Brookfield

Real Assets Monthly

PUBLIC SECURITIES GROUP

NOVEMBER 2024

Key Takeaways

- The U.S. election outcome has created uncertainties for investors. We share our observations related to listed real assets, including where we see attractive investment opportunities.
- Positioning in our diversified real asset portfolios reflects a preference for real asset equities over real asset debt. Within our equity exposure, we favor more defensive assets.
- We believe the near-term outlook for infrastructure equities remains compelling, and we see attractive idiosyncratic opportunities in infrastructure high yield.

Insights

After the U.S. Election: Implications for Listed Real Asset Investing

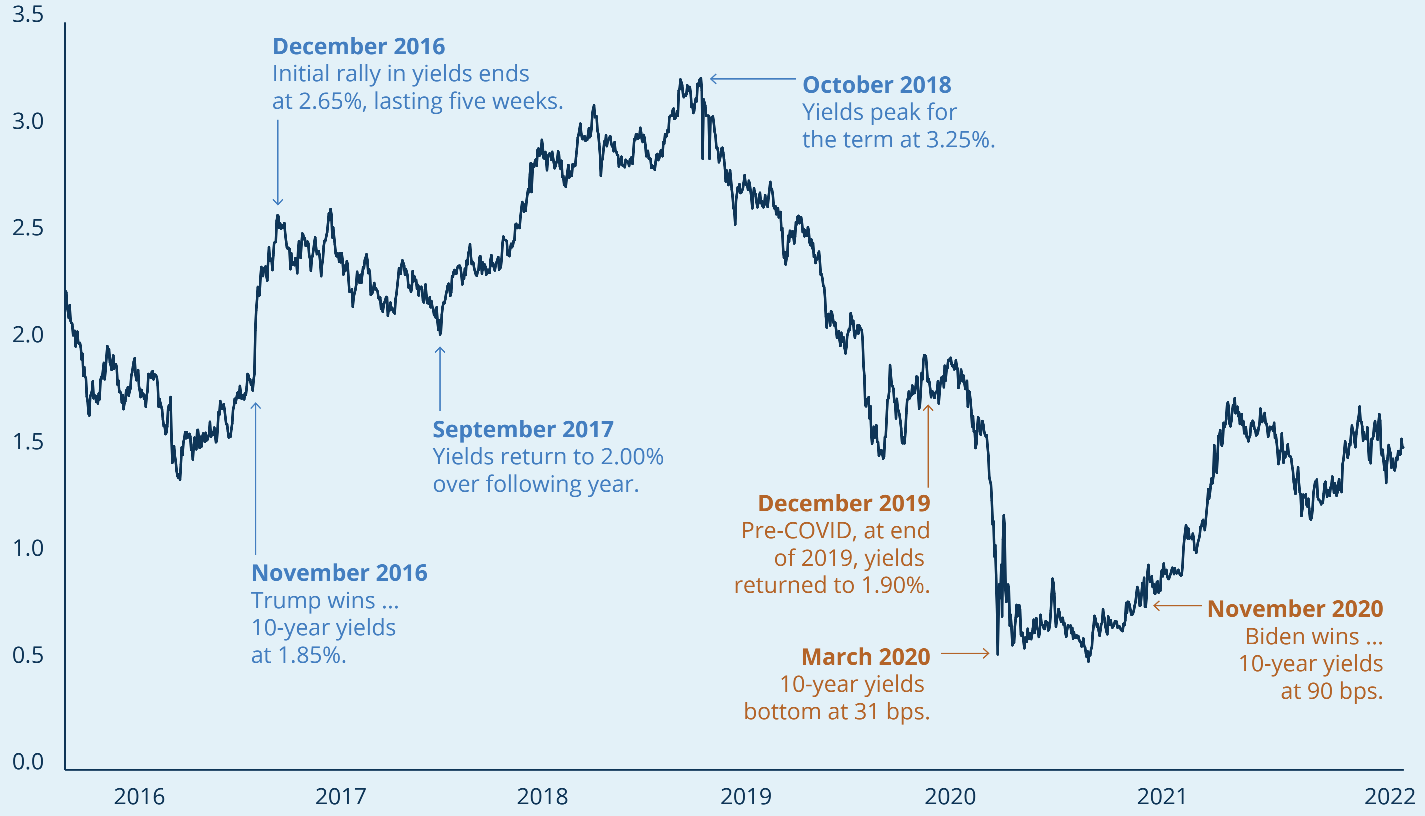
U.S. presidential election uncertainty ended earlier this month when Donald Trump secured a comeback term with strong popular support. While the outcome of the U.S. election answered the key question of who will be in power, it also created uncertainties about the implications of a second Trump presidency and a Republican Congress for investors. Here are our observations related to listed real asset investing, including where we see attractive investment opportunities over the next four years and beyond.

