Brookfield Real Assets Monthly

KEY TAKEAWAYS

- We like midstream energy equities amid structural improvements to the underlying companies, increasing demand for natural gas, and compelling income and growth characteristics.
- We maintain defensive positioning across most of our portfolios. Our diversified real assets portfolios reflect a slight overweight in real asset equities, specifically in defensive infrastructure.
- Within infrastructure equities, utilities appear well positioned given growing power demand and a more favorable interest rate environment.

INSIGHTS

WHY WE'RE BULLISH ON ENERGY INFRASTRUCTURE

Midstream energy equities have outperformed the broader market year to date and delivered attractive returns over the last few years. Looking forward, we believe the strong performance from the asset class can continue. We're bullish on energy infrastructure, or midstream, as part of a diversified infrastructure portfolio, given improvements in the underlying industry, supportive demand drivers, and midstream companies' compelling income and growth characteristics.

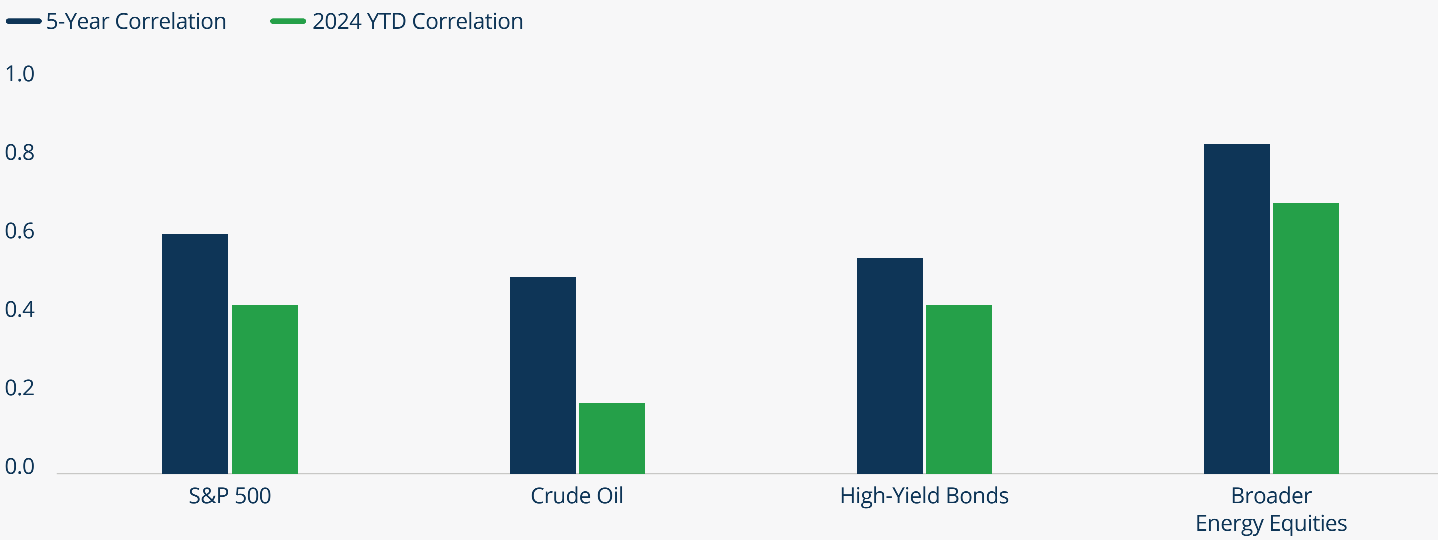
Improvements in the underlying industry
In recent years, midstream companies have:

- Significantly improved their corporate finance models;
- Meaningfully reduced leverage;
- Enhanced corporate governance; and
- Shifted to living within free cash flows.

The transition to a self-funded business model has largely eliminated the need to rely on external debt and equity financing to fund growth and distributions, while also allowing the sector to become more defensive than in previous business cycles. This is evident in how the midstream sector has been much less sensitive to the performance of other asset classes, including crude oil and broader equities, than it used to be, with the sector's year-to-date relative outperformance indicative of this dynamic. Over the long term, we expect midstream companies' strong free cash flow and healthy balance sheets will help insulate these firms' attractive income and distributions from potential broader market volatility.

