Brookfield Real Assets Monthly

INSIGHTS: THE CIRCULAR ECONOMY OFFERS A NEW FRONTIER OF INFRASTRUCTURE INVESTMENT

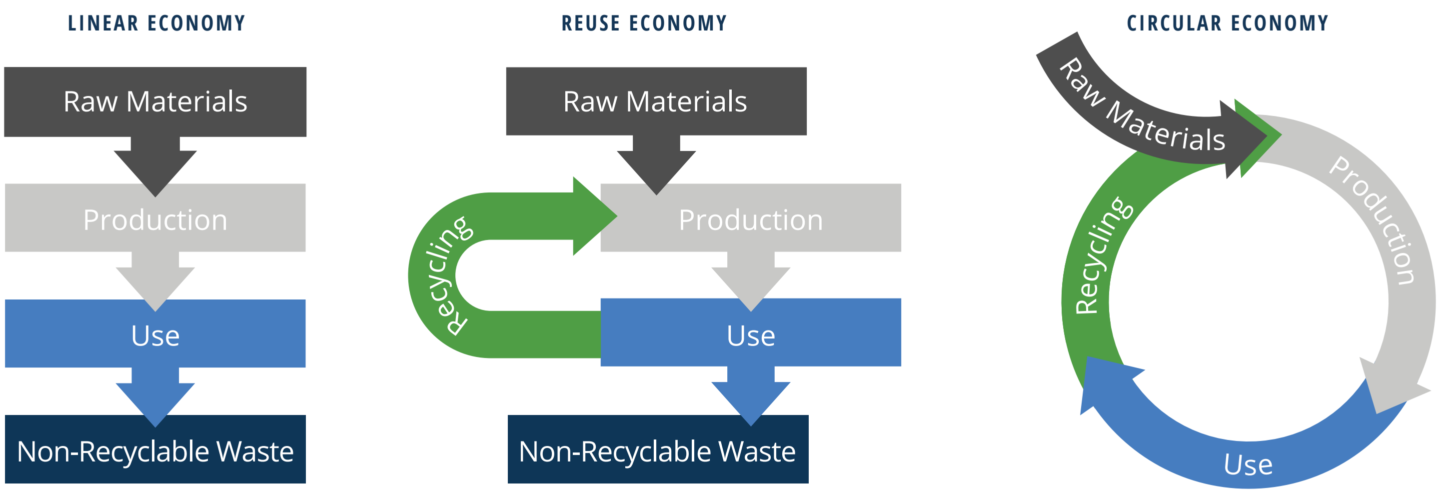
We recognized early that renewables were part of the investable infrastructure universe—and would be a growing infrastructure investment opportunity. Today, we believe select waste management companies in listed markets are on track for a similar trajectory thanks in part to the global evolution toward a circular economy.

A significant uptick in waste generation is resulting in a drive to turn today's linear economy into tomorrow's circular economy. In a circular economy, a finished item, rather than being discarded, is returned to the product cycle through recycling, repair, redesign and/or reuse. As a result, a circular economy minimizes both raw materials use and the creation of pollution and waste. We believe select waste management companies, given their vertically integrated business models, are in prime position to benefit from this transition.

While waste management companies have traditionally not been considered infrastructure, they tend to share many characteristics with traditional infrastructure companies, such as limited competition and contracted, inflation-linked cash flows.

Their vertically integrated business model of collection, sorting, disposal, recycling and incineration activities makes these companies a natural backbone for a circular economy. For example, these companies are able to turn waste into clean fuels such as renewable natural gas. Companies involved in these activities can create lasting competitive advantages due to ownership of irreplaceable assets, such as landfills or energy-from-waste plants.

