estate for you to think about, and that's that all of the things that have happened in the past few years have exacerbated one simple thing that's always been in real estate, but it's even hyper focused it more, and that's that quality wins.

The difference, there was always a difference like this, but the difference now is like this. And I'll just say that in industrial buildings, the location, and retail, the quality of the center, in office, the type of new building which has the up-to-date mechanical systems, location, etcetera, everything, the rents are very high and very sought after. And this is around the world. Now, there's a few little exceptions in cities, but I'll leave those aside.

Rents are very high, and I'm talking 50% more than pre-COVID or more in some places. That differentiation is very big. If you have good real estate, it's really good, and if you have bad real estate, and this is what catches the headlines, if you have bad real estate, it's bad. It's just this difference between real estate, for us, 80% of our real estate is super great, and as a result of that, there's this, we have a huge benefit going on in the market for most of the stuff that we own.

Dave Cassidy, President and CEO, RBC

We're finding the same thing as we look at, I call it our portfolio, but our assets that we use to house our employees and the creativity, you're trying to create an employee experience at the end of the day. I think that employee experience has been heightened given the pandemic we've gone through. As you look at the quality of asset we're in, the attractiveness, how do you incent teams to come back to work?

We're seeing it differ significantly across the world, kind of New York and London at one end and to maybe Toronto and LA at the other end of our portfolio. And the quality of that asset, to your point, and the experience that you can drive has a differentiated impact I find on the willingness of the teams to be together. We see that in our own [overlapping comments].

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

I was going to pick up on that. Thank you for that. You just moved in to 100 Bishopsgate. Think of it, in London. It's maybe the best building in all of London. It's an incredible building that we just finished. It's 100% full at rents more than what we thought when we started, even though you're not quite paying enough.

Dave Cassidy, President and CEO, RBC

I think we're good for the next [overlapping comments].

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Where is the – you moved out of a building and I suspect your employees would not have been happy, would not have been as happy to come into the office if they were in that space.

Dave Cassidy, President and CEO, RBC

Oh, we had clients that didn't even want to visit there. No, we're really happy.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

That example, but this – and I don't know about the building so I won't pick out a building in London and say it's a bad one – but if you're in a Class B/C building with old space in London, it's no bid. Not part bid. It's going to get torn down, meaning torn down. In London it's normally just rehabbed. And in these buildings the rents are very high, and that's what's going on in the market even more.

Dave Cassidy, President and CEO, RBC

A great point. We're living that with our employees and trying to create the work environment of the future, the flexible work environment of the future. Transition fund you launched; you raised I think \$15 billion first round. Talk about how you view the transition and the renewables sector. Off the top of your

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comments were around a lot of money in for this area and putting it to work and driving – I’ve heard you say, this is helping the planet and really helping investors as well because you can put that money to work at really good returns.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Just so we’re clear on nomenclature, maybe first, we’re investing into the transition of the global economy to less carbon. It’s as simple as that. What we do in this fund is take carbon out of the system. And we either do that by building renewables or wind which are carbon-free and we sell that power to global corporates who don’t use natural gas or coal to generate their electricity.

Or we’re actually providing money to companies or businesses that need to get carbon out of the system and helping them. For example, we’re in the midst of buying a utility which generates electricity mostly by coal and natural gas, and over the next 10 years, we’re going to convert that. We’re buying it for \$10 billion and we’re going to invest another \$15 to \$20 billion to build renewables to turn it into basically a green business.

So, we get the double whammy of reasonable returns over a period of time and the terminal value increase by turning it green. I would say, the first thing is this is a really exciting area, but the returns, if you can actually – and this I think is the key point – not that many people have the experience to build renewables which we’ve had for a long period of time, and the ability to operate and build and redo industrial businesses.

And because of that, we had a unique opportunity to take that to our clients and say, we’re going to help fund the transition. Please come with us. We raised the fund in six months two years ago for \$15 billion, the largest fund created for a transition. We’ll be out with our next fund soon. It should be larger. The returns on, the deals we’ve done so far have been excellent, I think, and in hindsight they’ll be really good.

