

June 30, 2021

Sina Hadjiahmadi-Ardakani, Portfolio Manager

Eric Xiao, Investment Analyst

Noor Azeem, Investment Analyst

Return on Investment

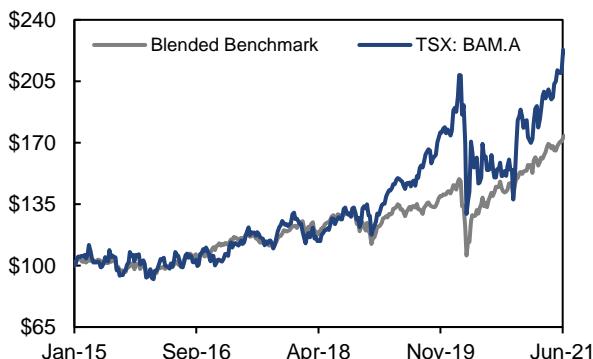
Current Share Price	\$63.24
Target Price	\$70.00
Dividend Yield	0.99%
Implied Return	12%
Conviction Rating	2

Market Profile

52-Week Range	\$39.32 - \$64.82
Market Capitalization (US\$mm)	\$70,362
Net Debt (US\$mm)	\$4,300
Enterprise Value (US\$mm)	\$74,662
Beta (5-Year Monthly)	1.35

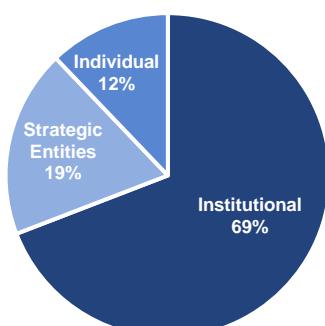
Metrics	2020A	2021E	2022E
Revenue (US\$mm)	\$2,840	\$3,483	\$4,015
FFO (US\$mm)	\$3,113	\$4,114	\$4,857
FFO/Share	\$2.02	\$2.66	\$3.14

Holding Period Trading Performance (Indexed to \$100)



Source: S&P Capital IQ

Figure 1: Q1 2021 BAM Investor Base



Source: SEDI, Refinitiv Eikon

Business Description

Brookfield Asset Management (TSX: BAM.A) is an alternative asset manager with over US\$600B of AUM. BAM operates across five segments: Real Estate, Infrastructure, Renewable Power, Private Equity, and Insurance Solutions. In 2019, BAM acquired a majority stake in Oaktree Capital Management (Oaktree), which operates as a standalone business. Oaktree is a leading investment manager in the credit markets. BAM operates in over 30 countries and invests on behalf of institutional and individual investors.

Business Segments

Real Estate: BAM's global real estate portfolio includes office, retail, multifamily, logistics, hospitality, manufactured housing, and student housing assets. Direct exposure to this segment is available through the Company's Brookfield Property Partners (TSX: BPY.UN). BPY.UN's objective is to generate long-term equity returns of 12 - 15% from stable cash flows, asset appreciation, and annual distribution growth in-line with earnings growth.

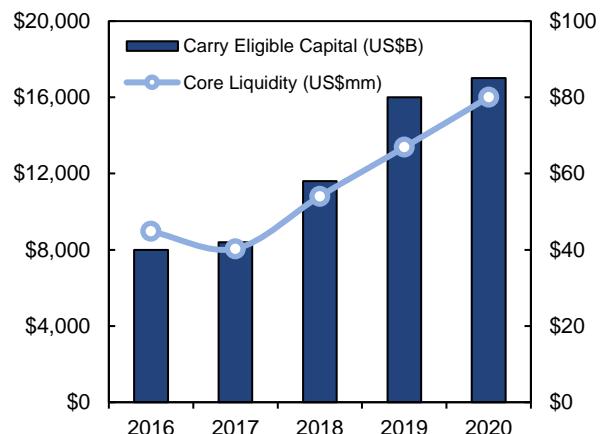
Infrastructure: BAM owns and operates assets across the utilities, transport, energy, and data infrastructure industries, which are scarce and high-quality businesses. The Company offers direct exposure to this unit with Brookfield Infrastructure Partners (TSX: BIP.UN). BIP.UN's objective is to generate a long-term return of 12 - 15% on equity with annual distribution growth of 5 - 9%.