THE EVOLUTION TOWARD A CIRCULAR ECONOMY

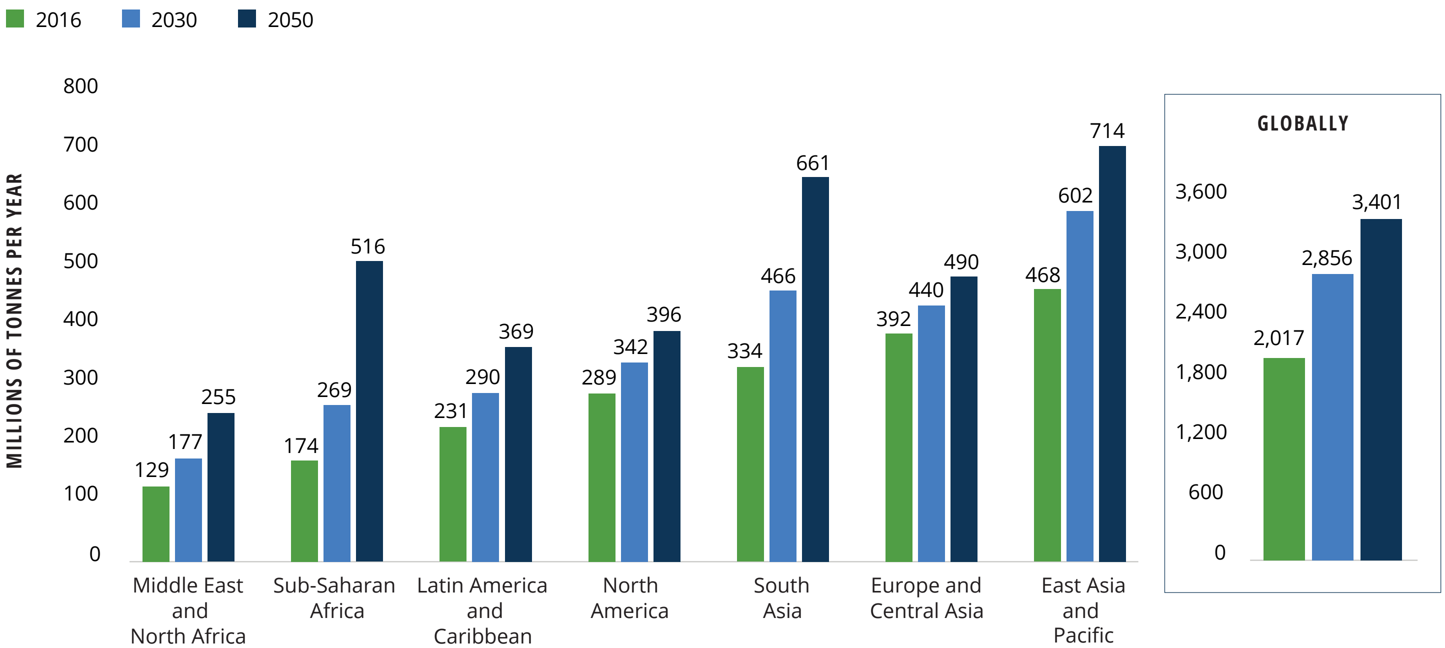


Source: Government of the Netherlands.

This is especially true as economies increasingly become circular. Policymakers globally are seeking to make their economies circular, as focus on curtailing climate change grows at the same time that waste generation is increasing amid population growth, increasing urbanization, rising consumption, and traditional recycling's slow uptake. In addition, rising costs for natural gas are making the renewable gas created by waste management firms more cost competitive.

Against this backdrop, we believe the outlook for the waste management industry is bright. Significant private investment will be required to further build out recycling and sorting infrastructure, while larger players in this fragmented industry may roll up smaller competition through accretive transactions that may improve financial returns.

WASTE GENERATION IS EXPECTED TO INCREASE BY ABOUT 70% BY 2050



PROJECTED WASTE GENERATION BY REGION

Source: The World Bank, "WHAT A WASTE 2.0: A Global Snapshot of Solid Waste Management to 2050" (https://datatopics.worldbank.org/what-a-waste/). A tonne, also referred to as a metric ton, is a metric unit of mass equal to 1,000 kilograms.

