
The Alts Institute

Demystifying Alternatives and Private Markets

Brookfield | OAKTREE
WEALTH SOLUTIONS



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Alternatives Demystified:
From Railroads to Real Estate and Beyond

Alternative Investment:

A financial asset falling outside of traditional investments—stocks, bonds or cash.

‘Alternatives’ Means Different Things to Different People

When thinking about alternatives, investors often consider asset class, strategy and type of vehicle interchangeably

	Definition	Examples
Asset classes	Investments beyond conventional stocks, bonds and cash.	<ul style="list-style-type: none">• Various asset classes in both public and private markets: private credit, commodities, hedge funds, private equity/venture capital, real estate, infrastructure.
Investment strategies	Specific approaches/methods investors use to gain exposure to alternative assets.	<ul style="list-style-type: none">• Hedge funds: long/short equity, macro, event-driven, market-neutral, arbitrage.• Real estate/infrastructure: core, core-plus, value-add, opportunistic, debt, secondaries.• Private equity, from venture capital to buyouts and distressed investments.
Investment vehicles	Structures/entities/feeders that pool investor capital to invest in alternatives.	<ul style="list-style-type: none">• Limited partnerships (LPs), limited liability companies (LLCs), mutual funds, closed-end funds, BDCs, REITs, etc.• Funds investing in specific alternatives or employing a particular approach.

Source: Brookfield Asset Management. For illustrative purposes only.

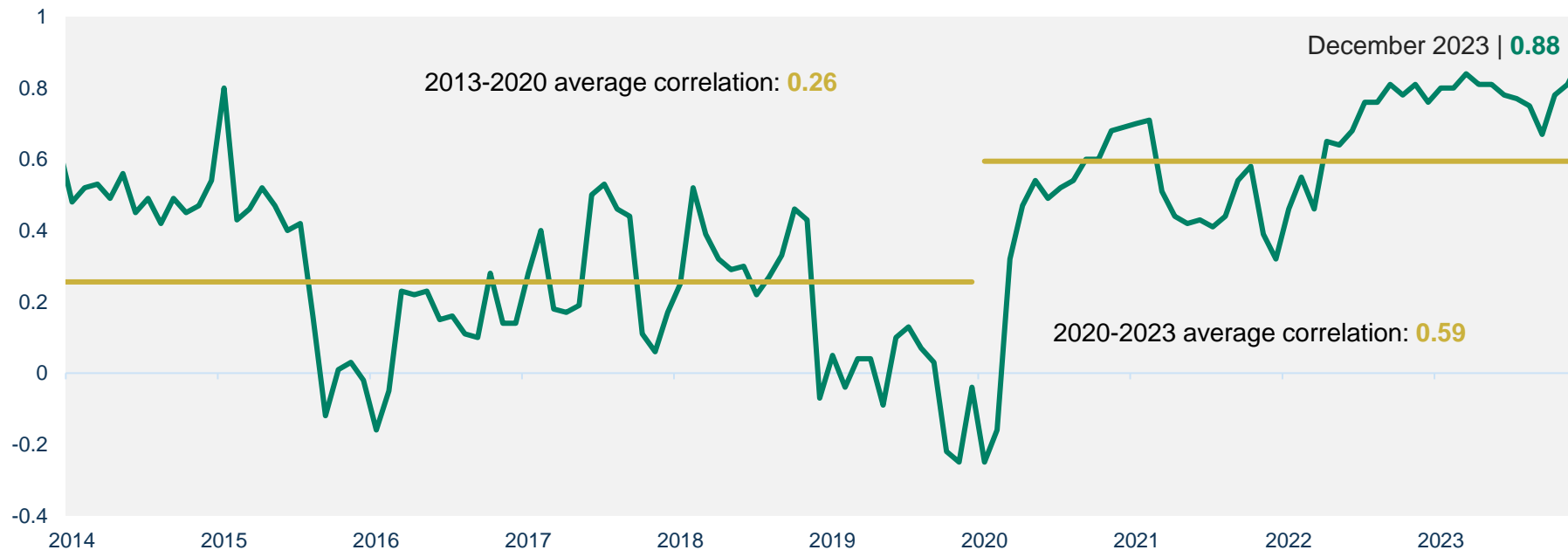
Why the Hype?

