Management’s Discussion and Analysis

ORGANIZATION OF THE MANAGEMENT’S DISCUSSION AND ANALYSIS (“MD&A”)

PART 1 – OUR BUSINESS AND STRATEGY
Overview 13
PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS
Overview 15
Income Statement Analysis 16
Balance Sheet Analysis 22
Foreign Currency Translation 25
Corporate Dividends 27
Summary of Quarterly Results 28
PART 3 – OPERATING SEGMENT RESULTS
Basis of Presentation 30
Summary of Results by Operating Segment 31
Asset Management 32
Real Estate 36
Renewable Power 38
Infrastructure 40
Private Equity 42
Residential Development 44
Corporate Activities 45
PART 4 – CAPITALIZATION AND LIQUIDITY
Capitalization 46
Liquidity 49
Review of Consolidated Statement of Cash Flows 53
PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS
Accounting Policies, Estimates and Judgments 54
Management Representations and Internal Controls 56
GLOSSARY OF TERMS 57

“Brookfield,” the “company,” “we,” “us” or “our” refers to Brookfield Asset Management Inc. and its consolidated subsidiaries. The “Corporation” refers to our asset management business which is comprised of our asset management and corporate business segments. Our “invested capital” includes our “listed affiliates,” Brookfield Property Partners L.P., Brookfield Property REIT Inc., Brookfield Renewable Partners L.P., Brookfield Renewable Corporation, Brookfield Infrastructure Partners L.P., Brookfield Infrastructure Corporation, Brookfield Business Partners L.P., and Terraform Power, Inc., which are separate public issuers included within our Real Estate, Renewable Power, Infrastructure and Private Equity segments, respectively. Additional discussion of their businesses and results can be found in their public filings. We use “private funds” to refer to our real estate funds, infrastructure funds and private equity funds.

Please refer to the Glossary of Terms beginning on page 57 which defines our key performance measures that we use to measure our business. Other businesses include Residential Development and Corporate.

Additional information about the company, including our Annual Information Form, is available on our website at www.brookfield.com, on the Canadian Securities Administrators’ website at www.sedar.com and on the EDGAR section of the U.S. Securities and Exchange Commission’s (“SEC”) website at www.sec.gov.

We are incorporated in Ontario, Canada, and qualify as an eligible Canadian issuer under the Multijurisdictional Disclosure System and as a “foreign private issuer” as such term is defined in Rule 405 under the U.S. Securities Act of 1933, as amended, and Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended. As a result, we comply with U.S. continuous reporting requirements by filing our Canadian disclosure documents with the SEC; our MD&A is filed under Form 40-F and we furnish our quarterly interim reports under Form 6-K.

Information contained in or otherwise accessible through the websites mentioned throughout this report does not form part of this report. All references in this report to websites are inactive textual references and are not incorporated by reference. Any other reports of the Company referred to herein are not incorporated by reference unless explicitly stated otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Report contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may provide such information and make such statements in the Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission or in other communications. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements which reflects management's expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could." In particular, the forward-looking statements contained in this Report include statements referring to the impact of current market or economic conditions on our businesses and the impact of COVID-19 and the global economic shutdown on the market, economic conditions, or our businesses.

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information contained in this Report. The statements and information involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, including the ongoing and developing COVID-19 pandemic and the global economic shutdown, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: (i) investment returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business, including as a result of COVID-19 and the global economic shutdown; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes, hurricanes, or pandemics/epidemics, including COVID-19; (xviii) the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; (xix) the introduction, withdrawal, success and timing of business initiatives and strategies; (xx) the failure of effective disclosure controls and procedures and internal controls over financial reporting and other risks; (xxi) health, safety and environmental risks; (xxii) the maintenance of adequate insurance coverage; (xxiii) the existence of information barriers between certain businesses within our asset management operations; (xxiv) risks specific to our business segments including our real estate, renewable power, infrastructure, private equity, and residential development activities; and (xxv) factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States, including in "Part 6 – Business Environment and Risks" of our Annual Report available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Past performance is not indicative nor a guarantee of future results. There can be no assurance that comparable results will be achieved in the future, that future investments will be similar to the historic investments discussed herein (because of economic conditions, the availability of investment opportunities or otherwise), that targeted returns, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved.

STATEMENT REGARDING USE OF NON-IFRS MEASURES

We disclose a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). We utilize these measures in managing the business, including for performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures or other financial metrics may differ from the calculations disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this Report. Please refer to our Glossary of Terms beginning on page 57 for all non-IFRS measures.

PART 1 – OUR BUSINESS AND STRATEGY

OVERVIEW

We are a leading global alternative asset manager with a 120-year history and approximately $550 billion of assets under management[1] across a broad portfolio of real estate, infrastructure, renewable power, private equity and credit assets. Our $277 billion in fee-bearing capital[1] is invested on behalf of some of the world's largest institutional investors, sovereign wealth funds and pension plans, along with thousands of individuals.

We provide a diverse product mix of flagship private funds[1] and dedicated public vehicles, which allow investors to invest in our five key asset classes and participate in the strong performance of the underlying portfolio. We invest in a disciplined manner, targeting returns of 12-15% over the long-term with strong downside protection, allowing our investors and their stakeholders to meet their goals and protect their financial futures.

- ✓ **Investment focus**

  We predominantly invest in real assets across real estate, infrastructure, renewable power and private equity, and hold a significant investment in Oaktree Capital Management ("Oaktree")[1], which is a leading global alternative investment management firm with an expertise in credit.

- ✓ **Diverse products offering**

  We offer public and private vehicles to invest across a number of product lines, including core, value-add, and opportunistic equity and credit strategies in both closed-end and perpetual vehicles.

- ✓ **Focused investment strategies**

  We invest where we can bring our competitive advantages to bear, such as our strong capabilities as an owner-operator, our large-scale capital and our global reach.

- ✓ **Disciplined financing approach**

  We employ leverage[1] in a prudent manner to enhance returns while preserving capital throughout business cycles. Underlying investments are typically funded at investment-grade levels on a standalone and non-recourse basis, providing us with a stable capitalization. Only 6% of the total leverage reported in our consolidated financial statements has recourse to the Corporation.

In addition, we maintain significant invested capital[1] on the Corporation's balance sheet where we invest alongside our investors. This capital generates annual cash flows that enhance the returns we earn as an asset manager, creates a strong alignment of interest, and allows us to bring the following strengths to bear on all our investments:

1. **Large-scale capital**

   We have approximately $550 billion in assets under management and $277 billion in fee-bearing capital.

2. **Operating expertise**

   We have approximately 150,000 operating employees worldwide who maximize value and cash flows from our operations.

3. **Global presence**

   We operate in more than 30 countries around the world.

Our financial returns are represented by the combination of the earnings of our asset manager as well as capital appreciation and distributions from our invested capital. Our primary performance measure is funds from operations ("FFO")[1] which we use to evaluate the performance of our segments.

1. See definition in Glossary of Terms beginning on page 57.

Asset Management

Our asset management activities encompass $277 billion of fee-bearing capital across long-term private funds, perpetual strategies and public securities[1], and $29 billion of committed capital that will be fee-bearing when invested. Together with our investment in Oaktree, we have approximately 2,000 unique institutional investors across our private funds business.

Long-term Private Funds – $85 billion fee-bearing capital

We manage and earn fees on a diverse range of real estate, renewable power, infrastructure, private equity and credit funds. These funds are long duration in nature and include closed-end value-add, credit and opportunistic strategies. On long-term private fund capital, we earn:

1. Diversified and long-term **base management fees**[1] on capital that is typically committed for 10 years with two one-year extension options.

2. **Carried interest[1]**, which enables us to receive a portion of overall fund profits provided that investors receive a minimum prescribed preferred return. Carried interest is recognized once it is no longer subject to clawback.

Perpetual Strategies – $69 billion fee-bearing capital

We manage perpetual capital in our publicly listed affiliates[1] BPY[1], BEP[1], BIP[1], BBU[1], and TERP[1] as well as core and core plus private funds, which can continually raise new capital. On our perpetual strategies, we earn:

1. Long-term perpetual **base management fees**, which are based on total capitalization for our listed affiliates and net asset value for our perpetual private funds.

2. Stable **incentive distribution[1] fees** which are linked to cash distributions from listed affiliates (BPY, BEP and BIP) that exceed pre-determined thresholds. These cash distributions have a historical track record of growing annually and each of these listed affiliates target annual distribution growth rates within a range of 5-9%.

3. **Performance fees[1]** based on unit price performance (BBU) and carried interest on our perpetual private funds.

Oaktree – $112 billion fee-bearing capital

On September 30, 2019, we purchased approximately 61% of Oaktree and broadened our product offering. Oaktree provides a diverse range of long-term private fund and perpetual strategies to its investor base. Similar to our long-term private funds, we earn **base management fees** and **carried interest** on Oaktree's fund capital.

Public Securities – $12 billion fee-bearing capital

We manage public funds and separately managed accounts, focused on fixed income and equity securities within the real estate, infrastructure and natural resources asset classes. We earn **management fees**, which are based on committed capital and fund net asset values, and performance income based on investment returns.

Invested Capital

We have approximately $45 billion of invested capital on the Corporation's balance sheet as a result of our history as an owner and operator of real assets, which provides attractive financial returns and important flexibility to our asset management business.

Key attributes of our invested capital:

- Transparent – approximately 79% of our invested capital is in our listed affiliates (BPY, BEP, BIP, BBU) and other smaller publicly traded investments. The remaining is primarily held in a residential homebuilding business, and a few other directly held investments.

- Diversified, long-term, stable cash flows – received from our underlying public investments. These cash flows are underpinned by investments in real assets which should provide inflation protection and less volatility compared to traditional equities, and higher yields compared to fixed income.

- Strong alignment of interests – the Corporation is the largest investor into each of our listed affiliates, and in turn, the listed affiliates are typically the largest investor in each of our private funds.

Refer to Parts 2 and 3 of this MD&A for more information on our operations and performance.

1. See definition in Glossary of Terms beginning on page 57.

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

The following section contains a discussion and analysis of line items presented within our consolidated financial statements. The financial data in this section has been prepared in accordance with IFRS. Starting on page 46 of our 2019 Annual Report, we provide an overview of our fair value accounting process and why we believe it provides useful information for investors about our performance. We also provide an overview of our application of the control-based model under IFRS used to determine whether or not an investment should be consolidated.

OVERVIEW

Net loss was $1.5 billion in the current quarter, with $656 million attributable to common shareholders ($0.43 per share) and the remaining loss attributable to non-controlling interests. The loss was due primarily to a reduction in the carrying value of retail and hospitality property assets. We experienced significant growth in our asset management results and most of our other operations performed well notwithstanding the impact of the current economic environment.

Businesses across the globe were impacted in the current quarter by the global economic shutdown resulting from efforts to combat the spread of COVID-19 (the “global economic shutdown” or the “economic shutdown”), which was declared a pandemic by the World Health Organization on March 11, 2020. These impacts included interrupting business activities and supply chains, as well as triggering significant volatility in the financial markets. Despite the broad-based economic shutdown and the unprecedented business interruptions, many parts of our business have been deemed essential service providers and continue to operate on a contracted or regulated basis.

Inevitably, certain of our investments have been, or may continue to be, impacted by the economic shutdown. For instance, a few of our investments, such as hospitality and retail have been impacted to date, and as such, we have updated near-term cash flow and valuation assumptions to reflect known conditions as of June 30, 2020. By contrast, amid the market recovery during the quarter, our corporate financial positions have increased in value.

During the second quarter, we benefited from a number of recent acquisitions across our segments, which together contributed $1.8 billion of additional revenues. This was partially offset by the absence of revenues from recent asset sales. When compared to the prior year quarter, the $2.2 billion decrease in consolidated net income and the $1.1 billion decrease in net income attributable to common shareholders were primarily attributable to:

- a decrease of equity accounted income of $1.6 billion, primarily due to valuation losses across our equity accounted investment properties which were partially offset by income from newly acquired assets since the prior year quarter;
- a decrease to other income and gains, due to gains on two asset sales that we recorded through net income in the prior year quarter;
- higher depreciation expense primarily as a result of recent acquisitions;
- same-store[1] decreases in income at some of our operating businesses, particularly within our Real Estate and Private Equity segments due to the economic shutdown; and
- valuation losses at our retail and office properties; partially offset by
- lower interest expense on our borrowings due to a decrease in interest rates partially offset by debts issued for recent acquisitions;
- an income tax expense of $5 million compared to $239 million in the prior year quarter due to lower taxable income earned in the quarter;
- one-time transaction gains from a debt restructuring in the Private Equity segment; and
- contributions from acquisitions over the last twelve months.

Our consolidated balance sheet was negatively impacted by the decrease in foreign currencies relative to the U.S. dollar since December 31, 2019 and our share of valuation losses through equity accounted investments. Total assets also decreased from the sale of the Australian operations of Genesee & Wyoming Inc. (“G&W”)[1], a North American rail infrastructure business, and several other held-for-sale assets since year-end, as well as from the decline in fair values of some of our investment properties. This was partially offset by our acquisition of Brand Industrial Holdings Inc. (“BrandSafway”)[1], a leading service provider to industrial and commercial facilities, as well as our newly acquired hospitality assets and investment properties.

1. See definition in Glossary of Terms beginning on page 57.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the company for the three and six months ended June 30, 2020 and 2019:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Three Months Ended			Six Months Ended		
	2020	2019	Change	**2020**	2019	Change
Revenues	**$ 12,829**	$ 16,924	$ (4,095)	**$ 29,415**	$ 32,132	$ (2,717)
Direct costs	**(9,446)**	(13,385)	3,939	**(22,155)**	(24,970)	2,815
	3,383	3,539	(156)	**7,260**	7,162	98
Other income and gains	**29**	889	(860)	**270**	921	(651)
Equity accounted income	**(631)**	1,003	(1,634)	**(843)**	1,347	(2,190)
Expenses						
Interest	**(1,715)**	(1,833)	118	**(3,567)**	(3,449)	(118)
Corporate costs	**(25)**	(23)	(2)	**(49)**	(49)	—
Fair value changes	**(1,153)**	(1,398)	245	**(1,567)**	(1,229)	(338)
Depreciation and amortization	**(1,376)**	(1,234)	(142)	**(2,785)**	(2,268)	(517)
Income tax expense	**(5)**	(239)	234	**(369)**	(475)	106
Net (loss) income	**(1,493)**	704	(2,197)	**(1,650)**	1,960	(3,610)
Non-controlling interests	**837**	(305)	1,142	**701**	(946)	1,647
Net (loss) income attributable to shareholders	**$ (656)**	$ 399	$ (1,055)	**$ (949)**	$ 1,014	$ (1,963)
Net (loss) income per share[1]	**$ (0.43)**	$ 0.24	$ (0.67)	**$ (0.63)**	$ 0.63	$ (1.26)

1. Adjusted to reflect the three-for-two split effective April 1, 2020.

Three Months Ended June 30

Revenues for the quarter were $12.8 billion, a decrease of $4.1 billion compared to the second quarter of 2019, primarily due to:

- lower volumes from the impact of the global economic shutdown, particularly at Greenergy Fuels Holding Limited (“Greenergy”)[1], a road fuel distribution business;
- lower revenues at our hospitality assets in our Real Estate segment due to decreased demand as a result of the shutdown; and
- negative impact of foreign currency due to the strengthening of the U.S. dollar; partially offset by
- $1.1 billion of additional revenues from acquisitions during the last twelve months, net of the absence of revenues from businesses sold during the same period.

A discussion of the impact on revenues and net income from recent acquisitions and dispositions can be found on pages 18 and 19.

Direct costs decreased by 29% or $3.9 billion, more than the 24% decrease in revenues. The decrease primarily relates to:

- cost saving initiatives across a number of our businesses; and
- the aforementioned government mandated global economic shutdown on our businesses; partially offset by
- higher operating costs related to recent acquisitions, net of dispositions and additional costs associated with organic growth initiatives.

Other income and gains of $29 million relate primarily to mark-to-market gains on derivatives within our Infrastructure segment and portfolio premiums recognized on the sale of a U.S. solar asset within our Renewable Power segment.

1. See definition in Glossary of Terms beginning on page 57.

Equity accounted income decreased from a gain of $1.0 billion to a loss $631 million primarily due to:

- valuation losses at our equity accounted core retail properties as we adjusted certain rental assumptions in light of the economic shutdown; and
- higher amortization and depreciation in our Infrastructure and Private Equity segments as a result of acquisitions in the last twelve months; partially offset by
- contributions from Oaktree.

Interest expense decreased by $118 million largely due to lower interest rates on variable debt obligations, partially offset with interest from additional borrowings associated with acquisitions across our portfolio and the funding of growth opportunities.

We recorded fair value losses of $1.2 billion, compared to a loss of $1.4 billion in the prior year quarter, primarily as a result of:

- valuation losses in our core retail, core office and hospitality portfolios in our Real Estate segment resulting from revised near-term valuation assumptions, as well as provisions within our private equity operations due to the global economic shutdown;
- other fair value losses comprised of various charges within our infrastructure, renewable power, real estate, and private equity operations; and
- unrealized losses on financial contracts, primarily attributable to mark-to-market fair value changes on our general market and currency hedges, as well as interest rate and cross-currency swaps; partially offset by
- a transaction-related gain from a debt restructuring at Cardone Industries, Inc. (“Cardone”)[1], an automotive aftermarket replacement part manufacturer within our Private Equity segment.

Refer to pages 19, 20 and 21 for discussion on fair value changes.

Depreciation and amortization expense increased by $142 million to $1.4 billion due to businesses acquired in the last twelve months, as well as the impact of revaluation gains in the fourth quarter of 2019, which increased the carrying value of our property, plant and equipment (“PP&E”) from which depreciation is determined.

We recorded an income tax expense of $5 million this quarter compared to $239 million in the prior year quarter, primarily as a result of lower taxable income earned in the current quarter.

