

# Brookfield

**TRANSCRIPT: Brookfield Corporation 2024 Investor Day  
September 10, 2024**

## **BROOKFIELD CORPORATION SPEAKERS:**

### *Opening Remarks*

- Angela Yulo, Vice President, Investor Relations

### *Introduction*

- Bruce Flatt, Chief Executive Officer

### *Overview and Financial Outlook*

- Nick Goodman, President

### *Real Estate Update*

- Ben Brown, Head of Americas Region, Real Estate
- Kevin McCrain, Head of Retail, Real Estate

### *Wealth Solutions Update*

- Sachin Shah, Chief Executive Officer, Wealth Solutions
- Tim Walsh, Chief Executive Officer, American National
- Mike McRaith, Vice Chair, Wealth Solutions
- Jon Bayer, Managing Partner, Wealth Solutions
- Lorenzo Lorilla, Chief Investment Officer, Wealth Solutions

## **PRESENTATION**

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### **Angela Yulo, Vice President, Investor Relations**

Good afternoon, everyone, and welcome to Brookfield Corporation's 2024 Investor Day. Thank you for joining us today both in person and online, as well as those who attended Brookfield Asset Management's presentation earlier. We appreciate your interest in Brookfield.

Today, we have a great lineup, starting with an introduction by our CEO, Bruce Flatt. Then, Nick Goodman, our president, will provide an overview and the financial outlook for the Corporation. Next, Ben Brown, head of the Americas region, and Kevin McCrain, head of Retail, will present the update on the real estate market, and Sachin Shah, CEO of Wealth Solutions, will provide the update on the business. Within that segment, we'll also share a case study on the partnership with American National, and you'll get to hear from a panel and the different perspectives from the Wealth Solutions team.

Finally, we'll take questions at the end of the day. For those of you in the room, we will have a mic roaming around, and we ask that you please wait until you receive the mic before asking a question to ensure everyone can hear. As for those joining virtually, you may fill in the text box on your screen.

As always, I'd like to remind you that during the Q&A and throughout today's discussions, we may make forward-looking statements. These statements reflect our current beliefs and estimates in relation to expected future events and trends, and are subject to known and unknown risks. Past performance is not a guarantee of future events, which may differ materially from such statements.

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For further information, please see our filings for the securities regulators in Canada and the US and the cautionary statements contained in our presentation, which are all available on our website. In addition, when we speak about Brookfield Wealth solutions, we are referring to Brookfield's investments in this business that supported the acquisitions of the underlying operating subsidiaries. And with that, I'll hand it over to Bruce.

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## **Bruce Flatt, Brookfield, Chief Executive Officer**

Okay. Good afternoon. If you didn't like me the first time, you're getting a second run, but I got a different topic. So, look. We're here to talk today about Brookfield Corporation. After the spinoff of Brookfield Asset Management, we've been reforming the business to take it to the future. And as you know, we're a global investment firm focused on building long-term wealth for everybody within the firm. And I'm going to take it back and give a little bit on the history first, and then take you forward.

But we did this gee-whiz figure the other day, which I think it tells the story. For the past 30 years, we've generated \$225 billion for the constituents that we invest money for, public and private, and we're quite excited about that for all of our constituents. That is an 18% annualized compound return for the shareholders of BN over that 30-year period. So that is, in \$225 billion, that's all of our constituents, but the parent company is compounded at 18%.

When you compare that to some of the other great companies in the world, and this is a 30-year comparison of those numbers, Amazon hasn't been around for 30 years, but it's got an excellent track record. LVMH, 14%, Berkshire Hathaway, 13%, Walmart, 12%, S&P 500, 11%.

The thing that struck me the most about this slide is that if you compound at 12%, you get 2,919% returns over a 30-year period, and if you compound at just 6% more, you get 13,873%. So it doesn't sound like a lot more 18% to 12%, it's 600 basis points, but the numbers are very dramatic as you compound over very, very long periods of time at just a little bit more, and that's the success of a great company.

Taking us to today. We have one of the largest pools of discretionary capital in the world, which really is three components. We have our own perpetual capital base, which is about \$155 billion; we have a flexible insurance float, which is \$110 billion today, and Sachin's going to tell you how that grows; and we have our investment manager, which you just heard about if you were here earlier, which continues to grow and is scaling. Those three things give us large flexibility to do many things that others can't.

Part of the success of that is we've methodically over 30 years, and will continue to do it, is to build out access to as many layers of capital as possible that allows us, again, to do things that others can't. We have access to institutional investors, private wealth, insurance, public markets, and our banking and credit relationships. Many have some of these, some have all of them. Not many as big as us. As we continue to scale the business, it should assist us to grow.

The 30 years has been good. Having been here for all those 30 years, I actually think that the business is better today than it's ever been before. I think actually, the team that was up here earlier, the people who were at Brookfield Asset Management when I was here 30 years ago, I was not that good. Maybe I'm not that good today, but I think we're positioned to be able to compound at 15% returns today and into the future.

Our approach is very simple on how you create long-term wealth, and it's really just five things. One, invest in good businesses; two, run them well; three, allocate the excess cash that's generated wisely,

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because that's the future of the business. Align everyone with the long-term objectives and evolve with the world that's around us. I wouldn't have put that one in 20 years ago, but I think it's really important, and maybe I'll just take those five in order.

The secret to wealth is buying good businesses that can deploy cash at high rates of return. So it's often the business you buy, but more importantly, it's if they can consume capital and earn returns at high rates, they're really great businesses. So we try to identify high-quality businesses, focus on them, and grow them in a continuously and productive way, and build resilient earnings in those.

That has led us to buy essentially the backbone of the global economy, renewable and power and transition infrastructure, private equity, real estate, and many of the businesses you know we own. All of those have stable, largely contracted and growing revenues, and that's been the secret of our success. There's many ways to make money. On a scalable basis, in 30 countries in the world, buying these type of backbone infrastructure in that way has allowed us to stay out of trouble and earn good returns.

Second, running the businesses well. We focus on operational improvements, try to run in a very disciplined cost fashion, and leverage the expertise we have in the businesses, and move people around to optimize what we have. Said very specifically, operating businesses well is often or most often the difference between good businesses and great ones, and we're always trying to buy and build great businesses.

Third, the wise allocation of the cash generated by businesses is what is really the difference of wealth creation over the longer term and not, and it's because what you buy today is only a fraction 30 years from now what you will have. What you invest, the excess cash flow that's generated during the next 25 years is extremely important to the overall return out of that investment.

So our goal is to build new businesses and create ones that can consume cash and earn high rates of return, reinvest it back into those businesses to be able to earn that, and opportunistically return capital to shareholders when it makes sense. So either share buybacks, distributions, as we've done many times, and to keep doing that throughout the business.

Today, currently, we retain 75% of the cash flow. The easiest thing we could do if one wanted it was to take the dividend up by that 75%, pay it back to you. Firstly, it's tax-inefficient. Secondly, it creates less freedom in the business. The success of our business is having freedom when the markets were not as opportune to be able to do things that other people can't.

That's allowed us to scale Brookfield Asset Management in 25 years into one of the preeminent investment alternative franchises in the world. Today, at a trillion dollars, I'm sure it'll get to \$2 trillion and more. It's allowed us to build four market-leading businesses in renewables, infrastructure, private equity, real estate, and those are among the best in the world. All of them.

It's allowed us to from a start four years ago, it says \$2 billion. I don't even know how the \$2 billion got there, I guess that was one small business we had. But from nothing four years ago, to \$110 billion today and growing, and we think we can scale this business significantly. It's coming upon \$2 billion of profits a year, and it should keep growing. While doing all of that, we've returned \$20 billion back to shareholders over the last five years in the form of distributions, buybacks, and special distributions.

One of the things we focus on very significantly within the business and within everything we do is to make sure that we align everybody with the long-term objectives. When we buy a business, make sure

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the people that run it for us own a stake in the business. When we are partnered with people, we're aligned, and we all have clear mandates with our people that we're bringing through the organization and promoting from within, and we align all their compensation very similar.

Alignment is the most important operating objective one can implement in any single business or any business in its entirety, and so we focus a lot on that, none more than the senior management of this organization. 90% of the wealth of all the senior people within the organization is invested in Brookfield. We own 20% approximately between us of the company. Our team continues to buy more shares when we can, and we're heavily aligned with the objectives of the organization to build wealth over the long term.

And last, we continuously evolve with the world that's around us. Years ago, we created our listed affiliates to give us access to retail markets, as was mentioned earlier. Our retirement wealth business has been created over the last four years. I think it's going to be one of the best decisions we ever made in the fullness of time. And we've adapted our asset classes over time because what was the backbone of the economy 25 years ago is not the backbone of the economy today. It's still part of the economy. It's not the future of the world.

As the world evolves, we have to evolve with it, and we try to. And one of the reasons why we promote as young executives as fast as we can in the organization, because they know what the future is going to be better than I do or somebody older than me, and that's really important for a growing organization. As the backbone expands, we have to adapt to it. And I said this earlier, and I'm going to say it again in this slide because it's really important. We used to invest and we still invest in railways, ports, hydro, pipelines, and all the things which were the critical backbone before, and we still invest in them.

But where the big, big money is going today is telecom towers, data centers, solar, batteries, nuclear, logistics, housing, hospitality, and all these businesses which are the future. And every one of those that we're investing in today, many of them didn't exist 20 years ago. The ones that existed before are accentuated today because of trends that are going on in the world of baby boomers getting older and spending more money and discretionary spending happening, so we continue to evolve with that.

Maybe most importantly, all this is underpinned by a very, very conservative balance sheet, and it will always be that way, because strong access to capital is the lifeblood of any company. Our \$155 billion capital base, \$60 billion of securities which are liquid in the markets and could be sold. And just to show you the access to capital, we financed \$115 billion last year in a tough year for financings, so we have one of the largest arrays of access to capital in the world.

These core principles have been key to our success, and I think they've been key in past. I think they're probably, as you get larger, and you're in more countries, and you have more things, you have to have more principles. And they're probably more important in the future, because before, when you could sit in a room with 10 people, that's different than when you have thousands. And you need to have principles that everyone operates off of, and I think they're more important in the future.

But what that leads us to is I think we're in an excellent position to continue to grow earnings, continue to create value in the business. As I said earlier, we have one of the largest pools of capital. We truly are a partner of choice for global corporations today, and our businesses are centered around many of the tailwinds on deglobalization, decarbonization, digitalization, and that gives us significant secular trends behind us.

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In addition to that, I haven't been able to say this for two years, the tailwinds are turning in our favor. At that time, I probably didn't say it, but the definitely headwinds were turning against us, but the tailwinds are turning in our favor because interest rates are coming down, liquidity is coming back into markets, transaction activity is starting again, which means that we're going to return capital to our limited partners, and they're going to have much, much more money to invest into new funds, for us and for everybody that does what we do.

Our business though has been tremendously resilient over that period. And again, what shows a great business is if during tough times, you can have resilience, and during really good times, you grow probably not as fast as some, but you grow at a very good pace. We continue to grow at a 17% return over that period.

