



PARTNERS VALUE  
INVESTMENTS LP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis for the year ended December 31, 2022 is dated March 30, 2023.

### OVERVIEW

Partners Value Investments L.P. (the "Partnership") is a limited partnership under the laws of the province of Ontario. Its principal investments are an ownership interest in approximately 132 million Class A Limited Voting Shares ("Corporation shares") of Brookfield Corporation (formerly known as Brookfield Asset Management Inc., the "Corporation") and approximately 33 million Class A Voting Shares ("Manager shares") of Brookfield Asset Management Ltd., the ("Manager"). The Partnership's objective is to provide the Equity Limited Partners with capital appreciation and Preferred Limited Partners with income returns. Investment income, which includes dividends from its investment in Brookfield Corporation and Brookfield Manager shares and other securities, is principally dedicated to paying dividends on its financing obligations and Preferred LP units.

The Partnership's investment in the Corporation and the Manager are owned indirectly through its wholly owned subsidiaries – Partners Value Investments Inc. ("PVII") and Partners Value Split Corp. ("Partners Value Split"). Partners Value Split has publicly listed retractable preferred shares outstanding.

The Partnership also holds a portfolio of other securities including investments in limited partnership units of Brookfield Business Partners ("BBU") and a diversified portfolio of other securities.

The Partnership is managed by its general partner, PVI Management Trust (the "General Partner"). Additional information on the Partnership and its public subsidiaries is available on SEDAR's web site at [www.sedar.com](http://www.sedar.com).

### RESULTS OF OPERATIONS

The Partnership generated net income of \$1.1 billion for the year ended December 31, 2022, compared to \$31 million in the prior year. Net income was higher in the current period primarily due to a special non - cash distribution received from Brookfield Corporation (formerly Brookfield Asset Management Inc.). On December 9, 2022, the Corporation completed the distribution of a 25% interest in its asset management business through Brookfield Asset Management Ltd., which was incorporated and publicly listed for the purpose of holding an interest in this business. As part of this distribution, the Partnership received one share of the Manager for every four shares held of the Corporation. As a result, the Partnership recognized non-cash dividend income of \$1.0 billion from the Corporation in its Consolidated Statements of Operations.

Income of \$1.1 billion was attributable to the Equity Limited Partners (\$13.78 per Equity LP unit) and income of \$6.9 million was attributable to Preferred Limited Partners. Excluding the impact of special distributions received in 2022 and 2021 (December 31, 2021 – \$46 million related to the spinoff of Brookfield Reinsurance Ltd.), net income increased by approximately \$93 million compared to 2021 due to higher foreign currency gains related to the Partnership's preferred shares and corporate borrowings and tax recoveries in the current year.

As at December 31, 2022, the market prices of a Corporation (NYSE/TSX: BN) and Manager (NYSE/TSX: BAM) share were \$31.46 and \$28.67, respectively. As at March 29, 2023, the market prices of a BN and BAM share were \$31.19 and \$31.39, respectively.

The following table presents the details of the Partnership's net income:

For the years ended December 31  
(Thousands, US dollars)

	2022	2021
Investment income		
Dividends	\$ 1,120,641	\$ 117,629
Other investment income	6,694	5,361
	<u>1,127,335</u>	<u>122,990</u>
Expenses		
Operating expenses	(2,359)	(3,249)
Financing costs	(9,789)	(8,896)
Retractable preferred share dividends	(39,753)	(33,628)
	<u>(51,901)</u>	<u>(45,773)</u>
Other items		
Investment valuation gains (losses)	10,653	(5,739)
Amortization of deferred financing costs	(3,363)	(4,070)
Current tax (expense) recovery	(19,990)	7,816
Deferred tax recovery (expense)	21,439	(15,024)
Foreign currency gains (losses)	37,272	(28,706)
<b>Net income</b>	<u>\$ 1,121,445</u>	<u>\$ 31,494</u>