Individual Investors Want Diversification

Investors Are Looking for Solutions to Diversify Their Portfolio

Correlations Between Global Stocks and Bonds Have Risen Sharply in Past Decade

Rolling 12-month global stock/bond correlations (January 1, 2013 through December 31, 2023)



In 2023, equity and bond correlations hit a 10-year peak of **0.88** ...

... while for 2013-2020 that correlation was **0.26**

Past performance does not guarantee future results. Past performance shown for illustrative purposes only and does not predict or depict the future performance of any investment. Indexes are unmanaged and cannot be purchased directly by investors. Global Equities represented by MSCI World Index, Global Bonds by Bloomberg Global Aggregate Index. Source: Source: Morningstar, Brookfield. As of December 31, 2023

Private Market Exposure Offers Diversification Away From Stocks and Bonds

Correlation Analysis

	Global Equities	Global Bonds	Listed Real Estate	Listed Infrastructure	Private Equity	Private Credit	Real Estate	Private Infrastructure
Global Equities	1							
Global Bonds	0.35	1						
Listed Real Estate	0.88	0.41	1					
Listed Infrastructure	0.86	0.41	0.89	1				
Private Equity	0.78	0.13	0.70	0.69	1			
Private Credit	0.70	-0.02	0.66	0.69	0.79	1		
Private Real Estate	0.38	-0.15	0.37	0.40	0.70	0.60	1	
Private Infrastructure	0.04	-0.09	0.08	0.11	0.26	0.12	0.39	1

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For the period January 1, 2008 through September 30, 2023. Global Equities represented by MSCI World Index, Global Bonds by Bloomberg Global Aggregate Bond Index, Listed Real Estate by FTSE EPRA Nareit Developed Index, and Listed Infrastructure by the FTSE Global Core Infrastructure 50/50 Index after December 31, 2014; data from July 30, 2008 through December 31, 2014 represented by the Dow Jones Global Infrastructure Index. Private Equity represented by the Preqin Private Equity Index, Private Credit by the Cliffwater Direct Lending Index, Private Infrastructure by the Preqin Infrastructure Index, and Private Real Estate by the Preqin Real Estate Index. Source: Bloomberg; Preqin; data as of September 30, 2023.

From Skyscrapers to Solar

Real Assets: Investments typically tied to, or deriving value from, physical/tangible assets.

Real Estate: A Diverse and Evolving Investment Opportunity



Strategies

Core

- Income-focused
- Stable cash flows

Core Plus

- Growth potential and steady income
- Ability to increase cash flow via capital improvements

Value-Add

- Growth potential
- Leverages operational expertise to maximize cash flow

Opportunistic

- Strives to solve complex operational challenges to increase returns

Sectors



Housing

- Apartments
- Student housing
- Manufactured housing
- Senior living
- Single-family rental homes



Mixed-use, retail, entertainment



Logistics



Science and Innovation



Office



Alternatives

- Triple net lease (NNN)
- Self-storage
- Data centers



Hospitality

Source: Brookfield Asset Management. For illustrative purposes only.

Private Real Estate: Historically, Beaten Bonds for Income; Comparable Returns to Stocks

20 Year Annualized Return through December 31, 2023



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Source: Bloomberg, National Council of Real Estate Investment Fiduciaries; data as of December 31, 2023.

Demographics, Changing Preferences and Deglobalization Are Reshaping Real Estate



Demographics and Affordability

Housing shortages
High cost of owning



Changing Preferences

Experience and leisure
Flexibility
Working, shopping habits
E-commerce



Deglobalization

Supply chains
Onshoring/reshoring

Real Estate Sector Opportunities

Housing
Science & innovation

Hospitality
Entertainment
Logistics/fulfillment
Self-storage

Science & innovation
Logistics/fulfillment

Source: Brookfield Asset Management. For illustrative purposes only.