And despite all the chaos in the markets of the last five years, and there was a lot of chaos in the markets over the last five years, if you didn't notice, our plan value reflecting back in 2019 was \$45. The plan value today is \$84, but we spun out \$10 a share, so it's actually \$94. I think that's the best NAV growth in any five-year period that we've measured these numbers.

The tailwinds from here are significant. As I mentioned, lower borrowing costs, lower cap rates, increased transaction activity leads to higher asset values, returning capital to investors, increased carry generation in this business. And Nick, will talk about that in a minute.

Our expectation is that our annual cash flow will grow by 20% annually on a per-share basis over the next five years. That generates \$47 billion of cash. Remember what I said earlier. The future of a great business is about how you invest your cash that's generated in the company. The future of this company and of the compounding returns will be how do we invest that \$47 billion?

Yes, it's about how we run the businesses that we have today, but this is a very meaningful component to it. That's \$30 a share today. If meaningfully put to work, it will be much, much more in the future.

That should enable us to deliver 16% annual returns. Nick will take you through this after. That means that our net asset value in the company grows from \$84 to \$176, which is a 16% compound return as we do the math, but it can actually be better for an investor. If we can close the gap of where NAV to stock price is, from \$50 circa today to that \$176, or thereabouts, that's a 29% compound return to a stock investor. That means we didn't earn you 29%, because we already have \$84, but to a stock investor, if we close that gap, it's a 29% return.

Nick will come up and explain some of that. I think we're really well-positioned to continue to compound the returns in the business. We're as excited today as we have been for years, both with the businesses we have, but with the market environment turning in the favor of the businesses that we possess today. So with that, Nick will take you through the rest of the story.

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### **Nick Goodman, Brookfield, President**

Thank you. Thanks, Bruce, and good afternoon, everyone. It's really great to see so many of you here in person.

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So, consistent with prior years, I'll start my presentation by taking a look back at our financial performance over the last 12 months, focusing on some of our key accomplishments. I'll then look back over the last five years and compare how we've performed against some of the metrics that we've laid out for you in our Plan at Investor Day five years ago.

After that, I'll provide an update and review on our business, focusing on our private holdings, but noting in the subsequent discussions from real estate and the Brookfield Wealth Solutions team, they'll be taking a much deeper look at their businesses and providing a more fulsome update. And then I will finish it off by bringing it all together and giving you an update on our five-year plan.

Now, there are a few key messages or takeaways that we have for you in today's presentation. The first of those, and Bruce touched on this, that in a volatile market backdrop and really an environment of muted transaction activity, we've continued to focus on operational excellence in driving the earnings growth per share in our business by using the organic levers we have available to us. And over the last five years, we've delivered 18% annualized growth in earnings, but we firmly believe the best is yet to come.

With the foundations that we have in place today, and we'll talk through these in the presentation, we are set up to grow our earnings per share at 20%-plus. That's 20%-plus over the next five years, taking DE or earnings at the end of the plan period to \$9.77 cents per share.

Now, the main contributors to that growth, you heard from Brookfield Asset Management this morning, that's the 17%, but in addition to that, the contribution from carried interest, the growth in Brookfield Wealth Solutions, and the added benefit in earnings growth per share and value creation for the wise allocation of our free cash flow generation. If we're successful in achieving our plans, over the next five years, we expect to generate free cash flow of \$47 billion, which Bruce touched on, which is the equivalent to \$30 per share.

Now, if you think back over recent years, the allocation of that capital has been very important to achieving some of the strategic objectives in recent times. Think of the Oaktree acquisition, think of the scaling of our wealth solutions business, and how we allocate that capital will be just as important to determining the future success of Brookfield. And all of this will continue to be underpinned by our strong balance sheet, high levels of liquidity, and strong access to capital.

The plan value, as we just discussed, will grow to \$176 per share at the end of the plan period if we execute, and we are well-positioned, arguably better positioned than we have ever been, to continue to deliver 15%-plus total returns per share over the long term.

Let's start with a review of the past. And looking over the last 12 months, there are four key areas I'll just touch on briefly. First, financial performance. In the last 12 months, we met our plan in terms of growing DE per share. Within Brookfield Asset management, annualized DE grew by 12%. In Brookfield Wealth Solutions, earnings grew by 58%, and when you put it all together, we increased total DE by 17%, to \$5.8 billion, or \$3.67 cents a share. Across asset classes and geographies, we maintained excellent access to capital, executing on \$115 billion of highly efficient financings across the organization.

And again, we have seen a more muted transaction activity market in the last period. But the nature of the assets that we own, the high-quality cash flows that they generate, and the sectors that they are placed in, they're still very attractive to private buyers. And even in a more benign transaction activity market, we still executed on \$30 billion of monetizations, realizing carry of almost half a billion dollars.

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And then coming to capital allocation. Using our free cash flow to drive that incremental earnings growth and value appreciation, we invested \$2.6 billion of our free cash flow in the last 12 months into BAM strategies, into strategies that are poised to deliver very attractive returns over the medium term. We invested \$2 billion into our wealth solutions business, into Brookfield Wealth Solutions, driving in a meaningful way that 58% growth in their earnings over the last 12 months.

Capital recycling. We sold \$1 billion dollars of BAM shares as part of the consideration for the AEL transaction, and we repurchased over \$1 billion dollars of BAM shares in the last 12 months. Again, as we see that disconnect between price and value, we continue to opportunistically allocate capital, weighing it up against the other alternatives, but allocating capital to repurchasing shares, and growing that value per share for those remaining shareholders.

In this table, you can see the 17% earnings growth that we've delivered in the last 12 months, a meaningful contributor coming from that DE before realizations. The stabilized part of our business then being topped up by the gain from the monetizations and recycling of the BAM shares, driving that 17% growth over the last 12 months.

When you add in the contribution of our dividends, we have returned over \$1.5 billion of capital to shareholders. Now, again, we weigh this up against reinvesting back into the business, because the reinvestment back into the business allows you to compound over the long term. But we weigh that up, and we do have a fair share of allocation to repurchasing shares when we see that disconnect in value and price, and we continue to buy back shares today, and we plan to do so in the future.

So rolling forward, our plan value today is \$133 billion or \$84 per share. You can see the three pillars of the valuation. We have our asset management business. Our asset management business is comprised of our ownership of Brookfield Asset Management. It's our direct investments. Our investments into the funds managed by Brookfield Asset Management, into their strategies, and it's our share of the profits generated for clients in the asset management business by way of carried interest.

All three of those inextricably link to each other. If you think about the core competency at Brookfield and the key to our success is delivering attractive returns over a long period of time. And if we're successful in doing that, Brookfield Asset Management continues to scale direct investments, deliver attractive returns, and we realize significant carry in the future.

Our Wealth Solutions platform, and you'll hear more about this today, but we've been very deliberate and methodical in how we have grown this business. In a low business operating environment with low-risk culture, we've created a vehicle that now has a great growth platform for organic growth levers, focused on leveraging the investment capabilities across Brookfield to drive attractive spreads with a singular focus on driving an ROE in the 15 to 20% range, valued today at \$21 billion. And our operating businesses for global champions across renewable power and transition, private equity, infrastructure, and real estate at \$42 billion.

But if we put this plan value in context to earnings today, it's a 23x multiple on our DE. But if we deliver that plan value growth in earnings, the plan growth in earnings of 20%-plus, it's a 15x multiple in the average projected DE over the next five years.

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After delivering 22% growth in our plan value in 2022, we've consistently grown that value by 14% over the last two years, growing it to \$84 from \$74 last year. And again, it's underpinned by a conservative balance sheet and high levels of liquidity.

This is really important, because as you know, we look to drive returns through our operational capability and expertise, and the priority there is to give our operating teams and our investment teams the breathing space to execute their plans, and not allowing us or anyone to be distracted by short-term volatility in the markets. And having this large-scale capital significant liquidity has allowed us to focus on doing absolutely that over the last few years, and will continue to be so in the future.

Now, if we take a look back, five years ago, in the blue bars is the plan that we set out for you on Investor Day, the green dots representing our actual performance, and in every year subsequent to that, we've met, largely met, or exceeded those plans, delivering an 18% CAGR in DE before realizations. The stabilized part of our business growing at 18% compound annual growth over the last five years with cumulative DE before realizations of \$17 billion over that period.

The plan value has grown at 16% CAGR, again, above our target returns of 15%-plus over the long term. And when you factor in the average dividend yield along the way, it's a 17% total compound annual return over the last five years, which is ahead of our target. Bruce presented this in a slightly different way, but you look at the share price returns over the last 30 years as an 18% total return to our shareholders. And stating the obvious, that obviously increases as we close that gap between price and value.

So just finishing off with this section, if you think about the plan value today of \$84, our share price today of roughly \$50, that was the end of August, obviously, things have moved around, but roughly \$50, it's about a 40% discount to plan value. If you think about that in terms of our earnings today, it's 14x. If you think about it in terms of the earnings that we're projecting over the next five years, that's a 9x multiple on the average projected earnings over the next five years. If you say that in a different way, it's offering investors a very large margin of safety or significant upside for investors at the current share price.

Let's take a closer look at our business. Our perpetual capital base today has grown to \$155 billion, generating over \$5 billion of cashflow annually across our three pillars: asset management, wealth solutions, and our operating businesses. Our base business, as I touched on, has demonstrated its resilience over the last five years, driving earnings growth of 18% per share, with each of our businesses focusing on executing their plans. Operational excellence.

Within asset management, we continue to be positioned as one of the leading global alternative asset managers, perfectly positioned for global flows of capital, having grown earnings at 17%. Within Brookfield Wealth Solutions, we've established a top-tier annuity writer in the US now with a clear path of growth from organic growth potential, and producing a very, very high-quality, predictable earnings stream with a high-growth profile, delivering ROEs today of 20%, and poised to increase annualized earnings to \$2 billion in the short term.

And our operating businesses within your renewable power and transition perfectly positioned around decarbonization, infrastructure around digitalization and de-globalization, each growing their earnings and cash flows by 10%. Our real estate business, again, owning some of the highest-quality real estate in the world, continuing to drive revenue growth, and as Ben will touch on, with supply-demand dynamics and tailwinds turning in our favor, poised to be a key contributor.



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And our private equity business, uniquely focused on owning essential service, high cash-flowing businesses, has delivered 19% EBITDA growth. So the business is very well-positioned from those organic leavers to drive value, but as the economic headwinds turn into tailwinds, we believe that will be a catalyst for additional earnings growth as we look forward.

So let's turn to our private holdings. We can separate these out into two distinct buckets. There's our public securities of \$62 billion. They're each separately listed. There's a share price you can lift, but there's a ton of information out there to be able to value those companies, each holding their own investor days and well-followed in the markets.

Our private holdings at \$90 billion represent 59% of our plan value, so \$90 billion out of \$133 billion coming from our private holdings. And that is where we will, or I will focus my time today, and the subsequent presentations will be focused as well.

