Brookfield Real Assets Monthly

KEY TAKEAWAYS

- We believe global listed real estate is well positioned to produce compelling risk-adjusted returns relative to broader equities, given the green shoots we see emerging for the asset class.
- We continue to lean defensively across many of our strategies, as the impacts from two years of rate hikes are likely to cool the pace of expansion.
- Within infrastructure equities, we see attractive relative values across the utilities sector, while we find infrastructure high yield valuations among the most attractive within high yield.

INSIGHTS

GREEN SHOOTS FOR GLOBAL LISTED REAL ESTATE

Growth fears sparked a global stock market rout earlier this month. Weaker-than-expected U.S. employment data contributed to concerns that the U.S. Federal Reserve will cut rates too late to achieve a soft landing, triggering an equity market sell-off. Global listed real estate, however, has displayed relative strength amid the recent volatility, following years of underperformance—and we expect this trend will continue.

We believe global listed real estate is well positioned to produce compelling risk-adjusted returns relative to broader equities, given the green shoots we see emerging for the asset class. These include a normalizing interest rate environment, a more favorable fundamental backdrop, and attractive valuations.

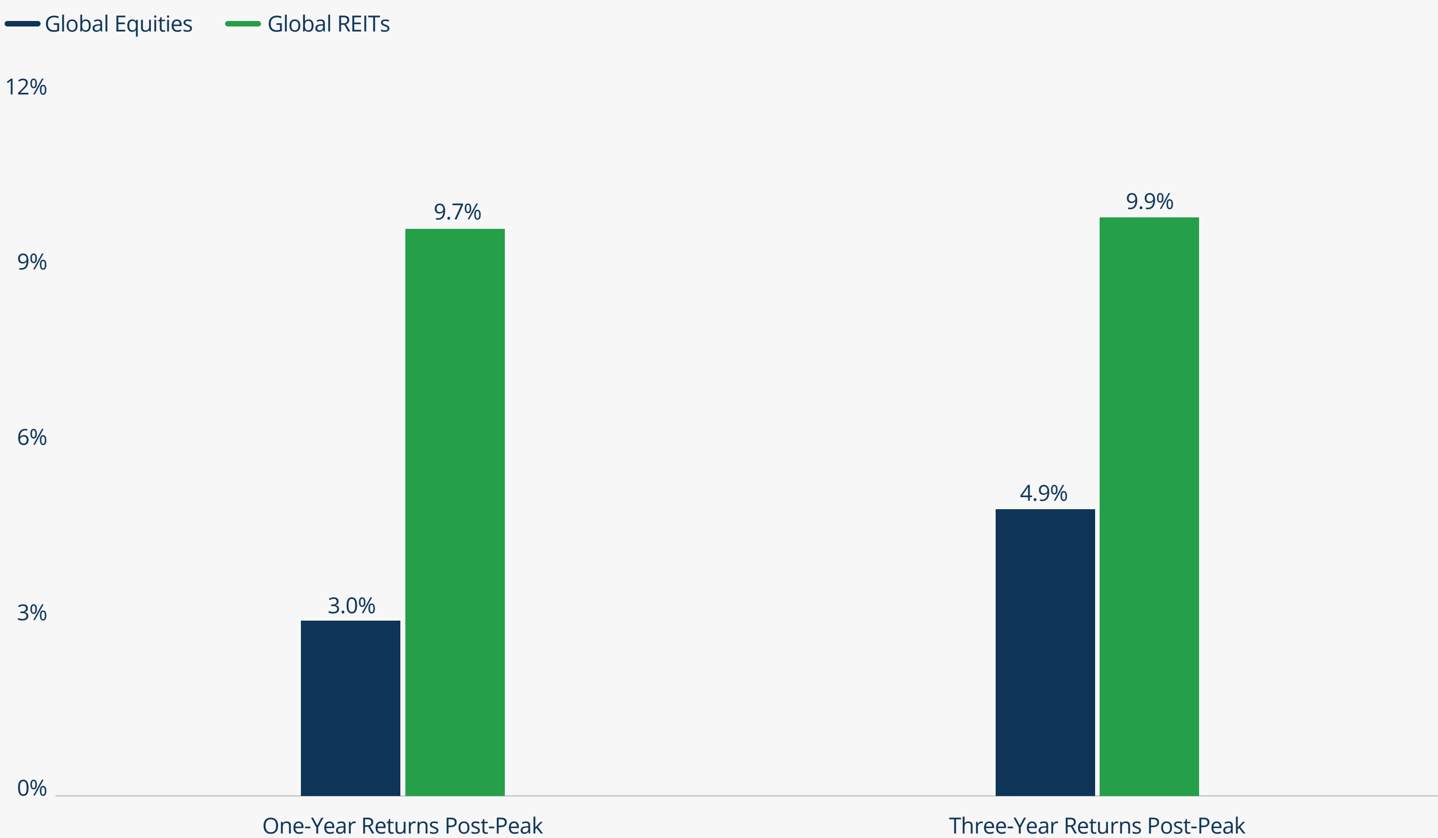
- **Interest Rates Trending Lower:** With the Fed signaling it will cut interest rates as soon as September, the end of the Fed tightening cycle is easing pressure on real estate investment trust (REIT) valuations. We find that global REITs have historically exhibited positive performance relative to global equities following interest rate peaks. In addition, our research shows that the inverse relationship between REIT returns and 10-year U.S. Treasury yields has grown stronger in recent years, implying that the easing of restrictive monetary policy and falling interest rates should be supportive for REIT returns going forward.
- **Favorable Fundamentals:** Supply-and-demand fundamentals remain supportive of moderate net operating income growth across most property types, in our view. We believe supply pressures within the U.S. residential sector have improved, while increasing mobility should benefit self-storage landlords. We see a robust growth story for senior housing within health care, and artificial intelligence is a huge potential driver for the data center sector. Overall, the decline in property values globally over the last couple of years appears to be bottoming. We believe stabilizing property values should lead to increased transaction activity: REITs have historically experienced outsized acquisition volume following periods of troughs in the values of underlying real estate assets.