Renewable Power: BAM's renewable assets comprises of hydroelectric power, wind, utility-scale solar, distributed generation, storage, and other technologies. This business has stable cash flows, with most of its power contracted under long-term, inflation-linked contracts. Direct exposure to this segment is available through Brookfield Renewable Partners (TSX: BEP.UN). Its objective is to deliver long-term total annual returns of 12 - 15%, including annual distribution increases of 5 - 9% from organic cash flow growth and project developments.

Private Equity: The private equity business focuses on acquiring high-quality businesses with high barriers to entry and enhancing their margins and FCF generation. This unit invests in attractive businesses through the public debt and equity markets. Brookfield Business Partners (TSX: BBU.UN) provides direct exposure to the private equity segment. BBU.UN's objective is to generate long-term annual returns of over 15%.

Mandate Fit

Quality Management: BAM is led by CEO Bruce Flatt, who has been with the Company for over four decades. Under his stewardship, BAM grew its total AUM with the successful expansion into more than 30 countries. In 2020, the management team maneuvered around economic disruptions, achieved record liquidity, and increased its AUM by ~10%. It utilized the low-interest rate environment to execute upon several investment opportunities, including the acquisition of India Telecom Tower Business. Such actions reinforced the CPMT's confidence in management's abilities to maximize shareholders' returns. Additionally, over the past quarter, the Company began fundraising for two flagship funds.

Figure 2: LHS Core Liquidity & RHS Carry Eligible Capital

Source: Company Filings

Competitive Advantage: BAM's competitive advantage stems from its global reach and operational expertise in many sectors, providing the Company with significant access to proprietary deal flow. BAM seeks opportunities in regions undergoing financial stress or operational difficulties. Afterwards, it identifies and acquires high-quality assets at favourable valuations and finances them on a long-term, low-risk basis. Additionally, the Company's large capital base allows it to pursue transactions that most competitors are unable to.

Strong Balance Sheet: BAM currently has US\$149.1B of total debt, of which US\$130B is related to property-specific borrowings that have recourse only to the projects being financed. BAM currently has US\$6.8B of cash alongside US\$9.2B undrawn from its credit facilities, resulting in US\$16B of core liquidity. The Company's core liquidity enables it to fund future transactions and capitalize on investment opportunities as they arise.

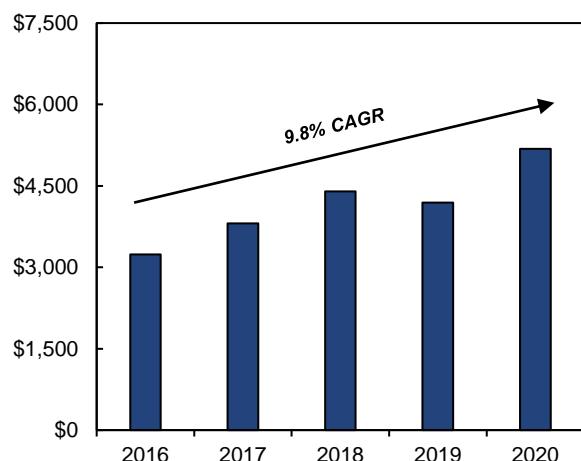
Furthermore, BAM recently issued an inaugural US\$500mm 10-year green bond with the lowest coupon it has ever seen for a 10-year term. To rebalance its debt, BAM called ~US\$500mm of 2023 bonds, effectively extending the duration of its debt while lowering the average interest rate. The CPMT believes that BAM has more than enough cash for the announced privatization of BPY (discussed below) and investment opportunities in the near-term.

Growing Free Cash Flow: BAM has seen cash available for distribution and/or reinvestment grow at a 11.7% CAGR since 2016. With highly accommodative capital markets, the Company has been active in monetizing its assets, selling US\$13B worth in Q1 2021. This resulted in investment gains of US\$6.4B and US\$681M of realized carried interest (flowing into income). Notable transactions in Q2 include two deals involving the sale of wind power assets to NextEra Energy (NYSE: NEE) and Orsted (OTC: DNNGY), totalling US\$1.4B. BAM's diversified, stable cash flows backed by real assets offers inflation protection and less volatility than traditional equities, while offering higher yields than fixed income. Such factors allow BAM to excel in an otherwise uncertain macroeconomic environment.