Investment income consists of the following:

For the years ended December 31  
(Thousands, US dollars)

	2022	2021
Dividends		
Brookfield Corporation	\$ 1,115,675	\$ 113,261
Other securities	4,966	4,368
	<u>1,120,641</u>	<u>117,629</u>
Other investment income	6,694	5,361
	<u>\$ 1,127,335</u>	<u>\$ 122,990</u>

During the year ended December 31, 2022, the Partnership recorded dividend income of \$1.1 billion (December 31, 2021 - \$113 million) from its investment in Corporation and \$5 million (December 31, 2021 - \$4 million) from its other securities investments. Dividend income was higher during the year ended December 31, 2022 primarily due to the receipt of Manager shares valued at \$1.0 billion received as a special distribution of the Corporation's asset management business. As a result of the special distribution, shareholders of Class A Corporation received one Class A Manager share for every four Class A the Corporation shares held. Other investment income primarily includes interest earned on loan assets and cash on deposit.

Retractable preferred share dividends increased during the period due to the issuance of Series 13 preferred shares in March 2022.

Investment valuation gains include unrealized gains and losses on the Partnership's investments (including financial derivatives) which are recorded at fair value, and realized gains and losses on the disposition of the Partnership's investments. The amount will fluctuate depending on the Partnership's investment activities and performance and increased in 2022 due to an increase in the value of certain investments during the year.

Income tax expenses reflect a higher level of realized and unrealized losses relative to gains, compared to the prior year.

Foreign currency gains (losses) represent net gains and losses arising from the impact of changes in the exchange rate on the book value Canadian dollar ("CAD") denominated preferred shares issued by Partners Value Split Corp., corporate borrowings issued by Partners Value Investments Inc. and the realization of certain of foreign exchange contracts.

## FINANCIAL POSITION

The Partnership's total assets were \$5.6 billion at December 31, 2022 (December 31, 2021 - \$8.4 billion) and consist primarily of its \$4.1 billion investment in approximately 132 million Corporation shares (December 31, 2021 - \$7.9 billion) and its \$934 million investment in approximately 33 million Manager shares. The market price of a Corporation and Manager share decreased during the year and were \$31.46 and \$28.67, respectively, as at December 31, 2022.

## Investment Portfolio

As at (Thousands, US dollars)	Classification	Number of Shares		Fair Value	
		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Brookfield Corporation	FVTOCI				
Directly and Indirectly Held		12,277	10,724	\$ 386,212	\$ 647,542
Partners Value Split Corp		119,611	119,612	3,762,976	7,222,139
		<u>131,888</u>	<u>130,336</u>	<u>\$ 4,149,188</u>	<u>\$ 7,869,681</u>
Brookfield Asset Management Ltd.	FVTOCI				
Directly and Indirectly Held		2,681	—	\$ 76,868	\$ —
Partners Value Split Corp		29,903	—	857,315	—
		<u>32,584</u>	<u>—</u>	<u>\$ 934,183</u>	<u>\$ —</u>
Investments classified as FVTOCI					
Brookfield Business Partners L.P. <sup>1</sup>	FVTOCI	2,243	2,243	\$ 39,413	\$ 68,866
				<u>39,413</u>	<u>68,866</u>
Other securities portfolio	FVTOCI	Various	Various	37,962	42,352
Other securities portfolio	FVTPL	Various	Various	250,889	233,765
				<u>288,851</u>	<u>276,117</u>
				<u>\$ 328,264</u>	<u>\$ 344,983</u>

1. Adjusted to reflect the Brookfield Business Corp stock split in Q1 2022.

### Brookfield Corporation

Brookfield Corporation is focused on deploying its capital on a value basis and compounding that capital over the long term. This capital is allocated across three core pillars: asset management, insurance solutions and operating businesses. Corporation is listed on the New York and Toronto Stock Exchanges under the symbol BN and BN.TO, respectively. The Partnership's investment in Corporation represents approximately an 8% interest in Corporation.