Midstream Equities Have Become Less Sensitive to the Performance of Other Asset Classes

Correlation of Midstream Equities With Other Asset Classes



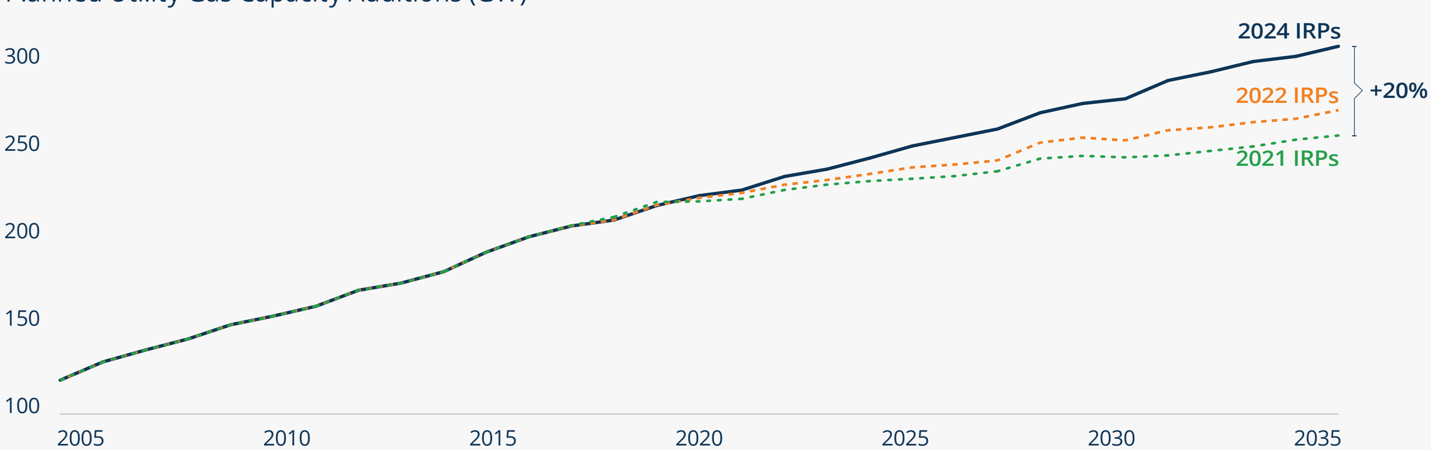
As of August 31, 2024. Source: FactSet, Wells Fargo Securities, LLC. Correlation data for fixed-income products is based on the average of monthly price changes. All other correlations are based on daily percent changes. Midstream equities are represented by the Alerian Midstream Energy Index. See disclosures 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.

Supportive demand drivers

We believe natural gas consumption growth tied to the artificial intelligence (AI)-driven buildout of data centers—and energy infrastructure companies' ability to benefit from this tailwind—are still underappreciated by the market. Data centers require significant, reliable, 24/7 energy to power AI, a trend that we see meaningfully increasing natural gas demand as forecasts for additional capacity from gas power plants continue to surprise to the upside. In fact, in the most recent analysis of U.S. utilities' Integrated Resource Plans (IRPs), natural gas generation growth is forecast to rise at a steady clip for at least the next decade, a departure from projections that showed plateauing growth just three years ago.

Utilities Project Capacity Increases Across the U.S.

Planned Utility Gas Capacity Additions (GW)



As of August 31, 2024. Source: Rocky Mountain Institute. Chart includes projections from 121 Integrated Resource Plans (IRPs), covering 48% of electricity delivered to U.S. customers. GW stands for gigawatt.