Six Months Ended June 30

Revenues and direct costs for the first six months of 2020 decreased by $2.7 billion and $2.8 billion, respectively, compared to the same period in 2019 due primarily to the impact of the global economic shutdown and acquisitions over the last twelve months.

Other income and gains in the first six months of 2020 decreased by $651 million compared to the first six months of the prior year. The prior period gain included the sale of a global provider of facilities management services and an executive relocation services business within our Private Equity segment.

Equity accounted income in the first six months of 2020 decreased by $2.2 billion compared to the prior year period as a result of valuation losses at the aforementioned equity-accounted investment properties and higher depreciation and amortization in our Infrastructure and Private Equity segments as a result of recent acquisitions in the past twelve months.

Fair value losses were $1.6 billion for the first six months of 2020, compared to a $1.2 billion loss reported in the prior period. The increase to valuation losses is due to the aforementioned impact of global economic shutdown, partially offset by appraisal gains on certain opportunistic office and manufactured housing assets in our Real Estate segment. The prior period included valuation losses on investment properties in our core retail portfolio and LP investments and impairment and provision charges at our Private Equity segment.

1. See definition in Glossary of Terms beginning on page 57.

Significant Acquisitions and Dispositions

We have summarized below the impact of recent significant acquisitions and dispositions on our results for the three and six months ended June 30, 2020:

FOR THE PERIOD ENDED JUN. 30, 2020 (MILLIONS)	Three Months Ended				Six Months Ended			
	Acquisitions		Dispositions		Acquisitions		Dispositions	
	Revenue	Net Income	Revenue	Net Income	Revenue	Net Income	Revenue	Net Income
Real estate	$ 95	$ (137)	$ (93)	$ (32)	$ 237	$ (149)	$ (204)	$ 41
Renewable power	94	(17)	(23)	(2)	159	(11)	(55)	(8)
Infrastructure	512	14	(64)	13	1,204	(21)	(162)	8
Private equity and other	1,128	(55)	(517)	14	3,563	(164)	(1,237)	13
	$ 1,829	$ (195)	$ (697)	$ (7)	$ 5,163	$ (345)	$ (1,658)	$ 54

Acquisitions

Acquisitions over the past year contributed incremental revenues of $1.8 billion in the current quarter. As a result of the associated direct costs and depreciation expense, valuation losses on certain financial asset positions and higher deferred tax expenses, the acquisitions resulted in total net losses of $195 million this quarter.

Real Estate

Recent acquisitions contributed incremental revenues of $95 million and a net loss of $137 million, in the second quarter of 2020. The most significant contributions were from acquisitions made through Brookfield Strategic Real Estate Partners III ("BSREP III"), which added $80 million of revenues and a $97 million net loss. The net loss is largely due to fair value decreases on the newly acquired hospitality assets, resulting from the impact of the economic shutdown.

Renewable Power

Within our Renewable Power segment, recent acquisitions contributed to incremental revenues of $94 million and a net loss of $17 million, primarily as a result of higher asset depreciation caused by the revaluation of our property, plant and equipment at year-end.

Infrastructure

Recent acquisitions contributed incremental revenues of $512 million and a net income of $14 million. This was primarily as a result of G&W acquired in 2019, which contributed incremental revenues and net income of $455 million and $32 million, respectively, and a data distribution operation in New Zealand, which is an equity accounted investment, contributing an incremental net loss of $24 million this quarter due to the aforementioned factors.

Private Equity

The current quarter's results included impacts from Clarios Global LP ("Clarios")[1], a manufacturer of automotive batteries and Healthscope Limited ("Healthscope")[1], an Australian based healthcare provider, both acquired in the second quarter of 2019, Genworth MI Canada Inc. ("Genworth")[1], a Canadian based mortgage insurance company acquired in the fourth quarter of 2019, and BrandSafway acquired in the first quarter of 2020. These four businesses together contributed $1.1 billion of revenue and a $67 million net loss for the quarter. The net loss is mainly a result of positive contributions more than offset by transaction-related expenses and an impairment charge from a planned closure of a plant in the U.S. for streamlining operations.

The overall contribution to our revenues and net income for the six months ended June 30, 2020 from acquisitions over the past year were revenues of $3.6 billion and a net loss of $164 million, respectively primarily due to the aforementioned acquisitions.

Further details relating to the significant business combinations described above that were completed during the quarter ended June 30, 2020 are provided in Note 4 of the consolidated financial statements.

1. See definition in Glossary of Terms beginning on page 57.

Dispositions

Recent asset sales reduced revenues and net loss by $697 million and $7 million in the current quarter, respectively, and revenues of $1.7 billion and net income of $54 million for the six months ended June 30, 2020. Of the assets sold, those that most significantly impacted the current quarter and six months ended June 30, 2020 results were of our global provider of facilities management services, our executive relocation services business, and North American Palladium Ltd. ("NAP")[1], our palladium mining operations in our Private Equity segment. Our Colombian regulated distribution operation in our Infrastructure segment, as well as Fairfield Residential company and our Manhattan multifamily portfolio in our Real Estate segment also contributed to the change.

Fair Value Changes

The following table disaggregates fair value changes into major components to facilitate analysis:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended			Six Months Ended		
	2020	2019	Change	**2020**	2019	Change
Investment properties	**$ (797)**	$ (624)	$ (173)	**$ (679)**	$ (99)	$ (580)
Transaction related gains (losses), net of expenses	**224**	(174)	398	**—**	(246)	246
Financial contracts	**(64)**	(180)	116	**94**	(225)	319
Impairment and provisions	**(325)**	(333)	8	**(550)**	(364)	(186)
Other fair value changes	**(191)**	(87)	(104)	**(432)**	(295)	(137)
Total fair value changes	**$ (1,153)**	$ (1,398)	$ 245	**$ (1,567)**	$ (1,229)	$ (338)

Investment Properties

Investment properties are recorded at fair value with changes recorded in net income. The following table disaggregates investment property fair value changes by asset type:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended			Six Months Ended		
	2020	2019	Change	**2020**	2019	Change
Core office	**$ (223)**	$ 223	$ (446)	**$ (144)**	$ 506	$ (650)
Core retail	**(526)**	(815)	289	**(808)**	(821)	13
LP investments and other	**(48)**	(32)	(16)	**273**	216	57
	$ (797)	$ (624)	$ (173)	**$ (679)**	$ (99)	$ (580)

We discuss the key valuation inputs of our investment properties on page 55.

As a result of the ongoing global economic shutdown, we believe uncertainty remains with respect to certain input factors on our fair value of investment properties, including capitalization rates and discount rates, due to a lack of market transactions since early March 2020. During the current period, cash flow adjustments have been made as we have taken into account the anticipated outcome of tenant negotiations, leasing downtime and rental growth assumptions in the near-term.

Core Office

Valuation losses of $223 million primarily relate to:

- near-term decrease to rental growth assumptions and a reduction in speculative leasing and longer downtime between leases; and
- delayed capital expenditures and tenant-specific credit loss assumptions; partially offset by
- a gain attributed to a decrease in capitalization rates in the U.K. market to align with recent market comparables.

Valuation gains of $223 million in the prior year quarter were primarily attributable to higher market rent assumptions on several U.K. development properties as they near completion and a compression of capitalization rates in our Australian properties.

The six-month valuation losses are mainly due to the losses mentioned above, partially offset by a gain from meeting certain development milestones for a property in our Toronto portfolio in the prior quarter.

1. See definition in Glossary of Terms beginning on page 57.

Core Retail

Valuation losses in the current quarter were $526 million due to a number of assumptions being updated to reflect the current environment. We completed a cash flow reforecast for the near and mid-term, on a space-by-space basis, and updated growth and market leasing assumptions. In addition, we also revised discount rates where appropriate. The valuations reflected the latest negotiated lease agreements, vacancy reserves, downtime, retention assumptions and capital costs.

Our prior year quarter had losses of $815 million reflecting updated cash flow assumptions and valuation metrics, agreed upon by an independent third party.

The six-month losses are due to aforementioned changes in cash flow assumptions.

LP Investments and Other

Valuation losses of $48 million relate primarily to:

- updated assumptions on our opportunistic retail assets and office assets to reflect the lower near-term cash flow assumptions as a result of the economic shutdown; partially offset by
- a valuation gain at certain assets within our Fairfield multifamily business.

In the prior year quarter, valuation losses of $32 million were primarily related to losses in our retail portfolio as a result of updated cash flow assumptions, partially offset by capitalization rate compression, leading to fair value gains in our student housing portfolio.

The six-month gains are mainly due to rate compression of terminal capitalization and discount rates within our office portfolios in South Korea, India and U.K., as well as directly held gains related to consolidated assets within our BSREP III portfolio.

Transaction Related Gains, Net of Expenses

Transaction related gains, net of expenses, totaled $224 million for the quarter. This was primarily related to a net gain from debt restructuring at an operating company within our Private Equity segment and the settlement of a forward sale of opportunistic properties in our Real Estate segment.

The prior year quarter transaction related expenses primarily relate to deal costs in our Private Equity and Real Estate segments.

Year-to-date losses related to expenses from the loss associated with the early redemption of debt at our Corporate, Residential, Infrastructure and Real Estate segments, which was refinanced at lower interest costs that we will benefit from in future periods. This was offset by the aforementioned gains.

Financial Contracts

Financial contracts include mark-to-market gains and losses on financial contracts related to foreign currency, interest rate and pricing exposures that are not designated as hedges.

The loss this quarter of $64 million is primarily attributable to mark-to-market fair value changes on our general market and currency hedges, interest rate and cross currency swaps in our corporate, infrastructure, renewable power, and real estate business, partially offset by the valuation gain on our toehold positions in our private equity business.

Unrealized losses in the prior year quarter primarily relate to foreign exchange losses on some of our cross-currency swaps and losses on forward swaps due to decreases in interest rates.

Year-to-date financial contract gains relate to mark-to-market movements on aforementioned general market and currency hedges, interest rate and cross currency swaps in our corporate, infrastructure, renewable power, and real estate business and gains on our toehold positions in our private equity business.

Impairment and Provisions

Impairment and provision expense for the quarter of $325 million is related to the impact of the economic shutdown on our operating businesses within our Private Equity segment and hospitality assets in our Real Estate segment.

The year-to-date impairment and provision expenses relate to the aforementioned economic shutdown on our operating businesses within our Private Equity segment and hospitality assets in our Real Estate segment.

Other Fair Value Changes

Other fair value losses of $191 million were reported for the quarter. Included in this balance are various charges at our Infrastructure, Renewable Power, Real Estate, and Private Equity segments.

Income Taxes

We recorded an aggregate income tax expense of $5 million in the current quarter (2019 – $239 million), including current tax expenses of $101 million (2019 – $232 million) and deferred tax recovery of $96 million (2019 – expense of $7 million).

The decrease in income tax expense reflects the lower level of taxable income earned in the quarter. The decrease in the effective income tax rate is primarily attributed to valuation losses in our Real Estate segment, which are subject to different global tax rates. This contributed to a reduction of our effective tax rate of 25% in the current quarter. Partially offsetting this reduction is the impact of a debt restructuring in our Private Equity segment, which contributed to an 8% increase in our effective tax rate.

Our effective income tax rate is different from the Canadian domestic statutory income tax rate due to the following differences:

	Three Months Ended			Six Months Ended		
FOR THE PERIODS ENDED JUN. 30	**2020**	2019	Change	**2020**	2019	Change
Statutory income tax rate	**26%**	26%	— %	**26 %**	26%	— %
Increase (reduction) in rate resulting from:						
Portion of gains subject to different tax rates	**—**	(8)	8	**(5)**	(6)	1
Change in tax rates and new legislation	**—**	(3)	3	**(13)**	(1)	(12)
Taxable income attributed to non-controlling interests	**(3)**	(12)	9	**4**	(5)	9
International operations subject to different tax rates	**(25)**	2	(27)	**(41)**	—	(41)
Recognition of deferred tax assets	**8**	4	4	**10**	(1)	11
Non-recognition of the benefit of current year's tax losses	**(3)**	10	(13)	**(6)**	5	(11)
Other	**(3)**	6	(9)	**(4)**	2	(6)
Effective income tax rate	**—%**	25%	(25)%	**(29)%**	20%	(49)%

As an asset manager, many of our operations are held in partially owned "flow-through" entities, such as partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only our proportionate share of the associated tax provision of these entities. In other words, we are consolidating all the net income, but only our share of the associated tax provision. This reduced our effective tax rate by 3% in the current quarter.

Our income tax provision does not include a number of non-income taxes paid that are recorded elsewhere in our consolidated financial statements. For example, a number of our operations in Brazil are required to pay non-recoverable taxes on revenue, which are included in direct costs as opposed to income taxes. In addition, we pay considerable property, payroll and other taxes that represent an important component of the tax base in the jurisdictions in which we operate, which are also predominantly recorded in direct costs.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the company as at June 30, 2020 and December 31, 2019:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	**2020**	2019	Change
Assets			
Investment properties	**$ 96,887**	$ 96,686	$ 201
Property, plant and equipment	**86,067**	89,264	(3,197)
Equity accounted investments	**39,213**	40,698	(1,485)
Cash and cash equivalents	**9,523**	6,778	2,745
Accounts receivable and other	**17,140**	18,469	(1,329)
Intangible assets	**25,117**	27,710	(2,593)
Goodwill	**13,816**	14,550	(734)
Other assets	**28,672**	29,814	(1,142)
Total assets	**$ 316,435**	$ 323,969	$ (7,534)
Liabilities			
Corporate borrowings	**$ 8,051**	$ 7,083	$ 968
Non-recourse borrowings of managed entities	**136,362**	136,292	70
Other non-current financial liabilities	**24,528**	23,997	531
Other liabilities	**36,428**	39,751	(3,323)
Equity			
Preferred equity	**4,145**	4,145	—
Non-controlling interests	**78,996**	81,833	(2,837)
Common equity	**27,925**	30,868	(2,943)
Total equity	**111,066**	116,846	(5,780)
	$ 316,435	$ 323,969	$ (7,534)

June 30, 2020 vs. December 31, 2019

Total assets decreased by $7.5 billion since December 31, 2019 to $316.4 billion as at June 30, 2020. The decrease is driven by foreign currency translation, as most major currencies in which we do business depreciated against the U.S. dollar, asset amortization and depreciation, as well as net losses recognized year to date. This was partially offset by recently completed business combinations and asset acquisitions, net of disposals, which added $5.6 billion of total assets. We provide an overview of the impact on foreign currency translation on pages 25 and 26.

Investment properties consist primarily of the company's real estate assets. The balance as at June 30, 2020 increased by $201 million, primarily due to:

- additions of $2.9 billion, mainly through enhancement or expansion of properties through capital expenditures and the purchase of investment properties; partially offset by
- the negative impact of foreign currency translation of $1.5 billion;
- asset sales and reclassifications to assets held for sale of $535 million, including multiple investment properties held within our flagship funds and a North American office property; and
- net valuation losses of $679 million, driven by revaluations of our retail and office portfolios.

We provide a continuity of investment properties in Note 9 of the consolidated financial statements.

PP&E decreased by $3.2 billion primarily as a result of:

- the negative impact of foreign currency translation of $3.8 billion across all our businesses; and
- depreciation and valuation changes of $2.7 billion for the six months; partially offset by
- net additions and acquisitions of $3.2 billion primarily related to capital expenditures across our operating segments and the acquisition of European solar assets within our Renewable Power segment.

We provide a continuity of PP&E in Note 10 of the consolidated financial statements.

Equity accounted investments decreased from $40.7 billion as at December 31, 2019 to $39.2 billion in the current quarter, mainly due to:

- the negative impact of $1.7 billion in foreign currency translation due to the strength of the U.S. dollar relative to all of our major foreign currencies;
- our proportionate share of $1.2 billion of comprehensive loss, primarily as a result of valuations on our real estate investments; and
- distributions and return of capital received of $525 million; partially offset by
- net additions of $1.9 billion, particularly our $1.3 billion acquisition of BrandSafway in the prior quarter in our Private Equity segment.

We provide a continuity of equity accounted investments in Note 8 of the consolidated financial statements.

Cash and cash equivalents increased by $2.7 billion as at June 30, 2020 compared to the prior year-end primarily due to timing of cash flows at quarter-end as cash was held from capital called due to pending acquisitions, the issuance of debt, and the secondary offering of LP units in BEP. For further information, refer to our Consolidated Statements of Cash Flows and to the Review of Consolidated Statements of Cash Flows within Part 4 – Capitalization and Liquidity.

Decreases of $2.6 billion and $734 million in our intangible assets and goodwill balances, respectively, are related to the impact of foreign currency translation, depreciation, and purchase price adjustments on acquisitions completed in our Private Equity segment.

Other assets are comprised of inventory, deferred income tax assets, assets classified as held for sale and other financial assets. The decrease of $1.1 billion is primarily a result of:

- a decrease in assets held for sale of $3.0 billion, primarily due to the sale of G&W's Australian assets and Empresa de Energia de Boyaca S.A. ("EBSA")[1], our Colombian regulated distribution operation, within our Infrastructure segment in the prior quarter; and
- the sale of investment properties and reclassification of an investment property back into equity accounted investments within our Real Estate segment; partially offset by
- a $1.9 billion increase in other financial assets primarily due to toehold and credit-related investments in our Real Estate and Infrastructure segments.

Corporate borrowings increased by $968 million due to a $600 million 30-year note issuance and $750 million 10-year note issuance during the first and second quarter, respectively. This was partially offset by a repayment of a $251 million (C$350 million) note in the first quarter and the impact of foreign exchange.

Non-recourse borrowings of managed entities increased by $70 million as a result of:

- an increase in subsidiary borrowings in our Private Equity, Infrastructure, Real Estate, and Residential segments; and
- net draws on the BSREP III subscription facility to fund new acquisitions.