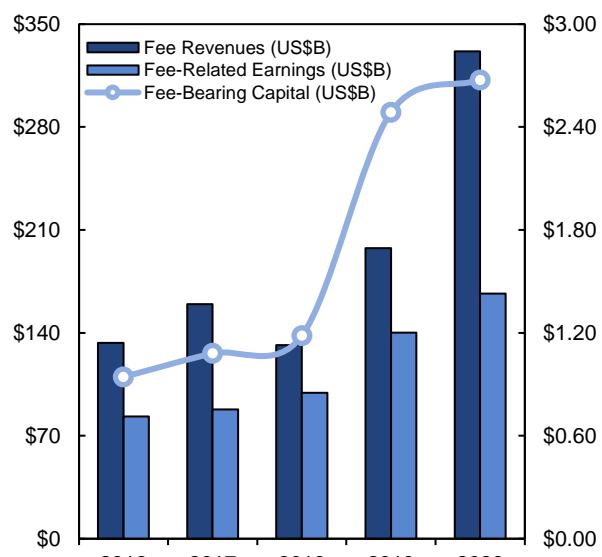
Brookfield Property Partners' Privatization

In April 2021, BAM and BPY announced an agreement for BAM to acquire all BPY limited partnership units at US\$18.17 per unit, a substantial discount to BPY's IFRS NAV of US\$26.86/unit, for a total consideration of US\$6.5B. Unitholders of BPY may elect for the receipt of cash, 0.3979 of a BAM share, or 0.7268 of a BPY preferred unit. The updated offer is a 10% increase to the original proposal of US\$16.50/unit, corresponding to the appreciation of BAM shares. Additionally, it represents a 26% premium to the BPY unit price on December 31, 2020, and a 6% premium to the VWAP of BPY units since the January announcement. The CPMT believes the transaction will be slightly accretive to BAM's OFFO/share, at a 1.5% implied upside in the pro forma OFFO/share.

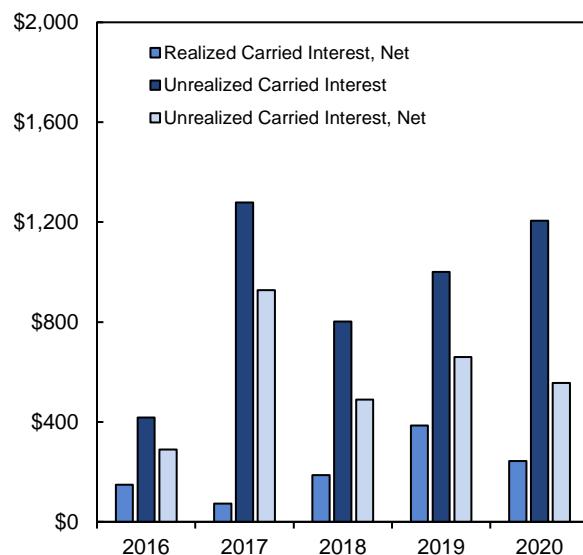
Moreover, the Fund holds management's view that the deal is priced fairly, given the trading values of other real estate property companies in the public markets. The privatization enables BAM to utilize BPY's assets more efficiently, relative to what BPY could do under a public entity's constraints.