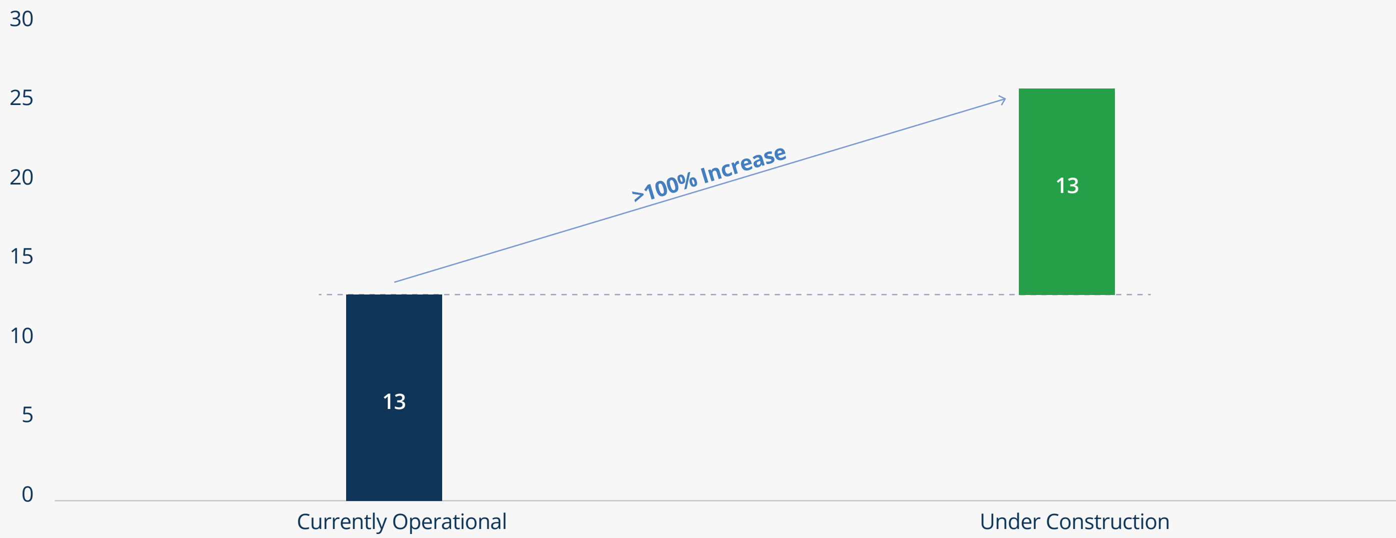
We believe the following characteristics of natural gas underpin its market position as a critical resource for U.S. energy needs:

- Abundant, low-cost domestic supply;
- A robust network of existing infrastructure; and
- A lower emissions profile than other dispatchable alternatives, such as coal.

At the same time, these abundant, low-cost resources have positioned North America as one of the world's most secure sources of energy and a coveted source of supply for global export markets looking to avoid exposure to potential geopolitical risks. In fact, North American liquefied natural gas (LNG) export facilities currently under construction are set to double the U.S.'s current export capacity of roughly 13 billion cubic feet per day (Bcf/d) by the end of the decade, providing additional cash flow tailwinds for midstream companies.

The U.S. Is on Track to Double LNG Export Capacity by the Late 2020s

North American LNG Capacity (Bcf/d)



As of August 31, 2024. Source: Brookfield, Energy Information Administration, Bloomberg New Energy Finance. A conversion of 1 billion cubic feet (Bcf) = .02 mtpa was used to create the graphic. "Bcf/d" refers to billion cubic feet per day. There is no assurance that such events will occur or projections will prove correct, and actual outcomes may be significantly different than those shown here.

Compelling income and growth profile

The improvements to the industry and the strong fundamental tailwinds support a compelling current income profile, and growth of that income into the future, as do the unique features of underlying midstream businesses. These features, which we believe help differentiate energy infrastructure as an investment opportunity versus other income-oriented asset classes and broader equities, include:

- Fee-based contracts with inflation escalators;
- Operating cash flow that largely covers capital expenditure and dividend obligations, with additional room for share buybacks, additional deleveraging, or strategic M&A; and
- Predominantly investment-grade balance sheets.

In our view, these attractive attributes make energy infrastructure a solid investment opportunity alongside other real asset sectors that are potential beneficiaries of the AI theme, including renewables and broader infrastructure.