I think this is 15 to 20 years of running. We’re now taking carbon out of the system. I’ll say this and you can disagree or agree if you wish, but CEOs around the world who’ve now decided carbon is coming out of the system, and they’re not fighting it. Five years ago, they did. Today they actually are agreeing to it. And people like us, there’s not that many, need to be able to help them do it. So, it’s a really exciting area, which actually didn’t exist.

We had a renewables business, but our transition fund and the business around transition didn’t exist three years ago. And we’re going to raise more than \$15 billion for another fund. And this will be a series of very, very large funds for the next 20 years.

Dave Cassidy, President and CEO, RBC

Have you reflected on what caused that pivot because I’ve noticed the same thing. My hypothesis is the pandemic caused us all to slow down. We had to get off the treadmill that we were on, and we reflected as leaders, we reflected as society, we changed our perspective, and we came out of this 2020, ’21 with a

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different view of how we needed to build a more sustainable business, more sustainable planet.
[overlapping comments]

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

I think that's probably as good, I don't have the answer, but what I can tell you is I agree 100% that something happened two years ago, and the switch happened. Look, the bottom line is we used to build renewables and we had the development sites, and we would be, our problem was we didn't have counterparties to take the electricity and would we build it spec without a contract on the assumption that somebody was going to come and we would get the price, or would we wait until we had a price. That was our big dilemma.

Today, we have way more counterparties that want contracting from us, and we can't find sites. It's literally switched like this. And our counterparties are the best in the world because what's happened is the most leading companies in the world want to de-carbonize their companies. The largest client we're building renewables for today is Amazon, and they've decided we are going to be carbon-free and we're building renewables for them in many countries in the world.

Of course, Amazon's counterparty is a very high-quality counterparty, so that's good. It's taken the risk out of that. And when that happens, it flows down to others and I think, we're just in the early, early stages of this. It's actually really exciting.

Dave Cassidy, President and CEO, RBC

I've heard you talk about your contribution is green and great at making that big step. And then, as a society we have to go through de-carbonization of our industrial processes and that's going to be a longer journey and we're certainly very involved in that. But I've also heard you talk about the value of those assets. I think you have over 200 hydroelectric plants. Did I get that right? But as you talk about the value of those assets in an inflationary world and others trying to build new assets, the economic returns and the attractiveness of your current portfolio become all that much stronger.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Our business is about running 250 businesses every day on a micro basis and trying to earn a return. But in general, what's really helpful is if you have, if you're investing or have your business wrapped around some themes that are highly positive to what's going on in the world, and the three themes are really large that are affecting our business, all of our businesses, and in particular our infrastructure-like businesses, is the decarbonization of what's going on.

This is tens of trillions of dollars of investment. The digitalization of what's going on, everyone's got a phone on their desk or they're using and everyone thinks about Apple with that phone. But the amount of infrastructure behind it to deliver that data to your phone is incredible. The towers, the datacenters, the fiber, all of the infrastructure of the internet is massive and the amount of investment into it is very substantial.

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And the third one, trend, that's really real today – may not have time to talk about all of it – but really real is this deglobalization of what's going on. Again, switch, for the first time in a long time, the reindustrialization of the western world is happening and it's being led by super high end manufacturing, so semiconductors and other things like that, and pharma, and biopharmaceuticals which were thought to be okay to have elsewhere.

I guess if you make ties and suits and shoes it's fine if you don't want to end up with a suit on it doesn't really matter, but if you don't have pharmaceuticals in your country, that's a problem. And we found that out in COVID, and so those three themes are affecting a lot of the things we do. And what that means is our infrastructure business, these are incredibly powerful trends behind it.

And fortuitously for us, we've been doing this with clients since almost, since their allocations were almost zero. We started with them 20 years ago trying to tell them, look, we can put infrastructure into your asset, into your pools. This is incredibly resilient. It earns cash and they're good investment places over the long term. They didn't understand it 20 years ago because nobody understood it. Nobody had invested in it.

