

10 AUG 2023 Naimish Keswani

Brookfield sets \$500bn credit target as insurers pile in

- Aims to grow insurance AuM from \$27bn to \$225bn
- Plans to allocate 40% of insurer capital to private markets
- Hits \$3bn first close for Oaktree direct lending fund

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Brookfield is eyeing \$500bn in private credit AuM as it expects the asset class to be its fastest growing segment over the next decade.

Speaking during the firm's second quarter earnings results, Brookfield Asset Management President Connor Teskey said that there is still a lot of white space in private credit.

"We believe the growing allocation to private credit from insurance, combined with our fundraising efforts across both Brookfield and Oaktree will enable us to grow our credit business to as much as \$500bn of assets over the next five to 10 years," Teskey said.

"In fact, private credit will likely be our fastest growing business."

The Toronto-based manager currently oversees \$152bn in credit assets, and expects the segment to see massive tailwinds from its growing pool of insurance capital. The manager currently has \$27bn in fee bearing capital from the insurance platform, and expects to hit \$225bn over the next five years.

In the quarter gone by, Brookfield Reinsurance also signed an agreement to acquire AEL, one of the largest providers of independent annuities in the United States, which will bring \$50bn in investible capital for BAM to manage once the transaction is closed.

"We target allocating approximately 40% of our insurance assets into private funds. Today, that number is only 6%," Teskey explained.

"The 40% of capital that we will allocate to private funds, much of which will be into private credit funds, will generate private fund fees on top of the IMA fee and further drive our FRE growth."

Beyond its organic growth prospects, the manager is also eyeing strategic M&A in the alternatives space to accelerate growth.

Brookfield currently has \$3bn of cash on its balance sheet, giving the firm a significant advantage in gaining access to additional debt and equity capital.

“This gives us the ability to look at a wide range of potential acquisitions that can augment and complement our existing platform and supercharge our future growth,” Teskey added.

“Nothing yet to announce on this front, but with increasing consolidation across our industry, we are actively watching for opportunities.”

Brookfield Asset Management Funds

Name	Target	Total Raise	Status
<u>Brookfield</u>			
Brookfield Infrastructure Fund V*	\$25bn+	\$27bn	Fundraising, Q4 2023 Close
Brookfield Global Transition Fund II*	\$20bn		First Close
Brookfield Capital Partners VI*	\$12.5bn+	\$9.1bn	Near Close
Brookfield Strategic Real Estate Partners V*	\$17bn+		First Close
Brookfield Infrastructure Debt Fund III	\$5bn+	\$4bn	Fundraising, Q4 2023 Close
Brookfield Special Investments Fund II	\$5bn+		Fundraising
Brookfield Real Estate Finance Fund VII	\$4bn+		Pre-Launch
Brookfield Infrastructure Income Fund	-	\$1.3bn	Evergreen
<u>Oaktree</u>			
Oaktree Opportunities Fund XII*	\$18bn+	\$3.8bn	Fundraising
Oaktree Lending Partners	\$10bn	\$3bn+	First Close
Oaktree Special Situations III	\$3bn	\$2.2bn (Est)	Fundraising
Oaktree Real Estate Debt Fund IV	\$3bn+		Fundraising
Oaktree Real Estate Opportunities Fund IX	\$6bn		Fundraising

Source: [With Intelligence data](#) | Brookfield Q1 & Q2 2023 Results
Data as of August 2023 | *Flagship Fund

Fundraising

In the credit segment, Brookfield is currently in the market with several strategies through its Oaktree brand, and raised \$8.1bn in commitments during the quarter.

“In private credit, our marquee Oaktree brand is well placed to benefit from the current market uncertainty, scarcity of capital, rising rates, and forced selling,” said CFO Bahir Manios during the call.

The manager held a \$3bn first close for its direct lending fund, Oaktree Lending Partners, which is targeting over \$10bn in commitments.

The flagship strategy, the Oaktree Opportunities Fund XII, also raked in \$3bn during the quarter, bringing its overall raise to nearly \$4bn of its \$16bn target.

“We expect to raise an additional \$20bn [in private credit] over the next 12 months. Pull back by traditional lenders is opening the window for more capital deployment at strong risk adjusted returns,” Manios added.

Overall, Brookfield raised \$17bn during the quarter, with credit and insurance leading the pack, raising \$10bn of the total sum.

“Year-to-date, we have had strong capital inflows of \$37bn and expect an acceleration of fundraising in the back half of the year, across our flagship and our complementary strategies,” CEO Bruce Flatt said.

“These fundraising efforts alongside the \$50 billion of insurance capital, from the recently announced AEL transaction should allow us to raise a record of close to \$150 billion of capital this year.”

Brookfield Asset Management has \$850bn in AuM.

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