

WHY INFRASTRUCTURE?

The Global Infrastructure Investment Thesis

Investor interest in infrastructure has increased dramatically in recent years. The combination of global population and economic growth, much-needed spending on infrastructure and a deficiency in government budgets around the world has provided an opportunity for private sector involvement.

Current estimates indicate global infrastructure spending will average \$2 trillion annually through 2015 – presenting incredible potential for private sector involvement.

Brookfield believes investment in infrastructure is set to flourish due to a number of critical factors:

- On a global scale, population and economic growth is increasing, therefore creating demand for new infrastructure;
- Existing infrastructure around the world, much of it built over 50 years ago, needs to be replaced; and
- Government budgets, the traditional source of funding, are shrinking, requiring other sources of funding from the private sector.



WHAT IS INFRASTRUCTURE?

Infrastructure is often described as the backbone of the global economy. Infrastructure assets incorporate long-life, physical assets that provide essential products or services for the global economy.

Infrastructure assets include:

| | | | |
|----------------------|--|---|---|
| Transportation | <ul style="list-style-type: none"> • Toll Roads • Ports | <ul style="list-style-type: none"> • Bridges • Airports | <ul style="list-style-type: none"> • Tunnels • Rail |
| Energy and Utilities | <ul style="list-style-type: none"> • Electricity transmission and distribution networks, generation • Oil and gas pipelines and storage • Water and waste water | | |
| Communications | <ul style="list-style-type: none"> • Wireless communication towers • Broadcast satellites • Cable networks | | |
| Social | <ul style="list-style-type: none"> • Education facilities • Healthcare projects | | |
| Other | <ul style="list-style-type: none"> • Timber • Industrial infrastructure • Parking garages / car parks | | |



A COMPELLING INVESTMENT OPPORTUNITY

Brookfield believes the infrastructure asset class offers investors an opportunity to earn superior risk-adjusted returns over the long term. Although this is an emerging asset class, Brookfield brings specialist investment expertise in active infrastructure investment, having owned and operated infrastructure assets for over 100 years.

From an investment perspective Brookfield believes that infrastructure assets have an attractive profile. The combination of long-life assets, current cash flow and inflation-correlated characteristics, as well as relatively low volatility, high barriers to entry, present a compelling investment alternative.

Key Characteristics:

- **Large, long-term assets providing essential services**

Infrastructure assets serve as the backbone for basic, irreplaceable public services such as road networks, airports, and electricity lines, which are necessary to support economic and social activity. As such, infrastructure assets benefit from a relatively inelastic demand profile.

- **Limited or no competition and high barriers to entry**

Due to significant economies of scale and high barriers to entry, infrastructure assets often face little or no competition.

- **High operating margins and low maintenance capital expenditure**

Infrastructure assets are generally highly capital-intensive with relatively low operating and maintenance expense required. This typically translates into high operating margins once operations commence and enhances the ability to support debt commitments and make equity distributions.

- **Predictable and steady cash flows with a strong yield component**

Infrastructure assets are long-term assets. The regulatory contracts or concessions under which services are provided often last for more than 30 years and can be in perpetuity, with pricing provisions that ensure a predictable return over time.

- **Inflation-correlated revenues**

Cash flows produced by infrastructure assets are commonly linked to measures of economic growth such as gross domestic product and inflation. In some cases, revenue increases due to inflation are embedded in concession agreements and licenses. In other instances, due to their essential nature and inelastic demand, owners of infrastructure assets are able to pass inflation on to consumers via price increases.

- **Low volatility and correlation to other asset classes**

Like real estate, infrastructure assets tend to have a relatively low correlation to traditional asset classes like equities and bonds, which can enhance the risk-adjusted performance of a balanced portfolio.





A COMPELLING INVESTMENT OPPORTUNITY

INFRASTRUCTURE GAP

The gap between the need for new infrastructure investment to upgrade existing infrastructure and current government budget allocations is substantial. Brookfield estimates that more than \$25 trillion is required over the next 25 years based on OECD data. In many developed countries, major infrastructure projects were built during the World War II post-war boom and are in urgent need of upgrade or replacement. For emerging markets, building new infrastructure is essential to the long-term growth of these economies.

TREND TOWARDS PRIVATE OWNERSHIP

With governments at all levels facing constrained budgets, the need to explore alternative sources of funding to expand and improve infrastructure has encouraged private sector partnerships. These alternative funding sources and structures include asset sales to private owners, Public Private Partnerships (PPP) and Private Finance Initiatives (PFI).

Transactions:

● TRANSELEC

The sale of the Chilean electric transmission network by Hydro-Quebec for \$1.2 billion equity and \$1.5 billion debt in 2006 to a private consortium led by Brookfield Asset Management.

