The Whole Picture: Combining Public and Private Real Assets to Meet Portfolio Objectives

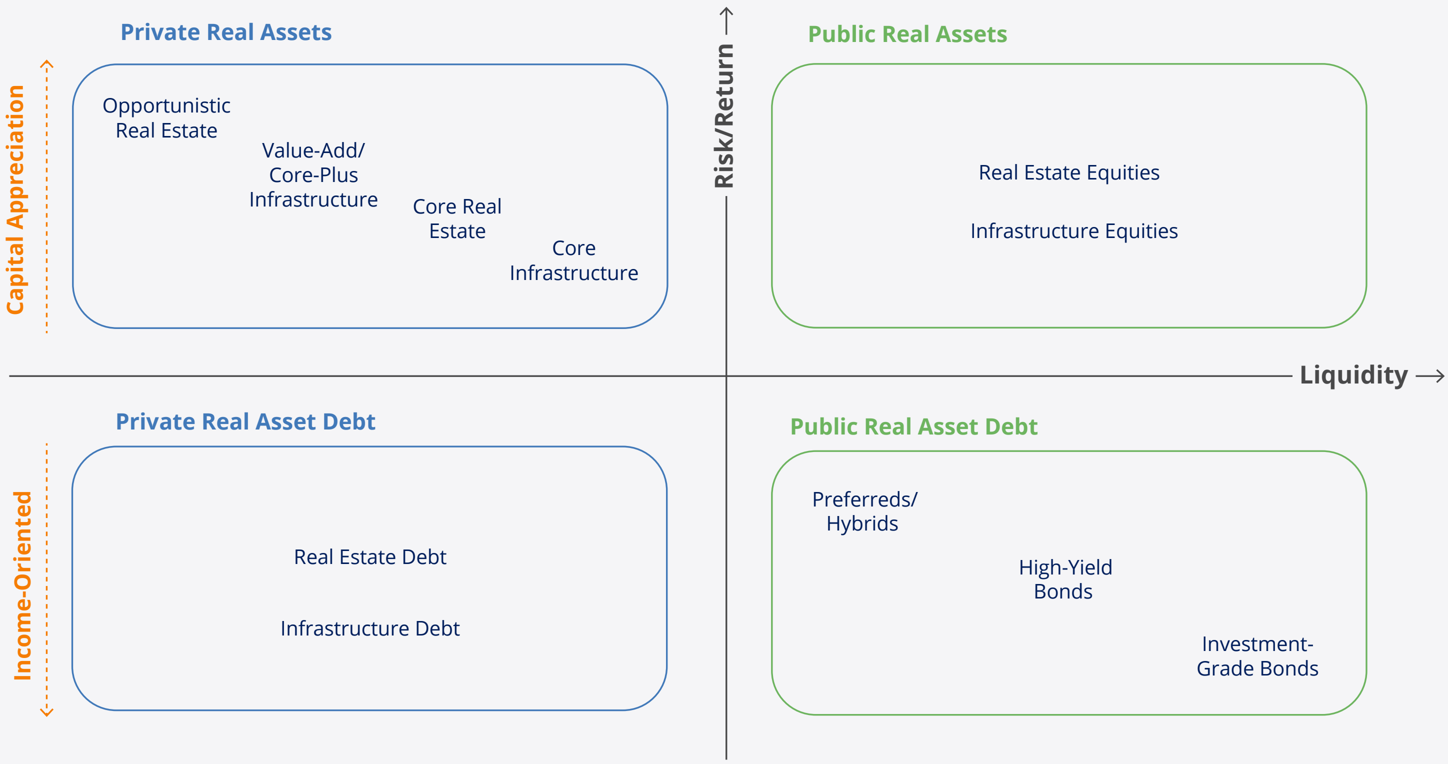
Real assets can be accessed through both public and private markets. The fundamental characteristics of real asset businesses stand true whether they are publicly listed or privately owned. These characteristics include business models that are backed by long-lived assets that tend to be intrinsically valuable, appreciate over time, and offer strong collateral. Real asset businesses often face limited competition due to high barriers to entry and have historically offered stable and regulated and/or contracted cash flows that may be linked to inflation.