Subsequent presentations will be focused as well. There are five parts to the earnings profile and the intrinsic value of our private holdings, and we'll go through each of these in turn, but asset management, BAM is listed, not included in this. We have our direct investments and our carried interest making up the balance of our asset management pillar. We have Brookfield Wealth Solutions and we have our real estate business across core and transitional and development, a globally diversified portfolio of high quality real estate. We've laid out for you the earnings profile of these individual pillars and the valuation method that we use to get to our plan value.

So starting with our direct investments, this is the capital that we have invested into strategies managed by BAM. Today, that totals \$11 billion. On the table, you can see how that's broken down. It's diversified across strategies, but if you look at the target returns, it's 15 to 20% target gross returns. It's an excellent place for us to be allocating capital to compound value over the medium and long-term and all of these strategies tracking ahead or in line with their target returns. If you look at just the first two real estate strategies, we've had all of our capital return to date and we still have capital working for us in these funds generating returns. Similarly, across the other real estate funds, Oaktree and private equity, we firmly believe this is an excellent use of our capital.

We often get asked, "What is the stabilized amount of capital that you expect to have work here over the medium to long term? And the short answer is \$8 billion, but if you think about what's happened in the last couple of years, you've heard it in the earlier presentations, we have seen value investment opportunities. We've still been deploying capital over the last few years, drawing down commitments in the funds, but yet the monetization activity has slowed down. We've executed our plans, we're creating the value, but we are waiting for the right market environment to monetize. So we've probably become slightly over indexed here, but as the transaction market levels out and normalizes over the next few years, we should be receiving back more capital that we're investing back into these strategies. So over the medium term, we would expect this number to level out around \$8 billion. That doesn't mean we're allocating any less capital to BAM strategies, it just means that returns will exceed the deployment.

Now, focusing on carried interest. Maybe taking a step back, and many of you'll be familiar, but when we spun out Brookfield Asset Management, we put in place an agreement for carried interest. All carried interest from funds raised before the spin-out accrues to Brookfield Corporation at 100% and Brookfield Corporation bears the associated costs of that carried interest. All carried interest on funds raised after the date of the spin-out, 33% of the gross carry comes to the corporation, the goes to Brookfield Asset Management and Brookfield Asset Management deals with the associated costs. If you look at our carry

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eligible capital, it has grown commensurate with the growth in Brookfield Asset Management. This is the capital against which we are entitled to earn carried interest and it's scaled to \$232 billion to date. That's the capital at work against which we earn a share of the profits.

Now if you look back at what we set out for you five years ago and you think about what carry is, it's the capital at work. Carry accrues daily for you it's just the value creation in the business that we're executing every day. The realization of that carry is less predictable. We talked about last year with carried interest, it's a question of when, not if. And you can see that in 2021 and 22 in aggregate, we were largely meeting or exceeding the plan. The slowdown in transaction activity has slowed down that realization in the last two years. But if you think about it's the when, not the if and all of our funds are tracking to meet or exceed their target returns. And as monetization activity picks up again in the next few years, we expect to catch that up and realize significant carried interest.

Over the next 10 years, we expect to realize \$25 billion of net carried interest direct to BN. That's \$25 billion of cash free and clear for Brookfield Corporation to invest back into the business or return to shareholders. And \$21 billion of that \$25 billion is from funds already raised. We do not have to raise a single dollar more for that capital to be returned to us. We have to execute our plans, we have to monetize at the right time and that carried interest will be returned to Brookfield Corporation. If we bring that into a shorter timeline over the next one to three years, it's \$5 billion and the funds to watch out for in that period, there are four main contributors in the plan. There's the second real estate fund, the second infrastructure fund, our fifth private equity fund and two vintages of Oaktree that we expect to be material contributors to carried interest over the next few years.

And what's unique, we think about our carried interest is the nature of the underlying investments that contribute to that realization. It's diversified across asset class risk profile and strategy. And we believe that over time this reduces volatility and will lead to a more stable amount over a long period of time. So the numbers I laid out for you today are really based on the carry that we already have working for us in the ground, but if we roll forward the plan five years, we see significant more potential for carried interest over the medium to long term. If you roll forward to the end of the five years and the end of the plan period, carry eligible capital scales to \$531 billion. Our annual generated carry scales to \$3 billion net or \$7 billion gross and realization how much we think we'll be realizing on an annual basis at that point in time goes to \$3 billion net to the corporation at the end of the plan period.

Now we value our carried interest at \$33 billion today. It's broken up into two line items here on the table. It's our target number. The target is what's the capital at work times the target returns gives you that target carried interest. The share of profits are being generated on an annual basis at \$2.6 billion, 10x multiple, a \$26 billion valuation. And then you add in the accumulated unrealized carried interest, that value that's in there today that would be realized if we were to monetize everything another \$7 billion taking the value to \$33 billion. But the key message we have as it relates to carried interest is this is a significant sum of cash that is going to be returned to Brookfield Corporation over the plan period. And as we monetize investments, it starts to come in. The allocation of this capital back into the business is going to be a significant contributor to additional earnings growth and value creation through capital allocation and the excess cash can be returned to shareholders, which I'll touch on in a second.

So when we put all the component parts together for our asset management business. You can see the distributable earnings from BAM that's reflective of the plan that they laid out for you this morning. Our direct investments, the growth there, you see the growth, less the dispositions and the contribution from realized carried interest. When you put that asset management segment together, it's a 21% CAGR over

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the next five years, taking earnings from just a touch under \$3 billion today to \$7.7 billion five years from now. This is a significant contributor to the growth of Brookfield Corporation over the plan period and beyond.

Now moving on to Brookfield Wealth Solutions. Our wealth solutions business in just a few years has scaled now to \$110 billion of insurance assets with a plan to generate \$2 billion of annualized earnings in the short term. Again, the team at Brookfield Wealth Solutions has been very methodical in how we have built the business, focusing on low risk predictable liabilities, which I'll touch on, and focusing on delivering a 20% in the early days of ROE, that ROE being a key driver of how we think about growing that business. And with the growth trajectory we see where we'll set up to triple the earnings from that business over the next five years. And like the asset management business, we believe this business will continue to deliver a very high quality, high growth cash flow stream to the corporation and will contribute significantly to the growth in our value over the long term.

Our guiding principles when we look to build any business, they're simple. It's, "Keep it simple and focus on compounding capital." And what has this meant as we set out to build a Brookfield Wealth Solutions, it's meant one, on the liabilities. We focused on acquiring predictable, low risk, duration liabilities, think fixed index annuities, pension risk transfer, predictable liabilities. And then can we earn an attractive spread by leveraging the Brookfield ecosystem to originate attractive risk-adjusted investment opportunities, doing all of that while maintaining a low overall business risk profile? And the team will touch more on this in their panel. From \$2 billion in 2020, which yes, Bruce, was our small Canadian pension risk transfer business. We scaled to \$110 billion today, but the plan is to get to \$300 billion by leveraging that organic growth profile that we've built in the US as a top tier writer of annuities and then adding to that international expansion, looking at the UK market, Europe and Asia.

Now as it relates to Brookfield Wealth Solutions, the question often gets asked, "What can Brookfield bring that's different and unique to this space?" And we believe that our secret sauce is our investment franchise. We think of it as a sourcing advantage. We have a long dated track record of investing for value across real asset segments, infrastructure, renewable real estate, and these are assets and investment support, stable recurring investment income, which pair up perfectly to long duration insurance liabilities. We generate over \$50 billion of proprietary, credit, deal flow annually. What does this mean? It means it allows us to be a price maker across cycles and through cycles, allows us to remain focused on driving that 2% spread and remaining and maintaining an attractive ROE as we grow.

We laid out our growth plans for you a few years ago and we had a pretty clear line of sight to how we got there, but I'd say it's even clearer today. Today we have a top tier annuity engine in the US that has the capacity to write over \$20 billion of long duration annuities a year. That is a significant embedded organic growth advantage that we have. We can add onto that with other growth avenues, but this is where the business and the platform is set to go. And all of this is underpinned by our low risk profile, a high rated platform with lots of liquidity and a highly rated investment portfolio. If we look out over the plan period, we have \$1.4 billion of annualized earnings today by repositioning the investment portfolio at AEL, no growth, just repositioning the investment portfolio at AEL.

That \$1.4 billion will grow to \$2 billion in the medium in the short to medium term and over the plan period, we scale to \$4.8 billion by the end of the fifth year. And we believe that this earnings profile supports a very compelling value proposition and we believe the business should attract a premium multiple value in the market. With earnings today of \$1.4 billion, you think of the quality of that earnings and the growth profile that it has attached to it. We apply 15x multiple for \$21 billion valuation equating

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to about \$13 a share for BN growing, if we execute the plan, to \$36 a share for the Corporation at the end of the plan period. And again, a lot of that growth is already embedded in the business.

So now we're turned to real estate briefly again, we'll have the team, Ben and Kevin, up to give you a more detailed overview and update on the markets and our business. But just a refresher, within the real estate business, we own on balance sheet, a diversified portfolio of world-class real estate. And as you've heard consistently today, we see many tailwinds for the earnings and valuations of our real estate business. With all the noise that's gone on in the market, we've just continued to execute. We own the highest quality assets and we've benefited from that flight to quality. Tenant demand is strong and as supply has dried up, that demand has only got stronger. And we see that NOI growth that that's been there for the last few years continuing through the plan period. Liquidity is returning to the capital markets.

The depth of the capital markets in the last 12 months has got so much better, but since the turn of the year, it's got just better than that. Again, the depth, the amount of capital that turns up for every financing is deeper and the spreads are tightening and it's very compelling for our franchise. And the interest rates are declining. As interest rates come down, that helps cash flow, but it also helps buyers and valuations. Active capital markets is a key to that and it should be a catalyst for improved transaction activities as we move forward. Our portfolio today is across three buckets. The first being \$15 billion in core, the best assets you will find anywhere in the world. \$7 billion in our transitional and development portfolio, we think of this as our buy-fix-sell portfolio. We're buying assets with a short-term business plan. We want to execute, create value and monetize when the market environment permits.

And lastly, our residential portfolio. This is a business we've owned for a long term. It's been a great contributor to earnings, growth and value. I'm going to focus my comments on the first two. So the first one is our core portfolio. This is our own forever portfolio on all every piece of these assets for a very long time. It's 35 trophy mixed-use precincts split between 16 premier office and mixed-use assets and 19 irreplaceable retail centers. As we said, this business really is the best of the best in every market in which they're present. They've driven NOI growth over the last few years. They maintain very high occupancy backed by low leverage and an attractive long duration lease life. Our T&D portfolio, which as we've talked about in the past and we'll talk about again, we plan to sell down over time, but that's purely because that's always the business plan with these assets.

This is a globally diversified portfolio of very good quality assets. They're just slightly different in nature to core, but they're high quality assets. And so we execute our business plans and drive that value creation. We will look to monetize surface the capital and then we can recycle it elsewhere in Brookfield. But again, we're repositioning tenants here all the time, but we're still maintaining a 91% occupancy, a low leverage to back the business plans that we're looking to implement and a lease length, which is actually reflective of the fact that we are looking to turn over tenancies and reposition assets. But this portfolio has performed well. So what are the three main objectives for this business as we move forward? One, as I just touched on, monetize those T&D assets at the opportune time.