What Is Infrastructure?

The backbone of the global economy—moving people, goods, commodities and data



Transport

- Rail and mass transit
- Ports and terminals
- Toll roads
- Airports



Renewable Power and Transition

- Wind, solar and hydro
- Distributed generation



Utilities

- Transmission and distribution



Midstream Energy

- Pipelines
- Processing
- Storage



Data

- Telecom towers
- Data centers
- Fiber networks

Source: Brookfield Asset Management. For illustrative purposes only.

What Makes Infrastructure an Attractive Investment?

The characteristics of these assets have proved to be resilient in various market conditions



Characteristic

Provide essential services

Often have contracted or regulated revenues

Revenues are often linked to inflation

Potential Benefit

Investments may increase or hold their value across market cycles

Investments may provide stable and predictable cash flows

Investments may have ability to maintain/increase operating margins

Source: Brookfield Asset Management. For illustrative purposes only. There is no assurance that similar investments will occur in the future.

Private Infrastructure Has Historically Mitigated Downside Risk

Average quarterly returns during 10 worst quarters for equity markets



Private infrastructure had stronger returns than equities/bonds during worst stock market downturns

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Private Credit:

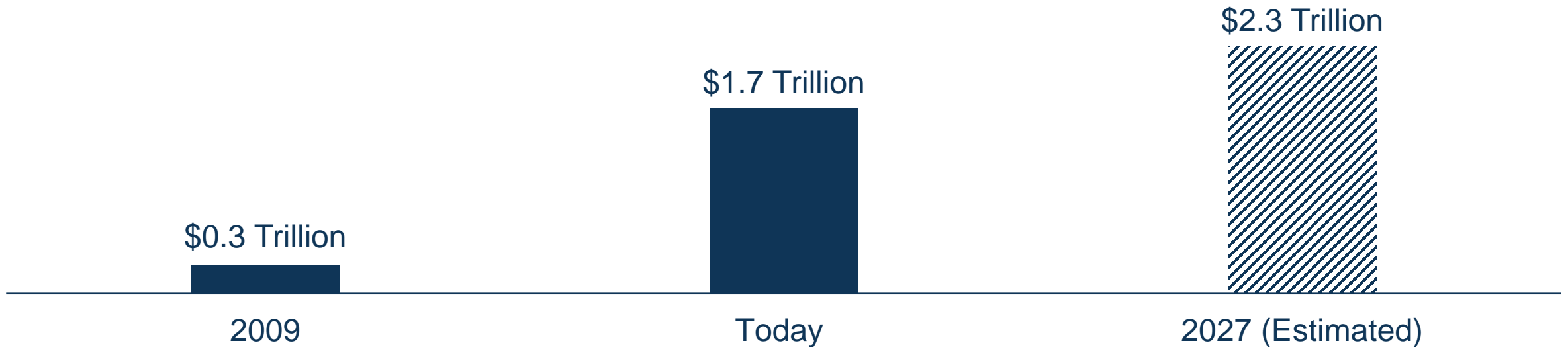
Attractive Income Potential From Private Lending

Private Credit:

Privately negotiated loans between
a borrower and a non-bank lender.

Private Credit Is Growing Rapidly, Taking Up Slack From Traditional Banks

- Banks are lending less
- Record private equity dry powder increases demand for financing
- Private credit has become a reliable source of capital

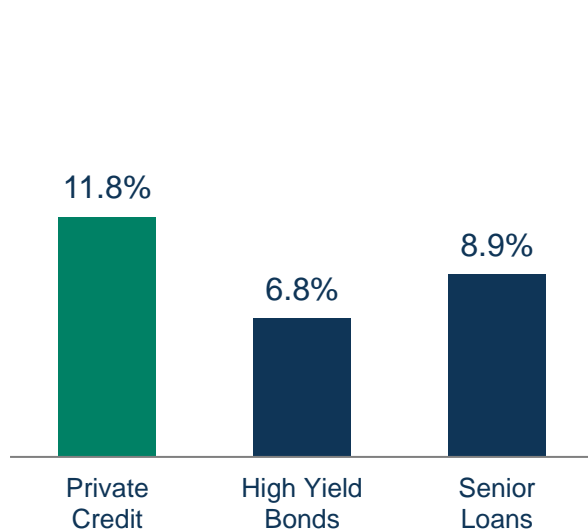


There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here. Amounts shown include global assets under management for direct lending, distressed debt, and other private credit.