1. See definition in Glossary of Terms beginning on page 57.

Other non-current financial liabilities consist of our subsidiary equity obligations, non-current accounts payable and other long-term financial liabilities that are due after one year. Non-current accounts payable and other increased by $462 million, primarily due to the aforementioned acquisitions and higher insurance liabilities. Please see Note 6 of the consolidated financial statements for further information.

The decrease of other liabilities of $3.3 billion is primarily attributable to the derecognition of held for sale liabilities upon the sale of certain assets during the first quarter and a decrease of current accounts payable at Greenergy.

Refer to Part 4 – Capitalization and Liquidity for more information.

Equity

The significant variances in common equity and non-controlling interests are discussed below. Preferred equity is discussed in Part 4 of this MD&A.

Common Equity

The following table presents the major contributors to the period-over-period variances for common equity:

AS AT AND FOR THE SIX MONTHS ENDED JUN. 30, 2020 (MILLIONS)	
Common equity, beginning of period	**$ 30,868**
Changes in period	
Net loss attributable to shareholders	**(949)**
Common dividends	**(363)**
Preferred dividends	**(71)**
Other comprehensive loss	**(1,484)**
Share repurchases, net of issuances	**(190)**
Ownership changes and other	**114**
	(2,943)
Common equity, end of period	**$ 27,925**

Common equity decreased by $2.9 billion to $27.9 billion during the six months of 2020. The change includes:

- other comprehensive loss of $1.5 billion due to our foreign investments being impacted by foreign currency translation, as most currencies that we operate in depreciated against the U.S. dollar since the fourth quarter of last year, in particular the Brazilian real and the Colombian peso. These losses were partially offset by our hedging activity. However, we typically do not hedge our exposure to the Brazilian real and the Colombian peso. As a result, foreign currency loss, net of hedges, resulted in a $1.3 billion loss within our other comprehensive income. The remaining $213 million of losses primarily relates to mark-to-market movement on cash flow hedges held in our Real Estate, Infrastructure and Private Equity segments;
- net loss attributable to shareholders of $949 million;
- distributions of $434 million to shareholders as common and preferred share dividends; and
- share repurchases, net of issuances and vesting, of $190 million, primarily related to the repurchase of 5.5 million Class A Limited Voting Shares ("Class A shares") for the first six months of the year; partially offset by
- ownership changes and other of $114 million, primarily relate to dilution gains from partial sales of businesses, in which we continue to consolidate in our financial results. These gains were partially offset by an accretion loss on the privatization of Altera Infrastructure L.P. ("Altera")[1], a global service provider to the offshore oil production industry.

1. See definition in Glossary of Terms beginning on page 57.

Non-controlling Interests

Non-controlling interests in our consolidated results primarily consist of third-party interests in BPY, BEP, BIP, BBU, and their consolidated entities as well as co-investors and other participating interests in our consolidated investments as follows:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	**2020**	2019
Brookfield Property Partners L.P.	**$ 27,156**	$ 29,165
Brookfield Renewable Partners L.P.	**12,307**	13,321
Brookfield Infrastructure Partners L.P.	**16,948**	20,036
Brookfield Business Partners L.P.	**7,866**	8,664
Other participating interests	**14,719**	10,647
	$ 78,996	$ 81,833

Non-controlling interests decreased by $2.8 billion during the six-month period, primarily due to:

- comprehensive loss attributable to non-controlling interests which totaled $5.0 billion; this is inclusive of foreign currency translation losses as average foreign currency rates in the jurisdictions where we hold the majority of our non-U.S. dollar investments depreciated against the U.S. dollar, in particular the Brazilian real and Colombian peso;
- $3.5 billion of distributions to non-controlling interests; and
- ownership changes decrease attributable to non-controlling interests of $1.2 billion; partially offset by
- net equity issuances to non-controlling interests totaling $6.9 billion.

FOREIGN CURRENCY TRANSLATION

Approximately half of our capital is invested in non-U.S. currencies and the cash flows generated from these businesses, as well as our equity, are subject to changes in foreign currency exchange rates. From time to time, we utilize financial contracts to adjust these exposures. The most significant currency exchange rates that impact our business are shown in the following table:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE PERIODS ENDED JUN. 30	Period-End Spot Rate			Average Rate					
				Three Months Ended			Six Months Ended		
	2020	2019	Change	**2020**	2019	Change	**2020**	2019	Change
Australian dollar	**0.6903**	0.7018	**(2)%**	**0.6578**	0.7002	(6)%	**0.6580**	0.7064	**(7)%**
Brazilian real[1]	**5.4765**	4.0306	**(26)%**	**5.3850**	3.9216	(27)%	**4.9257**	3.8447	**(22)%**
British pound	**1.2401**	1.3255	**(6)%**	**1.2416**	1.2853	(3)%	**1.2607**	1.2939	**(3)%**
Canadian dollar	**0.7366**	0.7699	**(4)%**	**0.7220**	0.7476	(3)%	**0.7335**	0.7498	**(2)%**
Colombian peso[1]	**3,758.1**	3,287.2	**(13)%**	**3,843.0**	3,240.6	(16)%	**3,697.3**	3,187.3	**(14)%**

1. Using Brazilian real and Colombian peso as the price currency.

Currency exchange rates relative to the U.S. dollar at the end of the current quarter were lower than December 31, 2019 for all of our significant non-U.S. dollar investments.

The following table disaggregates the impact of foreign currency translation on our equity by the most significant non-U.S. currencies:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2020	2019	**2020**	2019
Australian dollar	**$ 785**	$ (61)	**$ (126)**	$ (35)
Brazilian real	**(657)**	207	**(3,770)**	141
British pound	**(6)**	(241)	**(731)**	(46)
Canadian dollar	**381**	149	**(561)**	295
Colombian peso	**351**	(83)	**(532)**	54
Other	**163**	149	**(486)**	167
Total cumulative translation adjustments	**1,017**	120	**(6,206)**	576
Currency hedges[1]	**(585)**	(81)	**1,406**	(262)
Total cumulative translation adjustments net of currency hedges	**$ 432**	$ 39	**$ (4,800)**	$ 314
Attributable to:				
Shareholders	**$ 48**	$ (54)	**$ (1,271)**	$ 13
Non-controlling interests	**384**	93	**(3,529)**	301
	$ 432	$ 39	**$ (4,800)**	$ 314

1. Includes deferred income tax recovery of $9 million for the three months ended June 30, 2020 (2019 – expense of $6 million) and expense of $57 million for six months ended June 30, 2020 (2019 – recovery of $3 million).

The foreign currency translation of our equity, net of currency hedges, for the three and six months ended June 30, 2020 generated a gain of $432 million and a loss of $4.8 billion, respectively. The gain that was generated during the current quarter was largely due to a recovery in the Australian and Canadian dollar. The gain was partially offset by the loss on the depreciation of the Brazilian real. The loss generated for the six months period was attributable to lower period end rates for our non-U.S. dollar investments, particularly the Brazilian real.

We do not typically hedge the Brazilian real, Colombian peso or other currencies in emerging markets due to the high cost associated with these contracts.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during the first six months of 2020, 2019 and 2018, are summarized in the following table. Dividends to the Class A and B Limited Voting Shares have been adjusted to reflect a three-for-two stock split on April 1, 2020.

	Distribution per Security		
	2020	2019	2018
Class A and B[1] Limited Voting Shares (“Class A and B shares”)[2]	**$ 0.24**	$ 0.21	$ 0.20
Class A Preferred Shares			
Series 2	**0.21**	0.26	0.23
Series 4	**0.21**	0.26	0.23
Series 8	**0.31**	0.37	0.33
Series 9	**0.25**	0.26	0.27
Series 13	**0.21**	0.26	0.23
Series 15	**0.18**	0.25	0.19
Series 17	**0.44**	0.44	0.46
Series 18	**0.44**	0.44	0.46
Series 24	**0.28**	0.28	0.29
Series 25[3]	**0.36**	0.37	0.32
Series 26	**0.32**	0.32	0.34
Series 28	**0.25**	0.26	0.27
Series 30	**0.43**	0.44	0.46
Series 32[4]	**0.46**	0.47	0.44
Series 34[5]	**0.41**	0.40	0.41
Series 36	**0.44**	0.45	0.47
Series 37	**0.45**	0.46	0.48
Series 38[6]	**0.37**	0.41	0.43
Series 40[7]	**0.37**	0.42	0.44
Series 42	**0.41**	0.42	0.44
Series 44	**0.46**	0.47	0.49
Series 46	**0.44**	0.45	0.47
Series 48	**0.44**	0.45	0.46

1. Class B Limited Voting Shares (“Class B shares”).
2. Adjusted to reflect three-for-two stock split effective April 1, 2020.
3. Dividend rate reset commenced the last day of each quarter.
4. Dividend rate reset commenced September 30, 2018.
5. Dividend rate reset commenced March 31, 2019.
6. Dividend rate reset commenced March 31, 2020.
7. Dividend rate reset commenced September 30, 2019.

Dividends on the Class A and B shares are declared in U.S. dollars whereas Class A Preferred share dividends are declared in Canadian dollars.

SUMMARY OF QUARTERLY RESULTS

The quarterly variances in revenues over the past two years are due primarily to acquisitions and dispositions. Variances in net income to shareholders relate primarily to the timing and amount of non-cash fair value changes and deferred tax provisions, as well as seasonality and cyclical influences in certain businesses. Changes in ownership have resulted in the consolidation and deconsolidation of revenues from some of our assets, particularly in our real estate and private equity businesses. Other factors include the impact of foreign currency on non-U.S. revenues, net income attributable to non-controlling interests, and the global economic shutdown.

Our real estate operations typically generate consistent results on a quarterly basis due to the long-term nature of contractual lease arrangements subject to the intermittent recognition of disposition and lease termination gains. Our retail properties typically experience seasonally higher retail sales during the fourth quarter, and our resort hotels tend to experience higher revenues and costs as a result of increased visits during the first quarter. We fair value our real estate assets on a quarterly basis which results in variations in net income based on changes in the value.

Renewable power hydroelectric operations are seasonal in nature. Generation tends to be higher during the winter rainy season in Brazil and spring thaws in North America; however, this is mitigated to an extent by prices, which tend not to be as strong as they are in the summer and winter seasons due to the more moderate weather conditions and reductions in demand for electricity. Water and wind conditions may also vary from year to year. Our infrastructure operations are generally stable in nature as a result of regulation or long-term sales contracts with our investors, certain of which guarantee minimum volumes.

Revenues and direct costs in our private equity operations vary from quarter to quarter primarily due to acquisitions and dispositions of businesses, fluctuations in foreign exchange rates, business and economic cycles, and weather and seasonality in underlying operations. Broader economic factors and commodity market volatility may have a significant impact on a number of our businesses, in particular within our industrials portfolio. For example, seasonality affects our contract drilling and well-servicing operations as the ability to move heavy equipment safely and efficiently in western Canadian oil and gas fields is dependent on weather conditions. Within our infrastructure services, the core operating plants business of our service provider to the power generation industry generates the majority of its revenue during the fall and spring, when power plants go offline to perform maintenance and replenish their fuel. Some of our business services operations will typically have stronger performance in the latter half of the year whereas others, such as our fuel marketing and road fuel distribution businesses, will generate stronger performance in the second and third quarters. Net income is impacted by periodic gains and losses on acquisitions, monetization and impairments.

Our residential development operations are seasonal in nature and a large portion is correlated with the ongoing U.S. housing recovery and, to a lesser extent, economic conditions in Brazil. Results in these businesses are typically higher in the third and fourth quarters compared to the first half of the year, as weather conditions are more favorable in the latter half of the year which tends to increase construction activity levels.

Our condensed statements of operations for the eight most recent quarters are as follows:

FOR THE PERIODS ENDED (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2020**		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 12,829**	$ 16,586	$ 17,819	$ 17,875	$ 16,924	$ 15,208	$ 16,006	$ 14,858
Net (loss) income	**(1,493)**	(157)	1,638	1,756	704	1,256	3,028	941
Net (loss) income to shareholders	**(656)**	(293)	846	947	399	615	1,884	163
Per share[1]								
– diluted	**$ (0.43)**	$ (0.20)	$ 0.50	$ 0.61	$ 0.24	$ 0.39	$ 1.25	$ 0.07
– basic	**(0.43)**	(0.20)	0.51	0.62	0.25	0.39	1.27	0.07

1. Adjusted to reflect the three-for-two split effective April 1, 2020.

The following table shows fair value changes and income taxes for the last eight quarters, as well as their combined impact on net income:

FOR THE PERIODS ENDED (MILLIONS)	**2020**		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Fair value changes	**$ (1,153)**	$ (414)	$ 4	$ 394	$ (1,398)	$ 169	$ 257	$ 132
Income taxes	**(5)**	(364)	(200)	180	(239)	(236)	884	(144)
Net impact	**$ (1,158)**	$ (778)	$ (196)	$ 574	$ (1,637)	$ (67)	$ 1,141	$ (12)

Over the last eight completed quarters, the factors discussed below caused variations in revenues and net income to shareholders on a quarterly basis:

- In the second quarter of 2020 our revenues decreased in comparison to the prior quarter, due to the impact of the economic shut down for a large part of the quarter. The higher net loss in the quarter is primarily attributed to a decline in the valuation of our investment property portfolio as cash flow assumptions were adjusted downwards to reflect the impact of the shutdown.
- The decrease of revenues in the first quarter of 2020 compared to the prior quarter is primarily attributable to lower same-store growth as a result of seasonality and the impact of the economic shutdown. Contributions from acquisitions across our operating segments were partially offset by recent asset sales from our Private Equity and Renewable Power segments. Net income also decreased due to unrealized fair value changes brought about by the current environment.
- In the fourth quarter of 2019, revenues remained consistent with the prior quarter as we continued to benefit from contributions from recently acquired businesses and strong same-store growth across our operating segments. Net income decreased primarily due to lower fair value gains and the absence of a deferred tax recovery, partially offset by an increase in equity accounted income.
- In the third quarter of 2019, revenues increased from a full quarter contribution from Clarios and Healthscope, which we acquired in the second quarter of 2019. In addition, net income increased from the prior quarter due to the recognition of deferred income tax recoveries and valuation gains in our core office and LP investment properties.
- In the second quarter of 2019, revenues increased due to recent acquisitions across a number of segments, in particular industrials and infrastructure services in the Private Equity segment. The increase in revenue was offset by higher direct operating costs, interest expense from incremental borrowing, as well as valuation losses on some of our core retail properties and our service provider to the offshore oil production industry in the Private Equity segment.
- In the first quarter of 2019, revenues decreased slightly from the prior quarter primarily due to seasonality at our residential homebuilding business and certain of our private equity operations as well as a decrease in sales volumes at our road fuel distribution business. In addition, the absence of a deferred tax recovery in our Corporate segment, as well as higher depreciation and amortization expenses due to the impact of revaluation gains reported in the fourth quarter contributed to the decrease in net income.
- The increase in revenues in the fourth quarter of 2018 is due primarily to recent acquisitions, including a full quarter of revenues from Brookfield Property REIT Inc. ("BPYU")[1] following the privatization of GGP, as well as the impact of same-store growth across the business. Consolidated net income is higher than prior period due to gains on sales of businesses, fair value valuation gains on investment properties and a deferred tax recovery in our Corporate segment. These increases were partially offset by higher interest expense from new borrowings to fund acquisitions and debts assumed from acquired businesses.
- Revenues increased in the third quarter of 2018 primarily due to recent acquisitions across all segments, including the privatization of BPYU, and same-store growth, in particular improved pricing at our graphite electrode manufacturing business. Higher interest and depreciation expenses associated with recent acquisitions, and the recognition of a deferred tax expense associated with the BPYU privatization, more than offset the increase in revenues.

1. See definition in Glossary of Terms beginning on page 57.

PART 3 – OPERATING SEGMENT RESULTS

BASIS OF PRESENTATION

How We Measure and Report Our Operating Segments

Our operations are organized into our asset management business, five operating groups and our corporate activities, which collectively represent seven operating segments for internal and external reporting purposes. We measure operating performance primarily using FFO generated by each operating segment and the amount of capital invested by the Corporation in each segment using common equity. Common equity relates to invested capital allocated to a particular business segment which we use interchangeably with segment common equity. To further assess operating performance for our Asset Management segment we also provide unrealized carried interest[1] which represents carried interest generated on unrealized changes in value of our private fund investment portfolios.

Our operating segments are global in scope and are as follows:

i. *Asset management* operations include managing our long-term private funds, perpetual strategies and public securities on behalf of our investors and ourselves, as well as our share of the asset management activities of Oaktree. We generate contractual base management fees for these activities as well as incentive distributions and performance income, including performance fees, transaction fees and carried interest.

ii. *Real estate* operations include the ownership, operation and development of core office, core retail, LP investments and other properties.

iii. *Renewable power* operations include the ownership, operation and development of hydroelectric, wind, solar, storage and other power generating facilities.

iv. *Infrastructure* operations include the ownership, operation and development of utilities, transport, energy, data infrastructure and sustainable resource assets.

v. *Private equity* operations include a broad range of industries, and are mostly focused on business services, infrastructure services and industrials.

vi. *Residential development* operations consist of homebuilding, condominium development and land development.

vii. *Corporate activities* include the investment of cash and financial assets, as well as the management of our corporate leverage, including corporate borrowings and preferred equity, which fund a portion of the capital invested in our other operations. Certain corporate costs such as technology and operations are incurred on behalf of our operating segments and allocated to each operating segment based on an internal pricing framework.

In assessing results, we separately identify the portion of FFO and common equity within our segments that relate to our primary listed affiliates: BPY, BEP, BIP and BBU. We believe that identifying the FFO and common equity attributable to our listed affiliates enables investors to understand how the results of these public entities are integrated into our financial results and is helpful in analyzing variances in FFO between reporting periods. Additional information with respect to these listed affiliates is available in their public filings. We also separately identify the components of our asset management FFO and realized disposition gains[1] included within the FFO of each segment in order to facilitate analysis of variances in FFO between reporting periods.

