Brookfield Real Assets Monthly

BROOKFIELD INSIGHTS: REITERATING OUR VIEWS ON RENEWABLES

Renewables securities experienced a broad-based selloff in February. Some of this underperformance reflects a natural pullback after a strong rally in late 2020 and early 2021 and other technical factors. Much of the weakness, however, can be attributed to negative headlines calling the reliability of renewables into question amid recent power outages in Texas. We view these assertions as unfair and we reiterate our positive outlook for renewables, which remains unchanged despite the recent volatility.

The polar vortex across the U.S. southern states in mid-February led to record-cold temperatures in Texas—and a massive spike in energy demand and corresponding drop in supply that was too much for the existing electrical grid system to handle. In response, the state's electrical grid operator, Electric Reliability Council of Texas (ERCOT), implemented rolling blackouts. While some market watchers blamed the intermittency of renewables and frozen wind turbines for these blackouts and noted how little renewable energies helped during the extreme weather, we believe the reality is quite different.

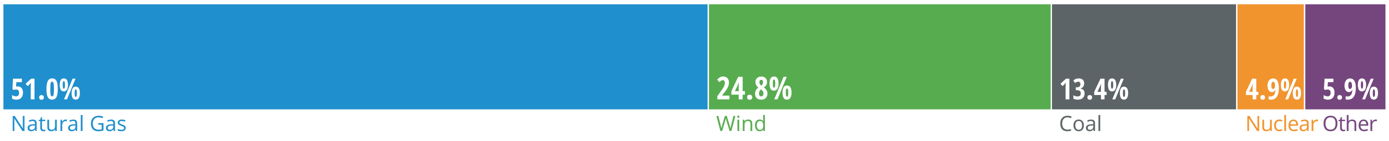
Traditional energy sources (i.e., nuclear, gas and coal) are responsible for the majority of power supply in Texas, as the chart below shows. This is particularly true in winter, a typically lower-wind season. These traditional energy sources were also offline due to frozen gas wells and pipelines, frozen coal piles, a nuclear unit outage, and power-plant operational problems sparked by the atypical and unexpected extremely cold weather.

To be sure, the blackouts in Texas raise questions about the reliability of the state's electrical grid, but their root cause was not renewables alone, in our opinion, and they do not change our outlook for the asset class. We believe that the transition to renewables as the world's favored energy supply is a multi-decade opportunity. Today, renewables are the world's most cost-competitive sources of energy, and we anticipate adoption to further accelerate. We believe growth prospects have been strengthened by recent events, including the U.S. rejoining the Paris agreement, and increasing awareness around climate change.

Within the asset class, we find attractive relative valuations among regulated utilities focusing on transmission & distribution assets. Massive investment will be needed to accommodate the transition to renewables, and we believe these companies have a critical role to play in the renewables buildout as owners and operators of the world's electrical grids.

TRADITIONAL ENERGY SOURCES ACCOUNT FOR THE MAJORITY OF POWER SUPPLY IN TEXAS

2021 Generating Capacity



As of January 2021. Source: The Electric Reliability Council of Texas (ERCOT). The chart reflects operational installed capacity based on the December 2020 Capacity, Demand and Reserves (CDR) report.