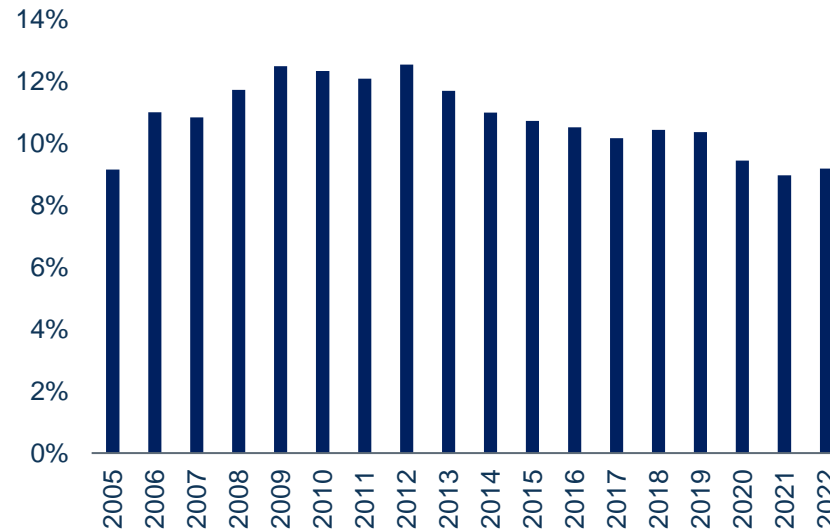
Source: The Future of Alternatives in 2027, Preqin; Data as of September 2023.

Private Credit Presents a Potential Solution for Income-Seeking Investors

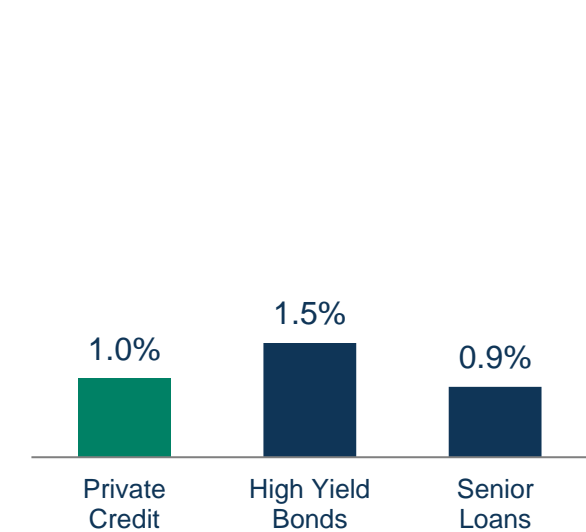
Higher Yield Potential Current Yield



Historically Stable Income¹ Annual Income



Potential for Lower Losses² Net Realized/Average Losses



Past performance does not guarantee future results. For illustrative purposes only. An investor cannot invest in an index. As of September 30, 2023. Current yield is a measure of the rate of return on an investment, expressed as a percentage. Return represents average annual return from 2005 to 3Q2023. Private Credit represented by Cliffwater Direct Lending Index (“CDLI”). High Yield Bonds are represented by the Bloomberg High Yield Bond Index. High Yield Bonds yield and losses are represented by the average new-issue yield from Bloomberg and all bonds tracked by the J.P. Morgan Default Monitor, respectively. Senior Loans are represented by the Morningstar LSTA US Leveraged Loan 100 Index. Senior Loans losses are represented by leveraged loans tracked by the J.P. Morgan Default Monitor.