1. See definition in Glossary of Terms beginning on page 57.

SUMMARY OF RESULTS BY OPERATING SEGMENT

The following table presents revenues, FFO and common equity by segment on a year-over-year basis for comparative purposes:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Revenues[1]			FFO			Common Equity		
	2020	2019	Change	**2020**	2019	Change	**2020**	2019	Change
Asset Management	**$ 743**	$ 610	$ 133	**$ 355**	$ 400	$ (45)	**$ 4,950**	$ 4,927	$ 23
Real Estate	**1,856**	2,569	(713)	**89**	316	(227)	**17,825**	18,781	(956)
Renewable Power	**1,035**	1,032	3	**566**	69	497	**4,398**	5,320	(922)
Infrastructure	**2,097**	1,806	291	**84**	62	22	**2,336**	2,792	(456)
Private Equity	**7,391**	10,845	(3,454)	**137**	326	(189)	**3,494**	4,086	(592)
Residential Development	**447**	594	(147)	**(11)**	18	(29)	**2,503**	2,859	(356)
Corporate Activities	**88**	122	(34)	**(59)**	(83)	24	**(7,581)**	(7,897)	316
Total segments	**$13,657**	$17,578	$ (3,921)	**$ 1,161**	$ 1,108	$ 53	**$27,925**	$30,868	$ (2,943)

1. Revenues include inter-segment revenues which are adjusted to arrive at external revenues for IFRS purposes. Please refer to Note 3(c) of the consolidated financial statements.

Total revenues and FFO were $13.7 billion and $1.2 billion in the current quarter of 2020 compared to $17.6 billion and $1.1 billion in the prior period, respectively. FFO includes realized disposition gains of $473 million in 2020, compared to $303 million in the prior year quarter. Excluding disposition gains, FFO decreased by $117 million from the prior year quarter.

Revenues decreased primarily due to the impact of the global economic shutdown, particularly within our Real Estate and Private Equity segments, as well as the absence of contribution from assets sold during the last twelve months. These decreases were partially offset by our acquisition of an interest in Oaktree during the third quarter of 2019 as well as recent acquisitions within our Private Equity and Infrastructure segments.

The decrease to FFO, excluding disposition gains, is primarily a result of:

- lower occupancy at hospitality assets, lower rent collections at our core retail portfolio and the absence of a one-time performance fee earned on development assets in our Real Estate segment;
- reduced generation in our North American hydro portfolio;
- lower same-store results at our Private Equity segment's industrial operations as sales volumes were negatively impacted by the economic shutdown;
- slowdown in sales at our residential homebuilding business;
- negative impact of foreign currency exchange; and
- a decrease in realized carried interest[1], net of direct costs, to $31 million for the quarter, compared to $137 million recognized in the prior period; partially offset by
- increased fee-related earnings[1] in our Asset Management segment where we benefited from fees earned on new capital raised across our existing and new fund strategies and contributions from Oaktree;
- contributions from recent acquisitions, net of the impact of asset sales;
- improved same store results at Norbord Inc. ("Norbord")[1], one of the world's largest producers of oriented strand board, as we benefited from a recovery in pricing and reduced losses from our energy contracts; and
- contributions from our financial assets portfolio as we benefited from a significant recovery in public markets during the current quarter.

We recognized $473 million of disposition gains during the quarter. The gain is largely from the secondary offering of BEP units at our renewable power operation.

Common equity decreased by $2.9 billion since year-end to $27.9 billion primarily from comprehensive losses, dividends paid, and share buybacks. Comprehensive loss included $1.3 billion from unrealized losses on foreign currency translation as most currencies depreciated relative to the U.S. dollar. This was partially offset by a gain on the sale of BEP units in the current quarter and an accretion gain from the purchase of BPY shares at a discount to book value in the first quarter of 2020.

1. See definition in Glossary of Terms beginning on page 57.

Fee-Bearing Capital

The following table summarizes fee-bearing capital:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	Long-Term Private Funds	Perpetual Strategies	Oaktree	Public Securities	**Total 2020**	Total 2019
Real estate	$ 28,795	$ 18,147	$ —	$ —	**$ 46,942**	$ 56,056
Renewable power	11,695	22,842	—	—	**34,537**	33,520
Infrastructure	29,466	23,531	—	—	**52,997**	54,220
Private equity	14,664	4,681	—	—	**19,345**	20,710
Oaktree	—	—	111,688	—	**111,688**	110,349
Diversified	—	—	—	11,693	**11,693**	14,957
June 30, 2020	**$ 84,620**	**$ 69,201**	**$ 111,688**	**$ 11,693**	**$ 277,202**	n/a
December 31, 2019	$ 85,825	$ 78,681	$ 110,349	$ 14,957	n/a	$ 289,812

Fee-bearing capital increased by $13.3 billion during the quarter. The principal changes are set out in the following table:

AS AT AND FOR THE THREE MONTHS ENDED JUN. 30, 2020 (MILLIONS)	Long-Term Private Funds	Perpetual Strategies	Oaktree	Public Securities	**Total**
Balance, March 31, 2020	$ 87,383	$ 63,048	$ 102,642	$ 10,787	**$ 263,860**
Inflows	285	549	5,847	968	**7,649**
Outflows	—	—	(1,214)	(1,293)	**(2,507)**
Distributions	(2)	(1,234)	(201)	—	**(1,437)**
Market valuation	(12)	6,367	3,843	1,236	**11,434**
Other	(3,034)	471	771	(5)	**(1,797)**
Change	(2,763)	6,153	9,046	906	**13,342**
Balance, June 30, 2020	**$ 84,620**	**$ 69,201**	**$ 111,688**	**$ 11,693**	**$ 277,202**

Long-term private fund fee-bearing capital decreased by $2.8 billion since the prior quarter, primarily due to:

- $3.0 billion of other movement primarily related to uninvested capital in two flagship funds that ended their investment periods during the quarter. However, this capital will become fee-earning again once it is deployed; partially offset by
- $0.3 billion of inflows, including $0.1 billion of capital invested in our latest infrastructure debt fund, as well as an additional $0.2 billion of co-investment capital within our infrastructure and renewable energy strategies.

Perpetual strategy fee-bearing capital increased by $6.2 billion since the prior quarter, due to:

- an increase of $6.4 billion from market valuation as a result of partial recoveries of our listed affiliates' prices from the end of the previous quarter; and
- $0.5 billion of inflows relating to capital market issuances at BIP and BEP; partially offset by
- $1.2 billion of distributions, including quarterly distributions paid to the investors of our listed affiliates, as well as redemptions made by investors in our core and core plus perpetual funds.

Oaktree fee-bearing capital increased by $9.0 billion, due to:

- $5.8 billion of capital raised and/or invested across various Oaktree strategies;
- $3.8 billion of market valuation recoveries since the prior quarter, reflecting the positive fair value increases in funds whose management fees are based on the net asset values of the funds; and

- $0.8 billion of other movements primarily relate to positive fair value changes in the fee-bearing capital managed by an affiliate of Oaktree; partially offset by
- $1.2 billion of outflows within open-end and evergreen funds.

Public securities capital increased by $0.9 billion, due to:

- an increase of $1.2 billion from market valuation; and
- $1.0 billion of fund inflows; partially offset by
- $1.3 billion of redemptions, primarily within our real estate and natural resources public funds and separately managed accounts.

We have an additional $29 billion of committed capital that does not currently earn fees but will generate fees once deployed.

Carry Eligible Capital[1]

Carry eligible capital was $121.8 billion as at June 30, 2020 (March 31, 2020 –$120.0 billion). Capital raised in the first close of our second vintage infrastructure debt fund was partially offset by uninvested capital in two flagship funds that ended their investment periods during the quarter. This uninvested capital will become carry eligible again once it is deployed.

As at June 30, 2020, $80.7 billion of carry eligible capital was deployed (March 31, 2020 – $76.6 billion). This capital is either currently earning carried interest or will begin earning carried interest once its related funds have reached their preferred return threshold. There is currently $41.1 billion of uncalled fund commitments that will begin to earn carried interest once the capital is deployed and fund preferred returns are met (March 31, 2020 – $43.4 billion).

Operating Results

Asset management FFO includes fee-related earnings and realized carried interest earned by us in respect of capital managed for our investors. Fee-related earnings include fees earned on the capital invested by us in the listed affiliates. This is representative of how we manage the business and measure the returns from our asset management activities.

To facilitate analysis, the following table disaggregates our Asset Management segment revenues and FFO into fee-related earnings and realized carried interest, net[1], as these are the measures that we use to analyze the performance of the Asset Management segment. We also analyze unrealized carried interest, net, to provide insight into the value our investments have created in the period.

We have provided additional detail, where referenced, to explain significant variances from the prior period.

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref	Revenues		FFO	
		2020	2019	**2020**	2019
Fee-related earnings	i	**$ 667**	$ 420	**$ 324**	$ 263
Realized carried interest	ii	**76**	190	**31**	137
Asset management FFO		**$ 743**	$ 610	**$ 355**	$ 400
Unrealized carried interest					
Generated				**$ (172)**	$ 20
Foreign exchange				**(2)**	8
				(174)	28
Less: direct costs				**13**	(8)
Unrealized carried interest, net	iii			**(161)**	20
Less: unrealized carried interest not attributable to BAM				**(5)**	—
				$ (166)	$ 20

1. See definition in Glossary of Terms beginning on page 57.

i. Fee-Related Earnings

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)		2020		2019
Fee revenues				
Base management fees	**$**	**591**	$	351
Incentive distributions		**76**		64
Transaction and advisory fees		**—**		5
		667		420
Less: direct costs		**(315)**		(157)
		352		263
Less: fee-related earnings not attributable to BAM		**(28)**		—
Fee-related earnings	**$**	**324**	$	263

Fee-related earnings increased by $61 million at our share, mainly due to higher base management fees and incentive distributions earned during the quarter, partially offset by increased direct costs.

Base management fees increased by $240 million to $591 million, a 68% increase from 2019. The increase is broken down as follows:

- $218 million increase in fees related to Oaktree acquired in September 2019, or $134 million at our share;
- $18 million increase in long-term private fund fees, primarily due to third-party commitments raised over the last twelve months, including $5 billion for our latest flagship infrastructure and private equity funds; and
- $15 million increase in perpetual strategies, as a result of increased capitalization from higher unit prices at BEP and BIP, as well as new capital raised and deployed in our perpetual private fund strategies; partially offset by
- $11 million decrease in our public securities fees due to a decrease in fee-bearing capital mainly due to the impact of market valuations over the last twelve months.

Incentive distributions from BIP, BEP and BPY increased by $12 million to $76 million, a 19% increase from 2019. The growth represents our share as manager of increases in per unit distributions by BIP, BEP and BPY.

Direct costs consist primarily of employee expenses and professional fees, as well as business related technology costs and other shared services. Excluding Oaktree, direct costs increased $13 million or 8% from the prior year quarter as we continue to build our organization to support our current and future growth.

The margin on our fee-related earnings, including our 61.6% share of Oaktree's fee-related earnings, was 56% in the current quarter (2019 – 63%). Our fee-related earnings margin, including 100% of Oaktree's fee-related earnings, was 53% in the current quarter. The Brookfield margin on a standalone basis was 62% for the quarter, a decrease from the prior period margin of 63% as a result of the absence of one-time catch-up and transaction fees compared with the prior year quarter.

ii. Realized Carried Interest

We realize carried interest when a fund's cumulative returns are in excess of preferred returns and are no longer subject to future investment performance (e.g., subject to "clawback"). During the quarter, we realized $31 million of carried interest, net of direct costs (2019 – $137 million). Realizations during the quarter were mainly attributable to distributions within Oaktree funds, along with our real estate multi-family and perpetual strategy funds.

We provide supplemental information and analysis below on the estimated amount of unrealized carried interest (see section iii) that has accumulated based on fund performance up to the date of the consolidated financial statements.

iii. Unrealized Carried Interest

The amounts of accumulated unrealized carried interest and associated costs are not included in our Consolidated Balance Sheets or Consolidated Statements of Operations as they are still subject to clawback. These amounts are shown in the following table:

	2020			2019		
FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	**Unrealized Carried Interest**	**Direct Costs**	**Net**	Unrealized Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of period	**$ 3,584**	**$ (1,288)**	**$ 2,296**	$ 2,699	$ (810)	$ 1,889
In-period change						
Unrealized in period	**(172)**	**13**	**(159)**	20	(6)	14
Foreign currency revaluation	**(2)**	**—**	**(2)**	8	(2)	6
	(174)	**13**	**(161)**	28	(8)	20
Less: realized	**(76)**	**31**	**(45)**	(190)	53	(137)
	(250)	**44**	**(206)**	(162)	45	(117)
Accumulated unrealized, end of period	**3,334**	**(1,244)**	**2,090**	2,537	(765)	1,772
Oaktree carried interest not attributable to BAM shareholders	**(402)**	**212**	**(190)**	—	—	—
Accumulated unrealized, end of period, net	**$ 2,932**	**$ (1,032)**	**$ 1,900**	$ 2,537	$ (765)	$ 1,772

Unrealized carried interest in the current quarter before foreign exchange and associated costs, decreased by $172 million, mainly due to asset revaluations in our flagship real estate funds. The negative generation reflects subsets of these funds that are more immediately impacted by the current environment, such as hospitality assets which do not make up a significant component of our real estate funds. For these assets we have updated our discounted cash flow models to reflect the near to medium-term impact to cash flows, assuming a gradual recovery towards more normalized levels beginning in 2021. Given the nature of our investments we have not changed our view of intrinsic value and have therefore largely not adjusted discount rates or terminal value assumptions. This decrease was partially offset by modest increases in our flagship infrastructure, infrastructure debt and Oaktree funds, as a result of fair value uplifts and increased public mark-to-market valuations.

The remainder of our portfolio is defensive in nature, with many critical service assets or businesses that have contracted, leased or regulated cash flows, and therefore, it has been resilient in the current market environment.

Accumulated unrealized carried interest totaled $2.9 billion at June 30, 2020. We estimate that approximately $1.0 billion of associated costs will arise on the realization of the amounts accumulated to date, predominantly related to employee long-term incentive plans and taxes. We expect to recognize $0.9 billion of this carry, before costs, within the next three years; however, realization of this carried interest is dependent on future investment performance and the timing of monetizations.

Real Estate

Summary of Operating Results

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Real Estate segment, and summarizes realized disposition gains. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2020	2019	**2020**	2019	**2020**	2019
Brookfield Property Partners							
Equity units[1]	i	**$ 1,437**	$ 2,024	**$ 87**	$ 176	**$ 14,407**	$ 15,770
Preferred shares		**—**	2	**—**	2	**16**	16
		1,437	2,026	**87**	178	**14,423**	15,786
Other real estate investments	ii	**419**	543	**12**	18	**3,402**	2,995
Realized disposition gains	iii	**—**	—	**(10)**	120	**—**	—
		$ 1,856	$ 2,569	**$ 89**	$ 316	**$ 17,825**	$ 18,781

1. Brookfield's equity units in BPY consist of 432.6 million redemption-exchange units, 87.1 million Class A limited partnership units, 4.8 million special limited partnership units, 0.1 million general partnership units, and 3.0 million BPYU Class A shares, together representing an effective economic interest of 56% of BPY. See "Economic ownership interest" in the Glossary of Terms beginning on page 57.

Revenues from our real estate operations decreased by $713 million as the benefits of acquisitions were more than offset by the decrease in revenue due to the global economic shutdown. FFO was further impacted by a one-time fee earned in the prior year quarter within our core office portfolio. This was partially offset by lower interest expense during the quarter, lower management fees paid as well as our increased ownership interest in BPY.

i. Brookfield Property Partners

The following table disaggregates BPY's FFO by business line to facilitate analysis of the quarter-over-quarter variances in FFO:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	**2020**	2019
Core office	**$ 126**	$ 187
Core retail	**140**	170
LP investments	**(8)**	79
Corporate	**(80)**	(101)
Attributable to unitholders	**178**	335
Non-controlling interests	**(77)**	(151)
Segment reallocation and other[1]	**(14)**	(8)
Brookfield's interest	**$ 87**	$ 176

1. Reflects preferred dividend distributions as well as fee-related earnings, net carried interest and associated asset management expenses not included in FFO reclassified to the Asset Management segment.

BPY's FFO for the quarter was $178 million, of which our share was $87 million, compared to $176 million in the prior year quarter.

Core Office

FFO decreased by $61 million to $126 million primarily due to:

- the absence of a one-time performance fee earned at Five Manhattan West in the prior year quarter;
- the impact of the recent economic shutdown, which decreased parking income and revenues from certain retail tenants in our office portfolio; and
- net disposition activity over the last twelve months as well as foreign currency translation; partially offset by
- lower interest expense.

Core Retail

FFO decreased by $30 million from the prior year quarter to $140 million as a result of:

- mall closures due to the economic shutdown, which lowered revenue; partially offset by
- additional tuck-in interests acquired in malls throughout the U.S. over the last twelve months.

LP Investments

BPY's share of the FFO from its LP investments decreased by $87 million from the prior year quarter due to closures and reduced occupancy in our hospitality properties as a result of the economic shutdown as well as the negative impact of foreign exchange.

Corporate

BPY's corporate expenses include interest expense, management fees and other costs. Corporate expenses of $80 million decreased from the prior year quarter due to lower asset management fees resulting from a decline in year-over-year market capitalization as well as lower interest cost from decreased borrowings and interest rates.

ii. Other Real Estate Investments

FFO was $12 million in the current quarter, $6 million lower than the prior year quarter primarily due to losses in our hospitality assets within our directly held investment in the BSREP III fund as a result of the shutdown. This was partially offset by a decrease in interest expense due to lower interest rates.

iii. Realized Disposition Gains

Realized disposition losses of $10 million primarily relate to the sale of investment properties in our LP investments portfolio.