These characteristics are behind the common potential portfolio benefits of real asset exposures: income, capital appreciation and inflation protection. However, the degree to which these characteristics result in investment benefits varies across public and private real asset exposures. At Brookfield Public Securities Group (PSG), we believe customized real asset solutions with the whole picture—both public and private real asset allocations—can help meet a range of client objectives, including portfolio completion and diversification, tactical asset allocation and liquidity.

Investing Across the Spectrum of Real Assets

The degree to which the common characteristics of real asset businesses result in income, capital appreciation and inflation protection varies. In our view, as the illustration below shows, investments in public and private real asset debt tend to be lower-risk and more income-oriented as compared with investments in private and public equity. We believe the latter offer greater potential for capital appreciation. Customized solutions can allocate across this spectrum of real asset exposures, with the aim of solving for specific client needs.

The Public and Private Real Assets Universe



Source: Brookfield Public Securities Group. For illustrative purposes only.

Completing and Diversifying Portfolios

Portfolio completion and diversification is a client objective that can be met with a customized real asset solution. Public real assets can complement private market allocations by offering broader exposure across sectors, company sizes and geographies. This is because the investment universe of public real assets is larger in size and scope than that in private markets, and it often includes exposure to large "national champion" assets that for a number of reasons can be difficult to fully privatize.[1]

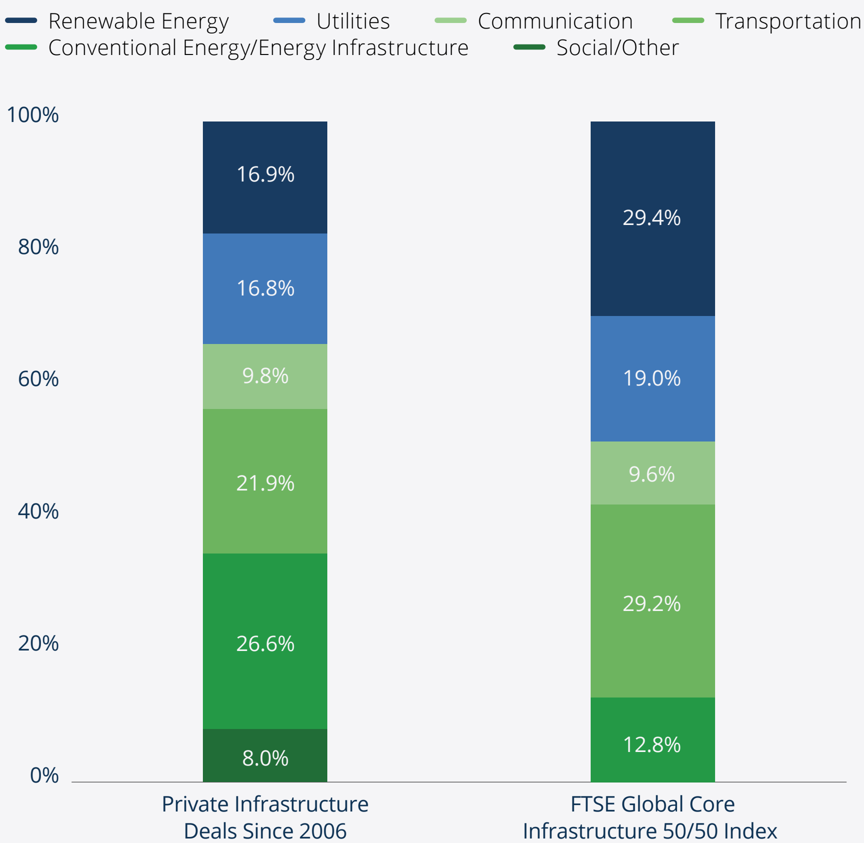
[1] "National champions" are corporations that are technically private businesses but have a dominant position in a national economy due to government policy.