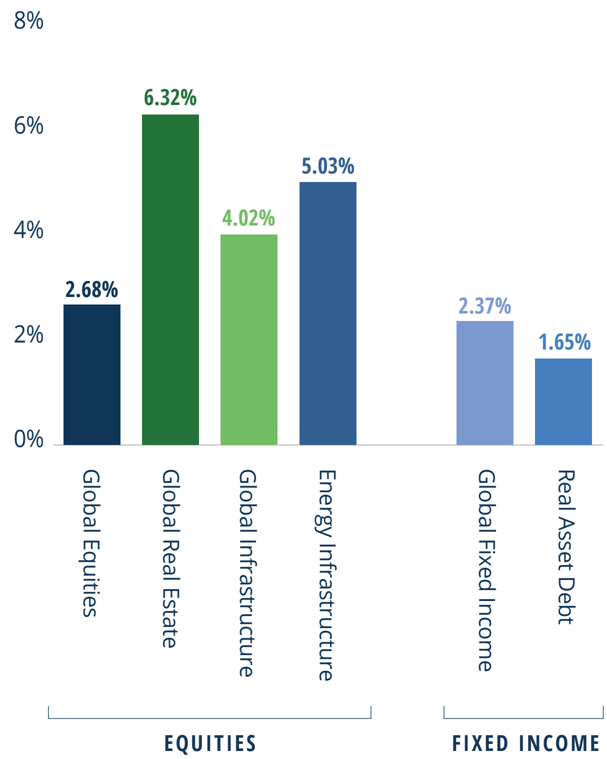
Real Assets Month in Review

REAL ASSETS

- Global equities finished August higher, rebounding from an early-month sell-off on expectations of more aggressive U.S. monetary policy easing. Recession fears and an unwinding of carry-trade positions had sparked volatility early in the month, but markets calmed by mid-month on the prospect of lower interest rates, a soft landing in the U.S. and broadening earnings growth. The MSCI World Index gained 2.68%, with Europe, North America and Asia Pacific up 3.95%, 2.48% and 1.83%, respectively. The S&P 500 Index increased 2.43%.
- The 10-year U.S. Treasury yield fell to 3.90% from 4.03% at the end of July. West Texas Intermediate Crude Oil finished the month at $73.55, down from $77.91 at the end of July on global growth concerns, while the Bloomberg Commodity Index finished flat with a return of 0.05%.
- The effects of higher rates have slowly made their way through the economy over the last year and a half, with inflation steadily declining and U.S. unemployment drifting modestly higher. However, this period of restrictive monetary policy is at an inflection point, with Federal Reserve Chair Jerome Powell recently stating, “the time has come for policy to adjust.” Lower interest rates signal both risks and opportunities in our investment universe. The downward 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.
- Against this backdrop, we maintain defensive positioning across most of our portfolios. Our diversified real assets portfolios reflect a slight overweight in real asset equities, specifically in defensive infrastructure, and a slight underweight in real asst debt, where we prefer investment-grade real asset debt.

Performance at a Glance

August Total Returns



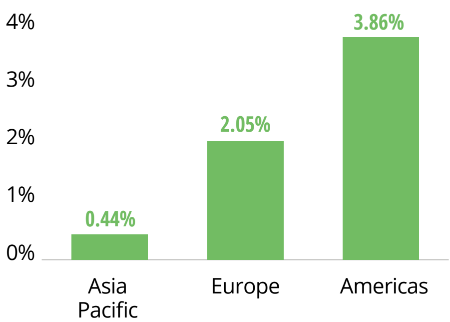
As of August 31, 2024. Source: Bloomberg, Brookfield PSG, U.S. Department of Commerce. See disclosures for full index representations and definitions. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance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

GLOBAL INFRASTRUCTURE

- Global infrastructure equities rose in August, with the FTSE Global Core Infrastructure 50/50 Index up 4.02%, outperforming the broader market for a second consecutive month. Energy equities also outperformed, with the Alerian Midstream Energy Index up 5.03%.
- Among infrastructure sectors, utilities continued to post gains, benefiting from a flight to defensive assets. Only the airports sector posted negative returns.
- We believe the near-term outlook for infrastructure equities remains compelling, particularly with respect to the utilities sector. Through August, U.S. utilities were among the highest-performing sectors within the S&P 500 Index. We see potential for continued momentum amid growing power demand and a normalizing interest rate environment.