Disposition gains of $120 million in the prior year quarter primarily relate to:

- a directly held residential management services company, contributing a net gain of $101 million; and
- a number of multifamily and other opportunistic properties.

Common Equity

Common equity in our Real Estate segment decreased to $17.8 billion as at June 30, 2020 from $18.8 billion as at December 31, 2019. Contribution from FFO, increase in our equity interest with accretion gains in the prior quarter, as well as capital contributions to our BSREP III fund, were more than offset by valuation losses as a result of the global economic shutdown, distributions and share cancellations made during the first six months of 2020.

Renewable Power

Summary of Operating Results

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Renewable Power segment, and summarizes realized disposition gains. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2020	2019	**2020**	2019	**2020**	2019
Brookfield Renewable Partners[1, 2]	i	**$ 1,056**	$ 1,086	**$ 118**	$ 132	**$ 3,867**	$ 4,810
Energy contracts	ii	**(21)**	(54)	**(35)**	(67)	**531**	510
Realized disposition gains	iii	**—**	—	**483**	4	**—**	—
		$ 1,035	$ 1,032	**$ 566**	$ 69	**$ 4,398**	$ 5,320

1. Brookfield's interest in BEP consists of 129.7 million redemption-exchange units, 45.8 million Class A limited partnership units and 2.7 million general partnership units; together representing an economic interest of 57% of BEP. Segment revenues at BEP include $307 million (2019 – $269 million) revenue from TERP.
2. On July 30, 2020, we completed the special distribution of Class A exchangeable subordinate voting shares of Brookfield Renewable Corporation ("BEPC"). Each BEP unitholder of record as of July 27, 2020 received one class A exchangeable subordinate voting share of BEPC for every four BEP units held. Dilution impact was immaterial.

Compared to the prior year quarter, revenues and FFO excluding realized disposition gains generated by our renewable power operations increased by $3 million and $18 million, respectively. This was primarily due to a lower deficit from energy contracts as a result of favorable hedges and lower generation sold at a deficit, partially offset by lower generation at BEP as a result of hydrology conditions in New York and Colombia.

i. Brookfield Renewable Partners

The following table disaggregates BEP's generation and FFO by business line to facilitate analysis of the quarter-over-quarter variances in FFO:

FOR THE THREE MONTHS ENDED JUN. 30 (GIGAWATT HOURS AND MILLIONS)	Actual Generation (GWh)[1]		Long-Term Average (GWh)[1]		FFO	
	2020	2019	**2020**	2019	**2020**	2019
Hydroelectric	**4,932**	6,061	**5,448**	5,450	**$ 193**	$ 226
Wind	**1,157**	1,164	**1,399**	1,364	**48**	39
Solar	**376**	287	**462**	295	**37**	27
Storage and other	**87**	90	**—**	—	**8**	7
Corporate	**—**	—	**—**	—	**(54)**	(69)
Attributable to unitholders	**6,552**	7,602	**7,309**	7,109	**232**	230
Non-controlling interests and other[2]					**(103)**	(98)
Segment reallocation[3]					**(11)**	—
Brookfield's interest					**$ 118**	$ 132

1. Proportionate to BEP; see "Proportionate basis generation" in Glossary of Terms beginning on page 57.
2. Includes incentive distributions paid to Brookfield of $15 million (2019 – $12 million) as the general partner of BEP.
3. Segment reallocation refers to disposition gains, net of NCI, included in BEP's operating FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BEP.

BEP's FFO for the second quarter of 2020 was $232 million, of which our share was $118 million, compared to $132 million in the prior year quarter. Generation for the quarter totaled 6,552 GWh, 10% below the long-term average ("LTA")[1]. This represents a 14% decrease compared to the prior year quarter.

1. See definition in Glossary of Terms beginning on page 57.

Hydroelectric

The primary contributors to the $33 million decrease in FFO were:

- decrease in North American FFO as a result of lower realized pricing and generation; and
- lower generation in Colombia and the impact of foreign currency translation; partially offset by
- cost-reduction initiatives, higher contracted pricing as a result of inflation indexation and re-contracting initiatives.

Wind

Wind operations' FFO increased by $9 million to $48 million due to:

- cost-reduction initiatives in our North American, European and Brazilian operations; partially offset by
- lower generation at our North American and European operations; and
- impact of foreign currency translation.

Solar

FFO from our solar operations was $10 million higher than the prior year quarter as a result of growth in our portfolio and the expansion of our distributed generation business within TerraForm Power, Inc. ("TERP")[1], partially offset by the sale of our non-core solar assets and lower realized market prices.

Storage and Other

FFO from our storage and other activities were largely consistent with the prior year quarter. Lower realized capacity prices in the United States were partially offset by higher ancillary revenues at our storage facility in the United Kingdom.

Corporate

The corporate FFO deficit decreased by $15 million as a result of an increase in realized investment income, partially offset by an increase in management fees due to the growth of our business.

ii. Energy Contracts

During the quarter, we purchased 831 GWh (2019 – 1,329 GWh) from BEP at $79 per MWh (2019 – $78 per MWh) and sold the purchased generation at a higher average selling price of $37 per MWh (2019 – $28 per MWh). As a result, we incurred an FFO deficit of $35 million compared to a deficit of $67 million in the prior year quarter.

iii. Realized Disposition Gains

Disposition gains of $483 million for the quarter relate to the sale of approximately 10 million LP units of BEP for gross proceeds of $479 million as well as $4 million from the sale of certain of our solar assets.

Prior year quarter disposition gains relate to the sale of European non-core wind assets.

Common Equity

Common equity in our Renewable Power segment decreased to $4.4 billion as at June 30, 2020 from $5.3 billion as at December 31, 2019. The contribution from FFO was more than offset by the foreign exchange impact from invested capital denominated in foreign currencies, depreciation and distributions paid to investors. Our renewable PP&E is revalued annually and as such common equity in this segment is typically not affected by revaluation items during the first three quarters of the year. Our critical estimates and assumptions underlying the valuation of PP&E have not changed materially as a result of the global economic shutdown. Refer to Part 5 for discussions.

1. See definition in Glossary of Terms beginning on page 57.

Infrastructure

Summary of Operating Results

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Infrastructure segment, and summarizes realized disposition gains. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2020	2019	**2020**	2019	**2020**	2019
Brookfield Infrastructure Partners[1]	i	**$ 2,004**	$ 1,735	**$ 81**	$ 88	**$ 1,794**	$ 2,141
Sustainable resources and other	ii	**93**	71	**3**	4	**542**	651
Realized disposition gains	iii	**—**	—	**—**	(30)	**—**	—
		$ 2,097	$ 1,806	**$ 84**	$ 62	**$ 2,336**	$ 2,792

1. Brookfield's interest consists of 122.0 million redemption-exchange units, 0.2 million limited partnership units and 1.6 million general partnership units of BIP LP, as well as 13.8 million Class A shares in Brookfield Infrastructure Corporation ("BIPC"), together representing an economic interest of approximately 30% of BIP.

Revenues generated by our Infrastructure segment increased by $291 million compared to the prior year quarter. This was due to the contribution from acquisitions completed in the last twelve months and growth initiatives across our operations. These increases were partially offset by the impact of foreign exchange, dispositions and lower revenue from market-sensitive businesses as a result of government-imposed lock downs.

FFO excluding realized disposition gains decreased by $8 million compared to the prior year quarter. Benefits from the aforementioned activities were offset by the impact of foreign exchange.

i. Brookfield Infrastructure Partners

The following table disaggregates BIP's FFO excluding realized gains by business line to facilitate analysis of the quarter-over-quarter variances:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	**2020**	2019
Utilities	**$ 130**	$ 143
Transport	**108**	135
Energy	**106**	96
Data infrastructure	**43**	30
Corporate	**(54)**	(67)
Attributable to unitholders	**333**	337
Non-controlling interests and other[1]	**(249)**	(249)
Segment reallocation[2]	**(3)**	—
Brookfield's interest	**$ 81**	$ 88

1. Includes incentive distributions paid to Brookfield of $46 million (2019 – $38 million) as the general partner of BIP.
2. Segment reallocation refers to certain items, net of NCI, included in BIP's FFO that we reclassify. This allows us to present FFO attributable to unitholders on the same basis as BIP.

BIP's FFO for the second quarter of 2020 was $333 million, of which our share was $81 million compared to $88 million in the prior year quarter. Key variances for our businesses are described below.

Utilities

FFO of $130 million was $13 million lower than the prior year quarter. The decrease was primarily due to:

- delay in the recognition of connections revenue at our U.K. regulated distribution business;
- loss of earnings associated with the sale of EBSA in January 2020;
- the impact of a decline in the Brazilian real; partially offset by

- benefits of inflation-indexation and capital commissioned into the rate base over the last twelve months; and
- the contribution from our North American regulated gas transmission business acquired in October 2019.

Transport

FFO in our transport segment of $108 million was $27 million lower than the prior year quarter. The decrease is primarily due to:

- lower volumes at our toll road businesses due to temporary government shutdown;
- lower volumes at our ports operations due to a decline in global trading activity and the sale of a non-core European bulk port operation; and
- the negative impact of a decline in the Brazilian real compared to the prior period; partially offset by
- contribution from G&W acquired in December 2019 and higher volumes on our Australian and Brazilian rail networks.

Energy

FFO from our energy operations of $106 million was $10 million higher than the prior year quarter due to:

- organic growth at our North American natural gas pipeline business due to strong demand for transport services;
- additional customers secured at our North American residential infrastructure business; and
- the acquisition of the federally regulated portion of our western Canadian midstream business; partially offset by
- the absence of income resulting from the sale of our Australian district energy operation in the fourth quarter of 2019.

Data Infrastructure

FFO from our data infrastructure operations of $43 million was $13 million higher than the prior year quarter due to:

- the acquisitions of a data distribution business in New Zealand and a telecoms tower business in the U.K.; and
- inflation-indexation and new points-of-presence added at our French telecom business.

Corporate

The Corporate FFO deficit of $54 million decreased by $13 million from the prior year quarter as a result of gains in our securities portfolio following a sharp recovery in public equity prices during the quarter. This was predominantly offset by higher base management fee expense from an increase in market capitalization.

ii. Sustainable Resources and Other

FFO at our agriculture operations decreased compared to the prior year quarter due to the impact of the depreciating Brazilian real and the sale of Acadian Timber Corp. ("Acadian")[1], our Canadian timber business.

iii. Realized Disposition Gains

In the current quarter we had no dispositions whereas in the prior year quarter we recognized disposition losses of $30 million relating to the sale of a non-core European bulk port operation.

Common Equity

Common equity in our Infrastructure segment was $2.3 billion as at June 30, 2020 (December 31, 2019 – $2.8 billion). The contributions from earnings were more than offset by the depreciation of foreign currencies against the U.S. dollar and distributions to unitholders. This equity is primarily our investment in PP&E and certain concessions, which are recorded as intangible assets. Our PP&E is recorded at fair value and revalued annually while concessions are considered intangible assets under IFRS and therefore recorded at historical cost and amortized over the life of the concession. Accordingly, a smaller portion of our equity is impacted by revaluation compared to our Real Estate and Renewable Power segments, where a larger portion of the balance sheet is subject to revaluations. Our critical estimates and assumptions underlying the valuation of PP&E, as well as intangibles assets have not changed materially as a result of the global economic shutdown. Refer to Part 5 for discussions.

1. See definition in Glossary of Terms beginning on page 57.

Private Equity

Summary of Operating Results

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Private Equity segment, and summarizes realized disposition gains. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2020	2019	**2020**	2019	**2020**	2019
Brookfield Business Partners[1]	i	**$ 7,382**	$ 10,769	**$ 109**	$ 94	**$ 1,893**	$ 2,389
Other investments	ii	**9**	76	**28**	23	**1,601**	1,697
Realized disposition gains	iii	**—**	—	**—**	209	**—**	—
		$ 7,391	$ 10,845	**$ 137**	$ 326	**$ 3,494**	$ 4,086

1. Brookfield's interest in BBU consists of 69.7 million redemption-exchange units, 24.8 million limited partnership units and four general partnership units together representing an economic interest of 63% of BBU.

Revenues generated from our private equity operations decreased by $3.5 billion primarily due to the impact of the global economic shutdown, resulting in lower volumes at Greenergy and lost productivity at Multiplex, our construction services business. Lower revenues from the sale of our global provider of facilities management services and our executive relocation services business in the prior year quarter were partially offset by a full quarter of contributions from Clarios, Healthscope, and Genworth.

FFO, prior to disposition gains, increased by $20 million to $137 million primarily due to the contributions from the acquisitions of Genworth, Healthscope, BrandSafway, Clarios, and the increase in our ownership interest of Altera. The aforementioned factors were partially offset by pandemic related factors, including the global economic shutdown, which included reduced volumes and sales prices at GrafTech International Ltd. ("GrafTech")[1], our manufacturer of a broad range of high-quality graphite electrodes, and generated losses at Cardone. FFO was also reduced by the absence of contribution from NAP, which we sold during the fourth quarter of 2019.

i. Brookfield Business Partners

The following table disaggregates BBU's FFO by business line to facilitate analysis of the quarter-over-quarter variances in FFO:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	**2020**	2019
Business services	**$ 39**	$ 342
Infrastructure services	**87**	54
Industrials	**62**	46
Corporate	**(15)**	(7)
Attributable to unitholders	**173**	435
Non-controlling interests	**(64)**	(139)
Segment reallocation and other[1]	**—**	(202)
Brookfield's interest	**$ 109**	$ 94

1. Segment reallocation and other refers to disposition gains, net of NCI, included in BBU's FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BBU.

BBU generated $173 million of FFO compared to $435 million in the prior period of which our share of BBU's FFO was $109 million, compared to $94 million in the prior year quarter.

1. See definition in Glossary of Terms beginning on page 57.

Business Services

Business services' FFO decreased by $303 million to $39 million primarily due to realized disposition gains on the sale of our global provider of facilities management services and our executive relocation services business in the prior year quarter. Excluding gains that we reclassify to realized disposition gains, FFO decreased by $6 million primarily due to:

- reduced project productivity at Multiplex; partially offset by
- contributions from the acquisitions of Genworth and Healthscope.

Infrastructure Services

Within our infrastructure services operations, we generated $87 million of FFO, compared to $54 million in the prior year quarter, primarily due to:

- contributions from Altera due to an increase in our proportionate ownership from 25% to 43%;
- contributions from the acquisition of BrandSafway, an equity accounted investment, which was acquired in the prior quarter; and
- ongoing cost savings and efficiency initiatives at Westinghouse Electric Company ("Westinghouse")[1], a service provider to the power generation industry.

Industrials

FFO from our industrials portfolio increased by $16 million to $62 million due to:

- a full quarter contribution from Clarios; and
- current tax recovery recognized on the extinguishment of debt at Cardone; partially offset by
- reduced volume and sales prices at GrafTech.

Corporate

The Corporate FFO deficit increased by $8 million due to higher management fees paid and lower interest income.

Performance Fees

BBU pays performance fees quarterly based on the volume-weighted average increase in BBU's unit price above the previous threshold on which fees were paid. There were no performance fees paid in the current or prior quarter.

ii. Other Investments

FFO from other investments increased by $5 million to $28 million primarily as a result of an increase in average product pricing despite lower volumes during the quarter.

iii. Realized Disposition Gains

BBU did not have realized disposition gains in the current quarter, compared to the aforementioned gain of $209 million in the prior year quarter.

Common Equity

Common equity in our Private Equity segment was $3.5 billion as at June 30, 2020 (December 31, 2019 – $4.1 billion). The decrease is primarily attributable to foreign currency translation, distributions to unit holders and depreciation expense. These decreases were partially offset by contributions from FFO. The assets held in these operations are recorded at amortized cost, with depreciation recorded on a quarterly basis, with the exception of investments in financial assets, which are carried at fair value based predominantly on quoted prices.

1. See definition in Glossary of Terms beginning on page 57.

Residential Development

Summary of Operating Results

The following table disaggregates segment revenues, FFO and common equity into the amounts attributable to the two principal operating regions of our wholly owned residential development businesses:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Revenues		FFO		Common Equity	
	2020	2019	**2020**	2019	**2020**	2019
North America	**$ 379**	$ 476	**$ (7)**	$ 22	**$ 1,947**	$ 2,083
Brazil and other	**68**	118	**(4)**	(4)	**556**	776
	$ 447	$ 594	**$ (11)**	$ 18	**$ 2,503**	$ 2,859

North America

FFO deficit from our North American operations was $7 million, a decrease from $22 million of FFO generated in the prior year quarter. The decrease is largely driven by fewer numbers of home and land closings, along with slight decrease in gross margin in the current quarter, which was partially offset by a decrease to interest expense paid.

As at June 30, 2020, we had 89 active housing communities (June 30, 2019 – 90) and 26 active land communities (June 30, 2019 – 30).

Brazil and Other

FFO from our Brazilian operations stayed consistent with the prior year comparison with a deficit of $4 million in the current quarter. We delivered two projects in the current quarter, compared to three in the prior year, resulting in lower margin which was offset by lower selling expenses.

We began 2020 with 20 projects under construction and as of June 30, 2020, we have 23 projects under construction, of which five relate to projects launched since late 2016 with relatively higher margins than our legacy projects.

Common Equity

Common equity was $2.5 billion as at June 30, 2020 (December 31, 2019 – $2.9 billion) and consists largely of residential development inventory which is carried at historical cost, or the lower of cost and market, notwithstanding the length of time that we may have held these assets and created value through the development process. The decrease in common equity is primarily attributable to weakening of the Brazilian real in comparison to the U.S. dollar.