Sector Advantage: Public Markets Vs. Private Markets—Utilities

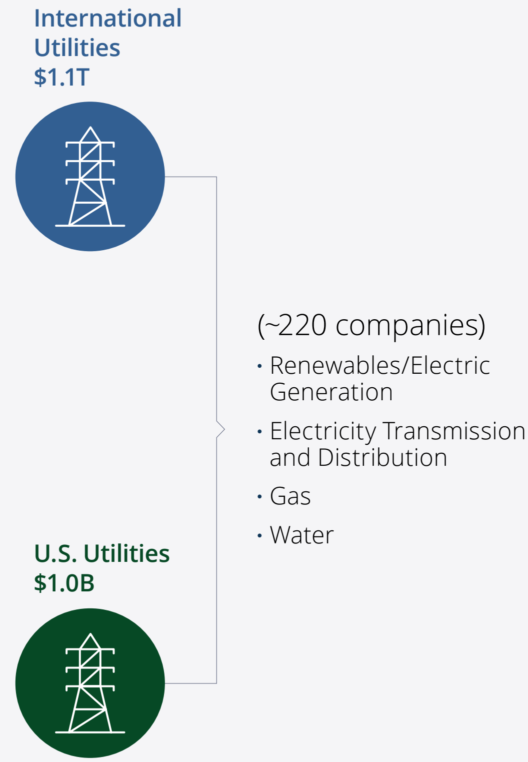
A key example of the portfolio completion and diversification benefits offered in public real asset exposures is the global listed utilities sector. As the illustration below shows, there are over 200 publicly traded utilities worldwide, of which roughly 50–60 securities are based in North America. Private infrastructure portfolios typically have gained exposure to small, non-controlling interests in large-scale assets or majority-to-full positions in small utility networks. However, we believe favorable risk-adjusted returns in the utilities sector have primarily come from the largest utilities in North America with good cost of capital, distinct regulatory-related competitive advantages, and extremely high investor barriers to entry. These large utilities are most accessible via public markets.