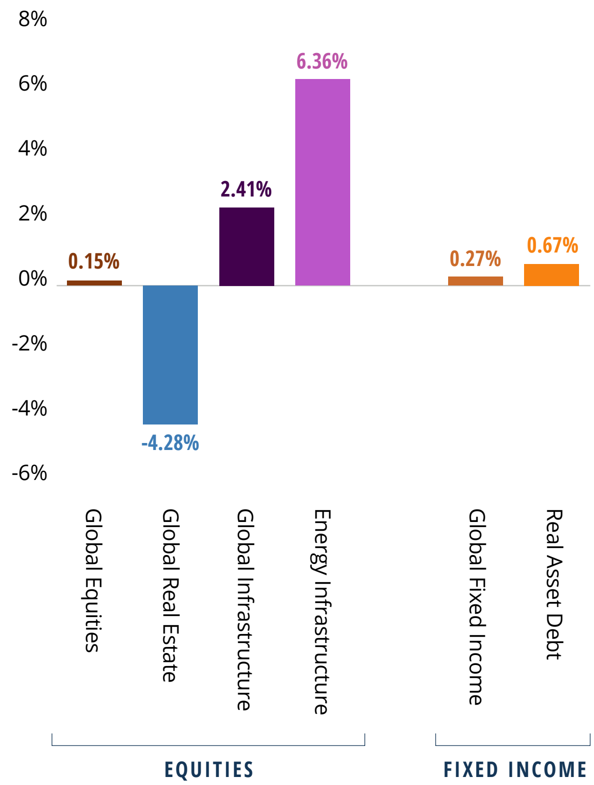
Real Assets Month in Review

REAL ASSETS

- Global equities managed to finish May roughly flat, after experiencing a very volatile month amid growing uncertainty about the economic outlook. The MSCI World Index rose 0.15% in May, with North America losing 0.13%, and Asia Pacific and Europe gaining 0.89% and 0.97%, respectively. In the U.S., the S&P 500 Index rose 0.18%, after snapping a seven-week losing streak late in the month.
- Stocks swung sharply in May between losses and gains as investors digested mixed economic data, signs inflation is cutting into corporate earnings, and shifting expectations about whether the Federal Reserve will be able to avoid a hard landing. The 10-year U.S. Treasury yield fell to 2.84% from 2.93% at the end of April, its first monthly decline since November 2021, after hitting highs above 3.2% earlier in May. West Texas Intermediate Crude Oil finished the month at $114.67, up $9.98 from April, and the Bloomberg Commodity Index increased 1.52%.
- Given elevated market volatility and the prospect of a slowing economic cycle, we favor selectively reducing risk. We see opportunity to trim equity exposure via a reduction in global real estate, while maintaining a modest overweight view of infrastructure equity, primarily via renewables and energy infrastructure.
- We continue to hold underweight views of real asset debt and REIT preferreds, which currently trade with meaningful interest rate sensitivity. Finally, we see opportunity to benefit from rising inflation via commodities, particularly a diversified basket of energy, industrial metals, precious metals and agriculture futures.

PERFORMANCE AT A GLANCE

May Total Returns



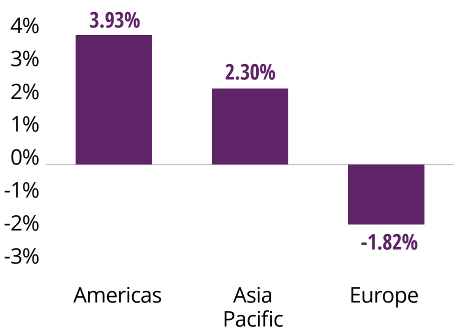
As of May 31, 2022. Source: Bloomberg, Brookfield PSG, U.S. Department of Commerce. See disclosures for full index representations and definitions. **It is not possible to invest directly in an index. Past performance is not indicative of future results.**

GLOBAL INFRASTRUCTURE

- Listed infrastructure rose in March, helped by more GDP-sensitive sectors, such as ports and energy infrastructure.
- News flow for May largely focused on earnings results, as the reporting season wrapped up. Utilities broadly reported positive results, as well as broadly keeping costs at bay. We also saw a fair number of asset sale announcements across the subsector. Energy infrastructure companies also reported solid results and increased guidance, driven by an expected rise in volumes amid the global energy crunch. Selected companies within transports sold off after missing guidance, given lower margins.
- Overall, we believe listed infrastructure valuations currently appear attractive vs. broader equity markets based on valuation multiple spreads. Looking ahead, we continue to monitor the macroeconomic background and potential market impacts that could result in opportunities to reposition our portfolio into mispriced securities.