- **Attractive Valuations:** Despite their recent outperformance, global REITs are currently trading at a roughly 6% discount to net asset values, in line with the historical average. Meanwhile, many global markets and individual sectors continue to trade below long-term averages relative to net asset values. REITs also trade near the cheapest valuation relative to global equities that we have seen in decades. The broad market appears expensive, but global REITs do not.

We believe that listed REITs play an important role in portfolios no matter the market environment. They offer potential portfolio benefits including income generation, diversification, and comprehensive exposure to property types and geographies. Their liquidity profile also enables investors to tactically adjust exposures at opportune times when green shoots are appearing—times like now.

GLOBAL REITS HAVE OUTPERFORMED GLOBAL EQUITIES FOLLOWING RATE PEAKS

(Average Returns Following Rate Peaks 2000-2022)



As of August 7, 2024. Source: Bloomberg, Brookfield Public Securities Group. Global equities are represented by the MSCI World Index, while global REITs are represented by the FTSE EPRA Nareit Developed Index. 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.**

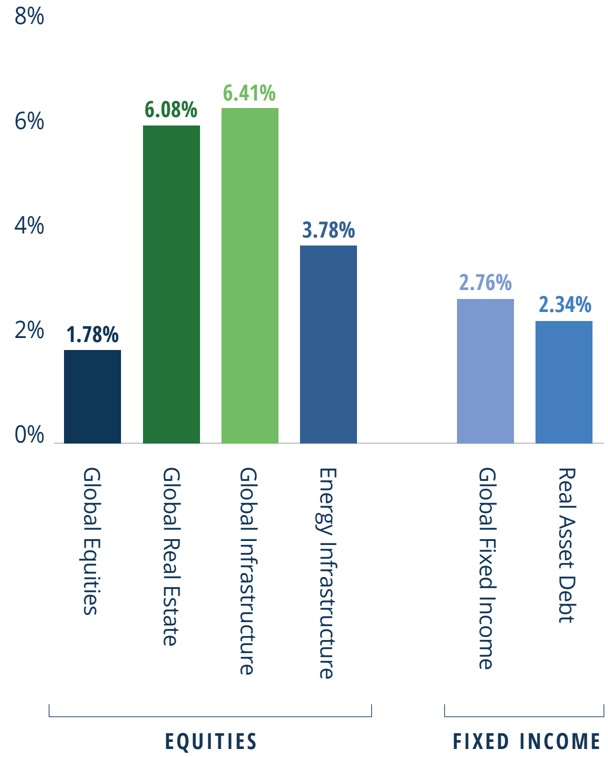
Real Assets Month in Review

REAL ASSETS

- Global equities finished a volatile July slightly higher on expectations of monetary policy easing in the U.S. amid soft inflation and labor market data. The MSCI World Index gained 1.78%, with North America, Europe and Asia Pacific up 1.40%, 2.16% and 4.45%, respectively. The S&P 500 Index increased 1.22%, with investors rotating into small-caps and other interest rate-sensitive asset classes as enthusiasm for large technology companies waned.
- The 10-year U.S. Treasury yield fell to 4.03% from 4.40% at the end of June, as the Federal Reserve kept interest rates on hold as expected but signaled rate cuts are getting closer. West Texas Intermediate Crude Oil finished the month at $77.91, down from $81.54 at the end of June, while the Bloomberg Commodity Index fell 4.04%.
- As U.S. inflation levels trend lower, and closer to the U.S. Federal Reserve's target, we believe interest rates could be cut multiple times through the balance of the year. Meanwhile in Europe, inflation has already shown encouraging signs of easing, giving some central banks in the region confidence to start cutting rates sooner. Overall, economic growth has remained steady, but the impacts from two years of rate hikes are likely to cool the pace of expansion. From a diversified real assets allocation perspective, we maintain a defensive positioning, with a neutral weight in real asset equities and an overweight allocation to investment-grade real asset debt. We also hold modest exposure to commodities to enhance diversification amid geopolitical and macro uncertainty.