The Utilities Universe Can Be More Accessible Via Public Markets

Sector Differences Between Private and Public Infrastructure



Global Utilities Infrastructure Securities and Market Capitalization

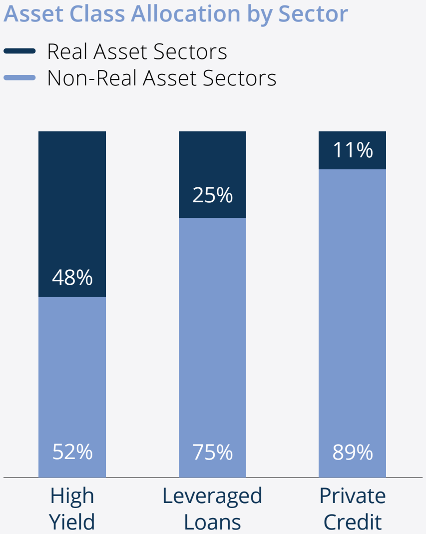


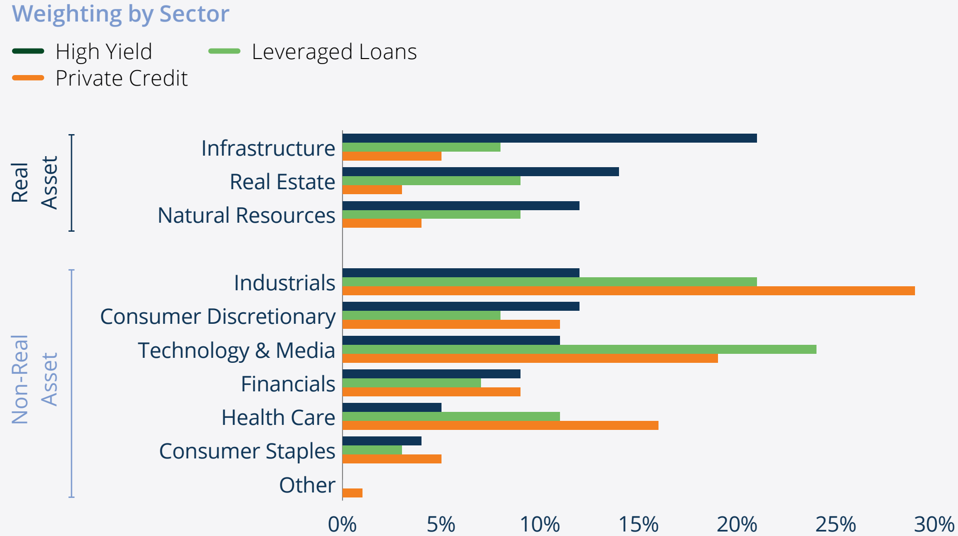
Source: Bloomberg, Brookfield, FTSE Russell, Prequin. The utilities classifications are defined by Brookfield Public Securities Group and are as of March 31, 2024. They are shown for illustrative purposes, are subject to change, and are not intended to provide current market analysis. Private Infrastructure Deals by sector reflect the share of deals by value (USD $) from 2006 through Q3 2023. Source: Preqin Global Report 2024: Infrastructure. Public Infrastructure Index Weights reflect the market-capitalization weights by sector for the FTSE Global Core Infrastructure 50/50 Index as of December 31, 2023. The index is unmanaged and cannot be purchased directly by investors. See disclosures for index definition.

Complementary Exposures: Public Debt and Private Credit

Combining public debt and private credit also can offer portfolio completion and diversification benefits. Within high yield, almost half of issuers are real asset debt companies, versus lower percentages in private credit and leveraged loans. In contrast, private credit can offer greater exposure to certain sectors, such as health care and industrials, while leveraged loans can offer greater exposure to technology & media.

High Yield and Private Credit Have Complementary Sector Exposures





As of June 30, 2024. Source: Brookfield PSG analysis of Morningstar and Pitchbook LCD data. High Yield is represented by the ICE BofA U.S. High Yield Index. Leveraged Loans are represented by the Morningstar LSTA US Leveraged Loan Index. Private Credit is represented by BDC holdings data compiled by Pitchbook LCD; Private Credit weights reflect a percentage of security count by sector as of Q1 2024. See disclosures for index definitions. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future results.

Diversification does not guarantee a profit or protect against loss.

CLIENT CASE STUDY: Portfolio Completion

Client: Sovereign wealth fund

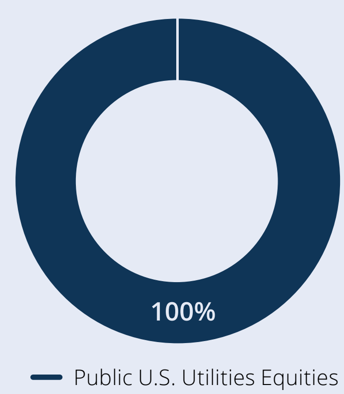
Investment Need: The client had a large private infrastructure portfolio but still found itself underweight U.S. utilities. This is because it can be difficult to gain attractive private exposure to U.S. utilities in a timely manner. It is very hard for U.S. utilities to be completely privatized, given intense regulatory scrutiny, particularly with regard to potential foreign buyers, and more comprehensive exposure to the sector is available via public markets.

Customized Solution Characteristics: Our investment teams created a concentrated, high-conviction public U.S. utilities portfolio that we could manage on behalf of the investor.

Our solution aimed to provide a more comprehensive exposure to the large, liquid U.S. utilities sector via allocations to compelling opportunities across the public U.S. utilities universe. We have the ability to adjust these exposures accordingly in response to changing market conditions and ongoing collaborative discussions with the client.

Source: Brookfield Public Securities Group. For illustrative purposes only.