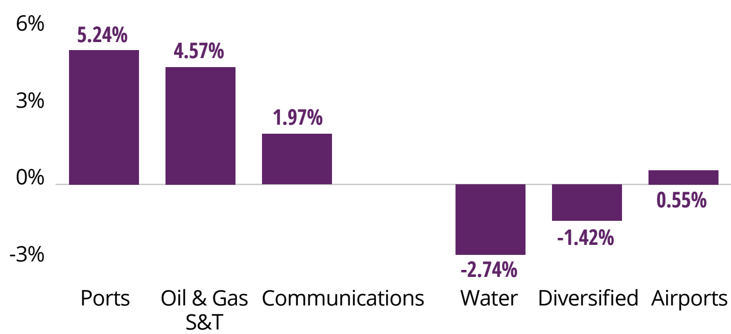
PERFORMANCE BY GEOGRAPHY

May Total Returns



PERFORMANCE BY SECTOR

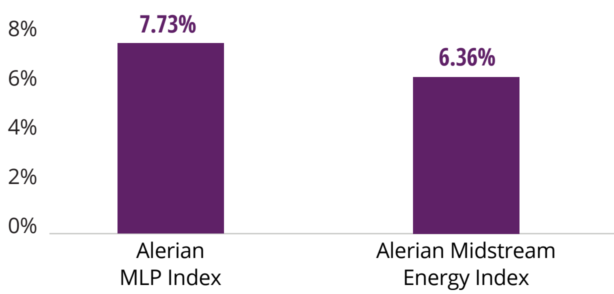
Top Three Leaders **Top Three Laggards**



As of May 31, 2022. Source: Bloomberg. Referenced by the Dow Jones Brookfield Global Infrastructure Composite Index. Brookfield has no direct role in the day-to-day management of the Brookfield Infrastructure Composite. "S&T" refers to storage and transportation. See disclosures for additional information. **It is not possible to invest directly in an index. Past performance is not indicative of future results.**

MIDSTREAM PERFORMANCE

May Total Returns



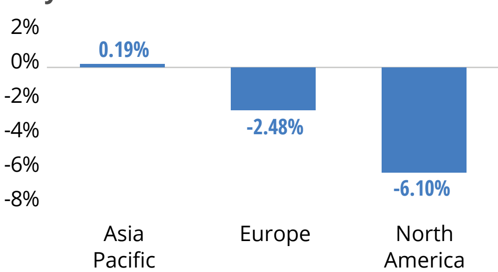
As of May 31, 2022. Source: Bloomberg. See disclosures for additional information. **It is not possible to invest directly in an index. Past performance is not indicative of future results.**

GLOBAL REAL ESTATE

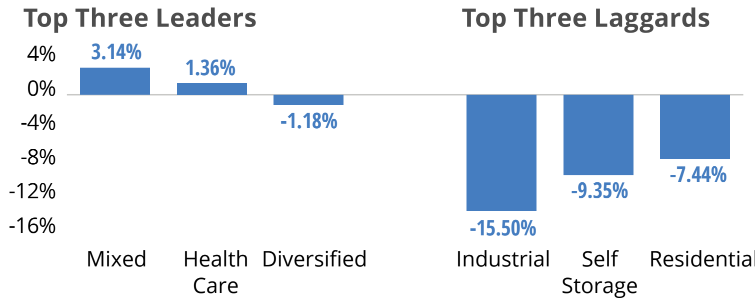
- Global real estate equities declined in May. Among U.S. property types, only mixed use and health care posted gains for the month, while industrial and self storage experienced the steepest declines.
- Based on first-quarter 2022 earnings results, sector fundamentals appear strong for both industrial and self storage. Occupancies are near historic lows in both sectors, with both posting strong rent growth. However, in the industrial sector, recent comments from Amazon's management team about slowing demand for space, coupled with soft earnings by major retailers, have negatively affected sentiment. And while adjusted funds from operations (AFFO) growth estimates for the self storage sector are strong for the remainder of 2022 (year-over-year growth in the mid-teens), investors appear concerned about the slowing pace (to mid-single digits growth) in 2023.
- Overall, we expect to see a real estate environment where excess demand and lower levels of supply result in higher occupancy levels, rising rents and higher valuations in the coming years. As central banks seek to reduce inflation, which typically translates into slower economic growth, we anticipate the pace of growth will moderate. While the readjustment from record-low interest rates back to historically normal levels has led to a drop in equity prices, we are not convinced the global economy will see a meaningful recession. We think the economic tailwinds from pent-up real estate demand should be strong enough to offset an environment of higher interest rates.