Figure 3: FFO Growth (US\$mm)

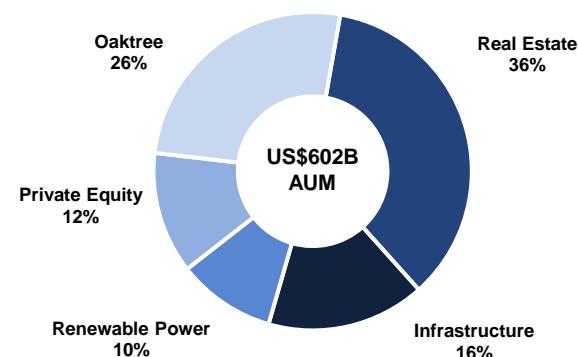
Source: Company Filings

Figure 4: LHS Fee-Bearing Capital & RHS Other Fees

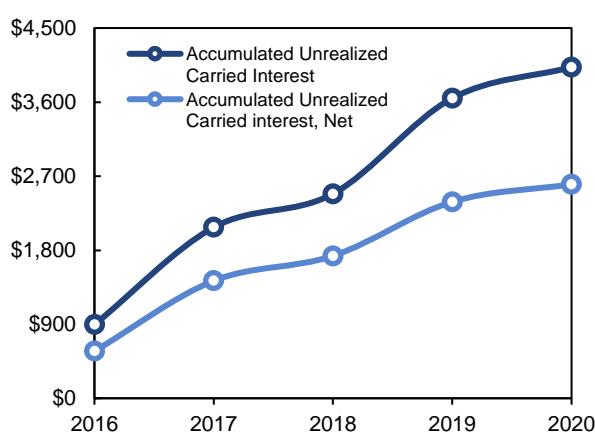
Source: Company Filings

Figure 5: Realized & Unrealized Carried Interests (US\$mm)

Source: Company Filings

Figure 6: FY 2020 AUM Breakdown

Source: Company Filings

Figure 7: Accumulated Unrealized Carries (US\$mm)

Source: Company Filings

BAM Reinsurance Partners Spin-Off

Brookfield Asset Management Reinsurance Partners (TSX: BAMR) began trading on June 28, 2021. The shares are structured to provide equivalent economic exposure to BAM; however, BAMR is expected to be more tax-efficient and enable small-cap investors to own BAM. Specifically, BAMR is a Bermuda-based company that operates BAM's small and emerging reinsurance business.

BAMR currently has two business segments:

- (1) Providing annuity-based reinsurance products to insurers/reinsurers operating in North America and Western Europe. The annuity-based products include fixed annuities, fixed index annuities, and payout annuities.
- (2) Providing pension risk transfer products for pension plan sponsors.

BAMR will generate capital by investing the cash associated with the annuities and pension assets, thereby earning a higher return than the required return payable to the annuity/pension recipients. BAMR may eventually expand into other longer-duration products such as life insurance and structured settlements.

When BAMR eventually reaches scale, the CPMT believes BAM will fully spin-off BAMR (similar to BPY.UN, BIP.UN, BEP.UN, and BBU.UN). However, BAM will continue to retain a majority stake in BAMR and have a more formal management fee and incentive fee/performance fee structure. Alternatively, the reinsurance platform could be made available through BAM's private funds. Overall, the Fund believes investors may hold BAMR shares with the view that it mimics an option value, such that, the value will be realized if BAM successfully grows BAMR and conducts a full spin-off. If this occurs, there could be a significant valuation lift to BAMR's share price due to BAMR's fundamental business (no longer being just a proxy of BAM's share performance).

Risks

BAM's global operations could be disrupted should regulatory restrictions increase in the countries it has exposure to. Moreover, the Company's fundraising outlook may weaken should volatility in public markets increase, thereby lowering its fee-related earnings growth. Lastly, BAM has large investments in shopping centres and office buildings. The Company's real estate investments could reduce FFO growth should companies demand smaller offices or consumer spending habits change (mall traffic decreases).

Valuation

The CPMT valued BAM on a sum-of-the-parts basis, applying a 22x multiple on NTM Fee-Related Earnings and an 9x multiple on NTM Target Carried Interest. The analysis provided a target price of \$70 after adjusting for exchange rates. As a result, the Fund sees an implied return of ~10.7% in the position.

Investment Thesis

The CPMT maintains its original investment thesis that BAM can capture significant growth opportunities by continuing to invest its capital globally. Investors' allocation to real asset classes is increasing and BAM is well positioned to benefit from this trend through its leading operational and investment capabilities. As such, the Fund continues to believe that BAM is an attractive holding in the Financials sector with consistent long-term returns.