1. CDLI Income Return (trailing four quarters ending September 2023).

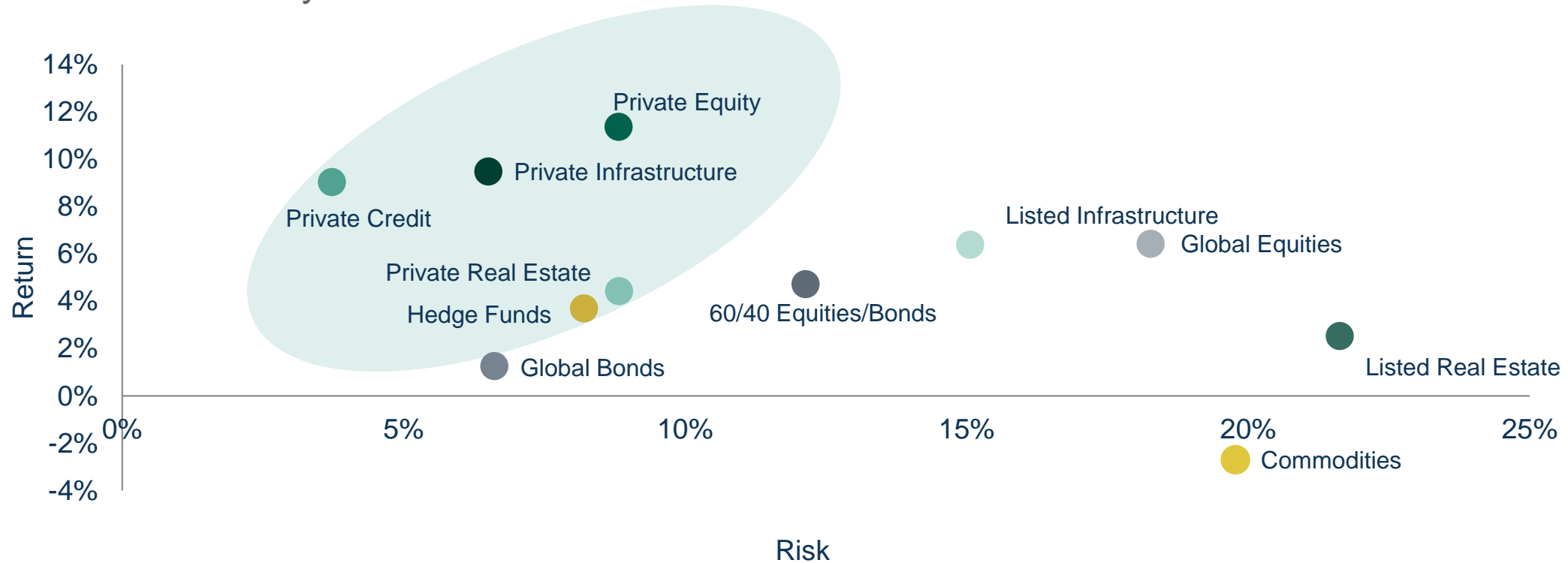
2. Private Credit represents net realized losses from 2005 to 3Q2023. High Yield Bonds and Senior Loans average losses from 2005 to 3Q2023 are calculated by taking the default rate x (1-recovery rate). Source: Cliffwater, Morningstar, Bloomberg, J.P. Morgan.

Outcomes:

How Alternatives Can Help Improve Portfolios

Private Market Exposure Has Historically Improved Portfolios

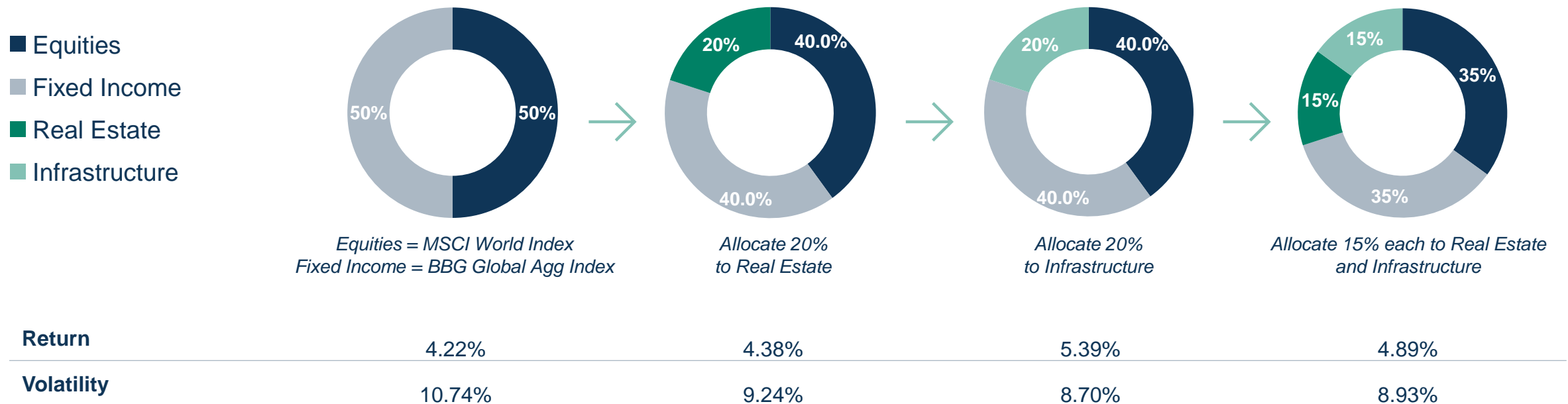
Risk-return analysis



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Real Assets Have Improved Investment Outcomes

Adding real estate and infrastructure to a portfolio split evenly between global bonds and equities would have improved outcomes for more than a decade

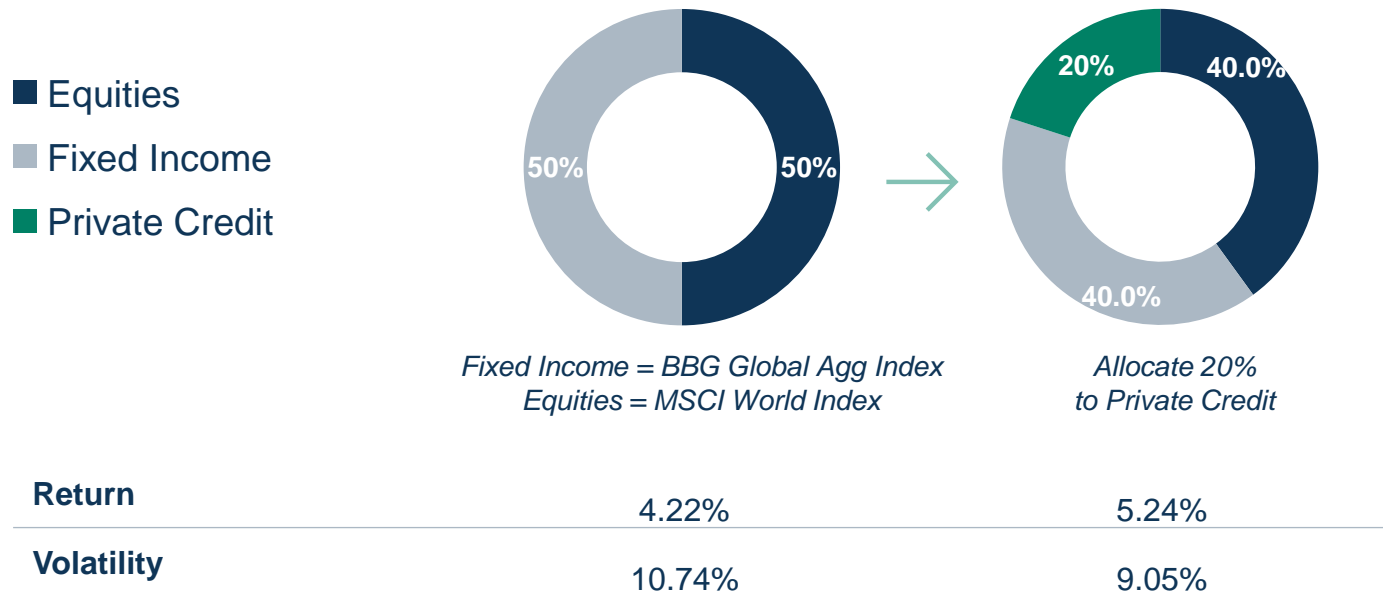


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Source: Bloomberg, Preqin; data as of September 30, 2023.