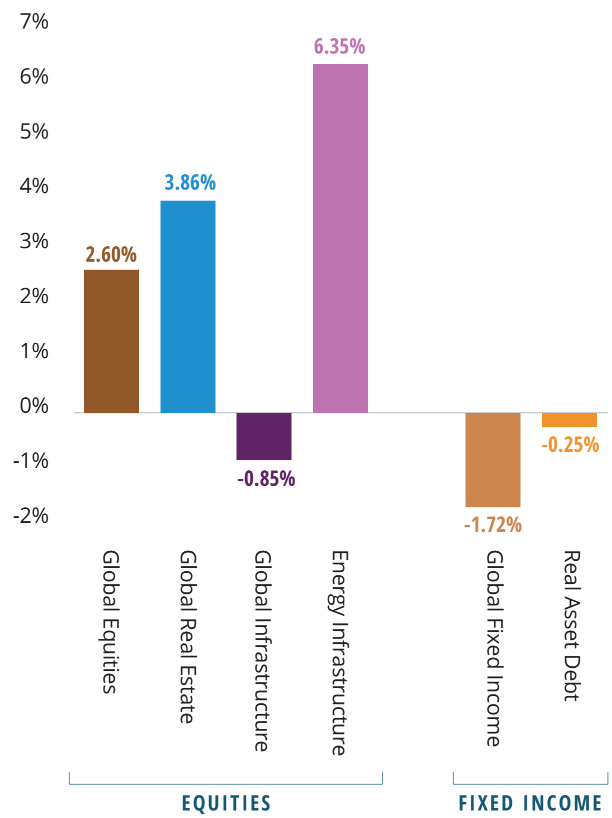
Real Assets Month in Review

REAL ASSETS

- Global equities rose in February on economic optimism, though gains lost some steam in the second half of the month as concerns about inflation sparked rising yields. The 10-year U.S. Treasury Yield rose to 1.40%, hitting one-year highs during the month.
- Vaccine developments, falling COVID-19 case counts, strong earnings and progress on fiscal stimulus fueled optimism about the economic growth outlook, sending equities higher. Yet stock market gains cooled mid-month on concerns that massive fiscal stimulus will lead to inflation. West Texas Intermediate Crude Oil finished the month at $61.50, up $9.30 from January.
- From a diversified real assets portfolio perspective, we continue to see a strong cash flow recovery among real asset sectors that have been in the crosshairs of economic shutdowns and social distancing. Energy infrastructure, transportation infrastructure and select real estate sectors are experiencing robust cash flow growth as economies reopen, and sustained demand ahead appears more likely amid the vaccine rollout. We hold overweight views of real asset equities in infrastructure, real estate and energy infrastructure. In contrast, we believe real estate preferreds and real asset debt offer relatively unattractive valuations.

PERFORMANCE AT A GLANCE

February Total Returns



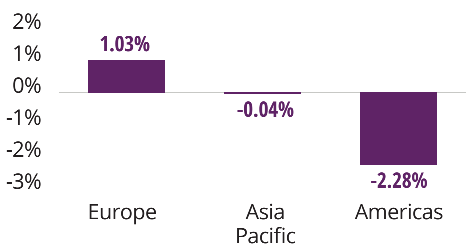
As of February 28, 2021. Sources: Bloomberg, Brookfield PSG, U.S. Department of Commerce. See Disclosures for full index representations and definitions. **Past performance is not indicative of future results.**

GLOBAL INFRASTRUCTURE

- Listed infrastructure fell slightly in February, underperforming broader equities. Communications and utilities drove the negative returns for the asset class. Communications sold off last month as interest rates rose, while certain utilities underperformed as a consequence of the unprecedented power outages in Texas.
- Transports posted strong gains in February and early March, as the COVID-19 vaccine rollout continued. The U.S. Food and Drug Administration granted emergency use authorization to Johnson & Johnson's single-dose vaccine on February 27.
- Macroeconomic and corporate fundamentals appear strong across the listed infrastructure universe, in our view. Utility fundamentals may be the strongest, given the industry's commitment to renewables, a theme we have been prominently investing in for years. A market rotation into value-oriented sectors may also be a tailwind for utilities performance. Traffic levels are improving across toll roads and airports, supporting transports, while the 5G rollout and growth in data use continues to be a boon for communications. The macroeconomic environment is supportive of energy infrastructure. We expect crude demand levels to further normalize as economic reopening gets underway, and the less interest-rate-sensitive nature of energy infrastructure cash flows may contribute to the sector's outperformance to the extent that interest rates rise.

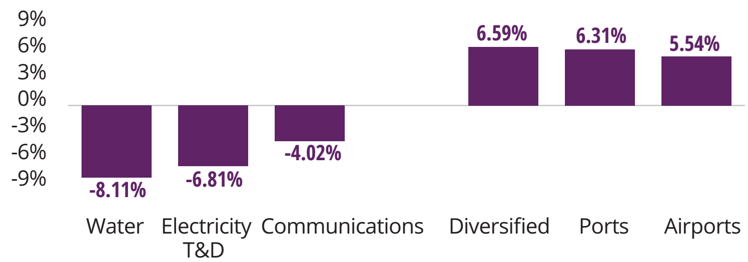
PERFORMANCE BY GEOGRAPHY

February Total Returns



PERFORMANCE BY SECTOR

Top Three Laggards **Top Three Leaders**



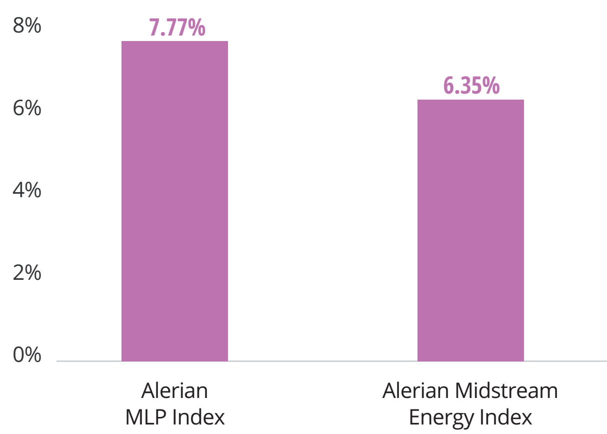
As of February 28, 2021. Source: Bloomberg. Referenced by the Dow Jones Brookfield Global Infrastructure Composite Index. Brookfield has no direct role in the day-to-day management of the Brookfield Infrastructure Composite. "T&D" stands for transmission and distribution. See disclosures for additional information. **Past performance is not indicative of future results.**