For 20 years, what's happened is they've earned excellent returns with extreme resiliency through market downturns. And what just happened with COVID showed resiliency, and what's happening now with inflation shows the impact to cashflow. There are not many things that they have in their portfolio, cash flows are going up, which means values are still going up. The marks are actually positive not negative.

What that's done is shown institutional investors that their allocations should be bigger. The allocations keep increasing more and more every year and it's going to keep going. This is very positive, and those themes around it are highly, highly positive for the whole sector.

Dave Cassidy, *President and CEO, RBC*

What I love about your strategy, each of those three pillars reinforce each other. So, as we reindustrialize, as we look at high end manufacturing, look at mid-level manufacturing, it's not to be done in the old way. It's going to be done in a green way. You're moving bits and bytes as much as you're moving electricity. You're going to build it green; you're going to energize it in a green way, you're going to move it a green way, and you're going to rebuild it with your infrastructure capabilities in different regions of the world. So, each one of your pillars supports the future integration of a different type of economy. That's fantastic.

Bruce Flatt, *Chief Executive Officer, Brookfield Corporation*

Some of these manufacturing businesses have been talking to us about can you help us relocate technology that we have, because we know we have to take our manufacturing from Asia and relocate it into the United States or into Europe. They know they need a partner to do that. They know somebody needs to build the plants for them. They know that it should be powered by green renewables. We can provide that.

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All of that, and the real estate around it, they know that they need other things around it to build. There's a real estate infrastructure and renewables angle. Now private equity business helping them with these plants because they're owning the businesses maybe 50/50 because they don't know how to operate in the western economies. There's some really, really interesting opportunities in Europe, the US, and increasing in India as well.

Dave Cassidy, President and CEO, RBC

That's fantastic. You need a green electrical infrastructure, you need a data infrastructure, you need roads to move the product, and therefore, you've got that integrated for future economy within your strategic sphere. It's going to be an exciting future.

Let's branch off into another part of your expansion. That's the reinsurance business and some significant progress. I think recent closure a year ago of Argo in the reinsurance business and you've kind of rebuilt that business very quickly. Maybe talk about what you've done and the future there.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

We started out with our own capital. We built our institutional management business because we felt in what we do we needed access to the most money in the world. That's our goal. Our goal is to have access more than almost anybody else or close to anybody else and that will allow us to do things and support the things that I was just talking about in ways that we can achieve returns which nobody else can achieve, or puts us in a very small group.

That was sort of the goal of the business. We always thought – and I understand you're going to talk to Apollo, Marc Rowan, later – we always thought that insurance was an interesting sector to get into because this is delivering, insurance is two things, taking insurance risk on the liabilities but investing on the assets. And we have an extreme advantage on the asset side of the balance sheet.

Dave Cassidy, President and CEO, RBC

The longer duration.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

Yes, because we have assets and for life and annuities the greatest asset to be invested into is in infrastructure and real estate. These are two excellent products and we happen to have the most and the best. Our goal in the company was to get into insurance, and we always wanted to do it, but as I started off, the entry point in going into anything is really important because your returns are often based off of how you start.

And if you make big mistakes going in, often you lose confidence and quit. And therefore, the reason we started in 2020 is partly because we had nothing else to do during COVID. But it was because interest rates went to zero and liabilities were the cheapest, were the lowest cost they've ever been. And

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therefore, odds favored we could out earn the liabilities we started with, and therefore, we'd have the wind behind our backs as we grew the business.

That occurred. We took on liabilities of 3.5%. You can now put money in treasury bills and earn 5%. It's been a good purchase. Again, when we separated out the managers in the insurance companies up in the parent company and this is going to be a really exciting business for it. The manager wins, too, because it'll manage assets for us, but this is in the parent company and that'll be excellent. But we started out with \$3, \$4 billion of capital. I think we're earning \$800 million a year annualized today. It'll go to one billion.

We're putting that money, we took on \$50 billion of assets, put it into cash...

Dave Cassidy, President and CEO, RBC

You boldly repositioned the equity portfolio...