The macro environment remains supportive of listed real assets. Rate-sensitive sectors, such as utilities and communications, came under pressure in the immediate aftermath of the U.S. election, as markets anticipated higher-for-longer rates and 10-Year U.S. Treasury yields moved swiftly higher. However, Treasuries recovered within days as the U.S. Federal Reserve again cut rates and Fed Chair Jerome Powell said the interest rate outlook remains unchanged. We've seen a similar playbook before. Yields rose leading up to and following the 2016 election as investors anticipated higher rates and inflation; then, a good portion of that selloff retraced in the subsequent quarters. It is important to understand the nature of the current selloff in yields. Since the recent low in mid-September, two-thirds of the rise in 10-year yields has been in real rates, not inflation expectations. We are simply witnessing a re-rating of growth. Indeed, the U.S. election has not changed the supportive macro backdrop of inflation easing in most regions, central banks globally lowering rates, and liquidity returning to the markets.

Energy infrastructure (or midstream) should benefit, while outsized concerns around the climate transition appear misplaced. The midstream sector is likely to benefit from President-elect Trump's campaign pledges to boost U.S. energy production via deregulation and permitting reforms for energy infrastructure. We also believe it will be a beneficiary of the incoming administration's support for the artificial intelligence (AI) industry. To power AI, data centers require reliable sources of energy. This should drive natural gas demand growth, and, in turn, energy infrastructure growth across the entire North American natural gas value chain.

Yields Were Flat or Down During Trump 1.0

10-Year Treasury Yield



Data reflect period January 2016 through December 2021.
Source: Bloomberg, Strategas, Brookfield Public Securities Group.