High-Concentration Strategy Invested in Public U.S. Utilities Equities



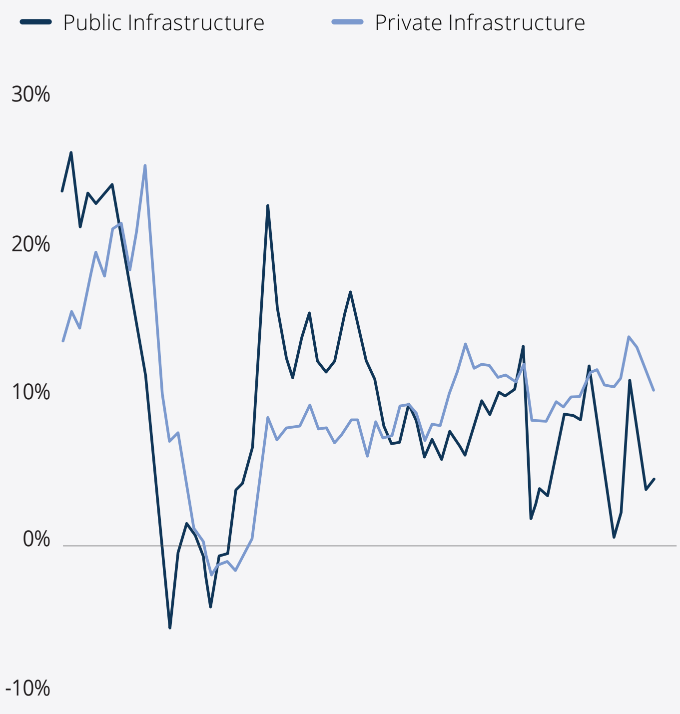
Accessing Tactical Asset Allocation

Clients who are looking for tactical asset allocation can have their needs met with customized solutions that blend public and private real assets. While public and private real assets have historically generated similar returns, market volatility can result in dislocations between public real asset security values and the intrinsic values of the underlying assets owned by companies. As a result, public real assets can offer attractive entry points and the ability to tactically allocate capital to address these price dislocations, thereby potentially improving returns.

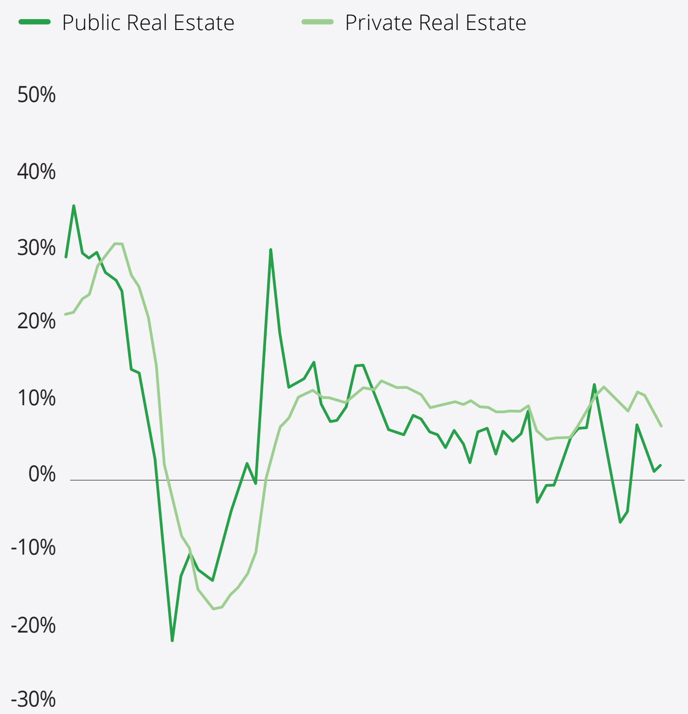
Public real assets also can provide allocators with the ability to quickly rebalance and adjust exposures in response to changing market conditions and fundamentals. Some clients may appreciate the ability to swiftly invest in sectors and regions with shifting fundamentals due to themes like artificial intelligence (AI) or near-shoring. We believe this ability to quickly lean into emerging investment thematics can enhance the return profile of a portfolio invested in public and private real assets.