Historically, Private Credit Also Improved Portfolio Outcomes

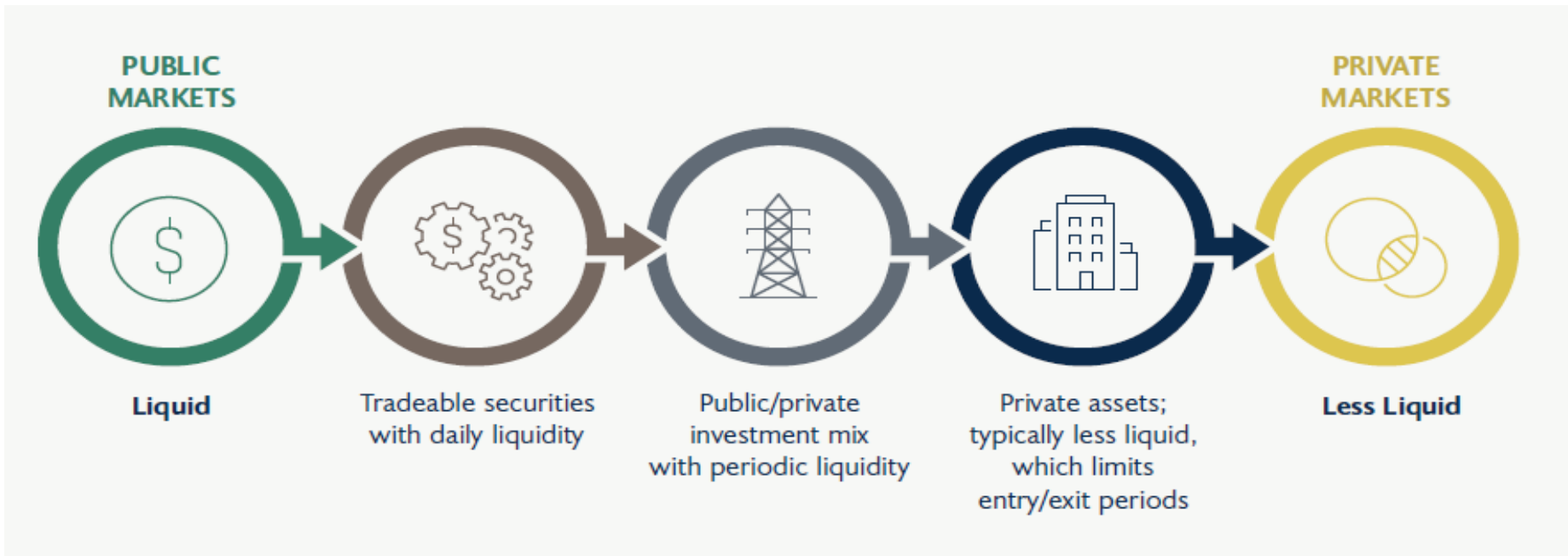
Adding private credit to a portfolio split evenly between global equities and bonds would have improved outcomes for more than a decade



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Access: Managers Now Offer a Spectrum of Solutions to Meet Client Needs

A range of offerings—public and private global equity and global debt—can help individuals meet varying objectives



Investors should consider investment objective/time horizon/risk profile before adding a particular alternative asset class, strategy or vehicle.

Index Disclosures

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

Bloomberg U.S. Aggregate Index is a broad-based, market capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the United States.

The Bloomberg Commodity Index is a broadly diversified index that tracks the commodities markets through commodity futures contracts. The Prequin Private Infrastructure Index captures in an index the return earned by investors on average in their private infrastructure portfolios, based on the actual amount of money invested in private capital partnerships. Historical data points are not recalculated as time passes, except for the latest two-quarters available, which are preliminary. The preliminary quarters are finalized at a three-quarter lag coinciding with the full constituency for the as-at date being met. The universe of funds for each quarterly point in the index may change over time depending on data availability.