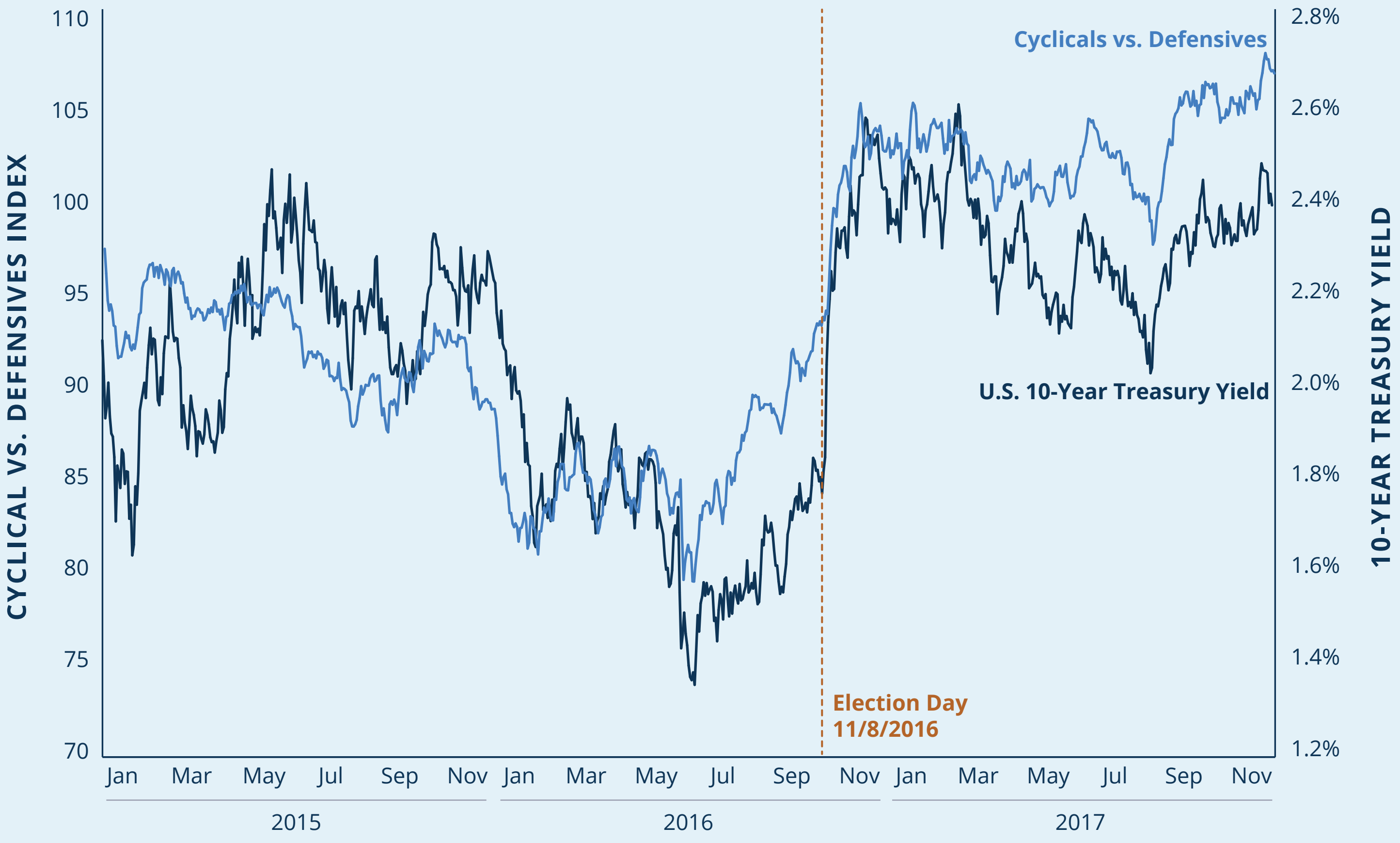
In contrast, we believe the selloff in climate transition equities following the U.S. election was overdone, with sentiment toward the sector swinging too negative. Recent U.S. legislation introduced key policies to encourage clean power and decarbonization efforts. While some of these policies might be modified on the margin, we believe widespread overhauls that will impact the pace of decarbonization are unlikely. These programs enjoy bipartisan support, given that thousands of new jobs have been created in U.S. states spanning the political spectrum, at companies that are driving investments to combat physical and transition risk.

A bolstered deglobalization trend is likely to benefit sectors throughout the economy. A Trump administration is likely to accelerate the onshoring of production facilities in the U.S. Within real estate, this could create opportunities among multiple property types. We believe industrial landlords stand to benefit the most, but additional opportunities exist, as new facilities for everything from research and development to logistics are developed to meet new demand.

We believe active management is key, as the political landscape evolves. An active approach enables our investment teams to manage risk and seek opportunities to potentially preserve capital and produce alpha. For example, ahead of the U.S. election, we performed detailed risk analyses of our portfolios, examining their potential performance following the 2016 election and in various 2024 election result scenarios. This helped us to avoid or pare back our listed climate transition strategy's exposure to names, such as those in the residential solar and offshore wind sectors, that we believed might be especially volatile post-election due to sentiment-driven risk. We also added exposure in our global infrastructure equities strategy to sectors, such as rails, that could benefit. At the same time, our active approach also allows us to potentially capture attractive buying opportunities that may emerge in the weeks, months and years following the election.

Trump 1.0: Cyclicals Rallied Until Inauguration and Then Reversed Course Until Late 2017

Cyclicals vs. Defensives and 10-year Treasury Yield



Data reflect period January 2015 through December 2017.
Source: Bloomberg, Strategas, Brookfield Public Securities Group. Cyclicals vs. Defensives are represented by the Goldman Sachs U.S. cyclical vs. defensives basket of equities.