Public and Private Real Assets Have Generated Similar Long-Term Returns, but Pricing Dislocations Can Occur, Creating Buying Opportunities

Rolling 3-Year Returns – Public Vs. Private Infrastructure Equities (December 31, 2002 - December 31, 2023)



Rolling 3-Year Returns – Public Vs. Private Real Estate (December 31, 2002 - December 31, 2023)



As of December 31, 2023. Source: Cambridge Associates, MSCI, Bloomberg, Brookfield. Public Infrastructure Equities are represented by the Dow Jones Brookfield Global Infrastructure Index until December 31, 2005 and the FTSE Global Core Infrastructure 50/50 Index thereafter. Private Infrastructure is represented by the Cambridge Associates Infrastructure Index. Public REITs are represented by the FTSE EPRA Nareit Developed Index. Private Opportunistic Real Estate is represented by the Cambridge Associates Opportunistic Real Estate Index. See disclosures for index definitions. Indexes are unmanaged and cannot be purchased directly by investors. Past performance is no guarantee of future results. Data shown do not represent the performance of any Brookfield composite or investment product. All charts shown herein are for illustrative purposes only and not indicative of any investment.

CLIENT CASE STUDY: Tactical Asset Allocation

Customized Portfolio Capitalizing on the Digitalization of Global Economies

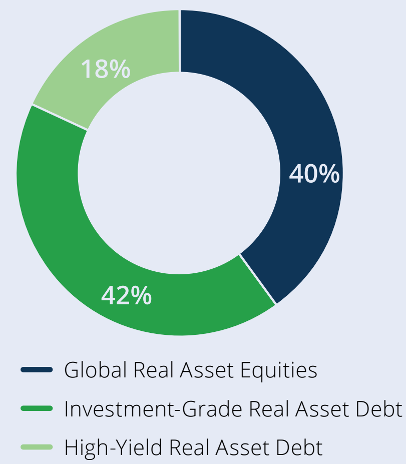
Client: Investment manager

Investment Need: Enthusiasm for the AI megatrend has largely focused on technology company beneficiaries. The client wanted access to real asset companies that operate the backbone of the digital economy in order to capitalize on the AI megatrend with potentially lower substitution and technology risks.

Customized Solution Characteristics: Our Multi-Asset Solutions team created a bespoke solution that could dynamically allocate across equity and debt of real estate and infrastructure companies that benefit from the advancement and adoption of innovative technologies. In particular, the focus of the portfolio was tilted toward sectors that stand to benefit from the need to store, process and transmit data.

This includes sectors such as data centers, fiber networks and communication towers. We believe these sectors are supported by long-term growth fundamentals and provide cash flow visibility due to long-term contracts with creditworthy customers.

Source: Brookfield Public Securities Group. For illustrative purposes only.



Meeting Liquidity Needs

Liquidity is a crucial objective clients seek to meet with listed exposures and customized real asset solutions that combine public and private investments. Based on our expertise creating such solutions, we believe there is a place for both private and public investments in a portfolio. Combining both types of exposures can allow investors to potentially benefit from the lower volatility profile of private investments, while still having the ability to draw capital from a public portfolio when required to service liabilities.

At PSG, our Multi-Asset Solutions team manages a range of liquidity portfolios on behalf of clients seeking to complement their private investments. These portfolios are invested in public real assets and serve one or more of the following purposes:

1. **Immediate deployment:** Quickly put committed—but not yet invested—capital to work during a private portfolio's ramp-up period, when the underlying assets are being sourced and acquired.

2. **Capital recycling:** Act as a source of capital for contributions to underlying private funds as well as for reinvesting distributions.