Corporate Activities

Summary of Operating Results

The following table disaggregates segment revenues, FFO and common equity into the principal assets and liabilities within our corporate operations and associated FFO to facilitate analysis:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 AND FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	Revenues		FFO		Common Equity	
	2020	2019	**2020**	2019	**2020**	2019
Corporate cash and financial assets, net	**$ 81**	$ 32	**$ 79**	$ 35	**$ 3,229**	$ 2,181
Corporate borrowings	**—**	—	**(95)**	(86)	**(8,051)**	(7,083)
Preferred equity[1]	**—**	—	**—**	—	**(4,145)**	(4,145)
Other corporate investments	**7**	90	**(4)**	4	**643**	680
Corporate costs and taxes/net working capital	**—**	—	**(39)**	(36)	**743**	470
	$ 88	$ 122	**$ (59)**	$ (83)	**$ (7,581)**	$ (7,897)

1. FFO excludes preferred share distributions of $36 million (2019 – $38 million).

Our portfolio of corporate cash and financial assets is generally recorded at fair value with changes recognized through net income, unless the underlying financial investments are classified as fair value through other comprehensive income, in which case changes in value are recognized in other comprehensive income. Loans and receivables are typically carried at amortized cost. As at June 30, 2020, our portfolio of corporate cash and financial assets includes $1.8 billion of cash and cash equivalents (December 31, 2019 – $789 million), which is higher than the year-end of 2019 as we had issuances of $750 million and $600 million of corporate debt in the current and first quarter of 2020, respectively, and received proceeds of $479 million from the sale of BEP units in the current quarter. This was partially offset by the early redemption of $251 million (C$350 million) of corporate debt in the prior quarter, dividends paid to shareholders, funding of capital calls in our BSREP III fund and the repurchase of 5.5 million Class A shares on a post-split basis.

Our corporate cash and financial assets generated FFO of $79 million, which was $44 million higher than the prior year quarter, primarily due to higher mark-to-market gains on our financial assets in the current quarter.

Corporate borrowings are generally issued with fixed interest rates. Some of these borrowings are denominated in Canadian dollars and therefore the carrying value fluctuates with changes in the exchange rate. A number of these borrowings have been designated as hedges of our Canadian dollar net investments within our other segments, resulting in the majority of the currency revaluation being recognized in other comprehensive income. The $95 million FFO expense reported through corporate borrowings reflects the interest expense on those borrowings. The increase from the prior year quarter was primarily as a result of the aforementioned net increase in our borrowings, partially offset by the foreign exchange impact of our Canadian dollar interest expense as a result of a decrease in the average exchange rate in the current quarter.

Preferred equity does not revalue under IFRS and the total outstanding shares remain unchanged from year-end.

We describe cash and financial assets, corporate borrowings and preferred equity in more detail within Part 4 – Capitalization and Liquidity.

Other corporate investments include our insurance and pension businesses, as well as the non-asset management related investment in Oaktree which was acquired in the third quarter of 2019. The decrease in FFO is primarily from higher operating expenses in Oaktree, partially offset by a reduction in provisions at our insurance business.

Net working capital includes accounts receivable, accounts payable, other assets and other liabilities, and was in an asset position of $743 million as at June 30, 2020, an increase from the prior year balance of $470 million. Included within this balance are net deferred income tax assets of $1.9 billion (December 31, 2019 – $2.2 billion). The FFO deficit also includes corporate costs and cash taxes which increased primarily as a result of higher professional fees and compensation expense.

The common equity deficit in our Corporate segment of $7.6 billion as at June 30, 2020 decreased from the balance at year-end (December 31, 2019 – $7.9 billion). The decrease in deficit is primarily related to higher net working capital from a decrease in stock compensation liability and net derivative liability.

PART 4 – CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

We review key components of our capitalization in the following sections. In several instances we have disaggregated the balances into the amounts attributable to our operating segments in order to facilitate discussion and analysis.

Corporate Capitalization[1] – reflects the amount of debt held in the Corporate segment and our issued and outstanding common and preferred shares. Corporate debt includes unsecured bonds and, from time to time, draws on revolving credit facilities. At June 30, 2020, our corporate capitalization was $44.7 billion (December 31, 2019 – $47.1 billion) with a debt to capitalization of 18% (December 31, 2019 – 15%).

Consolidated Capitalization[1] – reflects the full capitalization of wholly owned, partially owned, and managed entities that we consolidate in our financial statements. At June 30, 2020, consolidated capitalization increased compared to the prior year largely due to acquisitions, which resulted in additional associated borrowings, working capital balances and non-controlling interests. Much of the borrowings issued within our managed entities are included in our consolidated balance sheet not withstanding that virtually none of this debt has any recourse to the Corporation.

Our Share of Capitalization[1] – reflects our proportionate exposure of debt and equity balances in consolidated entities and our share of the debt and equity in our equity accounted investments.

The following table presents our capitalization on a consolidated, corporate and our share basis:

		Corporate		Consolidated		Our Share	
AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	Ref.	**2020**	2019	**2020**	2019	**2020**	2019
Corporate borrowings	i	**$ 8,051**	$ 7,083	**$ 8,051**	$ 7,083	**$ 8,051**	$ 7,083
Non-recourse borrowings							
Subsidiary borrowings	i	**—**	—	**9,493**	8,423	**6,224**	5,382
Property-specific borrowings	i	**—**	—	**126,869**	127,869	**46,777**	44,436
		8,051	7,083	**144,413**	143,375	**61,052**	56,901
Accounts payable and other		**4,066**	4,708	**42,235**	43,077	**12,251**	13,617
Deferred income tax liabilities		**513**	279	**14,347**	14,849	**3,987**	4,541
Subsidiary equity obligations		**—**	—	**4,201**	4,132	**1,976**	1,896
Liabilities associated with assets classified as held for sale		**—**	—	**173**	1,690	**28**	212
Equity							
Non-controlling interests		**—**	—	**78,996**	81,833	**—**	—
Preferred equity	ii	**4,145**	4,145	**4,145**	4,145	**4,145**	4,145
Common equity	iii	**27,925**	30,868	**27,925**	30,868	**27,925**	30,868
		32,070	35,013	**111,066**	116,846	**32,070**	35,013
Total capitalization		**$ 44,700**	$ 47,083	**$ 316,435**	$ 323,969	**$ 111,364**	$ 112,180
Debt to capitalization		**18%**	15%	**46%**	44%	**55%**	51%

1. See definition in Glossary of Terms beginning on page 57.

i. Borrowings

Corporate Borrowings

AS AT JUN. 30, 2020 AND DEC. 31, 2019 ($ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Term debt	**4.5%**	4.6%	**11**	10	**$ 8,106**	$ 7,128
Revolving facilities	**—%**	—%	**4**	4	**—**	—
Deferred financing costs	**n/a**	n/a	**n/a**	n/a	**(55)**	(45)
Total					**$ 8,051**	$ 7,083

As at June 30, 2020, corporate borrowings included term debt of $8.1 billion (December 31, 2019 – $7.1 billion) which had an average term to maturity of 11 years (December 31, 2019 – 10 years). Term debt consists of public and private bonds, all of which are fixed rate and have maturities ranging from March 2023 until 2050. These financings provide an important source of long-term capital and are appropriately matched to our long-term asset profile.

The increase in term debt compared to the prior year is due to the issuance of $600 million of 3.45% notes with a 2050 maturity, the issuance of $750 million of 4.35% notes with a 2030 maturity, partially offset by the early repayment of $251 million (C$350 million) of 5.30% notes due on March 1, 2021, as well as $121 million of foreign currency depreciation.

We had no commercial paper or bank borrowings outstanding at June 30, 2020 (December 31, 2019 – $nil). Our commercial paper program is supplemented by our $2.6 billion revolving term credit facilities with maturities ranging from 2022 to 2024. As at June 30, 2020, $65 million of the facilities were utilized for letters of credit (December 31, 2019 – $66 million).

Subsidiary Borrowings

We endeavor to capitalize our principal subsidiaries to enable continuous access to the debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 ($ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Real estate	**3.4%**	3.9%	**3**	4	**$ 2,120**	$ 2,024
Renewable power	**3.9%**	4.0%	**9**	9	**2,122**	2,098
Infrastructure	**2.8%**	3.4%	**5**	6	**3,075**	2,470
Private equity	**2.7%**	—%	**4**	—	**253**	—
Residential development	**5.5%**	6.2%	**6**	5	**1,923**	1,831
Total	**3.7%**	4.2%	**6**	6	**$ 9,493**	$ 8,423

Subsidiary borrowings include listed affiliates' recourse term debt and credit facility draws. It generally has no recourse to the Corporation but are recourse to its principal subsidiaries (primarily BPY, BEP, BIP and BBU).

Property-Specific Borrowings

As part of our financing strategy, the majority of our debt capital is in the form of property-specific borrowings and project financings and is denominated in local currencies that have recourse only to the assets being financed and have no recourse to the Corporation or the listed affiliates.

AS AT JUN. 30, 2020 AND DEC. 31, 2019 ($ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Real estate	**3.6%**	4.4%	**4**	4	**$ 68,886**	$ 67,909
Renewable power	**4.7%**	5.0%	**9**	9	**15,912**	15,787
Infrastructure	**3.9%**	4.7%	**7**	7	**19,027**	20,776
Private equity and other	**4.9%**	5.4%	**5**	6	**22,642**	23,105
Residential development	**5.1%**	5.4%	**3**	3	**402**	292
Total	**4.0%**	4.7%	**5**	6	**$ 126,869**	$ 127,869

Property-specific borrowings have decreased by $1.0 billion since December 31, 2019. The decrease in borrowings in our infrastructure and private equity operations are primarily related to the pay-down of fund level subscription facilities with capital calls since year-end, as well as foreign exchange fluctuations, partially offset by asset acquisitions and net draws on our real estate subscription facility.

Fixed and Floating Interest Rate Exposure

Many of our borrowings, including all corporate borrowings recourse to the Corporation, are fixed rate, long-term financings. The remainder of our borrowings are at floating rates; however, from time to time, we enter into interest rate contracts to swap our floating rate debt to fixed rates.

As at June 30, 2020, 66% of our share of debt outstanding, reflecting swaps, was fixed rate. Accordingly, changes in interest rates are typically limited to the impact of refinancing borrowings at prevailing market rates or changes in the level of debt as a result of acquisitions and dispositions.

The following table presents the fixed and floating rates of interest expense:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	Fixed Rate				Floating Rate			
	2020		2019		**2020**		2019	
	Average Rate	**Consolidated**	Average Rate	Consolidated	**Average Rate**	**Consolidated**	Average Rate	Consolidated
Corporate borrowings	**4.5%**	**$ 8,051**	4.6%	$ 7,083	**—%**	**$ —**	—%	$ —
Subsidiary borrowings	**4.4%**	**6,878**	4.6%	6,152	**1.9%**	**2,615**	3.4%	2,271
Property-specific borrowings	**5.0%**	**50,807**	5.2%	49,614	**3.3%**	**76,062**	4.4%	78,255
Total	**4.9%**	**$ 65,736**	4.9%	$ 62,849	**3.2%**	**$ 78,677**	5.0%	$ 80,526

ii. Preferred Equity

Preferred equity is comprised of perpetual preferred shares and represents permanent non-participating equity that provides leverage to our common equity. The shares are categorized by their principal characteristics in the following table:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	Term	Average Rate			
		2020	2019	**2020**	2019
Fixed rate-reset	Perpetual	**4.2%**	4.3%	**$ 2,875**	$ 2,875
Fixed rate	Perpetual	**4.8%**	4.8%	**739**	739
Floating rate	Perpetual	**2.0%**	2.9%	**531**	531
Total		**4.0%**	4.2%	**$ 4,145**	$ 4,145

Fixed rate-reset preferred shares are issued with an initial fixed rate coupon that is reset after an initial period, typically five years, at a predetermined spread over the Canadian five-year government bond yield. The average reset spread as at June 30, 2020 was 284 basis points.

iii. Common Equity

Issued and Outstanding Shares

Changes in the number of issued and outstanding Class A shares during the quarters are as follows:

AS AT AND FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2020[1]	2019[1]	**2020**[1]	2019[1]
Outstanding at beginning of period	**1,513.1**	1,433.0	**1,509.3**	1,432.7
Issued (repurchased)				
Repurchases	**(2.6)**	(1.8)	**(5.5)**	(3.2)
Long-term share ownership plans[2]	**1.0**	2.6	**7.6**	4.2
Dividend reinvestment plan and others	**—**	—	**0.1**	0.1
Outstanding at end of period	**1,511.5**	1,433.8	**1,511.5**	1,433.8
Unexercised options and other share-based plans[2]	**60.4**	71.0	**60.4**	71.0
Total diluted shares at end of period	**1,571.9**	1,504.8	**1,571.9**	1,504.8

1. Adjusted to reflect the three-for-two-stock split effective April 1, 2020.
2. Includes management share option plan and restricted stock plan.

The company holds 61.0 million Class A shares (2019 – 58.4 million) purchased by consolidated entities in respect of long-term share ownership programs, which have been deducted from the total amount of shares outstanding at the date acquired. Diluted shares outstanding include 8.8 million (2019 – 12.2 million) shares issuable in respect of these plans based on the market value of the Class A shares at June 30, 2020 and June 30, 2019, resulting in a net reduction of 52.2 million (2019 – 46.2 million) diluted shares outstanding.

During the second quarter of 2020, 0.4 million options were exercised, of which 0.1 million were issued on a net-settled basis, resulting in the cancellation of 0.3 million vested options.

The cash value of unexercised options was $1.2 billion as at June 30, 2020 (2019 – $1.2 billion) based on the proceeds that would be paid on exercise of the options.

On April 1, 2020, the company completed a three-for-two stock split by way of a stock dividend of one-half of a Class A share for each Class A and Class B share outstanding, resulting in the issuance of 524 million Class A shares.

As of August 13, 2020, the Corporation had outstanding 1,511,444,429 Class A shares and 85,120 Class B shares. Refer to Note 12 of the consolidated financial statements for additional information on equity.

LIQUIDITY

Corporate Liquidity

We maintain significant liquidity at the corporate level. Our primary sources of liquidity, which we refer to as core liquidity, consist of:

- cash and financial assets, net of deposits and other associated liabilities; and
- undrawn committed credit facilities.

We further assess overall liquidity inclusive of our principal subsidiaries BPY, BEP, BIP and BBU because of their role in funding acquisitions both directly and through our managed funds. Overall core liquidity at quarter-end was $16.0 billion, or inclusive of investor commitments to our private funds, was $65.5 billion at the end of the quarter, as we continue to pursue a number of attractive investment opportunities.

Capital Requirements

The Corporation has very few non-discretionary capital requirements. Our largest normal course capital requirement is our debt maturities. There are no corporate debt maturities until March 2023 when $442 million (C$600 million) is due. Periodically, we will also fund acquisitions and seed new investment strategies.

At the listed affiliate level, the largest normal course capital requirements are debt maturities and the pro-rata share of private fund capital calls. New acquisitions are primarily funded through the private funds or listed affiliates that we manage. We endeavor to structure these entities so that they are predominantly self-funding, preferably on an investment-grade basis, and in almost all circumstances do not rely on financial support from the Corporation.

In the case of private funds, the necessary equity capital is obtained by calling on commitments made by the limited partners in each fund, which include commitments made by our listed affiliates. In the case of our real estate, infrastructure and private equity funds, these commitments are expected to be funded by BPY, BEP, BIP and BBU. On January 31, 2019, the Corporation committed $2.75 billion to our third flagship real estate fund alongside BPY's $1 billion commitment. As of June 30, 2020, the Corporation has funded $990 million of our $2.75 billion commitment. In the case of listed affiliates, capital requirements are funded through their own resources and access to capital markets, which may be supported by us from time to time through participation in equity offerings or bridge financings.

At the asset level, we schedule ongoing capital expenditure programs to maintain the operating capacity of our assets at existing levels. We refer to this as sustaining capital expenditures. The sustaining capital expenditure program are typically funded by, and represent a relatively small proportion of, the operating cash flows within each business. The timing of these expenditures is discretionary; however, we believe it is important to maintain the productivity of our assets in order to optimize cash flows and value accretion.

Core and Total Liquidity

The following table presents core liquidity of the Corporation and operating segments:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	Corporate[1]	Real Estate[1]	Renewable Power	Infrastructure	Private Equity[1]	Oaktree	**Total 2020**	Total 2019
Cash and financial assets, net	$ 3,229	$ 31	$ 422	$ 999	$ 243	$ 438	**$ 5,362**	$ 3,575
Undrawn committed credit facilities	2,525	2,393	1,892	1,710	1,512	575	**10,607**	9,808
Core liquidity[2]	5,754	2,424	2,314	2,709	1,755	1,013	**15,969**	13,383
Uncalled private fund commitments	—	11,428	3,843	11,461	6,854	15,967	**49,553**	50,735
Total liquidity[2]	$ 5,754	$ 13,852	$ 6,157	$ 14,170	$ 8,609	$ 16,980	**$ 65,522**	$ 64,118

1. We secured an incremental $1 billion two-year credit facility in April of 2020 to support growth initiatives; BBU and BPY can each draw up to $500 million or BAM can draw up to $1 billion. Undrawn commitments of $500 million are reported within each Real Estate and Private Equity, respectively.
2. See definition in Glossary of Terms beginning on page 57.

As at June 30, 2020, the Corporation's core liquidity was $5.8 billion, consisting of $3.2 billion in cash and financial assets, net of deposits and other liabilities and $2.5 billion in undrawn credit facilities. The Corporation's liquidity is readily available for use without any material tax consequences. We utilize this liquidity to support our asset management business which includes supporting the activities of our listed affiliates and private funds, as well as seeding new investment products.

The Corporation also has the ability to raise additional liquidity through the issuance of securities and sale of holdings of listed investments in our principal subsidiaries and other holdings including from those listed on page 52. However, this is not included in our core liquidity as we are generally able to finance our operations and capital requirements through other means.