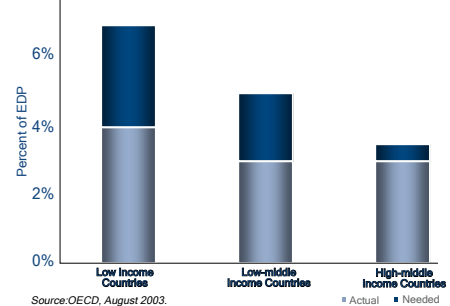
● CHICAGO SKYWAY

A 99-year concession over a 7.8-mile toll bridge granted to a private consortium in 2004 for \$1.8 billion

● AEROPORT DE PARIS

The French Government sold a 25% stake in several Paris-area airports via a public float in 2006 for proceeds of €1.1 billion. The annualized return to shareholders since the float has been greater than 30%.

8% Actual vs. Needed Expenditure for Infrastructure



POPULATION GROWTH

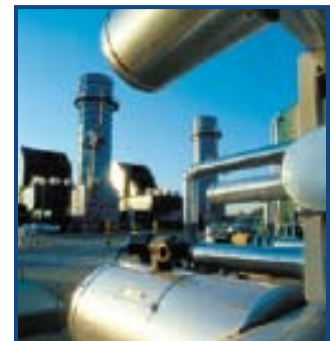
World population growth has been well documented and is particularly prevalent in emerging markets, such as China and India. Importantly, a growing global population places increased pressure on existing infrastructure, such as electricity generation, telecommunication, water and sanitation, and creates demand for new infrastructure.

In the long term, sustainable economic growth requires investment in new infrastructure. As developing economies grow, higher incomes lead to demand for a better quality of life, urbanization, enhanced environmental and government services, and the extension of community services beyond the city hubs.

INFLATION-LINKED REVENUE

Revenues are often linked directly or indirectly to inflation and in some sectors are often governed by a regulatory environment. As a result, cash flows are typically predictable and stable. In today's environment of increasing inflationary concerns largely due to record high commodity prices, the inflation protection offered by infrastructure assets is attractive.

This is illustrated by looking at a few examples. Water companies in the United Kingdom generate returns which are based on regulated "real return" targets, reflecting a return above inflation. Another example is toll roads where toll rates are automatically increased annually based on inflation.

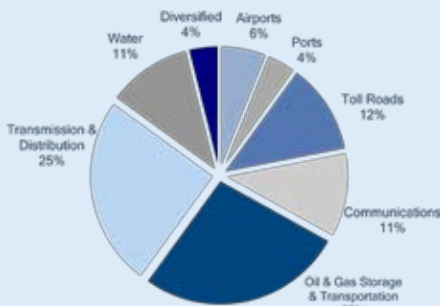




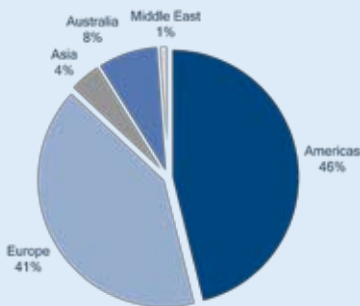
THE DOW JONES BROOKFIELD GLOBAL INFRASTRUCTURE INDEXSM A NEW INDUSTRY BENCHMARK

Launched in July 2008, the Dow Jones Brookfield Global Infrastructure Index comprises 94 companies and has a market capitalization of approximately \$500 billion. The index comprises publicly-listed infrastructure companies traded on developed market exchanges, which results in an investible universe. A key measure for inclusion in the index is that 70% of cash flows must be generated from the ownership or operation of infrastructure assets. This is a key differentiator from other indexes, which have a broader definition of infrastructure.

Index Composition by Sector



Index Composition by Geography



Source: Dow Jones Brookfield Global Infrastructure Index. As at June 30, 2008

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AN ATTRACTIVE ASSET CLASS

PERFORMANCE POTENTIAL

Infrastructure is characterized by a low correlation to traditional asset classes as well as lower risk and its historical return profile compares well.

Historical Returns*



*Source: Brookfield Redding / Dow Jones. All periods ended June 30, 2008. Global Equities refers to the Dow Jones Wilshire Global Total Market Index. Global Bonds refers to the Lehman Brothers Aggregate Bonds Index. Global Real Estate Securities refers to the Dow Jones Global Real Estate Securities Index. Global Infrastructure refers to the Dow Jones Brookfield Global Infrastructure Index. Past performance is not a reliable indicator nor a guarantee of future results.

THE INFRASTRUCTURE INVESTMENT UNIVERSE

Quantifying the global infrastructure universe is no easy task. Currently, government-owned and operated infrastructure assets represent the vast majority of the total universe, providing immense potential for further privatization to occur. The remainder is owned by industrial companies, private funds and publicly-traded funds. Brookfield estimates indicate the global publicly listed universe exceeds \$1.0 trillion and is expected to grow rapidly over the next ten years. As investor interest in this emerging asset class has increased, a number of indexes have been developed which show the diversification offered by geography and type.

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