Again, the depth of liquidity and capital that we have affords us patience, but at the right time we will monetize, we will surface the capital and we can allocate it elsewhere. Our core assets, we plan to own all or a piece of these for a very long time. We can own them on our own balance sheet, but given the long duration inflation protected nature of this revenue stream, they also fit very well with insurance liabilities. So we may migrate some of these assets over into insurance accounts over time, or we may sell interest in them to third-party investors like we just did with ICD, Brookfield Place Dubai. And as we

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monetize, as the asset base comes down over time, we will adjust accordingly right-size the amount of debt that we have sitting at the real estate corporate level.

So turning this into numbers for you, which is probably the slide you most wanted to see. Today, we have \$25 billion of equity in the real estate business as we execute our plan over the five year, the plan period amount at the end is \$15 billion and you can see the distributable earning contribution reduces commensurately with the reduction in the equity from those dispositions from \$735 million down to \$525 million at the end of the plan period. Touching briefly on capital allocation, and our singular focus on capital allocation is to maximize the net asset value of the company. You've seen this number a few times now, but over the next five years it's a staggering amount of cash that we expect to receive into the business over the next five years, \$47 billion and it's diversified across the business that cost those key contributors that I touched on at the start of the presentation.

I'd say the only reinvestment that's assumed in our plans is the retention of the free cash flow generated in Brookfield Wealth Solutions, the reinvestment of that cash. As long as Brookfield Wealth Solutions is able to source investment opportunities, maintain 2% spread and drive a 15 to 20% ROE, we will continue to reinvest back into that business. But even after that assumption, there's still almost 25 billion of free cash flow that will be available to the corporation over the next five years. Now, how do we think about investing that? Obviously the wise investment of this cash is going to be a key determinant of our success and it should add meaningfully to earnings per share and value per share over the long term.

First, we look to invest in strategic transactions. Again, think in the last few years we made the acquisition of Oaktree, we scaled our wealth solutions business, we privatized our real estate business, we used this cash to reinvest back into the business, into transactions that bring more to the franchise than just the returns. They bring very attractive returns, but the opportunity to invest more capital into them over time and they bring a lot of synergies to the broader franchise. We weigh that up with also re-opportunistically repurchasing shares. So the balance of investing back into the business with returning capital to shareholders. And when we see that disconnect between value and price consistent with the past, we'll continue to opportunistically return capital to shareholders through this means.

And importantly, we always look to retain ample liquidity so that we're able to respond quickly to opportunity, but also so we can protect against downside risk. As we've said before, if you want to compound your capital over a very long period of time, what you don't want to do is find yourself in a position where you have to do something value destructive at the worst point in a cycle. So maintaining ample liquidity and access to capital is a key part and foundation to our focus on driving and compounding value over the very long term. So bringing it all together and just touching again on some of the key points we made throughout the presentation. If you think about our base business, the three pillars that we have today that core DE that we generate before realizations, that business is set up to deliver 17% annualized growth in DE per share over the next five years.

When you layer in the benefits of carried interest and the contribution of capital allocation, that grows to 25% compound annual growth rate over the next five years. Here's the numbers on the page, but you can see this is just bringing together all the component parts that I've presented throughout the day, taking our DE before realizations and capital allocation to just over \$10 billion five years from now as \$6.33 a share. When we layer in the benefits of carried interest, it takes that number, another \$3 billion or more to \$13.5 billion of annualized earnings at the end of the plan period. That takes you from a 17% to 21% CAGR over the five years. And when you add on top of that the benefit of wisely taking your excess cash

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flow and reinvesting it back into the business to drive earnings growth, it takes the CAGR up to 25% over the plan period.

And the balance sheet, the funding model, nothing will change. We will continue to operate with conservative capitalization. We will continue to finance our businesses, non-recourse, no cross collateralization and financing them with long-term financing that aligns with the nature of the investments that we own and maintaining that low risk culture to be able to focus on operating and executing our plans. So just the key takeaways to wrap up here before I hand over. DE before realizations and capital allocation are poised to grow at 17% CAGR over the next five years. Again, that's the strong return from just our base core business. When you layer in the benefits of carried interest, which is going to be very meaningful and turns to real hard cash over the next 5, 10, 15 years and the benefits of capital allocation, it takes our projected compound annual growth rate up to 25%, ending at \$9.77 cents per share of DE at the end of the plan period.

And our plan value grows from \$84 today to \$176 five years from now. The tailwinds for the business are strong, we've heard about them consistently throughout the day, but they should be a really strong catalyst for enhanced earnings growth over the plan. The corporation continues to drive additional growth through driving synergies in the business and effectively allocating our excess capital. And if we do that, the earnings growth profile continues to show 25% growth per share over the next five years. And I'd say we're better positioned today than we've ever been to deliver total returns per share over the long term at 15% plus. And if I have one key message for you on Brookfield Corporation today, it would be that the best is most definitely yet to come. Thank you. And with that I'll hand over to Ben to take you through our real estate business.

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### **Ben Brown, Head of Americas Region, Brookfield Real Estate**

Great. Thank you Nick. And where Nick ended with "the best is yet to come" is probably the most appropriate place to start when we talk about our real estate business and what we're seeing in real estate markets today. So I'm going to give a bit of an update on what we're seeing across the market environment and what we're seeing across our business specifically. I'll dive a little deeper into a couple of the main segments of our real estate business, specifically our office business. And then Kevin will come up and talk a bit about a retail business. Nick basically just gave half of my presentation and he did a pretty good job. So some of this will be repetitive, but at the risk of repeating myself, I'll drive some of the key themes home for you today.

So the place to start, right, one key point that I would make is during a time of extreme volatility in real estate markets, our real estate business has proven resilient and has performed really well. Three key points, a lot of these themes you've heard today, the backdrop of fundamentals is really healthy. You've heard supply is decreasing and it's decreasing across almost all markets and all sectors and demand is still growing generally in a positive direction across most markets. Capital flows are returning to commercial real estate and that's driving the ability to see more transaction volume. The fact is the bottom's behind us, values have troughed, rates have peaked, capital markets are opening, and that's going to drive a pretty robust recovery across real estate markets generally.

And that means our real estate business is poised to continue to deliver strong cash flow and capital appreciation for BN. Now, I do want to just frame up when we talk about our real estate business, this dynamic, so you understand why there's another guy talking to you about real estate if you were with us

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this morning. But our real estate strategy and how we invest and access real estate is really across our two pools of capital. If you were with us this morning, you would've heard the update on our real estate business and our private fund investments. This is our investing strategy across multiple funds, mainly open and closed end strategies where we have a buy, fix and sell strategy with the attention of returning that capital to our investors.

Our balance sheet investments that directly held real estate assets within BN is what I'll spend my time talking about today, and Nick profiled it pretty well. But these are a collection of the best real estate assets around the globe, long duration, durable, stabilized cash flows, which allow us to compound returns over a very long period of time, underpinned by perpetual capital. And there's two segments of our real estate business core and transitional development that you got a preview of in the previous section that I'll go through in a bit more detail. So starting with our transitional development portfolio within BN's directly held real estate, this is a highly diversified collection of assets, 174 different properties around global markets across multiple sectors, and this is really our roll your sleeves up and add value at the real estate level business plan.

This is where we intend to develop, redevelop, reposition these assets through a value creation business plan and then as markets allow, monetize these assets and return that capital back to BN. Our core portfolio, which is about twice the size in terms of invested capital, \$15 billion is invested in 35 of the best real estate assets around the globe. This high concentration in a relatively small number of assets is by design. This curation gives us a great foundation to own these assets over long periods of time and have these assets work their way through cycles and continue to find ways to grow cash flow, grow NOI and give us a really stable base of growth in our real estate business.

Now specifically, what makes up these 35 assets? It's actually pretty easy story to wrap your head around. It's 10 premier office campuses around the globe, primarily concentrated in New York, Toronto and London. But maybe the easiest way to think about our office exposure is roughly half of our equity is invested in two of the market leading complexes in the world's largest real estate market. Brookfield Place here today in New York where you sit and our sister campus at Manhattan West on the west side of Midtown Manhattan. In addition to this, we have half a dozen mixed use components to these campuses, which include luxury residential, luxury hotel and luxury urban retail offerings. And these are critical mixed use components that create the differentiation for these campuses for our occupants who want a live, work, play environment.

And then to round out the 35 assets within BN's core portfolio is 19 irreplaceable retail centers. These are assets like Alamoana in Honolulu, 730 Fifth Avenue in New York, Fashion Show in the Grand Canal Shops in Las Vegas. These are fortress retail centers, truly irreplaceable assets. So stepping back a bit, talking about what we're seeing in markets today, you've heard many of these trends and they ring true across our real estate business as well. But like I said, the best is yet to come. Property markets have turned a corner. We've seen values reset off of their recent highs, but we are clearly past the bottom. And to that point, transaction volume is picking up. We're seeing a tremendous amount, really a record amount of dry powder, nearly half a trillion dollars waiting on the sidelines to invest in real estate markets and we anticipate that to be the engine of a strong recovery in transaction markets over the next couple of years.

Now this is not surprising that it's happened at a time where we're getting a ton of support in the rate environment. So liquidity generally is back in real estate markets and that's supporting values. We have the benefit of base rates, declining spreads are compressing at the same time, that is creating a compression in the overall cost of capital within real estate markets today. And we're seeing, you've heard

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this throughout the day, whether it was in our credit panel or generally in our comments, and across markets, is debt is coming back to real estate markets. We've seen a muted transaction volume over the past couple of years and that means lenders, and lenders really of all type, many of them are under-allocated and are coming back to real estate looking for the best assets and the best sponsors to get that exposure and that's really benefiting our business today.

Now, this increased liquidity is really the engine for future transaction volume, and future transaction volume is what we really rely on to be able to meet our plan. Nick outlined this a little bit earlier, but as I said at the start, we've been busy executing on our value creation plan within our transition and development portfolio. We anticipate being in an environment where we will be able to monetize the bulk of that \$7 billion we have invested on our balance sheet through the sale of those assets and repatriating that capital back to BN. So maybe just to pull that together in terms of what we're seeing across markets today, a tremendous amount of capital sitting on the sidelines waiting to come back into markets.

A really healthy backdrop of supply and demand really across most geographies and most sectors. And this intensifying flight to quality, which is really driving out performance for the owners of the best assets, very much like our portfolio. So switching gears to office, I want to tell you a little bit about what we're truly seeing in the office market today and how that's impacting our business. At a time where we've actually seen vacancy, aggregate vacancy grow in the markets we have surprisingly seen net demand and aggregate demand grow. And this, traditionally when I say this confuses people because, "Why are we adding vacancy to a market when demand is growing?" The difference is we measure demand by requirements in the market.

We've been in an expansionary cycle where business growth has been happening and headcount growth has been taking place all the while most of the businesses who are our major occupiers around the world have not been adding additional square footage in terms of their office portfolio. We are now starting to see that capitulation set in and that urgency come about as we see a pushback to in-office work from most companies, they really need to solve for this growth in headcount and this growth in demand that has occurred over the past couple of years. We have a couple of anecdotes that we are working on now that are large requirements in our business that our teams have been hard working on for the parts of 9 to 12, in many cases, 18 months that are now at the table coming to transition from a requirement in the market this demand generation into signed leases.