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

When we bought the company, we put it all into cash basically, and we're not deploying it into credit and real estate infrastructure, other things, and the returns are much, much higher. It's an exciting time. Which again, just allows us to success begets the fact we're now seeing lots of things in insurance/reinsurance to be able to grow this business dramatically. And the fact is, the asset managers that have capital to be able to invest into it – and we now have the ability to both have access to our asset manager, but we have the capital here. We have a significant advantage in the insurance business just because of the ability for us to put money to work and earn higher returns.

Dave Cassidy, President and CEO, RBC

And duration match at the same time, which is, again, self-reinforcing to all the strategies we talked about, infrastructure, transition, and renewables obviously, with the duration there and your reinsurance business all kind of wrap into a beautiful strategy. Bruce, I've often heard you say that you started managing your own money – I'm going to take everybody back to the beginning now – you started managing your own money and then you did really well. You got confidence and you found the sectors that you liked and you were good at.

Then you started attracting money in from others to do that. But you've grown to a point, \$800+ billion in assets to manage. As a CEO, how have you had to change over time? How do you think about running, if not the largest alternative asset manager in the world – congratulations – but how do you think about that as you grow? Does the complexity – I mean, it's a beautifully integrated strategy, but it's still a lot to lead and a lot of really important decisions to make.

From where you were to here, what are the lessons that [overlapping comments]

Bruce Flatt, *Chief Executive Officer, Brookfield Corporation*

I would just say we've tried to always break down the pieces, these spinoffs and focusing the business with accountability is a really important thing we've always believed. Because they run, our businesses, our infrastructure business that trades on its own has a \$30 billion market cap. Sam Pollock, who runs it, is an unbelievably talented and strong executive. He could run any company on the planet almost and he runs his own thing.

He makes most of those decisions. I don't have to. And therefore, it's his problem not mine. I just think that helps break down the accountability. And what we're always looking for is where is the next place to go that we can invest our capital? Because really, what we did now with the corporation up top is we own investments in all of our businesses and we have now 75% of our manager, but we have the freedom, what the separation did for us as well, is we have the freedom to be able to do things in the manager if we so choose.

But the freedom up top to – because what we really have is a co-investment sovereign fund, if you want to call it, with \$150 billion of assets – and we have the freedom to do things which we never had before. And that's kind of exciting. And I guess just focusing people on the accountability of their businesses, we've always tried to, but strategically look where do we want to go in the future with the business?

If you think of up top, what we've done in the last while, we started a transition business that didn't exist three years ago. We added an insurance/reinsurance business that's going to be incredibly powerful earnings and capabilities of the business. There'll be one or two more coming in the next while and that's kind of exciting. Running with the people, it's just, we've grown incrementally.

It seems like we've grown a lot, but it's taken us 30 years. It just takes time. We do it at whatever pace makes sense, so we don't make too many mistakes. We always make mistakes, but we don't make any big ones.

Dave Cassidy, *President and CEO, RBC*

I've heard you say let's experiment, let's make a lot of small mistakes. Let's not make the big ones. Let's try different things and trying to create that creativity within your organization. I love also, you talked about the impact of compounding of returns over those 30 years and the exponential growth that you've offered. But the compound returns, you have the compound knowledge in your organization.

Can you talk a little bit about when you started small, it was often harder to make those decisions because they were riskier. When you're buying, putting larger pieces of chunks of money to work, billions of dollars instead of tens of millions, you're looking at organizations with more sophisticated management structures, with deeper talent bases. As you look to grow, sometimes the scale de-risks the overall investment decision.

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

[overlapping comments] I think this is maybe the most important point about our business and the things strategically we pick to do. I'll just use a couple examples. In the last six months, we've partnered, we did two large infrastructure transactions. One was we partnered with T-Mobile, or with Deutsche Telekom, and Deutsche Telekom is one of the great telecom businesses in the world and we partnered in their \$18 billion towers business.

Well, we're partnered with the best in the world. And second, we partnered with Intel, where we put up \$15 billion for half of their new Arizona plant. Intel is \$150 billion market cap, super sophisticated business which has global reach and is an incredible company. That's what you get when you have the scale that we have. Putting money to work, what the scale has done, and this doesn't sound, it shouldn't be this way, but it actually gets easier, not easier, but you're partnering with better.