The Prequin Private Real Estate Index captures in an index the return earned by investors on average in their private real estate portfolios, based on the actual amount of money invested in private capital partnerships. Historical data points are not recalculated as time passes, except for the latest two-

quarters available, which are preliminary. The preliminary quarters are finalized at a three-quarter lag coinciding with the full constituency for the as-at date being met. The universe of funds for each quarterly point in the index may change over time depending on data availability.

The Prequin Private Equity Index captures in an index the return earned by investors on average in their private equity portfolios, based on the actual amount of money invested in private capital partnerships. Historical data points are not recalculated as time passes, except for the latest two-quarters available, which are preliminary. The preliminary quarters are finalized at a three-quarter lag coinciding with the full constituency for the as-at date being met. The universe of funds for each quarterly point in the index may change over time depending on data availability.

The Prequin Private Credit Index captures in an index the return earned by investors on average in their private credit portfolios, based on the actual amount of money invested in private capital partnerships. Historical data points are not recalculated as time passes, except for the latest two-quarters available, which are preliminary. The preliminary quarters are finalized at a 3-quarter lag coinciding with the full constituency for the as-at date being met. The universe of funds for each quarterly point in the index may change over time depending on data availability.

The Prequin Infrastructure Index captures the average returns earned by investors in their infrastructure portfolios, based on the actual amount of money invested.

The Cliffwater Direct Lending Index (CDLI) seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

Bloomberg Barclays U.S. Aggregate Index is a broad-base, market capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the United States.

The Bloomberg U.S. High Yield Index (Bloomberg High Yield Bond) covers the universe of fixed-rate, non-investment-grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The Morningstar LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The index consists of 100 loan facilities drawn from a larger benchmark – the Morningstar LSTA U.S. Leveraged Loan Index.

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services.

The Datastream World Index Series of infrastructure-related sectors, including Gas, Water & Multi-Utilities, Materials and Oil & Gas Pipelines, is used as a proxy for infrastructure prior to the inception of the Dow Jones Brookfield Global Infrastructure Index in the exhibits of this report. These indexes

are compiled by Thomson Reuters Datastream. The Datastream World Pipelines Index is an index of global energy pipeline companies, as compiled by Thomson Reuters Datastream.

The Dow Jones Brookfield Global Infrastructure Index is calculated and maintained by S&P Dow Jones Indices and comprises infrastructure companies with at least 70% of their annual cash flows derived from owning and operating infrastructure assets, excluding master limited partnerships.

The FTSE Nareit All Equity REITs Index is a free-float-adjusted, market-capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

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 HFRI Fund Weighted Composite Index is a global, equal-weighted index of single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in USD and have a minimum of \$50 million under management or \$10 million under management and a twelve-month track record of active performance. The HFRI Fund Weighted Composite Index does not include funds of hedge funds.

MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets (Europe, Australasia and Far East) outside of the U.S. and Canada.

MSCI World Index captures large and mid cap representation across 23 Developed Markets. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE) is a capitalization-weighted, gross of fees, time-weighted return index that measures performance of the largest open-end commingled funds pursuing a core real estate investment strategy.

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

The S&P United States REIT Index defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

Disclosures

A Word About Risk

Alternative investments are complex, speculative investment vehicles and are not suitable for all investors. An investment in an alternative investment entails a high degree of risk and no assurance can be given that any alternative investment fund's investment objectives will be achieved or that investors will receive a return of their capital.

As an asset class, private credit is comprised of a large variety of different debt instruments. While each has its own risk and return profile, private credit assets generally have increased risk of default, due to their typical opportunistic focus on companies with limited funding options, in comparison to their public equivalents.

Because private credit usually involves lending to below investment grade or non-rated issuers, yield on private credit assets is increased in return for taking on increased risk.

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.

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