We've won specifically, I won't name names, but it will be in this complex and it will likely force us to move to another building and that's a good problem to have. Typically, it's not really fun to move your office, but when you're an office landlord and someone needs your space in an expansionary mode, we like those sorts of things. So we're on the front end of seeing that demand generation translate into leasing activity and that demand part of the market start to recover. We've talked a lot about supply generally in real estate markets, but specifically to office. It's in a really healthy place, this should not be a big surprise. Future supply in terms of projects delivering it under construction over the next couple of years is that record lows. You extrapolate that out a little bit further and pretty much everything in the pipeline that could have been or was planned to be built has either been delayed or mothballed entirely.

No surprise there, is a complete lack of construction financing available for office projects today add on the complexity of economic feasibility in many of these projects. The important takeaway here though is that given the long and arduous process it takes to actually deliver new real estate, this is a process of entitlement, design and construction takes three to five, upwards of six years to deliver a new project.



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When supply starts to contract and come out of the market, it does take a very long time for that supply pipeline to get built back up. And so we could see a scenario where as demand starts to cover and come back to the office market, it will be at a time when supply is muted and it's likely... muted for an extended period of time, and that could actually translate to a pretty robust recovery across office markets over the next couple of years. With supply and demand in context, this is what you really need to know and this is what's really happening in office today and this dynamic of how office has changed is really illustrated by these two stats. We've talked for the past couple of years of our observation in our business and in the greater market of this flight to quality and this dynamic of the haves and the have nots and the difference in performance and it continues to intensify and we think this trend has some real permanence to it. The two stats that tell you what's happening in office are as follows, 90% of the vacancy in the office markets today is concentrated in a third of the assets.

So that means the bottom third of the market when we've seen a period of vacancy increase, has really been concentrated in one subset of the market. Now that does mean that these assets have had meaningful downward pressure on effective rents, meaningful devaluation in terms of values and a real lack of liquidity. But to contrast that, there's 40% of the market that has performed actually extremely well and this is where the haves come in virtually fully leased, and this is what is driving out performance for office landlords of the best assets.

And we're seeing this on a global basis. This is not just specific to the US or North America, but the elasticity in rents in terms of what tenants are willing to pay now to be in the best assets is really wider and greater than we have seen in past cycles. I'll give you one more anecdote and since we're in New York, I'll keep it New York topical.

We have an asset in Midtown Manhattan. Three years ago we signed a lease for a tenant for about a hundred thousand feet. We set a high water mark on this asset, this asset for all intents and purposes you'd consider a top 10 asset in the market. We had one tenant express interest in relocating to another asset, which opened up an expansion opportunity for this tenant where we signed this lease three years ago. They took the space, which effectively meant they doubled their total footprint, so in effectively four years, they've now doubled their footprint and they've now reset a high water mark again in the same building three years later at a rent 30% higher than the lease rate they signed three years ago and 60% higher than the lease rate of the expiring tenant on that space.

We're seeing this globally and we're seeing this across our business. And so better than me to give you a bunch of stats, we pulled together just a quick video to show you a couple of examples of where this is happening across our office portfolio.

So to pull this together, I just wanted to give one other case study of how all these factors are coming into play in office at a time when a lot of the headlines would have you believe no one's returning to the office and office performance is meaningfully struggling. There are plenty of green shoots on what is working and this case study, this project that we delivered at ICD Brookfield Place in Dubai is the exact example of this dynamic. This is a roughly million square foot tower that we've delivered in Dubai, a market leading asset when we delivered it through lease up of this asset over the past three and a half years. We've seen rents tick up by about three times. At the same time, what's really interesting here is we've leased this building primarily to multi-national tenants that are occupants of at least one and in many cases multiple buildings of ours around the world.

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And so it speaks to our global footprint and our global scale that gives us a competitive advantage in the office landscape today. This is an asset that we've recapitalized a 50% interest in. We've returned about two times our invested equity and we still retain a 25% ownership interest in this asset, which will allow us to hold this for the long term. All of these dynamics are clearly benefiting owners of the best assets. We're highly indexed and correlated to that within our directly held office portfolio within BN.

Our office business this year, year to date has had a really strong first half of the year. In a couple of weeks that 2.3 million will look like 2.5 million square feet of office leases signed. We're signing leases at an average of a 26% premium of those rents expiring. We've got a stabilized market leading core occupancy of 95% across our core office business and we've accessed about \$3 billion in aggregate year to date in financing activity and we continue to make a tremendous amount of progress on our net zero goals across our office business.

So with that, I will bring up Kevin to give a similar profile of our retail real estate business. Thank you.

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### Kevin McCrain, Head of Retail, Brookfield Real Estate

Thanks Ben, and good afternoon everyone. I'm going to discuss our retail business in a little bit more depth. Brookfield Corporation is invested in a portfolio of retail assets that are extremely high quality and managed by a best in class operating company that looks to create value through active asset management. As you can see, our core retail assets are concentrated in the largest metropolitan areas in the United States providing an unmatched set of demographics and geographic diversity.

Our core portfolio is 97% leased, has a weighted average lease term of over nine years and generates almost \$1,200 per square foot in sales. But another key metric to look at when measuring the strength of our portfolio is total sales. And there are two reasons why you want to look at total sales. The first is looking at total sales measures the entirety of any particular asset or groups of assets, and the second is rents are geared off of sales.

Tenants usually pay about 14% of the total sales of their store. Now our core portfolio generated \$9 billion in sales last year, and that's over \$1 billion more than just two years ago, meaning as leases roll, there is an embedded \$140 million or more of rents that we can capture in our core portfolio. On a national level, the retail market continues to remain resilient with over 3% year to date growth in retail sales and 40% over 2019.

But the true salient statistic to look at is net new store openings, which are projected to be almost 700 net new stores hitting a three year trend of positive net store growth. On a macro level, this means retailers are increasing their store footprints and using these stores as an avenue for growth. On top of that, 80% of all retail sales, whether online or in person, are fulfilled through the store.

This puts a direct spotlight on what having a store means to the retailer and that value is undeniable. These numbers jump off a page. It is extremely expensive for retailers to acquire a customer online. From online advertising costs to shipping costs to the cost of returns, these costs have a material impact on a retailer's gross margins. The truth is that there is limited EBITDA upside due to these growing digital costs for retailers.

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In contrast, every time a retailer opens up a store, it sees at two and a half times market growth in their sales. They can then leverage that store to fulfill online orders through buy online, pick up in store, and return to store dramatically increasing their digital margins. On top of that, millions of people walk through our centers every day providing a customer acquisition cost equal to the cost of their rent, which as I mentioned before is only 14% of their sales.

And while the numbers tell the story fairly clearly, I hear this from retail CEOs every time we meet with them to discuss their growth strategies. I met with one retail CEO recently of a digitally native direct-to-consumer brand and he said to me he had to be convinced to open up his first store. He did not want to do it, but after opening up his first store, it was eye-opening. The brand awareness that he got from having customers come into the store and the gross margin and EBITDA margins that he was getting on those direct sales were tremendous.

They now have 20 stores and the primary focus of their growth is through new store openings. But we hear this from retailers every day, store growth is the strongest avenue they have for EBITDA growth and our core retail assets are at the top of all of their lists for new spaces. And this demand is clear in our retail valuations. Our core assets represent over 70% of our retail value and the lenders see the compelling value of our retail assets as well.

The retail capital markets are open, especially for the best-in-class assets. Over the last 12 months, we've refinanced \$1.5 billion of our core retail portfolio debt. Over the last two years, we've refinanced \$3.1 billion of our retail portfolio debt and by the end of this year we anticipate refinancing another \$1.5 billion of our core retail portfolio loans.

So while our core portfolio assets sit in key demographic markets, are extremely well-leased and generate a tremendous amount of sales year over year, we are still looking to create value through our best-in-class operating platform, and we do that through two principle ways. The first is tenant curation, and the second is through reclaiming obsolete department store boxes and redeveloping them.

So starting with tenant curation, tenant curation is a key driver in repeat customers to our centers, which ultimately drives sales at our tenants and pushes our rents. Having a best-in-class management team in the market every day looking for new and relevant concepts is a competitive advantage of our business. Their ability to curate and tailor our assets to the local market demands drives customers back again and again.

But taking a step back about 10 years ago, we took a strategic review of our core retail portfolio and decided that we needed to cycle down our exposure to apparel and footwear and increase our entertainment and restaurant options for our centers. And now almost 10 years later, we've increased that food and beverage and entertainment options by almost 10% driving repeat customers back to our tenants, which benefits all of our tenants.

I want to give you a few examples of how the quality of our portfolio and team is able to attract best-in-class tenants. So the first is Sony. We worked with Sony on developing a unique first-of-its-kind experiential tenant leveraging their movie-related intellectual property. The Sony Wonderverse as this has become called is a first-of-its-kind experience that drives families and customers back again and again. The second is Google. Google has realized that it needs to have retail stores as one of its components as it tries to gain market share for its products. And the best thing that a retail store can do is allow customers to interact with and use its products.

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We were able to secure first-to-market Google Store at one of our assets, and now we're working with them to roll out a portfolio of five to 10 more. And finally, infill luxury is a growing segment of our business. As luxury retailers move out of traditional department stores and secondary markets and into their own spaces, our team is constantly meeting with these luxury brands to discuss their growth strategies and present our assets as the best options in the relevant markets.

And we've been extremely successful in assets such as shops at La Cantera in San Antonio, which has become the emerging luxury shopping destination in San Antonio and Plaza Frontenac, which is the luxury shopping destination in St. Louis and Kenwood Towne Center at Cincinnati, which did not have luxury at its center but now has an emerging luxury tenant base for customers to come and shop at. But it's not just about curating our existing spaces, over the last number of years, we've had the opportunity to reclaim and redevelop obsolete department store boxes and transform them into a variety of uses tailored to the local market demands.

I'm going to take you through a couple of examples of how we are creating value through these redevelopments. But before I do that, I just want to delve into the history of these department store boxes and why you're able to see such tremendous gains in our sales and our NOIs. So in the 1970s and '80s when these malls were built, the real estate developer of those malls essentially gave these department store boxes to the department stores at little to no rent over very long periods of time. And now that some of these department stores are vacant, some of these boxes, we have the opportunity to invest capital and reimagine them and increase and reset our rents to market.

So to go through a couple of examples, starting with Oxmoor Center in Louisville, Kentucky, we were able to reclaim an old Sears box in a difficult to lease wing of the mall and transform it into an entertainment zone. We brought in Top Golf and Putt Shack retailers such as Urban Outfitters and a number of restaurant concepts. This redevelopment helped propel the asset's growth. We earned a 10% yield on costs. Our sales at the asset grew by 116% and our NOI is up 56% and growing.

At Oakbrook Center in Illinois, we were able to reclaim an old Lord & Taylor box and transform it into retail entertainment and restaurant uses such as Sweet Grains, Putt Shack and Abercrombie & Fitch. This redevelopment generated a 10% yield on cost and helped change the profile of this area of the mall that helped drive our sales per square foot up by 89% and our NOI up by 28%.