PERFORMANCE BY GEOGRAPHY

May Total Returns



PERFORMANCE BY U.S. PROPERTY TYPE



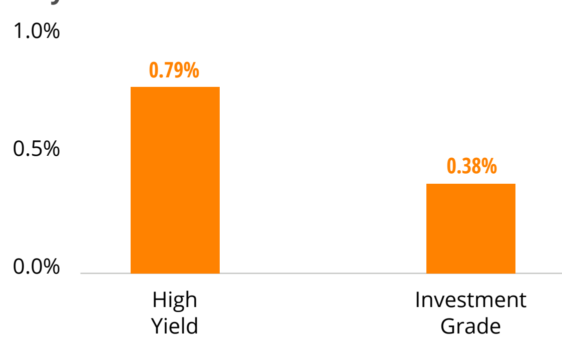
As of May 31, 2022. Source: Bloomberg. Referenced by the FTSE EPRA Nareit Developed Index. See disclosures for additional information. **It is not possible to invest directly in an index. Past performance is not indicative of future results.**

REAL ASSET DEBT

- Fixed income markets finished slightly higher in May, as Treasury yields were range-bound and credit spreads ended the month relatively flat. Credit spreads widened through mid-May, alongside broader equity weakness, but rebounded into month-end. Real asset high yield and real asset investment grade rose 0.79% and 0.38%, respectively, along with broader fixed income. Broad investment-grade debt, as measured by the ICE BofA U.S. Corporate Index, rose 0.54%, while broad high yield gained 0.25%, as measured by the ICE BofA U.S. High Yield Index.
- Interest rate volatility, as measured by the ICE BofA ML Option Volatility Estimate (MOVE) Index, gradually declined in May, but it remains well above historical levels. We expect credit spread volatility will persist, given the continued uncertainty surrounding macro risks. While rising interest rates and widening credit spreads hurt near-term performance, these conditions present more attractive all-in yields that are meaningfully higher than what the market offered a year ago.
- Fundamentally, we are still constructive on credit, as balance sheets are healthy and default activity remains low. The Fed began its balance sheet tapering, and market participants are expecting 50 basis point hikes at both of the Fed's upcoming meetings in mid-June and late July. Treasury and credit curves remain flat, and we believe investors are not being appropriately compensated to add duration and exposure to lower-quality credit. We continue to focus on shortening spread duration and prioritizing yield within strong BB credits.

REAL ASSET DEBT PERFORMANCE

May Total Returns



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IMPORTANT DISCLOSURES

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

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INDEX DEFINITIONS

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

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

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

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

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

The FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure subsectors. The constituent weights are adjusted as part of the semi-annual review according to three broad industry sectors: 50% utilities; 30% transportation, including capping of 7.5% for railroads/railways; and a 20% mix of other sectors, including pipelines, satellites and telecommunication towers. Company weights within each group are adjusted in proportion to their investable market capitalization.

The FTSE EPRA Nareit Developed Index is an unmanaged market-capitalization-weighted total-return index that consists of publicly traded equity REITs and listed property companies from developed markets.

The ICE BofA ML Option Volatility Estimate (MOVE) Index is a yield-curve-weighted index of the normalized implied volatility on 1-month Treasury options which are weighted on the 2-, 5-, 10- and 30-year contracts.

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 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 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/Gas 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 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 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 U.S. 10-Year 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 that is traded in the domestic spot market at Cushing, Oklahoma.

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