Performance by Geography

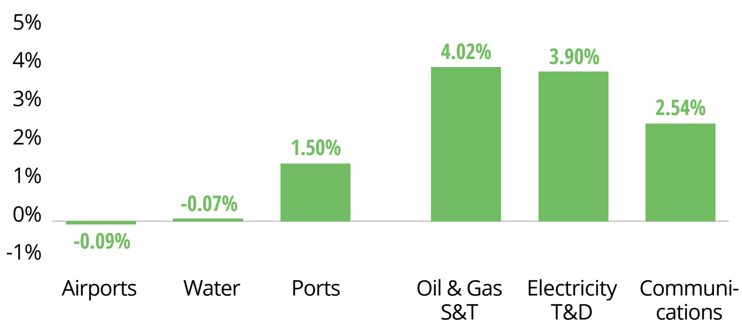
August Total Returns



Performance by Sector

Top Three Laggards

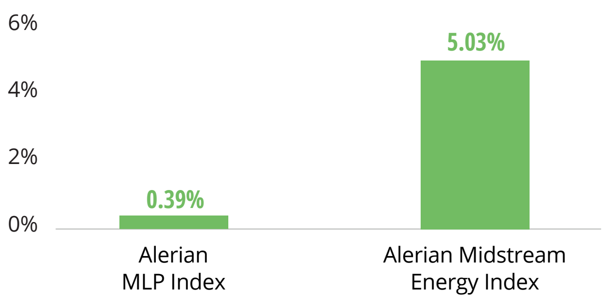
Top Three Leaders



As of August 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

August Total Returns



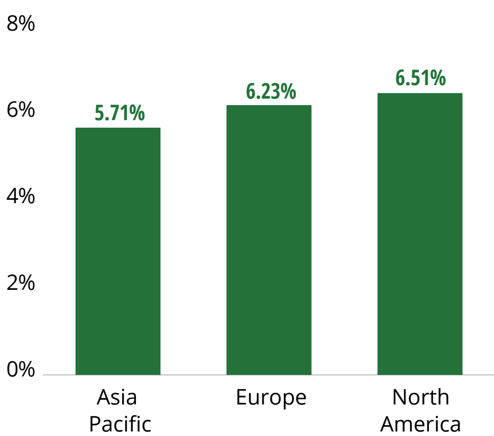
As of August 31, 2024. Source: Bloomberg. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of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

GLOBAL REAL ESTATE

- Global real estate securities rallied in August, continuing to benefit from an investor rotation into more interest-rate-sensitive asset classes. The FTSE EPRA Nareit Developed Index gained 6.32%, outperforming broader equities for a second month in a row as the 10-year Treasury yield fell.
- U.S. property types posted gains during the month. The self-storage sector posted the strongest gains, boosted by expectations of an uptick in mobility amid falling mortgage rates.
- We believe global listed real estate is well positioned to continue 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 supply-and-demand backdrop, and attractive valuations.

Performance by Geography

August Total Returns



Performance by U.S. Property Type

Top Three Laggards

Top Three Leaders

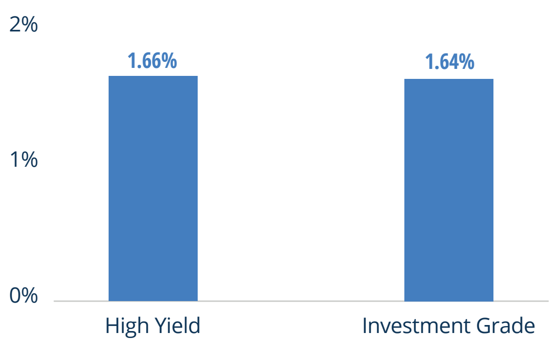
As of August 31, 2024. Source: Bloomberg. Referenced by the U.S. property types measured by the FTSE EPRA Nareit United States Index. See disclosures for additional information. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not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

REAL ASSET DEBT

- Fixed-income markets were positive in August, as U.S. Treasury rates fell significantly across the curve, particularly on the shorter end. Broad investment grade rose 1.53%, as measured by the ICE BofA U.S. Corporate Index, with outperforming longer duration driving gains. Broad high yield returned 1.59%, 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, we believe 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. While we continue to find attractive opportunities within real asset high yield, overall we prefer higher-rated segments, including BBB, given tight relative spreads that may not adequately compensate for high yield risk.

Real Asset Debt Performance

August Total Returns



As of August 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
- The Brookfield PSG 2023 Stewardship Report
- 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 August 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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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. The quoted indexes within this publication do not reflect deductions for fees, expenses, sales charges or taxes.

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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 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 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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