The Corporation generates significant cash available for distribution and/or reinvestment. Our primary sources of recurring cash flows include:

- fee-related earnings from our asset management activities and proceeds in the form of realized carried interest from asset sales within private funds;
- distributions from invested capital, in particular our listed affiliates; and
- other invested capital earnings: comprised of our wholly owned investments offset by corporate interest expense, corporate costs and taxes and dividends paid on preferred shares.

During the second quarter of 2020, we generated $605 million of cash available for distribution and/or reinvestment, inclusive of:

- $279 million fee-related earnings, excluding Oaktree;
- $9 million realized carried interest, net, excluding Oaktree;
- $58 million of distributable earnings from our investment in Oaktree;
- $443 million of distributions from our listed affiliates, other investments, and corporate cash and financial assets; partially offset by
- other invested capital earnings and preferred share dividends paid, net of equity-based compensation costs, which resulted in expenses of $184 million.

The Corporation paid $181 million in cash dividends on its common equity during the quarter ended June 30, 2020 (2019 – $153 million).

Earnings and distributions received by the Corporation are available for distribution and/or reinvestment and are as follows:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2020	2019	**2020**	2019
1) Asset management FFO				
Fee revenues	**$ 449**	$ 420	**$ 910**	$ 820
Direct costs	**(170)**	(157)	**(345)**	(319)
Fee-related earnings[1]	**279**	263	**565**	501
Realized carried interest, net[1]	**9**	137	**39**	222
	288	400	**604**	723
Our share of Oaktree's distributable earnings	**58**	—	**113**	—
2) Distributions from investments				
Listed affiliates	**348**	336	**697**	682
Corporate cash and financial assets	**79**	35	**134**	133
Other investments	**16**	29	**36**	59
	443	400	**867**	874
3) Other invested capital earnings				
Corporate borrowings	**(95)**	(86)	**(184)**	(173)
Corporate costs and taxes	**(39)**	(36)	**(76)**	(73)
Other wholly owned investments	**(35)**	(30)	**(81)**	(69)
	(169)	(152)	**(341)**	(315)
Preferred share dividends	**(36)**	(38)	**(71)**	(75)
Add back: equity-based compensation costs	**21**	22	**46**	43
Cash available for distribution and/or reinvestment	**$ 605**	$ 632	**$ 1,218**	$ 1,250

1. Excludes $73 million and $36 million of fee-related earnings and realized carried interest, net from Oaktree, respectively.

The following table shows the quoted market value of the company's listed securities and annual cash distributions based on current distribution policies for each entity:

AS AT JUN. 30, 2020 (MILLIONS, EXCEPT PER UNIT AMOUNTS)	Ownership %	Brookfield Owned Units	Distributions Per Unit[1]	Quoted Value[2]	Current Distributions (Current Rate)[3]	YTD Distributions (Actual)
Distributions from investments						
Listed affiliates						
Brookfield Property [4]	56%	527.7	$ 1.33	$ 5,235	$ 702	$ 349
Brookfield Renewable[5]	57%	178.1	2.17	8,533	387	206
Brookfield Infrastructure[6]	30%	137.6	1.94	5,718	267	130
Brookfield Business Partners	63%	94.5	0.25	2,915	24	12
					1,380	697
Corporate cash and financial assets[7]	various	various	various	3,229	180	134
Other investments						
Norbord	42%	35.0	0.88	794	31	6
Other[8]	various	various	various	various	60	30
					91	36
Total					$ 1,651	$ 867

1. Based on current distribution policies.
2. Quoted value represents the value of Brookfield owned units as at market close on June 30, 2020.
3. Distributions (current rate) are calculated by multiplying units held as at June 30, 2020 by distributions per unit. Actual dividends may differ due to timing of dividend increases and payment of special dividends, which are not factored into the current rate calculation. See definition in Glossary of Terms beginning on page 57.
4. BPY's quoted value includes $16 million of preferred shares. Fully diluted ownership is 53%, assuming conversion of convertible preferred shares held by a third party. For the three and six months ended June 30, 2020, BPY's distributions include nominal amounts of preferred share dividends received by the Corporation (2019 – $2 million and $11 million, respectively).
5. On July 30, 2020, we completed the special distribution of Class A exchangeable subordinate voting shares of Brookfield Renewable Corporation ("BEPC"). Each BEP unitholder of record as of July 27, 2020 will receive one class A exchangeable subordinate voting share of BEPC for every four BEP units held. The special distribution is analogous to a unit split and has no impact on our ownership and distributions received.
6. Brookfield owned units represent the combined units held in BIP LP and BIPC.
7. Includes cash and cash equivalents and financial assets net of deposits.
8. Other includes cash distributions from our 27.5% interest in a BAM-sponsored real estate venture in New York and a listed investment in our Private Equity segment.

REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the consolidated statements of cash flows within our consolidated financial statements:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2020	2019	**2020**	2019
Operating activities	**$ 1,616**	$ 803	**$ 3,298**	$ 2,399
Financing activities	**1,627**	16,582	**5,464**	16,607
Investing activities	**(3,665)**	(16,748)	**(5,752)**	(19,979)
Change in cash and cash equivalents	**$ (422)**	$ 637	**$ 3,010**	$ (973)

This statement reflects activities within our consolidated operations and therefore excludes activities within non-consolidated entities.

Operating Activities

Cash flows from operating activities totaled $1.6 billion in the second quarter of 2020, a $813 million increase from the second quarter of 2019. Operating cash flows prior to non-cash working capital and residential inventory were $1.7 billion this quarter, $130 million higher than the prior year quarter due to the benefits of same-store growth from our existing operations and the contributions from assets acquired during the last twelve months, partially offset by the negative impact of foreign currency translation.

Financing Activities

The company had a net cash inflow of $1.6 billion from financing activities during the second quarter of 2020, compared to $16.6 billion in the second quarter of 2019. Our subsidiaries issued $5.8 billion (2019 – $23.7 billion) and repaid $5.7 billion (2019 – $10.5 billion) of non-recourse borrowings, for a net issuance of $66 million (2019 – $13.2 billion) during the quarter. We raised $1.6 billion of capital from our institutional private fund partners and other investors to fund their portion of acquisitions, arranged $981 million of short-term borrowings backed by private fund commitments and returned $1.4 billion to our investors in the form of either distributions or returns of capital.

Investing Activities

During the second quarter of 2020, we invested $9.0 billion and generated proceeds of $5.6 billion from dispositions for net cash deployed in investing activities of $3.4 billion. This compares to net cash deployed of $16.9 billion during the same period in 2019. We paid cash of $207 million to acquire equity accounted investments during the quarter. Refer to our Acquisitions of Consolidated Entities in Note 4 and Equity Accounted Investments in Note 8 to the consolidated financial statements for further details. We continued to acquire and sell financial assets, which represent a net outflow of $1.7 billion, relating to investments in debt and equity securities as well as contract assets associated with managing currency risk.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Overview

We are a Canadian corporation and, as such, we prepare our consolidated financial statements in accordance with IFRS.

We present our consolidated balance sheets on a non-classified basis, meaning that we do not distinguish between current and long-term assets or liabilities. We believe this classification is appropriate given the nature of our business strategy.

The preparation of the consolidated financial statements requires management to select appropriate accounting policies and to make judgments and estimates that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

In making judgments and estimates, management relies on external information and observable conditions, where possible, supplemented by internal analysis, as required. These estimates have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. As we update the fair values of our investment property portfolios quarterly, with gains reflected in net income, we discuss judgments and estimates relating to the key valuation metrics in Note 9 of the unaudited June 30, 2020 Consolidated Financial Statements and below.

For further reference on accounting policies, including new and revised standards issued by the IASB and judgments and estimates, see our significant accounting policies contained in Note 2 of the December 31, 2019 consolidated financial statements.

COVID-19

The company continues to closely monitor developments related to the global economic shutdown. As government restrictions are being lifted and businesses are gradually re-opening, the company is implementing safety measures for employees to return to work safely and to ensure minimal interruption to the business with the transition. Our results reflect the impact of the shutdown on our businesses in the current quarter. The longer-term impacts of the shutdown will depend on future developments which are highly uncertain, rapidly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts of the economic shutdown.

Consolidated Financial Information

IFRS uses a control-based model to determine if consolidation is required. Therefore, we are deemed to control an investment if we: (1) exercise power over the investee; (2) are exposed to variable returns from our involvement with the investee; and (3) have the ability to use our power to affect the amount of the returns. Due to the ownership structure of many of our subsidiaries, we control entities in which we hold only a minority economic interest. Please refer to Part 2 of Management's Discussion and Analysis in the December 31, 2019 Annual Report for additional information.

i. Investment Properties

We classify the majority of the property assets within our Real Estate segment as investment properties. Our valuations are prepared at the individual property level by internal investment professionals with the appropriate expertise in the respective industry, geography and asset type. These valuations are updated at each balance sheet date with gains or losses recognized in net income.

Prior to the end of the first quarter, the global economic shutdown prompted certain responses from global government authorities across the various geographies in which the company owns and operates investment properties. Such responses, have included mandatory temporary closure of, or imposed limitations on, the operations of certain non-essential properties and businesses including office properties and retail malls and associated businesses which operate within these properties such as retailers and restaurants. In addition, shelter-in-place mandates and severe travel restrictions have had a significant adverse impact on consumer spending and demand in the near term. These negative economic indicators, restrictions and closure have created significant estimation uncertainty in the determination of the fair value of investment properties as of June 30, 2020. Specifically, while discount and capitalization rates are inherently uncertain, there has been an absence of recently observed market transactions across the partnership's geographies to support changes in such rates which is a key input into the determination of fair value. In addition, the company has had to make assumptions with respect to the length and severity of these restrictions and closures as well as the viability of our tenants in consideration of any credit reserves that should be applied based on deemed tenant risk and the recovery period in estimating the impact and timing of future cash flows generated from investment properties and used in the discounted cash flow model used to determine fair value. As a result of this material estimation uncertainty there is a risk that the assumptions used to determine fair value as of June 30, 2020 may result in a material adjustment to the fair value of investment properties in future reporting periods as more information becomes available.

The majority of underlying cash flows in the models are comprised of contracted leases, many of which are long term, with our core office portfolio having a combined 92% occupancy level and an average 8.5-year lease life, while our core retail portfolio has an occupancy rate of 95%. The models also include property-level assumptions for renewal probabilities, future leasing rates and capital expenditures. These are reviewed as part of the business planning process and external market data is utilized when determining the cash flows associated with lease renewals.

We test the outcome of our process by having a number of our properties externally appraised each year, including appraisals for core office properties, at least on a three-year rotating basis. We compare the results of the external appraisals to our internally prepared values and reconcile significant differences when they arise. In the current quarter, 60 of our properties were externally appraised, representing a gross property value of $25 billion of assets; external appraisals were within 0.5% of management's valuations.

The valuations are most sensitive to changes in cash flows, which include assumptions relating to lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs, discount rates and terminal capitalization rates. The key valuation metrics of our real estate assets as of June 30, 2020 and December 31, 2019 are summarized below.

	Core Office		Core Retail		LP Investments and Other		Weighted Average	
AS AT JUN. 30, 2020 AND DEC. 31, 2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate	**6.5%**	6.7%	**6.9%**	6.7%	**9.0%**	8.1%	**7.6%**	7.3%
Terminal capitalization rate	**5.4%**	5.5%	**5.4%**	5.4%	**6.2%**	6.6%	**5.7%**	5.9%
Investment horizon (years)	**11**	11	**10**	10	**13**	14	**12**	12

We undertook a process to assess the appropriateness of the discount and terminal capitalization rates considering changes to risk- free rates, changes to credit spreads as well as changes to property-level cash flows and any risk premium inherent in such cash flow changes. All of these considerations led us to conclude that the vast majority of discount rates and terminal cap rates for the current period should remain consistent with year-end rates. As we learn more about the mid- and longer-term impacts of the pandemic on our business, we will update our valuation models accordingly.

The following table presents the impact on the fair value of our consolidated investment properties as at June 30, 2020 from a 25-basis point change to the relevant unobservable inputs. For properties valued using the discounted cash flow method, the basis point change in valuation metrics relates to a change in discount and terminal capitalization rates. For properties valued using the direct capitalization approach, the basis point change in valuation metrics relates to a change in the overall capitalization rate.

AS AT JUN. 30, 2020 (MILLIONS)	Fair Value	Sensitivity
Core office		
United States	$ 15,275	$ 754
Canada	4,676	218
Australia	2,370	120
Europe	2,852	52
Brazil	269	10
Core retail	21,253	1,134
LP investments and other		
LP investments office	8,367	385
LP investments retail	2,832	222
Logistics	136	3
Mixed-use	2,748	130
Multifamily	2,776	127
Triple net lease	4,426	155
Self-storage	1,020	40
Student housing	2,564	104
Manufactured housing	2,517	110
Other investment properties[1]	22,806	1,036
Total	$ 96,887	$ 4,600

1. Includes investments in office, mixed-use and student housing properties which are held through our direct investment in BSREP III as well as other directly held investment properties.

ii. Revaluation Method for PP&E

PP&E is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of PP&E are set out in Note 10, Property, Plant and Equipment in our December 31, 2019 audited consolidated financial statements. Our PP&E are measured at fair value on a recurring basis with an effective date of revaluation for all asset classes as of December 31, 2019. Brookfield determines fair value under both the income and cost methods with due consideration to significant inputs such as the discount rate, terminal value multiple, overall investment horizon, useful life and replacement cost. We have updated our valuation assumptions based on the available information as a result of the shutdown. Refer to Note 10 for further information.

MANAGEMENT REPRESENTATIONS AND INTERNAL CONTROLS

Internal Control Over Financial Reporting

No changes were made in our internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We have not experienced any material impact to our internal control over financial reporting due to the global economic shutdown. We are continually monitoring and assessing the shutdown on our internal controls to minimize the impact on their design and operating effectiveness.

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A and it defines IFRS performance measures, non-IFRS performance measures and key operating measures that we use to analyze and discuss our results.

References

"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Asset Management Inc. and its consolidated subsidiaries. The "Corporation" refers to our asset management business which is comprised of our asset management and corporate business segments.

We refer to investors in the Corporation as **shareholders** and we refer to investors in our private funds and listed affiliates as **investors**.

We use **asset manager** to refer to our Asset Management segment which offers a variety of investment products to our investors:

- We have over 40 active funds across major asset classes: real estate, infrastructure/renewable power and private equity. These funds include core, credit, value-add and opportunistic closed-end funds and core long-life funds. We refer to these funds as our **private funds**.
- We refer to BPY, BPYU, BEP, BEPC, BIP, BIPC, BBU and TERP as our **listed affiliates**.
- We refer to our public securities group as **public securities**. This group manages fee-bearing capital through numerous funds and separately managed accounts, focused on fixed income and equity securities.

Throughout the MD&A and consolidated financial statements, the following operating companies, joint ventures and associates, and their respective subsidiaries, will be referenced as follows:

- **Acadian** – Acadian Timber Corp.
- **Altera** – Altera Infrastructure L.P. (formerly Teekay Offshore)
- **BBU** – Brookfield Business Partners L.P.
- **BEP** – Brookfield Renewable Partners L.P.
- **BEPC** – Brookfield Renewable Corporation
- **BIP** – Brookfield Infrastructure Partners L.P.
- **BIPC** – Brookfield Infrastructure Corporation
- **BPY** – Brookfield Property Partners L.P.
- **BPYU** – Brookfield Property REIT Inc. (formerly GGP Inc. or BPR)
- **BrandSafway** – Brand Industrial Holdings Inc.
- **Cardone** – Cardone Industries, Inc.
- **Clarios** – Clarios Global LP
- **EBSA** – Empresa de Energia de Boyaca S.A.
- **G&W** – Genesee & Wyoming Inc.
- **Genworth** – Genworth MI Canada Inc.
- **GrafTech** – GrafTech International Ltd.
- **Greenergy** – Greenergy Fuels Holdings Limited
- **Healthscope** – Healthscope Limited
- **NAP** – North American Palladium Ltd.
- **Norbord** – Norbord Inc.
- **Oaktree** – Oaktree Capital Management
- **TERP** – TerraForm Power, Inc.
- **Westinghouse** – Westinghouse Electric Company

Performance Measures

Definitions of performance measures, including IFRS, non-IFRS and operating measures, are presented below in alphabetical order. We have specifically identified those measures which are IFRS or non-IFRS measures; the remainder are operating measures.

Assets under management ("AUM") refers to the total fair value of assets that we manage, on a gross asset value basis, including assets for which we earn management fees and those for which we do not. AUM is calculated as follows: (i) for investments that Brookfield consolidates for accounting purposes or actively manages, including investments of which Brookfield or a controlled investment vehicle is the largest shareholder or the primary operator or manager, at 100% of the investment's total assets on a fair value basis; and (ii) for all other investments, at Brookfield's or its controlled investment vehicle's, as applicable, proportionate share of the investment's total assets on a fair value basis. Brookfield's methodology for determining AUM may differ from the methodology employed by other alternative asset managers and Brookfield's AUM presented herein may differ from our AUM reflected in other public filings and/or our Form ADV and Form PF.

Base management fees, which are determined by contractual arrangements, are typically equal to a percentage of fee-bearing capital and are accrued quarterly. Base management fees, including private fund base fees and listed partnership base fees, are IFRS measures.

Private fund base fees are typically earned on fee-bearing capital from third-party investors only and are earned on invested and/ or uninvested fund capital, depending on the stage of the fund life.

Listed affiliate base fees are earned on the total capitalization, including debt and market capitalization, of the listed affiliates, which includes our investment. Base fees for BPY, BEP and TERP include a quarterly fixed fee amount of $12.5 million, $5 million and $3 million, respectively. BPY and BEP each pay additional fees of 1.25% on the increase in market capitalization above their initial capitalization of $11.5 billion and $8 billion, respectively. TERP pays an additional fee of 1.25% on the increase above initial per unit price at the time of acquisition. Base fees for BPYU, BIP and BBU are 1.25% of total capitalization. BPYU capital was subject to a 12-month fee waiver which expired at the end of August 2019.