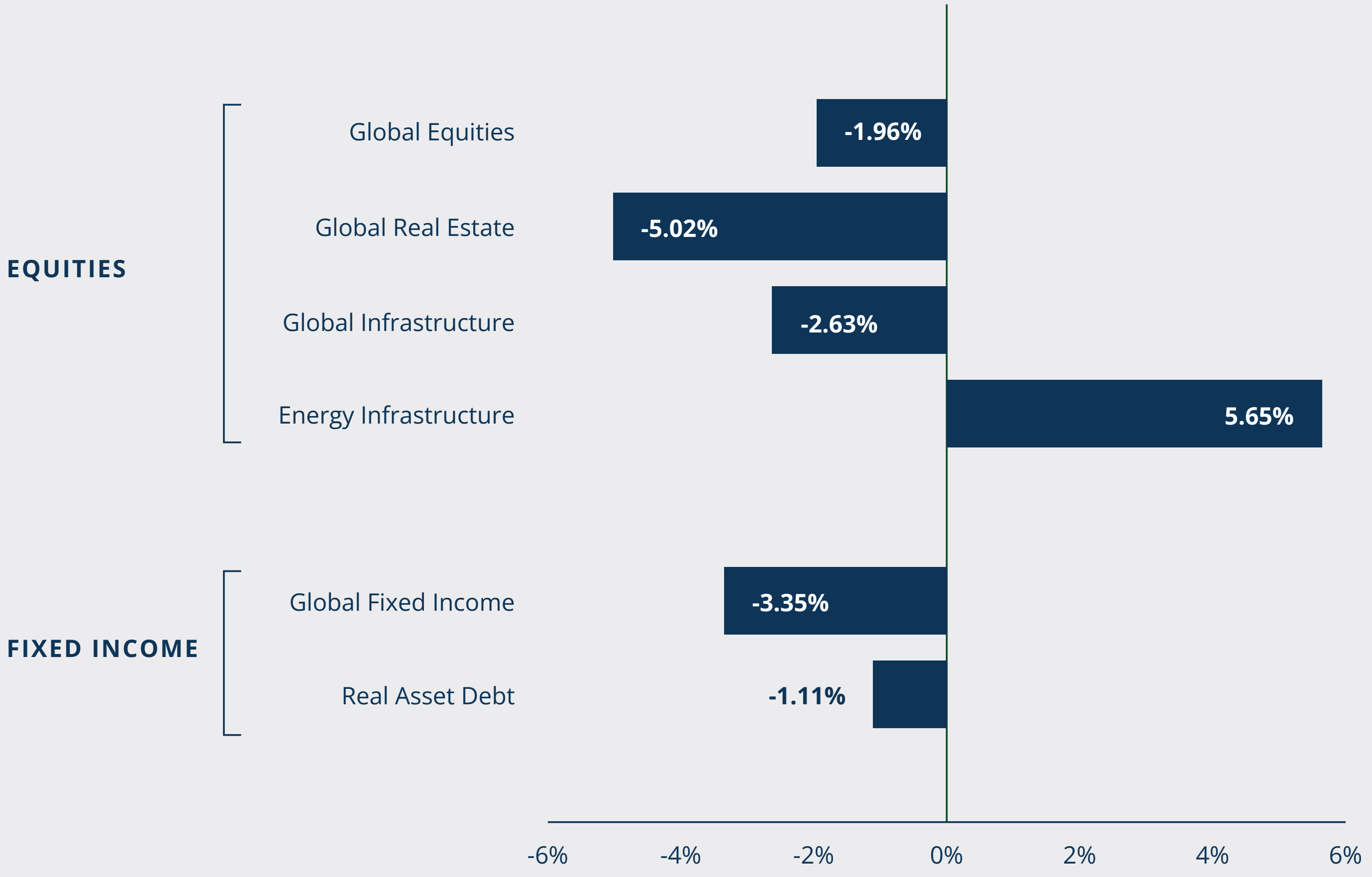
Real Assets Month in Review

Real Assets

- Global equities finished October lower amid disappointing earnings results, mixed economic data and U.S. election uncertainty. The losses came late in the month, after stocks spent much of October in positive territory. The MSCI World Index fell 1.96%, with North America, Asia Pacific and Europe down 0.80%, 4.71% and 5.87%, respectively. The S&P 500 Index declined 0.91%, ending its five-month winning streak.
- The 10-year U.S. Treasury yield rose to 4.28% from 3.78% at the end of September, with bond prices falling as markets dialed back expectations for the pace of U.S. Federal Reserve rate cuts. West Texas Intermediate Crude Oil finished the month at $69.26, up from $68.17 at the end of September, while the Bloomberg Commodity Index fell 1.85%.
- After aggressively cutting rates by 50 basis points in September, the U.S. Federal Reserve cut rates by a quarter point in November. The central bank is seeking to achieve a soft economic landing amid steadily declining inflation and modestly higher U.S. unemployment. Lower interest rates signal both risks and opportunities in our investment universe. The impact of higher rates on economic growth has been relatively muted to date, but we think it could accelerate in coming quarters, given the lagged effect of monetary policy. At the same time, we believe more defensive, rate-sensitive assets stand to benefit from improved fundamentals and more favorable investor sentiment.
- Positioning in our diversified real asset portfolios reflects a preference for real asset equities over real asset debt. Within our equity exposure we maintain a preference for more defensive assets, namely utilities and core infrastructure. Real estate fundamentals are beginning to improve, but on a relative basis, we currently see more opportunity across the infrastructure sector. In our debt portfolio, we currently prefer investment-grade real asset debt over high-yield issuers.