- Within equities, we continue to favor infrastructure due to infrastructure's potential outperformance in down markets and tighter inflation linkage. Within infrastructure, we are constructive on utilities for their defensive characteristics and current attractive valuations. We also see tailwinds for energy midstream equities, which we believe should benefit from the global push for energy security. More broadly, we believe infrastructure sectors that are essential to operate the backbone of the digital economy offer an attractive way to capitalize on the tailwinds from artificial intelligence and the resultant demand to store, process and distribute data. Within real estate, we may see more transactions and price discovery, and new investment opportunities emerge, though lingering concerns around financing and commercial real estate remain. Lastly, elevated Treasury yields continue to make real asset debt attractive on an all-in yield basis; however, tight credit spreads and the potential for rising default rates have reinforced our preference for the higher-quality part of the market.

PERFORMANCE AT A GLANCE

July Total Returns



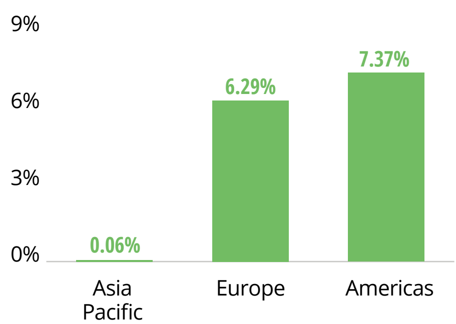
As of July 31, 2024. Source: Bloomberg, Brookfield PSG, U.S. Department of Commerce. See disclosures for full index representations and definitions. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance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

GLOBAL INFRASTRUCTURE

- Global infrastructure equities rose in July, with the FTSE Global Core Infrastructure 50/50 Index up 6.41%. Energy equities also increased, but to a lesser extent, with the Alerian Midstream Energy Index up 3.78%.
- Among infrastructure sectors, communication towers rallied, gaining nearly 11% as 10-year U.S. Treasury yields fell. Water and electricity transmission & distribution stocks also were strong performers. Transports were mixed, with ports and airports posting negative returns, while toll roads gained 4.22%.
- We believe listed infrastructure equities appear particularly well positioned to produce compelling risk-adjusted returns relative to broader equities and fixed-income securities. Tailwinds we see for the asset class include sector-specific demand drivers, a normalizing interest rate environment and attractive valuations. Among specific sectors, we still see attractive values across the utilities sector, where our positioning focuses on pro-growth environments, favorable regulatory backdrops, and management teams that have a strong history of deploying capital to its highest and best use.