ENERGY INFRASTRUCTURE

- February continued the midstream asset class' strong start to the year. With falling COVID-19 cases and improving vaccine distribution rates, optimism abounded across the entire energy sector.
- Fourth-quarter 2020 earnings results ended up largely in line with analysts' expectations, and distributions and dividends were largely unchanged from last quarter. Most 2021 outlooks were consistent with previously issued guidance from third-quarter 2020 releases. The midstream companies' resilient cash flows were also evident in fourth-quarter and full-year 2020 results. We believe cash flow diversification across different parts of the value chain, including exposure to relatively stable natural gas and natural gas liquids volumes, helped provide decent cash flow stability in the face of larger volumetric declines in the crude oil and refined product markets.
- We hope the positive momentum associated with vaccine rollouts and steeply declining COVID-19 cases, particularly in the U.S., will help improve transportation fundamentals, and in turn increase oil demand.

MIDSTREAM PERFORMANCE

February Total Returns



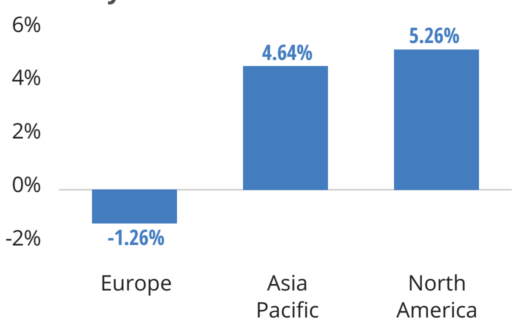
As of February 28, 2021. Source: Bloomberg. See disclosures for additional information. **Past performance is not indicative of future results.**

GLOBAL REAL ESTATE

- Global real estate equities outperformed broader markets in February, as optimism about reopenings amid vaccine rollouts globally drove a rotation into economically sensitive "value" assets. Global real estate securities underperformed broader equities by a wide margin in 2020.
- Within the asset class, the value rotation played out among property types as well, with sectors benefitting from the reopening trade outperforming and property types considered "flights to safety" over the past year largely underperforming. In the U.S., hotels were among those benefitting from economic optimism. Additionally, many hotel earnings reports were better than anticipated, driven by cost containment measures. Select health care companies with meaningful senior housing portfolios also outperformed amid earnings updates that provided more clarity around when occupancy trends might improve. Data centers and industrial underperformed, with negative returns for the month. Outside the U.S., Japanese hotel and office companies performed well; and in Hong Kong, developers outperformed. German residential, which was a very strong performer in 2020, continued its slow start to 2021.
- Despite the recent outperformance in many economically sensitive property types, we still see upside, as net asset values are likely to be marked higher when transaction volume picks up. We are also looking to add exposure to select company-specific growth opportunities, where we believe near-term underperformance has created good value.