Putt Shack, which is a miniature golf concept with a nice restaurant and bar generates \$18 million in revenue alone. This showcases the demand that we're seeing from our customers for these types of entertainment and restaurant concepts. And finally, at Stone Town Gallery in San Francisco, we were able to completely eliminate our reliance on traditional department store boxes by redeveloping a Macy's box into a Whole Foods, movie theater, a healthcare facility, and a sporting goods store, and transform an old Nordstrom's box into a target and multiple entertainment concepts.

After this redevelopment was completed, our NOI has gone up by 75%. Our sales per square foot has gone up by about 115%, and our total sales at this asset have gone up by almost 150%. These are just a few examples of how our operating team is looking to drive value every day in our assets. Now, I've spent a lot of this time focused on our core portfolio, but our operating team is looking at these opportunities that exist in our transitional and development assets as well and executing them every day while we look for opportunities to find liquidity for those assets.

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So in conclusion, our core portfolio of assets, including both our retail and our office assets, are truly best in class assets that maintain extremely high occupancies and continue to outperform, with same store NOI growth year over year of 3% with decreasing interest rates and spread compressions, we anticipate a positive and immediate impact to our FFO. And with liquidity returning to the market, we believe that there will be opportunity to recycle capital out of our transition and development assets. Thank you. With that, I'll turn it over to Sachin to discuss our wealth solutions business.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Okay, we're getting there. Hang in there. We are going to bring up a number of my colleagues over the next little bit. The format of our group's presentation will be a short video, and then we're going to have the CEO of American National come up and just talk about our partnership with the company since our acquisition in 2022. And then we're going to have a panel where you can meet some of my partners in the business who help run it every day and just get a flavor for what we've been working on over the last several years and the depth of talent we have and the expertise we bring from an insurance perspective.

Before we get to all of that, a short video.

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### **Brookfield Wealth Solutions Video**

100 years ago, one out of every 20 people in the United States was over the age of 65. Today that number is one out of every six. And in 20 years that number is expected to reach nearly one out of every four. As corporate pension plans continue to decline in availability, many American workers now rely on employer-provided 401(k)s to support them in retirement. And yet less than half of American workers qualify for retirement benefits through their employers.

This has created a \$7 trillion shortfall in retirement savings. As the population gets older, the retirement deficit that exists today will only continue to grow and the need for solutions to help close the retirement savings gap will become even more urgent. This is where Brookfield Wealth Solutions comes in, launched in 2020 with \$2 billion in balance sheet assets, Brookfield Wealth Solutions is a standalone retirement services and wealth protection company.

Brookfield Wealth Solutions provides long duration fixed annuity and pension products, wealth protection services, and tailored capital solutions, helping individuals plan for retirement with a stable source of income well into the future. Following our strategic acquisitions and organic growth, Brookfield Wealth Solutions has built the scale and capabilities to originate and manage billions in retirement annuities.

Our strategic relationship with Brookfield Asset Management allows access to investments with low volatility, capital efficiency, and stable returns. These investments align with our long-term commitments to policyholders. Our strong capital position, deep-rooted operational expertise and decades of investment experience will help secure the financial futures of individuals and institutions for generations to come.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Okay, before I bring up my colleagues and Tim, just a few comments on the business. That video, apart from being pretty well done, really is the underpinning of what got us going into this business. It's this

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very large macro theme of an aging population in the Western world and in the US it's particularly acute. And it really is the driver for demand for annuities, demand for pension solutions, demand for retirement income, and really an income for life type product, which is going to be much of the focus of what we talk about.

Maybe more important than the macro underpinning is that we have been able to build a platform that can service this demand and scale and build a business over the next several decades in what is a really, really large opportunity set. And that sets our business up really well for a multi-year organic growth opportunity where we can sell billions of dollars of annuities into the market, provide retirement income solutions for Americans, and as we expand into Europe, the UK and Japan, really the western world where the aging population lacks the ability to have certainty of income in those retirement years.

What differentiates us is Brookfield Asset Management's investment capabilities. If you were here this morning for the presentation, 25 years of work to build out world-class platforms focused on long-duration investing in real asset investing matches up perfectly with long-duration liabilities. And ultimately for us, that's a key driver of selling best-in-class products. And lastly, in addition to building a great operating platform and a focus on building a scalable business, our core focus continues to be compounding capital every day at 15 to 20% returns for our shareholders. So that provides our guiding light and ultimately informs the decisions that we make every day.

With that, I'm going to hand it off to Tim Walsh, who is the CEO of American National.

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### **Tim Walsh, Chief Executive Officer, American National**

Thank you, Sachin. Good afternoon everybody. It's good to be here. I've spent just about my entire career in the insurance business, almost 40 years if you include the time I was at KPMG, the last 30 with the American National Insurance Companies. In July of 2022, I got the honor to be the President and CEO of the organization. And prior to that, I spent some time as the Chief Financial Officer, the Chief Operating Officer, actively involved in our property and casualty life annuity and now PRT businesses and a little bit in the disability and health businesses.

Sachin asked that I tell you a little bit about myself. The takeaway here is I love the business. I can't wait to talk about it, but where I really want to take you is three years ago when we met Sachin and his team, when our company was up for sale. I'll never forget it, he came in and said that Brookfield, what is now known as Brookfield Wealth Solutions, had made a strategic decision to enter the US insurance business and they thought that American National could be the platform to do this.

Well, we all know how it ended, but I want to tell you a little bit about how it started. Nobody gets up in the morning excited to be diligent, but I'll tell you that the Brookfield team from the outset and throughout the process and through the current day stood out. They were prepared, professional, provocative, in a good way, and personable and that continues through. And the point is, good things are possible when you have an aligned team and high quality people, and we do.

I think you're all probably well familiar with the depth and the expertise that Brookfield Wealth Solutions brings, their deep smarts and their access to Brookfield Asset Management's resources and capabilities. Let me tell you a little bit about the American National side of the handshake. It's characterized by over a century of dedicated service to our policyholders. We are a multi-line insurance company with a solid

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capital base, a strong operating platform, and long-term valuable relationships across our multiple distribution channels.

Our core values are financial strength, integrity, respect, service and teamwork, defined or captured by the acronym FIRST. You'll see they line up a bit with what you heard earlier from Bruce. And our mission is to be a source of certainty for our clients. As I mentioned, I've been with the company almost three decades, never more excited and enthused than I have been these last two and a half years.

The catalyst for that confidence is our alignment with Brookfield Wealth Solutions. It's still a new name for me. I'm getting there, and it's superior access to capital and the deep talent pool that they possess. Anybody that's familiar with Brookfield knows they think big, really big. And that's taken our opportunity window from this to this, and it's given us the conviction and the confidence to really grow the business, particularly since the association and the ownership.

That's exactly the life that we're living. When we were purchased, we had about \$30 billion in assets on our balance sheet. We now have over \$110 billion of assets on the balance sheet doing large measure to the strategic acquisition of American Equity Life.

Our transformation has been nothing short of remarkable. In the rear view mirror, American National was generating solid single digit returns. Now, as you can see on the slide, we're generating solid 15% plus returns. The asset management capabilities that our owners bring have been very transformational. We've been able to improve the quality and the diversity of our asset base. And as you can see on the slide, our yields have increased significantly, providing a strong tailwind to the success of our retail annuity and our pension risk transfer businesses, and also providing stronger solutions for our policy holders.

It's important to note though, that we've also strategically stepped back and sharpened our focus, and we are fully committed to the success of that retail annuity and pension risk transfer business. Let's touch on the pension risk transfer business for a moment. We entered that business in 2023 with a lot of help and support from the Brookfield team because they'd been in the PRT business in Canada. In 2023, our rookie year we did \$1 billion in sales. We have already eclipsed that in 2024. We think we're going to end the year 2x to 3x what we did in year one.

Great team, great start a lot of momentum. Our retail annuity business has also grown significantly and has contributed very strong returns. And as the data has pointed out, that's actually presented tremendous upside in the market for that business. So when I think about that, having been with American National for many years, these moves, these decisions, these outcomes are somewhat unimaginable. But that's our reality now and it's been a tremendous lift.

And I would note that the increase in the growth and in the returns happened at the same time as we've lowered the volatility and reduced the tail risk in the business. And that's not a relationship you often see. We've absolutely been busy. None of this has been easy. All of this has been impactful. The association that we have, the partnership that we have, Brookfield Wealth Solutions and American National, took a strong platform and made it stronger. And as I mentioned before, our important mission is to be a source of certainty for our clients. We've never been better positioned to be that for the years to come.

In conclusion, American National has been successful for a very long period of time, but never as successful as we have been these last two and a half years. Our book value and our confidence and our

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capabilities have compounded with Brookfield's ownership. And we believe, as many others have said to you, our best days are in front of us. Sachin, you found your platform. Thank you, everybody.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Thank you, Tim. Okay, now I'm going to bring up three of my colleagues. I'm going to ask them to join me to my left over here, and we're going to have a quick panel before we hand it back to Bruce for Q&A. Lorenzo Lorilla, Jon Bayer, Mike McRaith. I'll let each of them introduce themselves. I think that'll be better than me coming over and doing it. Okay. Mike, you sat last so you get to go first.

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

All right.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Introduce yourself. The short version, not the long. No, I'm just kidding.

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

So good afternoon everybody. Good to be here. Mike McRaith, Vice Chair, Brookfield Wealth Solutions. My involvements daily include regulatory engagement, governance, risk management, organizational structuring, really working across the platform, supporting the teams as we move forward. This is effectively my third career. I was a trial lawyer, litigation attorney at a big law firm in Chicago, then moved to the public sector, became the Illinois insurance director role in which I served for over six years, NAIC officer, a variety of leadership roles.

Those of you who are insurance nerds, some of the projects in which I was involved included Katrina, Rita, Wilma, medical malpractice crisis in Illinois, workers comp overhaul in Illinois, Affordable Care Act implementation, and of course the great financial crisis. And as we all know, the great financial crisis led to the Dodd-Frank Act, and we have, I'm sure, fond memories of Title V, which created the federal insurance office at the Treasury Department.

I was appointed to be the first person, build and lead that office, which I did from June of '11 until early 2017. My responsibilities in that role included representing the country globally on insurance matters, serving on the Financial Stability Oversight Council, administering the Terrorism Risk Insurance Program, the largest re-insurance program in the world among several other things. Early '17, moved up to New York, began my third career, and as I said, began with this great team about three years ago.

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### **Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Jon Bayer. My primary responsibility is working directly with each of our US operating companies and the leadership teams of those companies to manage those businesses on a day-to-day basis. Also, I have responsibility for our global M&A practice as well. I have spent 25 years working in the insurance industry as an investor, an operator, and an advisor to insurance companies. I joined Brookfield four years ago, I



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was a part of the senior leadership team of a large publicly traded insurance company competitor in the space.

And prior to that, I advised insurance companies across the various sub-sectors of insurance on strategic transactions and investments as well as capital raising.