So, you get better quality people managing. We can afford to hire the best of the best. And we get partners which are incredible. We couldn't have dreamed of partnering with those types of companies 20 years ago, and we do it on a regular basis today.

Dave Cassidy, President and CEO, RBC

The beauty of scale, we live in a world of scale, but you've executed scale now with the nimbleness of an entrepreneur mindset. How do you protect that culture? You talked about it a little bit. And the last question is – we've run out of time – to your point, what's the biggest mistake investors make when they look at markets?

Bruce Flatt, Chief Executive Officer, Brookfield Corporation

I think it's tough always, we try to, you said it, we try to stay nimble and be entrepreneurial while having scale. Getting rid of clutter all the time is a good thing to do. We're always trying to get rid of, we're always trying to simplify and make accountability down there. As to mistakes, look, I think the greatest benefit in financial success of any organization in the world is the compounding of everything. It's compounding of returns. It's compounding of wealth. It's compounding of interest. It's compounding of knowledge. It's compounding of everything.

The more you compound, and the worst thing to do is to quit. That's why we're very careful going into everything at the very start, because if you go to a new, for example, we're in 30 countries. We always start very small, very methodically, and it costs a lot of money to do that because you don't do much for a while and you build a lot of G&A. But what it does is it allows you to get the confidence to make small mistakes until you can get it bigger.

Because if you go and you lose money upfront, you're dead. You will not – the whole management team hates it. Nobody wants to go there again. You can, I'm sure you have some examples around the business,

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and everyone has them, but it's a problem. And therefore, you've got to be careful with quitting, and therefore try to arm yourself not to quit along the way, and that's how we've tried to do it.

Dave Cassidy, *President and CEO, RBC*

We're not going to have time to get into the geopolitical cycles because you are at the center of so much capital moving around the world from money into money out and deploying it. You're at the center of a lot of how the world is recentering itself. And you have to manage through geopolitical uncertainty. We talk a lot about CEOs, top three things that's on your mind is geopolitical uncertainty.

But I've heard you say and I think it's important for the investment thesis that the long duration assets, the way the perspective on transition funding, infrastructure, renewables, insurance is, they work their way through a cycle. Geopolitical cycles come and go. It's acute when you're in it, but you move through it, and therefore, your perspective is you'll continue to move through geopolitical cycles and you're looking at long duration strategies. I think that is a great balance to the uncertainty and how hard it feels when you're in it.

Bruce Flatt, *Chief Executive Officer, Brookfield Corporation*

And maybe we can say it this way because most of the things we do, we take money, we source it from whomever we get it from and we invest into the backbone of the global economy in a country in most of the things we do. And the things that we have are local investments that serve a local – we deliver water to a house, power to an office building. We own the building. We have a retail store. We have a toll road.

These are all things that are in-country, and they earn revenues in-country. Our businesses generally aren't dependent upon trade over borders, which is really what gets affected by geopolitics. We do have to, yes, some of those things affect us, but in essence, what we need for our business to be great is good countries with a respect of capital in those countries where odds are good that the economic returns over the longer term are going to be okay.

If you have the – again, that helps tailwinds and that are large enough for us to invest. If we have those kinds of things in a country, not too much matters and all the rest of the stuff is just sort of noise. And we invest for the very long term. These are 10, 20, 30, 40-year assets, 50, perpetual assets. This hotel we're in in New York, this location has been valuable for 150 years and it will be valuable for another 150 years.

Dave Cassidy, *President and CEO, RBC*

I really appreciate your perspective. As I was preparing for our keynote this morning, the magic of YouTube, you can go back and see different thematics and different perspectives you had in the past and one of the clips I watched was an investor going through your investor deck for your last quarter and talking about your results and your compounded growth and what you delivered, your reposition of the insurance business and how well you'd turned that around. He said, I don't think there's any doubt as an investor, Bruce is the best CEO in the world.

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I'd just like to congratulate you on what you built. Thank you so much for spending the time with us this morning. Bruce Flatt. What a great business. Thank you very much.