On December 9, 2022, the Corporation and Manager jointly announced the completion of the public listing and distribution of a 25% interest in the Corporation's asset management business, through the Manager. As a result of the special distribution, one Class A Manager share was received per four Class A Corporation shares.

### Brookfield Asset Management Ltd.

Brookfield Asset Management Ltd. is a leading global alternative asset manager with approximately \$800 billion of assets under management across real estate, infrastructure, renewable power and transition, private equity and credit as of December 31, 2022. The Manager is listed on the New York and Toronto Stock Exchanges under the symbol BAM and BAM.TO respectively. The Partnership's investment in Corporation represents approximately an 8% interest in the Manager.

### Brookfield Listed Affiliates

As at December 31, 2022, the Partnership holds an investment in one Brookfield listed affiliate that is managed by Brookfield: Brookfield Business Partners ("BBU"). BBU owns business services and industrial operations with a focus on high-quality businesses that are low-cost procedures and/or benefit from high barriers to entry.

In March 2022, BBU completed the creation of Brookfield Business Corporation ("BBUC"). Each holder of BBU's limited partnership units ("BBU units") of record on March 7, 2022 received one (1) class A exchanged subordinate voting share (each a "Share") of BBUC for every two (2) BBU units held. As a result of this transaction, the Partnership received 747,734 units of BBUC. The December 31, 2021 shares have been adjusted to reflect the BBU/BBUC share split.

### Other Securities Portfolio

The other securities portfolio is focused on capital preservation, invested primarily in liquid investments. The decrease in the portfolio since prior year is a result of unrealized fair value losses, partially offset by additional investments made throughout the year.

## Corporate Borrowings

As at (Thousands, US dollars)	Shares Outstanding		Book Value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Partners Value Split Class AA				
4.375% Corporate Bond – November 15, 2027	N/A	N/A	\$ 110,730	\$ 118,695
4.00% Corporate Bond – November 15, 2028	N/A	N/A	110,730	118,695
Partners Value Split Debentures				
4.90% Series 6 – September 30, 2024	—	700	—	14
5.00% Series 7 – February 28, 2026	—	3,200	—	63
			<b>221,460</b>	237,467
Deferred financing costs <sup>1</sup>			<b>(749)</b>	(954)
			<b>\$ 220,711</b>	\$ 236,513

<sup>1</sup> Deferred financing costs are amortized over the term of the borrowing using the effective interest method.

There were no debentures outstanding as at December 31, 2022 (December 31, 2021 - \$77 thousand).

## Deferred Taxes

The deferred taxes balance represents the potential tax liability or recovery arising from the difference between the carrying value of net assets and the respective tax values. Changes in the deferred taxes balance are mainly related to changes in the market value of the Partnership's investments and foreign currency fluctuations.

## Equity

As at December 31, 2022, unitholders' equity consisted of \$4.3 billion of Equity Limited Partner equity, \$153 million of Preferred Limited Partner equity, \$1 thousand of General Partner equity and \$10 million of non-controlling interests (December 31, 2021 – \$7.1 billion of Equity Limited Partner equity, \$153.0 million of Preferred Limited Partner equity, \$1 thousand of General Partner equity and \$nil of non-controlling interests). The decrease in equity is primarily the result of lower comprehensive income driven by unrealized losses on the Brookfield shares and the overall investment portfolio, consistent with the broader market in the second half of 2022.

## Preferred Shares

On March 25, 2022, Partners Value Split issued 6,000,000 Class AA Preferred shares, Series 13 at a price of CAD\$25.00 per share, for a gross issuance of CAD\$150 million.