Performance at a Glance

October Total Returns



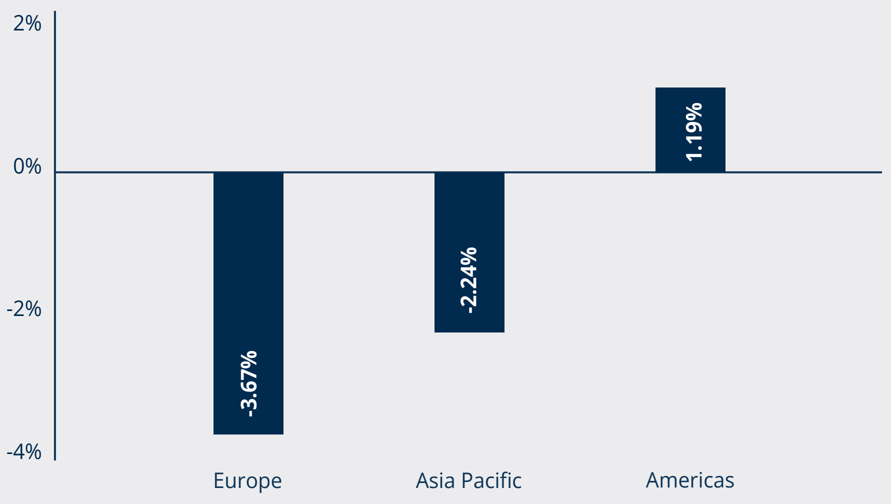
As of October 31, 2024. Source: Bloomberg, Brookfield PSG, U.S. Department of Commerce. See disclosures for full index representations and definitions. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future results.**

Global Infrastructure

- Global infrastructure equities fell in October, with the FTSE Global Core Infrastructure 50/50 Index down 2.63%, underperforming the broader market amid rising interest rates.
- Among infrastructure sectors, energy infrastructure equities outperformed, with the Alerian Midstream Energy Index up 5.65% and oil and gas storage & transportation up 4.67%. Utilities lagged, as the 10-year U.S. Treasury yield rose over the course of the month.
- We believe the near-term outlook for infrastructure equities remains compelling. Strong demand for new power is shaping tailwinds across the energy midstream, utilities and renewable power sectors. Additionally, the communications and transports sectors should continue to benefit from digitalization and deglobalization trends, respectively.