Capitalization at "our share" is a non-IFRS measure and presents our share of debt and other obligations based on our ownership percentage of the related investments. We use this measure to provide insight into the extent to which our capital is leveraged in each investment, which is an important component of enhancing shareholders returns. This may differ from our consolidated leverage because of the varying levels of ownership that we have in consolidated and equity accounted investments, that in turn have different degrees of leverage. We also use capitalization at our share to make financial risk management decisions at the Corporation.

A reconciliation of consolidated liabilities and equity to capitalization at our share is provided below:

AS AT JUN. 30, 2020 AND DEC. 31, 2019 (MILLIONS)	**2020**	2019
Total consolidated liabilities and equity	**$ 316,435**	$ 323,969
Add: our share of debt of investments in associates	**13,082**	11,234
Less: non-controlling interests' share of liabilities		
Non-recourse borrowings	**(96,443)**	(97,708)
Liabilities associated with assets held for sale	**(145)**	(1,478)
Accounts payable and other	**(29,984)**	(29,460)
Deferred tax liabilities	**(10,360)**	(10,308)
Subsidiary equity obligations	**(2,225)**	(2,236)
Non-controlling interests	**(78,996)**	(81,833)
Total capitalization at our share	**$ 111,364**	$ 112,180

Carried interest is an IFRS measure that is a contractual arrangement whereby we receive a fixed percentage of investment gains generated within a private fund provided that the investors receive a pre-determined minimum return. Carried interest is typically paid towards the end of the life of a fund after the capital has been returned to investors and may be subject to clawback until all investments have been monetized and minimum investment returns are sufficiently assured.

Realized carried interest is an IFRS measure and represents our share of investment returns based on realized gains within a private fund. Realized carried interest earned is recognized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of preferred returns, in accordance with the respective terms set out in the fund's governing agreements, and when the probability of clawback is remote. We include realized carried interest when determining our Asset Management segment results within our consolidated financial statements.

Realized carried interest, net is a non-IFRS measure and represents realized carried interest after direct costs, which include employee expenses and cash taxes. A reconciliation of realized carried interest to realized carried interest, net, is shown below:

FOR THE THREE MONTHS ENDED JUN. 30 (MILLIONS)	**2020**	2019
Realized carried interest[1]	**$ 76**	$ 190
Less: direct costs associated with realized carried interest	**(31)**	(53)
	45	137
Less: realized carried interest not attributable to BAM	**(14)**	—
Realized carried interest, net	**$ 31**	$ 137

1. Includes $64 million of realized carried interest related to Oaktree. For segment reporting, Oaktree's revenue is shown on a 100% basis.

Carry eligible capital represents the capital committed, pledged or invested in the private funds that we manage and which entitle us to earn carried interest. Carry eligible capital includes both invested and uninvested (i.e. uncalled) private fund amounts as well as those amounts invested directly by investors (co-investments) if those entitle us to earn carried interest. We believe this measure is useful to investors as it provides additional insight into the capital base upon which we have potential to earn carried interest once minimum investment returns are sufficiently assured.

Adjusted carry eligible capital excludes uncalled fund commitments and funds that have not yet reached their preferred return, as well as co-investments and separately managed accounts that are subject to lower carried interest than our standard funds.

A reconciliation from carry eligible capital to adjusted carry eligible capital is provided below:

AS AT JUN. 30 (MILLIONS)	**2020**	2019
Carry eligible capital[1]	**$ 81,065**	$ 71,782
Less:		
Uncalled private fund commitments	**(29,850)**	(33,759)
Co-investments and other	**(7,135)**	(6,802)
Funds not yet at target preferred return	**(21,459)**	(7,268)
Adjusted carry eligible capital	**$ 22,621**	$ 23,953

1. Excludes carry eligible capital related to Oaktree.

Cash available for distribution and/or reinvestment is a non-IFRS measure that provides insight into earnings received by the Corporation that are available for distribution to common shareholders or to be reinvested into the business. It is calculated as the sum of our Asset Management segment FFO (i.e., fee-related earnings and realized carried interest, net); distributions from our listed affiliates, other investments that pay regular cash distributions and FFO from our corporate cash and financial assets; other invested capital earnings, which include FFO from our residential operations, energy contracts, sustainable resources and other real estate, private equity, corporate investments that do not pay regular cash distributions, corporate costs and corporate interest expense; excluding equity-based compensation costs and net of preferred share dividend payments.

FOR THE PERIODS ENDED JUN. 30 (MILLIONS)	Three Months Ended		Six Months Ended	
	2020	2019	**2020**	2019
Asset management FFO	**$ 288**	$ 400	**$ 604**	$ 723
Our share of Oaktree's distributable earnings	**58**	—	**113**	—
Distributions from investments	**443**	400	**867**	874
Other invested capital earnings				
Corporate borrowings	**(95)**	(86)	**(184)**	(173)
Corporate costs and taxes	**(39)**	(36)	**(76)**	(73)
Other wholly owned investments	**(35)**	(30)	**(81)**	(69)
	(169)	(152)	**(341)**	(315)
Preferred share dividends	**(36)**	(38)	**(71)**	(75)
Add back: equity-based compensation costs	**21**	22	**46**	43
Cash available for distribution and/or reinvestment	**$ 605**	$ 632	**$ 1,218**	$ 1,250

Consolidated capitalization reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements. Our consolidated capitalization includes 100% of the debt of the consolidated entities even though in many cases we only own a portion of the entity and therefore our pro-rata exposure to this debt is much lower. In other cases, this basis of presentation excludes the debt of partially owned entities that are accounted for following the equity method, such as our investments in Canary Wharf and several of our infrastructure businesses.

Core liquidity represents the amount of cash, financial assets and undrawn credit lines at the Corporation, listed affiliates and directly held investments. We use core liquidity as a key measure of our ability to fund future transactions and capitalize quickly on opportunities as they arise. Our core liquidity also allows us to backstop the transactions of our various businesses as necessary and fund the development of new activities that are not yet suitable for our investors.

Total liquidity represents the sum of core liquidity and uncalled private fund commitments and is used to pursue new transactions.

Corporate capitalization represents the amount of debt issued by the Corporation, accounts payable and deferred tax liability in our Corporate segment as well as our issued and outstanding common and preferred shares.

Distributions (current rate) represents the distributions that we would receive during the next twelve months based on the current distribution rates of the investments that we currently hold. The dividends from our listed investments are calculated by multiplying the number of shares held by the most recently announced distribution policy. The yield on cash and financial assets portfolio is equal to 8% of the weighted-average balance of the last four quarters of our corporate cash and financial assets. Distributions on our unlisted investments are calculated based on the quarterly distributions received in the most recent fiscal year.

Economic ownership interest represents the company's proportionate equity interest in our listed partnerships which can include redemption-exchange units ("REUs"), Class A limited partnership units, special limited partnership units and general partnership units in each subsidiary, where applicable, as well as any units or shares issued in subsidiaries that are exchangeable for units in our listed partnerships ("exchange units"). REUs and exchange units share the same economic attributes as the Class A limited partnership units in all respects except for our redemption right, which the listed partnership can satisfy through the issuance of Class A limited partnership units. The REUs, general partnership units and exchange units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the Class A limited partnership units of the subsidiary.

Fee-bearing capital represents the capital committed, pledged or invested in the listed affiliates, private funds and public securities that we manage which entitles us to earn fee revenues. Fee-bearing capital includes both called ("invested") and uncalled ("pledged" or "committed") amounts. When reconciling period amounts we utilize the following definitions:

- **Inflows** include capital commitments and contributions to our private and public securities funds and equity issuances in our listed affiliates.
- **Outflows** represent distributions and redemptions of capital from within the public securities capital.
- **Distributions** represent quarterly distributions from listed affiliates as well as returns of committed capital (excluding market valuation adjustments), redemptions and expiry of uncalled commitments within our private funds.
- **Market valuation** includes gains (losses) on portfolio investments, listed affiliates and public securities based on market prices.
- **Other** includes changes in net non-recourse leverage included in the determination of listed affiliate capitalization and the impact of foreign exchange fluctuations on non-U.S. dollar commitments.

Fee-related earnings is an IFRS measure that is comprised of fee revenues less direct costs associated with earning those fees, which include employee expenses and professional fees as well as business related technology costs, other shared services and taxes. We use this measure to provide additional insight into the operating profitability of our asset management activities.

Fee revenues is an IFRS measure and includes base management fees, incentive distributions, performance fees and transaction fees presented within our Asset Management segment. Many of these items do not appear in consolidated revenues because they are earned from consolidated entities and are eliminated on consolidation.

Funds from operations ("FFO") is a key measure of our financial performance. We use FFO to assess operating results and the performance of our businesses on a segmented basis. While we use segment FFO as our segment measure of profit and loss (see Note 3 to our consolidated financial statements), the sum of FFO for all our segments, or total FFO, is a non-IFRS measure. The following table reconciles total FFO to net income:

FOR THE PERIODS ENDED JUN. 30 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Three Months Ended				Six Months Ended			
	Total		**Per Share**		**Total**		**Per Share**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net (loss) income	**$ (1,493)**	$ 704	**$ (1.01)**	$ 0.45	**$ (1,650)**	$ 1,960	**$ (1.14)**	$ 1.29
Realized disposition gains recorded as fair value changes or equity	**469**	7	**0.29**	0.01	**562**	239	**0.34**	0.16
Non-controlling interest in FFO	**(1,501)**	(1,863)	**(0.99)**	(1.27)	**(3,482)**	(3,465)	**(2.30)**	(2.37)
Financial statement components not included in FFO								
Equity accounted fair value changes and other non-FFO items	**1,253**	(379)	**0.83**	(0.26)	**2,191**	(128)	**1.45**	(0.09)
Fair value changes	**1,153**	1,398	**0.76**	0.95	**1,567**	1,229	**1.04**	0.84
Depreciation and amortization	**1,376**	1,234	**0.91**	0.84	**2,785**	2,268	**1.84**	1.55
Deferred income taxes	**(96)**	7	**(0.06)**	0.01	**72**	56	**0.05**	0.04
Total FFO	**$ 1,161**	$ 1,108	**$ 0.73**	$ 0.73	**$ 2,045**	$ 2,159	**$ 1.28**	$ 1.42

We use FFO to assess our performance as an asset manager and separately as an investor in our assets. FFO includes the fees that we earn from managing capital as well as our share of revenues earned and costs incurred within our operations, which include interest expense and other costs. Specifically, FFO includes the impact of contracts that we enter into to generate revenue, including asset management agreements, power sales agreements, contracts that our operating businesses enter into such as leases and take or pay contracts and sales of inventory. FFO also includes the impact of changes in borrowings or the cost of borrowings as well as other costs incurred to operate our business.

We use realized disposition gains and losses within FFO in order to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in equity and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods. We exclude depreciation and amortization from FFO as we believe that the value of most of our assets typically increases over time, provided we make the necessary maintenance expenditures, the timing and magnitude of which may differ from the amount of depreciation recorded in any given period. In addition, the depreciated cost base of our assets is reflected in the ultimate realized disposition gain or loss on disposal. As noted above, unrealized fair value changes are excluded from FFO until the period in which the asset is sold. We also exclude deferred income taxes from FFO because the vast majority of the company's deferred income tax assets and liabilities are a result of the revaluation of our assets under IFRS.

Our definition of FFO may differ from the definition used by other organizations, as well as the definition of FFO used by the Real Property Association of Canada ("REALPAC") and the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. The key differences between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT are that we include the following: realized disposition gains or losses and cash taxes payable or receivable on those gains or losses, if any; foreign exchange gains or losses on monetary items not forming part of our net investment in foreign operations; and foreign exchange gains or losses on the sale of an investment in a foreign operation. We do not use FFO as a measure of cash generated from our operations.

Incentive distributions is an IFRS measure that is determined by contractual arrangements; incentive distributions are paid to us by BPY, BEP, BIP and TERP and represent a portion of distributions paid by listed affiliates above a predetermined hurdle. Incentive distributions are accrued on the record date of the associated distributions of the entity.

A summary of our distribution hurdles and current distribution rates is as follows:

AS AT JUN. 30, 2020	Current Distribution Rate[1]	Distribution Hurdles (per unit)[2]	Incentive Distributions
Brookfield Infrastructure Partners (BIP)	$ 1.94	$ 0.73 / $ 0.79	15% / 25%
Brookfield Renewable Partners (BEP)	2.17	1.50 / 1.69	15% / 25%
Brookfield Property Partners (BPY)	1.33	1.10 / 1.20	15% / 25%

1. Current rate based on most recently announced distribution rates.
2. We are also entitled to earn a portion of increases in distributions by TERP, based on distribution hurdles of $0.93 and $1.05. TERP's current annual distribution has not yet reached the first hurdle.

Invested capital consists of investments in our listed affiliates, other listed securities, unlisted investments and corporate working capital. Our invested capital provides us with FFO and cash distributions.

Invested capital, net consists of invested capital and leverage.

Leverage represents the amount of corporate borrowings and perpetual preferred shares held by the company.

Long-term average ("LTA") generation is used in our Renewable Power segment and is determined based on expected electrical generation from its assets in commercial operation during the year. For assets acquired or reaching commercial operation during the year, LTA generation is calculated from the acquisition or commercial operation date. In Brazil, assured generation levels are used as a proxy for LTA. We compare LTA generation to actual generation levels to assess the impact on revenues and FFO of hydrology, wind generation levels and irradiance, which vary from one period to the next.

Performance fees is an IFRS measure. Performance fees are paid to us when we exceed predetermined investment returns within BBU and on certain public securities portfolios. BBU performance fees are accrued quarterly based on the volume-weighted average increase in BBU unit price over the previous threshold, whereas performance fees within public securities funds are typically determined on an annual basis. Performance fees are not subject to clawback.

Proportionate basis generation is used in our Renewable Power segment to describe the total amount of power generated by facilities held by BEP, at BEP's respective economic ownership interest percentage.

Realized disposition gains/losses is a component of FFO and includes gains or losses arising from transactions during the reporting period together with any fair value changes and revaluation surplus recorded in prior periods, presented net of cash taxes payable or receivable. Realized disposition gains include amounts that are recorded in net income, other comprehensive income and as ownership changes in our consolidated statements of equity, and exclude amounts attributable to non-controlling interests unless otherwise noted. We use realized disposition gains/losses to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in prior periods and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods.

Same-store or same-property represents the earnings contribution from assets or investments held throughout both the current and prior reporting period on a constant ownership basis. We utilize same-store analysis to illustrate the growth in earnings excluding the impact of acquisitions or dispositions.

Unrealized carried interest is the change in accumulated unrealized carried interest from prior period and represents the amount of carried interest generated during the period. We use this measure to provide insight into the value our investments have created in the period.

Accumulated unrealized carried interest is based on carried interest that would be receivable under the contractual formula at the period end date as if a fund was liquidated and all investments had been monetized at the values recorded on that date. We use this measure to provide insight into our potential to realize carried interest in the future. Details of components of our accumulated unrealized carried interest are included in the definition of unrealized carried interest below.

Accumulated unrealized carried interest, net is after direct costs, which include employee expenses and taxes.

The following table identifies the inputs of accumulated unrealized carried interest to arrive at unrealized carried interest generated in the period:

AS AT JUN. 30 (MILLIONS)	Adjusted Carry Eligible Capital[1]	Adjusted Multiple of Capital[2]	Fund Target Carried Interest[3]	Current Carried Interest[4]
2020				
Real Estate	**$ 7,207**	**1.5**	**20%**	**18%**
Infrastructure	**13,280**	**1.5**	**20%**	**18%**
Private Equity	**2,134**	**2.6**	**20%**	**16%**
	$ 22,621			
2019				
Real Estate	$ 9,364	1.7x	20%	14 %
Infrastructure	12,994	1.4x	20%	17 %
Private Equity	1,595	2.7x	20%	17 %
	$ 23,953			

1. Excludes uncalled private fund commitments, co-investment capital and funds that have not met their preferred return.
2. Adjusted Multiple of Capital represents the ratio of total distributions plus estimates of remaining value to the equity invested, and reflects performance net of fund management fees and expenses, before carried interest. Our core, credit and value add funds pay management fees of 0.90-1.50% and our opportunistic and private equity funds pay fees of 1.50-2.00%. Funds typically incur fund expenses of approximately 0.35% of carry eligible capital annually.
3. Fund target carried interest percentage is the target carry average of the funds within adjusted carry eligible capital as at each period end.
4. When a fund has achieved its preferred return, we earn an accelerated percentage of the additional fund profit until we have earned the fund target carried interest percentage. Funds in their early stage of earning carry will not yet have earned the full percentage of total fund profit to which we are entitled.

The following table summarizes the unrealized carried interest generated in the current and prior year periods:

	Accumulated Unrealized Carried Interest			Accumulated Unrealized Carried Interest		
(MILLIONS)	**Jun. 30, 2020**	Mar. 31 2020	Change	Jun. 30, 2019	Mar. 31 2019	Change
Real Estate	**$ 640**	$ 956	$ (316)	$ 906	$ 1,060	$ (154)
Infrastructure	**1,095**	970	125	992	896	96
Private Equity	**552**	565	(13)	639	743	(104)
Oaktree	**645**	673	(28)	—	—	—
Accumulated unrealized carried interest	**2,932**	3,164	(232)	2,537	2,699	(162)
Less: associated expenses[1]	**(1,032)**	(1,069)	37	(765)	(810)	45
Accumulated unrealized carry, net	**$ 1,900**	$ 2,095	(195)	$ 1,772	$ 1,889	(117)
Add: realized carried interest, net			31			137
Unrealized carried interest, net			$ (164)			$ 20

1. Carried interest generated is subject to taxes and long-term incentive expenses to investment professionals. These expenses are typically 30-35% of carried interest generated.