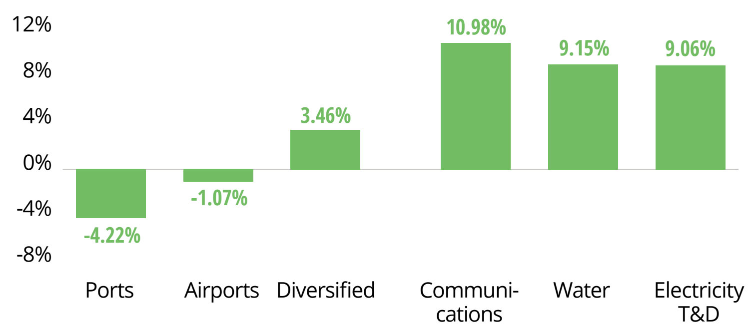
PERFORMANCE BY GEOGRAPHY

July Total Returns



PERFORMANCE BY SECTOR

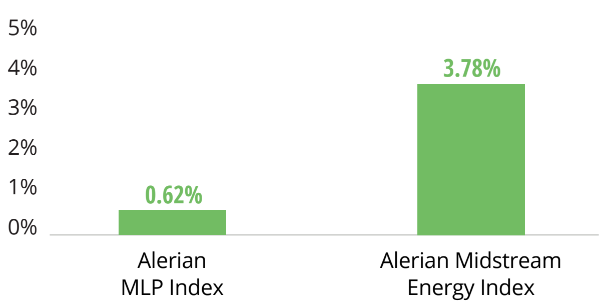
Top Three Laggards **Top Three Leaders**



As of July 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. "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

July Total Returns



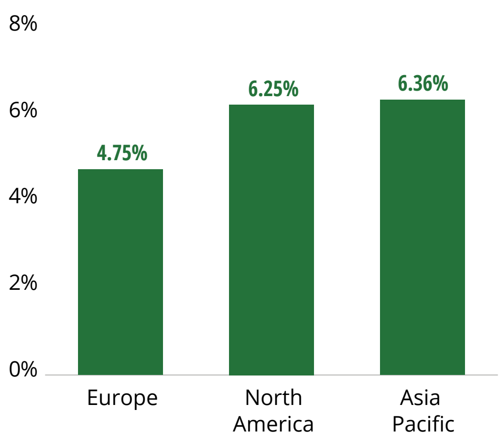
As of July 31, 2024. Source: Bloomberg. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future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

GLOBAL REAL ESTATE

- Global real estate securities rallied in July, benefiting from an investor rotation into more interest rate-sensitive asset classes amid rising market expectations of a September Fed rate cut. The FTSE EPRA Nareit Developed Index gained 6.08%, pushing the year-to-date return into positive territory and outperforming broader equities as the 10-year Treasury yield fell.
- With the exception of hotels, all U.S. property types posted gains during the month. Office and mixed-use assets posted the strongest gains. Office sentiment was boosted by high-profile transactions that may signal a bottom in valuations. The industrial sector also posted strong gains, as fundamentals continued to show signs of bottoming. Hotel returns lagged amid slowing fundamentals and the prospect of a slowing economy.
- We see potential for the asset class to continue to post positive returns relative to global equities as the interest rate environment normalizes. Historically, REITs have exhibited positive performance relative to global equities following interest rate peaks. Coupled with generally strong supply-and-demand dynamics across most property types, we think REITs are well positioned to close the performance gap with broader equity indexes. In the U.S., we maintain a preference for needs-based real estate, including residential, health care and select retail assets. Data center demand remains robust, and we are positioned accordingly. Elsewhere, we have increased exposure to Europe, where we particularly like residential, retail and specialty landlords.