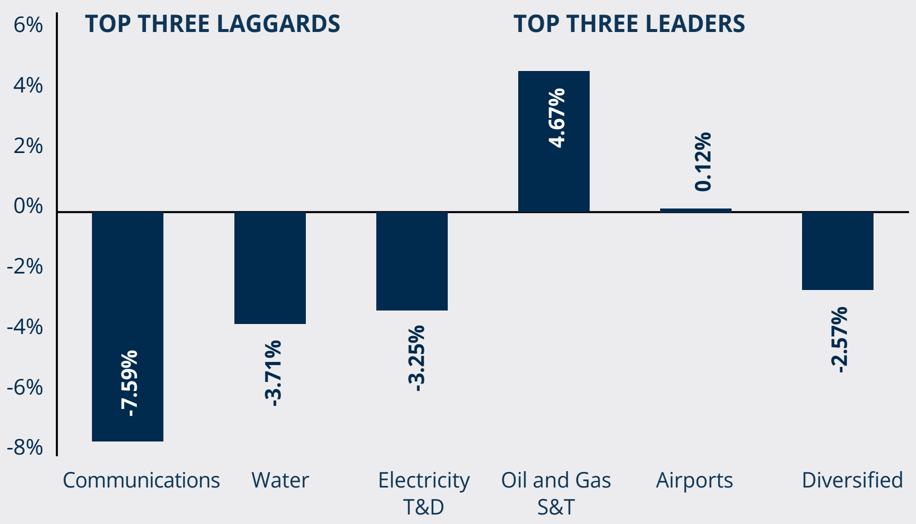
Performance by Geography

October Total Returns



Performance by Sector

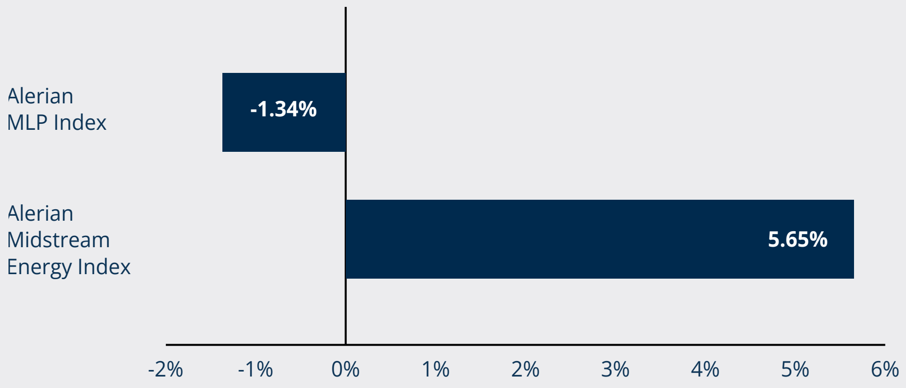
October Total Returns



As of October 31, 2024. Source: Bloomberg. Referenced by the respective subsets of the Dow Jones Brookfield Global Infrastructure Index. Brookfield has no direct role in the day-to-day management of the Brookfield Infrastructure Index. "S&T" stands for storage and transportation. "T&D" stands for transmission and distribution. See disclosures for additional information. **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.**

Midstream Performance

October Total Returns



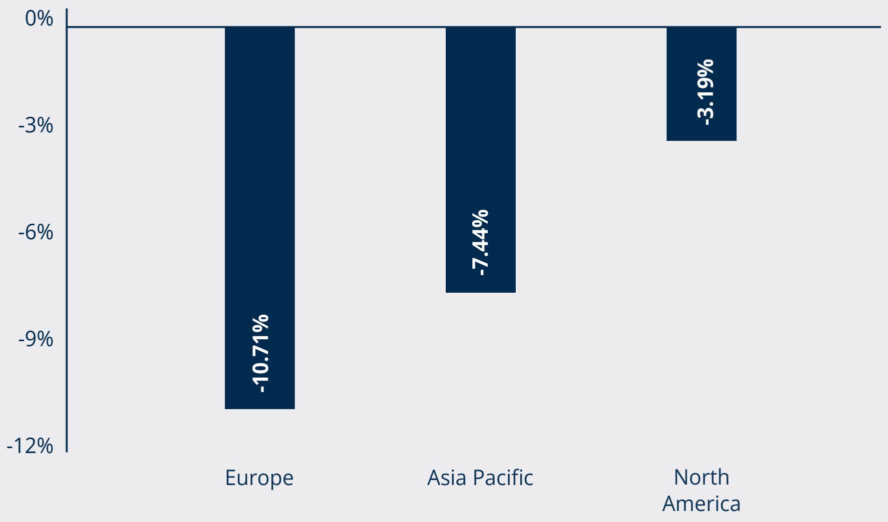
As October 31, 2024. Source: Bloomberg. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future results.**

Global Real Estate

- Global real estate securities declined in October, as a rising 10-year U.S. Treasury yield weighed on the interest-rate-sensitive asset class. The FTSE EPRA Nareit Developed Index fell 5.02%, underperforming broader equities.
- Among U.S. property types, industrial and self-storage posted the largest losses, while data centers outperformed.
- Recent data show that commercial real estate values are beginning to trend higher, suggesting that uncertainty around the asset class is beginning to abate. We believe transaction activity is likely to accelerate in the coming quarters, which presents an opportunity for REIT management teams to execute on growth strategies. We see valuation dispersions across property types and regions creating opportunities to create value via buying and selling.