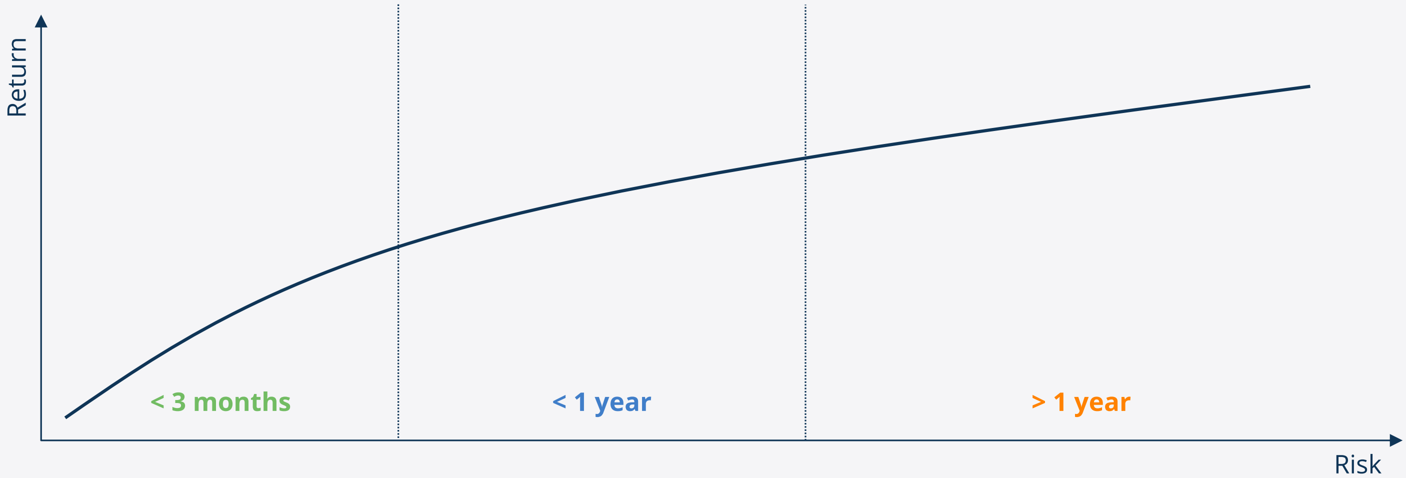
3. **Income generation:** Provide an interim solution to preserving capital and earning income, particularly during the early years of a private fund's investment period, before the value creation or realization phase.

4. **Capital appreciation:** Dynamically reposition a portfolio throughout the market cycle to potentially enhance returns.

Liquidity Solutions for the Life Cycle of a Private Fund

The chart below shows how liquidity solutions can be tailored based on the differing cash flow requirements across the life cycle of a private fund, allowing capital to remain invested and generating returns while still being available for capital calls and capital recycling.

Customized Solutions Can Be Tailored Based on Evolving Cash Flow Requirements



Operating Cash

Funds near-term capital requirements such as capital calls and redemptions

Invested in cash/money-market funds

Strategic Reserve

Funds mid-term liabilities as well as unforeseen capital requirements

Invested in low-to-moderate volatility investments that preserve capital but generate income, e.g., short-duration real asset investment grade

Tactical Asset Allocation

Funds longer-term liabilities and used to reinvest distributed capital

Invested in real asset equities, preferreds and debt targeting capital appreciation and income generation

Source: Brookfield Public Securities Group. For illustrative purposes only.

CLIENT CASE STUDY: Liquidity Solution

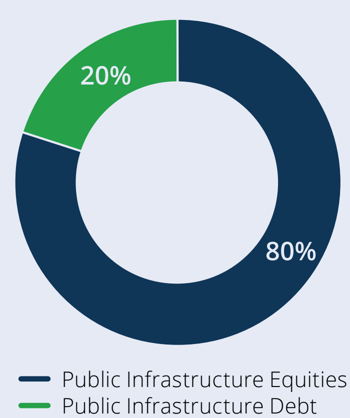
Client: Sub-advisory firm

Investment Need: The client was seeking an experienced real assets manager with public market expertise to oversee the liquidity portfolio within its multi-manager private real assets fund. The client's primary objective was exposure to the infrastructure asset class to align with the real asset mandate of the private investments and provide liquidity. The secondary objectives were to generate income and, where possible, participate in upside through contracted revenues linked to inflation.

Customized Solution: To address the sub-advisory firm's needs, our investment teams created a customized infrastructure portfolio with an 80% target allocation to public infrastructure equity and a 20% target allocation to public infrastructure debt. We also have the flexibility to adjust these high-level targets along with sector exposures over time to complement the client's evolving private fund exposures. At PSG, our liquidity solutions complement private strategies and utilize a multi-faceted approach to portfolio construction.

Source: Brookfield Public Securities Group. For illustrative purposes only.