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### **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Hi, everyone. Lorenzo Lorilla, I'm Chief Investment Officer for the business. I've spent my entire 20-year career in the credit markets, investing in both liquid and private credit. Prior to joining Brookfield, I oversaw credit investments for one of the largest annuity writers in the market with over a \$100 billion in assets. I joined that business at its inception when it was just a de novo platform. Joined Brookfield four years ago and have been very fortunate to have been part of this journey.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Great. Thank you, guys. Okay. So, let's kick it off with Mike. You gave us the short version of your biography and so given all of that experience, maybe tell us a little bit about the state of the industry, how you've seen it evolve from the different seats you've been in.

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

So, why don't I start from the financial crisis, Sachin, if that works for you?

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

That sounds awesome.

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

All right. Lot's happened since then. So, first of all, financial crisis, insurance industry, right in the vortex of the crisis. We saw from that reams of regulatory, supervisory changes which have affected the insurance industry locally and globally. The demographics we'll just stipulate... The demographics are what they are. We saw the video about that earlier, but the marketplace has changed dramatically. Coming out of the crisis, American consumers were looking for protection, lifetime income with some reasonable expectation for growth as they go forward. For all the reasons we can appreciate, coming out of the crisis there was a lack of confidence that many sectors could provide that lifetime income consumers needed. The macro development of low interest rates, exceptionally low rates for an exceptional long period of time introduced this disconnect between what American consumers were looking for and what the traditional life insurance and annuity market could provide.

So, we've seen new entrants into the space, an influx of billions of dollars of new capital, new entrants, by the way, with access to the different asset and investment strategies. Lorenzo, you are infinitely better positioned than I to talk about this, but what that did was produce a set of products for American consumers that they were actually looking for. So, starting in 2014, we see for the first time in more than

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20 years, fixed annuities surpassed variable annuities in volume of sales. Looking ahead to 2022, record sales in annuity products in the United States, fixed annuities dwarfing VA sales. 2023, new record exceeded '22 by almost 25%. \$385 billion worth of annuity sales in 2023. The vast majority of that fixed and fixed annuity products American consumers are looking for. So, the biggest change in that space, Sachin, I would say, is new entrants, new capital, new investment strategies, accretive to policyholders. And in the United States, we see supply now meeting the consumer demand.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Mike, maybe another way to put it is, just for the audience, if they don't know, variable annuities are effectively equity market indexed or linked investment products. They move up and down with the vagaries of the market every day and they have an insurance wrapper around them. They're tax-deferred. People wanted certainty. People today want certainty. A portion of their portfolio, they want to know they're going to earn 5% tax-deferred for 20 years, and that introduced this whole fixed annuity market. It also brought to it all the firms, firms like ourselves, who have an expertise in investing, because if you have an expertise in investing, you can generate a spread.

So, maybe with that, Lorenzo, why don't you get into how then the investment side of the house evolved since that time?

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### **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Yeah. And then just an interesting anecdote as you both touched on variable annuities. So, when I first started managing insurance assets, one of the things I was also asked to help on was to manage and value legacy variable annuities' portfolio. And I think the quick conclusion that we came to was that, to your point, Sachin, not only was it a product that didn't provide the level of certainty that policy holders needed, but was also a product that was very hard to manage from a risk perspective and manage profitably from an insurer's perspective.

So, I think the evolution of the fixed annuities not only meets the needs of policyholders, but is also a testament to the maturation of the industry and a focus on more certainty for the policyholders. So, how that's evolved, annuities are effectively a spread business. And to your point, a lot of the credit firms with capabilities and originating private credit and have capital to deploy, have converged with insurance platforms. And we do think that trend is going to continue. An important point is, I do think it has benefited policyholders as, if you can generate higher investment returns, you can pass that benefit through to higher crediting rates for policyholders. And I think for our business, to the extent that we can generate attractive returns net of our crediting rates, we can reinvest that in the business to grow and provide a broader suite of wealth solutions over time, which is what we aspire to do.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Right. And in seven years since that time, it's evolved into a \$400 billion a year market, but we're just scratching the surface. And as the video showed, the increase in the number of people who will be over 65 over the next several decades, the retirement deficit, none of the \$400 billion today that's penetrated the market in terms of fixed annuity sales annually has even touched DC plans. And that's going to be the next evolution of this. There's \$40 trillion tied up in DC plans in the United States. That money today has

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effectively a zero allocation to fixed annuities. It's all sitting in equity-indexed or bond type portfolios. And as we migrate 2%, 4%, 5% of that into annuities, we think that this will become commonplace as part of your portfolio allocation.

So, let's talk about value creation. John, Tim was up here talking about the partnership with American National. Maybe talk a little bit about our experience with American National and what we focused on.

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### **Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Yeah. It's a great example I think of our Brookfield culture of being an owner and operator of great businesses. I think to that end, when we acquired American National and we looked for levers to drive value, of course, the first thing we thought of was the investment portfolio construction. And Lorenzo can speak to that, but that's as one could expect. I think what may be equally interesting when you look at that as a case study, American National was in a lot of different business lines. Some of those were really core to our thesis for growing wealth solutions. And others, well, maybe not. So, what we did very early on was, we worked with Tim and his team and we developed a plan for taking what had been a franchise or line of business in the fixed deferred annuity space that was doing about a billion dollars a year.

We worked with the teams collectively, developed a plan to enhance the operational capabilities and the infrastructure that American National has ultimately be able to service a significantly larger volume of annuities and enhance the throughput within the organization. So, we grew that to a business today. This year should do about \$7 billion in sales from \$1 billion. And then equally, and Tim alluded to it, pension risk transfer business, a business we like for a lot of reasons that we can get into, but ultimately one that we had some expertise with from our Canadian franchise. And we were able to partner with American National, bring in new colleagues from the outside, enhance and create really an operational framework to be able to grow that business. From a standing start, we should do \$3 billion this year.

So, those are some of the operational elements. I would just quickly note, there were other businesses that American National was in that were good businesses. They just weren't necessarily in our wheelhouse. They're more insurance risk in nature, more potential for volatility where we prefer those stable, predictable lines of business that Nick and others have spoken to. So, to that end, we went through that process of evaluating each of those lines with Tim and in several cases actually undertook a significant divestiture transactions to the tune of about having raised through just a handful of deals of north of \$1 billion that we created in fresh capital that we were able to reinvest in American National for growth. And I should point out, everything we did was accretive to the overall evaluation that we ascribed to these lines of business. So, it's early days the first couple of years, but I think we're off to a good start.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

John's being modest and I understand why, but, I mean, ultimately, for the folks in the room who've been here for a few years, we exited a number of life products. We exited medical supplemental health. We got out of nine states on home and auto that were not profitable. We focused the business on annuities and pensions. I'd say the partnership between John and Tim has been exceptional and it speaks to really our ability to focus the business on what we're good at, how we make money in terms of investing assets, our desire to focus on return on capital and return of capital as opposed to premium growth and sales growth. And ultimately, it's led to a pretty unique platform that's been repositioned in two years into largely an annuity and pension-based rider.

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Lorenzo, talk about the asset rotation that we went through.

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## **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Sure. And maybe just to hit the key point on what is the secret sauce of this business, and I think Nick touched on it earlier, it's really leveraging the investment apparatus through Brookfield Asset Management, through the Brookfield ecosystem to source what we think are very, very accretive assets for our insurance liabilities and marrying that with a thoughtful asset allocation, just getting a deep understanding of what are the liabilities that we're investing the assets against. And just to get specifically to what we did on America National, I would say we tackled that into two parts. There was an opportunity to enhance the returns in the existing investment portfolio at the time of the acquisition and then extending that philosophy to what we did on how we priced new money business, which I'm sure, John, you can touch on as well.

So, maybe just on the first part, when we closed the acquisition, and this was mid-2021, looking at the investment portfolio at that point, it had an interesting barbell approach. It consisted of a very large portion of what I would say are low-yielding public securities and a barbell with a decent allocation to public equity securities. This was at a time when we had anticipated what would be, in short order, a fairly aggressive Fed hiking cycle and rising interest rates. So, from a relative value perspective, just looking at that portfolio, credit returns were getting much more favorable relative to equities. And we saw an opportunity to reposition into the portfolio into what we thought was an optimized portfolio that would enhance the returns with very manageable risk. What that looked like was maintaining a very healthy allocation to liquid assets, but also leveraging a portion of the existing assets and repositioning those into privately sourced opportunities through the Brookfield ecosystem.

In addition to that, we were able to manage the duration of that investment portfolio to benefit from what was a rising rate environment, and that created a lot of value in hindsight as we look back over the last three years.

We then extended that to how we price new business. We are in the market every day selling annuities and it's very much a collective effort across everybody in this group, where we know what is the best investment opportunity set that we can invest against the products we're selling. And there was reference to declining spreads and declining interest rates, and so those yields change on a regular basis and so do our crediting rates. And when we get together as a group, we think about where are the optimal investment returns today, where are crediting rates in the market and where do we have to be if we're going to stay disciplined to earn a mid- to high-teens return on our capital.

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## **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

How often do you guys talk to each other about rate setting, annuity sales and where we want to set crediting rates?

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## **Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

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Yeah. Look, I mean, it's a real-time conversation, as you know, Sachin. We get daily-

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**Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

I'm pretending I don't know-

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**Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Fair enough.

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**Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

... for the benefit of the audience.

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**Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

We get daily feeds, so we track our submits, and lapses and so forth. Honestly, I mean, we're probably sitting down for a formal meeting once a week maybe, but it's... Lorenzo sits right behind me, so I can just turn around and shout when something's going on.

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**Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Right.

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**Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

We do have an open floor plan, regular dynamic interaction.

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**Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Yes. Yes.

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**Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Yes, absolutely.

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**Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

But we are setting rates every week and we move very quickly. Two, three weeks ago, the tenure dropped to 380 overnight and we dropped our crediting rates 50 basis points that morning. So, it's a dynamic business, you're constantly on top of it. And I think it speaks to our nimbleness as an organization to be able to move rates and focus on value again rather than worrying about top-line sales growth. All that being said, the platform that's been built out, that combined with AEL, we have the operating platform

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and capabilities to do \$30 billion a year of annuities if we wanted to push capital through and if we like the rates at which we can sell at. So, it's a phenomenal ability to modulate growth up and down.

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### **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Sachin, if I can just add one point to that, and I think one thing that really differentiates us from our peers is interest rates have been volatile and we remain disciplined on what crediting rates we offer in the market. And there's been times when... I think, John, you can attest to this... we've seen other players in the industry be much more aggressive on crediting rates and whether that's because they're taking much more investment risk or accepting lower returns on their capital, I think why we can do this is largely due to the fact that 100% of the capital in this business is from Brookfield. We don't have any third-party capital invested in insurance. I think that gives us a long-term mindset to investing and creating value not only for our policyholders, but for our equity.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Agreed. Mike, let's move to risk because it's the other side of all this and you're often the sober voice of what we need to do to manage risk. Talk about risk from your perspective, your interaction with the regulators and capital.