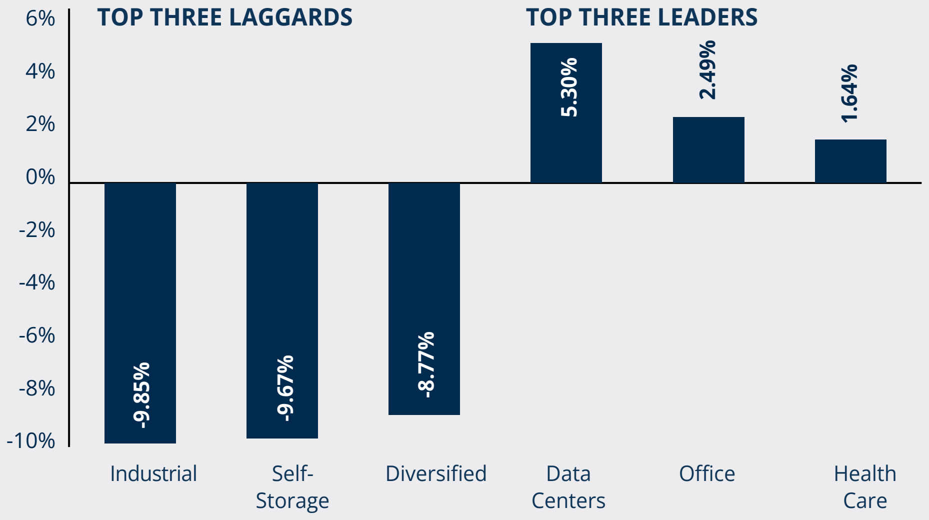
Performance by Geography

October Total Returns



Performance by U.S. Property Type

October Total Returns



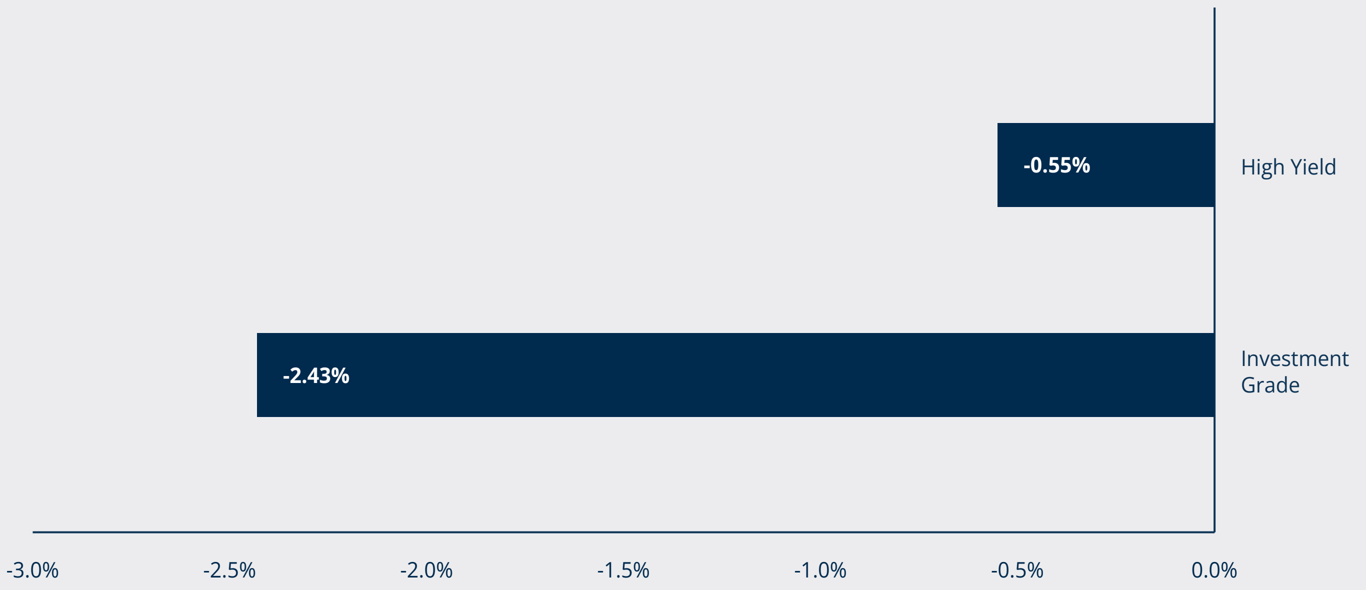
As of October 31, 2024. Source: Bloomberg. Referenced by the U.S. property types measured by the FTSE EPRA Nareit U.S. Real Estate Index. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future results.**