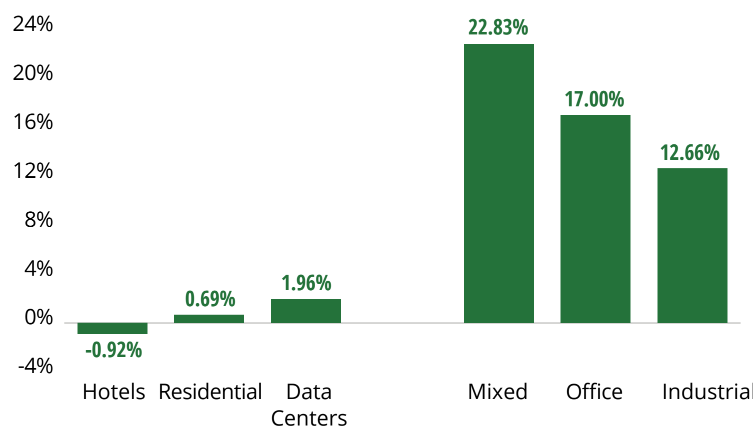
PERFORMANCE BY GEOGRAPHY

July Total Returns



PERFORMANCE BY U.S. PROPERTY TYPE

Top Three Laggards **Top Three Leaders**



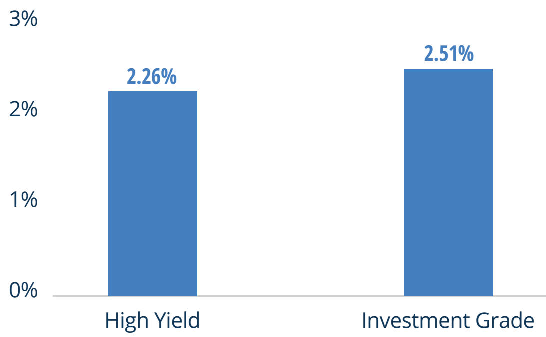
As of July 31, 2024. Source: Bloomberg. Referenced by the U.S. property types measured by the FTSE Nareit U.S. Real Estate Index Series. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does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

REAL ASSET DEBT

- Fixed-income markets were positive in July, as U.S. Treasury rates fell significantly across the curve. Broad investment grade rose 2.36%, as measured by the ICE BofA U.S. Corporate Index, with outperforming longer duration driving gains. Broad high yield returned 1.96%, as measured by the ICE BofA U.S. High Yield Index. Real asset investment grade outperformed its broader market counterpart due to its longer duration, and real asset high yield outperformed, driven by telecommunications.
- We anticipate elevated volatility within high yield and credit markets broadly in the coming quarters as investors and policymakers digest a moderate economic slowdown and default rates that may continue to trend higher (including distressed exchanges). This could enable compelling entry points for investors seeking attractive yields backed by essential assets such as infrastructure.
- Current valuations within infrastructure high yield are among the most attractive within high yield, in our view. Infrastructure high yield offers significantly more potential yield relative to broad high yield, and we believe there are attractive idiosyncratic opportunities for sector specialists. In addition, real asset sectors of high yield, particularly within the BB-rated segment, are relatively attractive after adjusting for projected credit losses during a period of normalized default rates, such as the one we believe we currently are in.

REAL ASSET DEBT PERFORMANCE

July Total Returns



As of July 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.**

MORE PSG INSIGHTS

- REITs Poised to Benefit from Falling Interest Rates
- Our Macro Outlook at Midyear
- Powering AI: Data Boom Driving Earnings Growth Across Infrastructure Sectors

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. 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 July 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.

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, or MLPs. Brookfield has no direct role in the day-to-day management of any Brookfield-branded indexes.

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 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 Nareit U.S. Real Estate Index Series tracks the performance of the U.S. REIT industry at both an industrywide level and on a sector-by-sector basis.

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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