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

To hearken back to my somewhat lengthy bio, the global financial crisis, I remember vividly being on televisions and in media across Illinois, because policyholders were wondering, "What's going to happen this September 2008, what's happening to my insurance company?" And from that moment, regulators, supervisors have adopted standards, practices that we are expert in as a team. We have great people in place. We have the technology, resources. There are no dark corners in our group. Every risk is understood, quantified and managed through internal controls, risk management, governance. I would say, and this is probably a good time to make the point, we do everything we can to minimize regulatory risk. We are 100% dedicated to meeting the expectations of our regulators with transparency, credibility, asking permission, not forgiveness. And in reality, the insurance is a main street business. It is built on this bedrock of promises being kept. Sometimes those promises are called 10 more years into the future. We have built in our perfecting an organization that understands risk, manages risk and will be there decades into the future.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

And Lorenzo, capital liquidity, you can sleep at night?

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### **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

Yeah. I think, Sachin, you hit on the two key things that we focus on the investment side, it's operating with a very high margin of safety, I think having access to unique investments where we don't have to stretch for risk allows us to do that, and capital liquidity are the two key things that we focus on. Capital meaning how much equity do we have in the business relative to both the investment risk and insurance

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risk that we're taking and liquidity in the form of how much liquid assets and cash flow do we generate to serve as policyholder obligations.

And I think we take it a step beyond that, which is, we think about a lot of the what-if scenarios, how does our investment portfolio in our overall business perform in a recessionary environment, in an elevated default environment? And I think we position the portfolio with a guiding principle that in all those scenarios, we operate with a very high level of capital and liquidity. How that manifests itself, I think Nick touched on this earlier, there were a few key metrics. Our operating companies are A-rated, operated at 400 RBC, which is in line with the highest standards in the industry. Our investment portfolio has \$50 billion of liquid assets today and an average rating of triple BBB+.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Great.

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### **Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Yeah. Look, I would just make a couple of points. I actually like your recent example of the rate action that we took a few weeks ago as a good reason why we like the way our businesses are constructed today. In other words, owning several large direct issuers of insurance policies allows us to control the pen, so we can control with respect to how much those liabilities ultimately will cost us in terms of how much we're paying our customers or policyholders. We can also control in terms of the duration and the risk around those policies. So, it's a really important point.

The other thing when we talk about risk, we'll say it again, we focus on stable, predictable liabilities. It's not to say it's 100% of our business, but it is the bulk of our business right now. And that is incredibly important, not just around potential claims volatility, but also liquidity. When you have an investment portfolio construction the way we have, we can't have undue liquidity calls in our business. And that, more often than not, is what gets an insurance company in trouble. It's liquidity calls on the business more so even than capital and some other risks.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Okay. I'll end it off on asking each of you, we have lofty ambitions, we want to get to \$300 billion by the end of the decade. We were here three or four years ago when we were at ostensibly zero. So, we have a little bit of know-how of how to scale. What are each of you doing every day to earn your seat to \$300 billion?

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### **Mike McRaith, Vice Chair, Brookfield Wealth Solutions**

Well, we're all working hard. I can vouch for that, Sachin, but my perspective, we have the capacity to be opportunistic, but as Lorenzo alluded to, we don't have third-party investors, we don't have limited partners. We have the capacity not just to be opportunistic, but be prudent, to be disciplined, patient and we have a commitment to do things the right way. And my view in our space, that is a recipe for growth.

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## **Jon Bayer, Managing Partner, Brookfield Wealth Solutions**

Yeah. No doubt. And we've touched on a lot of the themes, but I would say the origination capacity we have in our retail business is second to none. We have tremendous relationships with our distribution partners, who are critical to us, and there's a lot of long-term loyalty that we built up with that group. And we've responded in kind through making investments in our core operations, so that we're easier to do business with.

Pension risk transfer, we're just getting started. We just started the business. We're finally now getting the word out, and our brand and reputation out. So, we're starting to see more of the market, be able to quote on more transactions. And then I think we've loosely touched on already, internationally, we've got teams in London and Tokyo right now actively looking. There is a tremendous demand in those markets for similar retirement savings and retirement income products to those that we offer. And whether we're operating in those countries directly, or as a capital provider, or reinsurance partner to some of the incumbent counterparties, I think there's a ton of upside growth internationally.

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## **Lorenzo Lorilla, Chief Investment Officer, Brookfield Wealth Solutions**

I think on my end, it's continuing to work with our colleagues in our credit business and expanding the opportunity set on the investment side. I do see a very rich opportunity set ahead of us. As Bruce mentioned, the best is yet to come. I think insurance capital has enabled us to access new asset classes. When we started this business, we had our partnerships with Oaktree and LCM. We've since partnered with Primary Wave, a leading music royalties platform, and Castlake, which is a leader in aviation and asset-based finance. And I do think there's going to be a virtuous cycle as we get to deploy into these strategies and grow our insurance business. I think that also flows back into a growing credit business. So, I do think our insurance business will grow with our credit business in tandem.

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## **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Very good. Thank you, everyone. That is our presentation for this afternoon. Thank you.

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## **Bruce Flatt, Brookfield, Chief Executive Officer**

So, we've been here for six hours. For those of you of who've all stayed, thank you for being here. Drinks are downstairs soon. I'll take a few questions, not too many, it's been a long day, but we will all be here downstairs and we're happy to answer any questions. Are there any questions?

One over there. Just wait for the mic, please.

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## **Chadd Garcia, Ave Maria Focused Fund**

Hi, Chadd Garcia from Ave Maria Focused Fund. You have about a \$50 share price, most of which can be attributed to your publicly listed affiliates. You have an \$84 plan price. In my mind, the discount is the market's not giving you value for the real estate that you have on your balance sheet. And then you have \$100 billion in insurance assets that needs to be deployed. Should you deploy some of those assets in the



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real estate that's on Brookfield's balance sheet, what would those investments look like? Would it be deployed into the debt? The equity? Both? What would be the regulatory hurdles that you'd have to clear in order to do that? And then maybe more broadly, how much of that insurance portfolio can be deployed into private assets as opposed to public?

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### **Bruce Flatt, Brookfield, Chief Executive Officer**

Okay. So, you asked seven questions in one. So, that was unfair. Look, I'll give you a short answer and I can speak to you afterwards if it's helpful. Today, when we had \$10 billion of assets, and we had \$20 billion, and we had \$50 billion, and we had \$100 billion, the amount of assets that can be put in the insurance company is limited as you go up, but it gets bigger as the base grows and as the diversification happens in the portfolio. And today it's pretty big, so we can put both Mezzanine pieces of paper, senior mortgages on our properties. We can also put property ownership of real estate into the insurance company, but we have to look at what the regulatory capital. There's more – When you own a Treasury bill, it's a small amount of regulatory capital you have to set aside. When you own a piece of real estate, you have to put a larger amount.

So, we have to look at the optimization of the structure, but over time, as the business grows, a lot of that real estate that we want to keep in the longer term, they're ideal assets to own in the insurance company. So, a lot of that, as we grow to \$300 billion, \$500 billion, will be held in the insurance portfolio. Today, we don't really have any need for the money. Over time as we migrate it in, we could use to buy back stock, which would be one of the uses for that capital. So, as it happens, as you know probably, we've been buying back stock and we'll continue to do that, and that's a good use of the money when we bring it out of the insurance business. Thank you.

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### **Mike Cyprys, Morgan Stanley**

Great. Thank you.

Mike Cyprys from Morgan Stanley. Just a question on the insurance side, I was hoping maybe you could help unpack some of the key drivers to hit the \$300 billion in insurance assets in five years from around \$110 billion today. How much are you embedding from M&A? How are you thinking about organic growth? Maybe you could talk a little bit about the M&A pipeline, how those conversations are progressing, what that environment looks like? And then on the organic side, maybe you could unpack some of the steps you're looking to take, whether it's getting more shelf space on different platforms and such. Thank you.

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### **Bruce Flatt, Brookfield, Chief Executive Officer**

Sachin? Since he really didn't do anything on the panel, I'm going to make him answer the question.

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### **Sachin Shah, Chief Executive Officer, Brookfield Wealth Solutions**

Now I have to earn my seat. So, I would say, look, where we are today, we'll do just under \$20 billion this year of annuities and pensions in really our first year as a full platform. We have the platforms to

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comfortably get to \$30+ billion. We've done ostensibly nothing in the UK and Japan. So, if we just build out our U.S. platform, we feel pretty good. By the end of the decade, the business grows to \$200+ billion. We should be fully licensed and ready to bid in the UK by the end of this year. We've had a 18-month process that's been ongoing to get our licenses up and running with the PRA. Mike and the build team has been instrumental at that.

In Japan, we're very active. We have a team on the ground, we have a pipeline of opportunities that we're looking at. And I'd say the M&A pipeline, the reinsurance pipeline, our ability to do \$30+ billion a year of annuities, the mix that you're talking about, just organically, I think we get to \$200 to \$250 billion. And then M&A on top of that should get us to that range. And these are all projections, so it could be a little bit more M&A. We might dial back annuity production, it might be the opposite, but we feel pretty good that the market is very constructive and that our targets are pretty achievable. Does that answer your question?

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### **Bruce Flatt, Brookfield, Chief Executive Officer**

So, the only thing I might add just for everyone's benefit is, our insurance team speaks in lingo and Sachin's picked it up over five years that the rest of us can't really understand. All we really sell, just so everyone understands, all we really sell is, somebody gets a tax-deferred product that they earn 5% for the next 25 years. That's it. That's all we're doing. They invest their money with us and we give them back the money and a 5% return over 25 years, or 20 years, or 15 years. It's really, really simple. And pension risk transfer sounds complicated. All it is people are collapsing... DC plans are now back in the money, meaning they were in huge deficits. They're back in the money. And corporations that have defined benefit plans, they're just getting them off the balance sheet. They want to get rid of them, they don't want the problem, they don't know how to earn a return, but they're giving them to people like us, because at a 5% yield we can put them into products and earn better than that. And that's really as simple what it is.

And what this is, it's just we have investment skills to be able to out-earn that 5%, whether it's four and a half, or four, or five, or five and a half, whatever that is. We can out-earn that by putting it into these type of products that I was talking about, or real estate, or infrastructure, whatever it is. And that's as simple as what it is. The whole basis of it is, we built an investment franchise to be able to deliver those products and have partnerships with people that we trust to be able to put the capital into it.

And there is an enormous amount of that money that's out there that doesn't have the skills to manage it. So, the growth can be... Like we put \$300 billion down, this could be trillions and trillions because the need is very large and the skills we have are replicable.

Any other questions? Okay. No one wanting for me to threaten them that they ask the question at the end of the day, I'm going to end by just saying, look, we take your interest in the company, we take your ownership shares in the company very seriously. We always try to do our best. We think that we have an excellent business, but we can always work and do more. We try every day to deliver returns for you and we'll keep doing that. Hopefully, you've seen a group of people here that are passionate about the business, that care about your money, and that are going to earn these kind of returns for you over the longer term. So, thank you for all your interest in our business. Thank you for coming today. Thank you for listening for six and a half hours. If you're available, please come for some food and a drink downstairs. Otherwise, enjoy the rest of your day. Thank you for being here.