Real Asset Debt

- Fixed-income markets were negative in October, as U.S. Treasury rates rose significantly, and the yield curve steepened. Broad investment grade fell 2.25%, as measured by the ICE BofA U.S. Corporate Index, driven by longer duration. Broad high yield declined 0.55%, as measured by the ICE BofA U.S. High Yield Index, as spreads continued to tighten. Real asset investment grade underperformed its broader market counterpart due to its longer duration, and real asset high yield was in line with broad sectors.
- We anticipate elevated volatility within credit markets broadly in the coming quarters as investors and the Fed digest economic and regulatory policy changes from a Republican-led Washington, D.C. The leveraged finance market (including high yield, leveraged loans and private credit) may be particularly volatile in lower-rated segments where borrowing costs are likely to remain high for creditors despite recent rate cuts. We believe speculative-grade default rates may remain near historical averages (including distressed exchanges). This could enable compelling entry points for investors seeking attractive yields backed by essential assets such as infrastructure.
- Broad-high-yield spreads have tightened to post-GFC lows, led by CCC-rated bonds. Real asset sectors of high yield, particularly within the BB-rated segment, are relatively attractive, in our view, after adjusting for projected credit losses. We are finding that current valuations within infrastructure high yield are among the most attractive within high yield, especially among certain hybrid securities. Infrastructure high yield offers significantly more potential yield relative to broad high yield, and we believe there are attractive idiosyncratic opportunities for sector specialists.

Real Asset Debt Performance

October Total Returns



As of October 31, 2024. Source: Bloomberg. Real Asset High Yield represented by the ICE BofA Real Asset USD High Yield Custom Index, and real asset Investment Grade represented by the ICE BofA Real Asset USD Investment Grade Custom Index. See disclosures for additional information. **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.**

Disclosures and Definitions

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. Real assets include real estate securities, infrastructure securities and natural resources securities.

Investments in real estate-related instruments may be affected by economic, legal or environmental factors that affect property values, rents or occupancies of real estate.

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.

The market value of natural resources securities may be affected by numerous factors, including events occurring in nature, inflationary pressures and international politics.

Diversification does not guarantee a profit or protect against loss.

For the October 2024 total-returns data, global equities are represented by the MSCI World Index, global real estate by the FTSE EPRA Nareit Developed Index, global infrastructure by the FTSE Global Core Infrastructure 50/50 Index, energy infrastructure by the Alerian Midstream Energy Index, global fixed income by the Bloomberg Global Aggregate 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 Investment Grade Custom Index.

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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Index Definitions

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

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 Bloomberg Commodity Index is a broadly diversified index that tracks the commodities markets through commodity futures contracts.

The Bloomberg 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 master limited partnerships, or 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.

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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 FTSE EPRA Nareit U.S. Real Estate Index series tracks the performance of listed real estate companies and REITs in the United States.

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 semiannual 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 Real Asset USD Corporate and High Yield Custom Index is a custom index blend of sectors of the ICE BofA U.S. High Yield Index (70%) and the 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 Transmission & Distribution (T&D), Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs. 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 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 High Yield Custom Index is a custom index that tracks the performance of sectors of the ICE BofA U.S. 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 Transmission & Distribution (T&D), Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs.

The ICE BofA Real Asset USD Investment Grade Custom Index is a custom index that tracks the performance of sectors of the ICE BofA U.S. Corporate Index that correspond to equity sectors in Brookfield's real asset universe. Such real asset-related sectors include Cable, Infrastructure Services, Oil and Gas Transmission & Distribution (T&D), Telecommunications, Transportation, Utilities, Agriculture, Timber, Basic Materials, Energy Exploration & Production, Metals & Mining, Real Estate, Real Estate Ownership & Development and REITs.

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.

The S&P 500 Index is an equity index of 500 widely held large-capitalization U.S. companies.

The 10-year U.S. Treasury Note is a debt obligation issued by the United States government that matures in 10 years and pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

West Texas Intermediate crude oil is a crude oil stream produced in Texas and southern Oklahoma that serves as a reference, or "marker," for pricing a number of other crude streams, and it is traded in the domestic spot market at Cushing, Oklahoma.

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