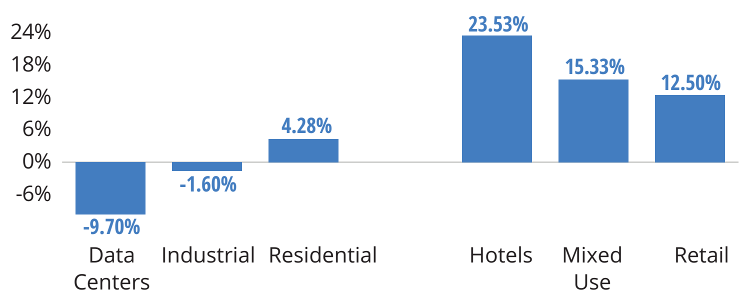
PERFORMANCE BY GEOGRAPHY

February Total Returns



PERFORMANCE BY U.S. PROPERTY TYPE

Top Three Laggards **Top Three Leaders**



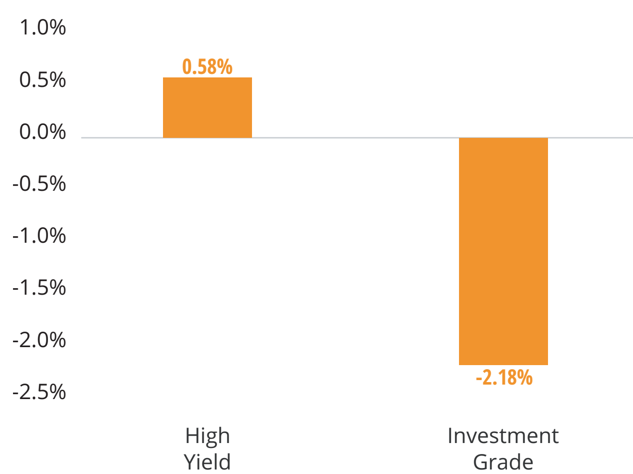
As of February 28, 2021. Source: Bloomberg. Referenced by the FTSE EPRA Nareit Developed Index. See disclosures for additional information. **Past performance is not indicative of future results.**

REAL ASSET DEBT

- The sharp rise in interest rates in February weighed on investment-grade debt most significantly, with the ICE BofAML U.S. Corporate Index down -1.96%, underperforming the broad fixed income market. Real asset investment-grade debt underperformed broader investment grade during the month. We continue to see potentially higher rates on the back of fiscal stimulus spending and subsequent rising inflation expectations as a headwind and source of volatility for fixed income.
- High yield outperformed the broader fixed income market, with the ICE BofAML USD High Yield Index up 0.35% in February. CCC-rated debt drove the outperformance, as optimism about reopening helped dispel some previous concerns about credit issues. Real asset sectors of the index rose 0.58%, with the outperformance driven by energy-related subsectors (energy exploration & production and energy infrastructure) that have an improving outlook.
- We view the "sweet spot" over the medium term to be in BB-rated credit, which historically has exhibited lower duration risk than investment-grade credit and higher risk-adjusted returns than lower credit quality.

REAL ASSET DEBT PERFORMANCE

February Total Returns



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IMPORTANT DISCLOSURES

For the February total-returns data, global equities are represented by the MSCI World Index, global real estate by the FTSE EPRA Nareit Developed Index, global listed infrastructure by the FTSE Global Core Infrastructure 50/50 Index, energy infrastructure by the Alerian Midstream Energy Index, global fixed income by the Bloomberg Barclays Global Aggregate Bond Index, and real asset debt by the ICE BofA USD Real Asset High Yield & Corporate Custom Index. Real asset high yield is represented by the ICE BofA Real Asset USD High Yield Custom Index, and real asset investment grade is represented by the ICE BofA Real Asset USD Corporate Custom Index.

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INDEX DEFINITIONS

The Alerian MLP Index is the leading gauge of energy infrastructure master limited partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The Alerian Midstream Energy Index is a broad-based, capped, float-adjusted, capitalization-weighted index of North American energy infrastructure companies.

The Bloomberg Barclays Global Aggregate Index tracks the performance of investment-grade public debt issued in the major domestic and eurobond markets, including global bonds.

The Dow Jones Brookfield Global Infrastructure Composite Index is calculated and maintained by S&P Dow Jones Indexes and comprises infrastructure companies with at least 70% of their annual cash flows derived from owning and operating infrastructure assets, including MLPs. Data presented in this report reflect performance and characteristics of the index and not those of a Brookfield fund or composite. Brookfield is not involved in the management of the Dow Jones Brookfield Global Infrastructure Composite Index.

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 FTSE EPRA Nareit Developed 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 ICE BofA Real Assets USD Corporate and High Yield Custom Index is a custom index blend of sectors of ICE BofA U.S. High Yield Index (70%) and ICE BofA U.S. Corporate Index (30%) that correspond to equity sectors in Brookfield's real asset universe. Such real-asset-related sectors include Cable, Infrastructure Services, Oil and Gas T&D, Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, RE Ownership & Development and REITs. 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. ICE BofA U.S. Corporate Index tracks the performance of U.S.-dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA Real Asset USD Corporate Custom Index tracks the performance of U.S.-dollar-denominated real asset investment-grade corporate debt.

The ICE BofA Real Asset USD High Yield Custom Index is a custom index that tracks the performance of sectors of ICE BofA US High Yield Index that correspond to equity sectors in Brookfield's real asset universe. Such real-asset-related sectors include Cable, Infrastructure Services, Oil and Gas T&D, Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, RE Ownership & Development and REITs. ICE BofA Global High Yield Index tracks the performance of below-investment-grade corporate debt publicly issued in major domestic or eurobond markets.

The ICE BofAML U.S. Corporate Index tracks the performance of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofAML 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 MSCI World Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets.

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