Infrastructure-Focused Liquidity Portfolio



Accessing the Opportunity

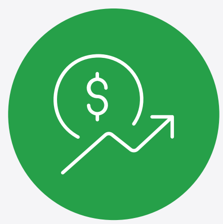
We believe building portfolios with the whole picture—both public and private real asset exposures—can meet the needs of clients who seek portfolio completion and diversification, tactical asset allocation and liquidity. To access these benefits, we believe it's key to work with an active manager that has deep expertise in building real asset solutions customized to meet clients' objectives.

Brookfield Corp. is one of the world's leading alternative asset managers, distinguished by a 120-year history of investing in real assets. At PSG, we leverage our Firm's deep expertise and investment capabilities across real asset sectors, capital structures and the liquidity spectrum to create real asset solutions. Having allocated across public and private real assets for decades, we believe our investment teams at PSG are well positioned to understand the value proposition of including a listed allocation alongside private exposures. Our client-centric solutions approach begins with understanding our clients' needs and ensures our solutions evolve as those needs change.

Investing Across Public and Private Real Assets Can Offer Portfolio Benefits

Potential Benefits of Adding Listed Real Assets to a Private Investment Portfolio

Portfolio Completion
and Diversification



Tactical
Asset Allocation

Liquidity

Diversification does not guarantee a profit or protect against loss.

The Whole Picture: More Insights

The Whole Picture is a series of white papers describing the benefits of combining public and private market investments in a portfolio, with a focus on real assets. The prior three papers in the series focus on infrastructure, real estate and real asset debt, respectively, explaining why investors should consider allocating to both public and private exposures in order to build balanced portfolios. Click here to read more.

SCAN TO READ MORE

RISK DISCLOSURE

All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability and energy conservation policies. All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. Fixed income risks include interest rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Real assets include real estate securities, infrastructure securities and natural resources securities. Diversification does not assure a profit or protect against loss in declining financial markets.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from AAA, which is the highest grade, to D, which is the lowest grade. Credit ratings are subject to change.

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Information herein contains, includes or is based on forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended, and Canadian securities laws. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including, without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals, expansion and growth of our business, plans, prospects and references to our future success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

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The quoted indexes within this publication are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison, such as differences in volatility and regulatory and legal restrictions between the indexes shown and any investment in a Brookfield strategy, composite or fund. Brookfield obtained all index data from third-party index sponsors and believes the data to be accurate; however, Brookfield makes no representation regarding its accuracy. Indexes are unmanaged and cannot be purchased directly by investors.

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INDEX DEFINITIONS

The Cambridge Associates Infrastructure Index represents a horizon calculation based on data compiled from infrastructure funds, including fully liquidated partnerships, formed beginning in 1993.

The Cambridge Associates Opportunistic Real Estate Index is an end-to-end calculation based on data compiled from opportunistic real estate funds, including fully liquidated partnerships, formed beginning in 1986.

The Dow Jones Brookfield Global Infrastructure Index comprises infrastructure companies with at least 70% of their annual cash flows derived from owning and operating infrastructure assets. Brookfield has no direct role in the day-to-day management of any Brookfield-branded indexes.

The FTSE EPRA Nareit Developed Real Estate Index is an unmanaged market-capitalization-weighted total-return index that consists of publicly traded equity REITs and listed property companies from developed markets.

The FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure subsectors. The constituent weights are adjusted as part of the semi-annual review according to three broad industry sectors: 50% Utilities; 30% Transportation, including capping of 7.5% for railroads/railways; and a 20% mix of other sectors including pipelines, satellites and telecommunication towers. Company weights within each group are adjusted in proportion to their investable market capitalization.

The ICE BofA U.S. High Yield Index tracks the performance of U.S. dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market.

The Morningstar LSTA US Leveraged Loan Index tracks the performance of more than 1,400 USD denominated loans, deriving its constituents from syndicated term leveraged loans (also known as bank loans or senior secured loans) that are held within top-tier institutional investor loan portfolios tracked by PitchBook and LCD.

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