The preferred shares and units issued by the Partnership and its subsidiaries are comprised of the following:

As at (Thousands, US dollars)	Shares Outstanding		Book Value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Partners Value Split Class AA				
4.80% Series 8 – September 30, 2024	5,999	5,999	\$ 110,717	\$ 118,681
4.90% Series 9 – February 28, 2026	5,997	5,997	110,671	118,632
4.70% Series 10 – February 28, 2027	6,000	6,000	110,730	118,695
4.75% Series 11 – October 31, 2025	6,000	6,000	110,730	118,695
4.40% Series 12 – February 29, 2028	6,900	6,900	127,340	136,499
4.45% Series 13 – May 31, 2029	6,000	—	110,730	—
Partners Value Investments LP Class A				
4.00% Series 2 – December 14, 2026	2,032	2,032	50,797	50,797
4.00% Series 3 – December 14, 2031	2,032	2,032	50,797	50,797
4.00% Series 4 – December 14, 2036	2,032	2,032	50,812	50,812
PVI SIB LP Class A				
4.00% Series 1 – December 14, 2026	1,125	1,125	28,125	28,125
4.00% Series 2 – December 14, 2031	1,125	1,125	28,125	28,125
4.00% Series 3 – December 14, 2036	1,125	1,125	28,125	28,125
			<b>917,699</b>	847,983
Deferred financing costs <sup>1</sup>			<b>(12,567)</b>	(12,964)
			<b>\$ 905,132</b>	\$ 835,019

<sup>1</sup> Deferred financing costs are amortized over the term of the borrowing using the effective interest method.

## LIQUIDITY AND CAPITAL RESOURCES

The Partnership holds cash and cash equivalents totalling \$186 million and investments of \$5.4 billion as at December 31, 2022 (December 31, 2021 – \$81 million and \$8.2 billion). The Partnership has operating cash requirements of \$50 million (December 31, 2021 – \$55 million) in scheduled dividend and interest payments on its preferred shares and corporate borrowings, which are less than the expected regular distributions anticipated to be received from the Corporation, Manager and other securities held by the Partnership. The Partnership believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

## BUSINESS ENVIRONMENT AND RISKS

The Partnership's activities expose it to a variety of financial risks, including market risk (i.e., currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The following are risk factors relating to an investment in the units of the Partnership.

### ***Fluctuations in Value of Investments***

The value of the common shares may vary according to the value of the Corporation shares, Manager shares and other securities owned by the Partnership. The value of these investments may be influenced by factors not within the control of the Partnership, including the financial performance of Corporation, Manager and other investees, interest rates and other financial market conditions. As a result, the net asset value of the Partnership may vary from time to time. The future value of the common shares will be largely dependent on the value of the Corporation and Manager shares. A material adverse change in the business, financial conditions or results of operations of Corporation, Manager and other investees of the Partnership will have a material adverse effect on the common shares of the Partnership. In addition, the Partnership may incur additional financial leverage in order to acquire, directly or indirectly, additional securities issued by Corporation and Manager, which would increase both the financial leverage of the Partnership and the dependency of the future value of the common shares on the value of the Corporation and Manager shares.

### ***Foreign Currency Exposure***

Certain of the Partnership's other investments are denominated in currencies other than the United States dollar. Accordingly, the value of these assets may vary from time to time with fluctuations in the exchange rate relative to the United States dollar. In addition, these investments pay distributions and interest in other currencies. Strengthening of these currencies relative to the United States dollar could decrease the amount of cash available to the Partnership.

### ***Leverage***

The Partnership's assets are financed in part with the retractable preferred shares and corporate borrowings issued by our subsidiaries. This results in financial leverage that will increase the sensitivity of the value of the common shares to changes in the values of the assets owned by the Partnership. A decrease in the value of the Partnership's investments may have a material adverse effect on the Partnership's business and financial conditions.

### ***Liquidity***

The Partnership's liquidity requirements are typically limited to funding interest and dividend obligations on outstanding financial obligations. Holders of the Partnership's retractable preferred shares issued by the Partnership's subsidiaries have the ability to retract their shares. Debentures, as opposed to cash, can be issued to settle retractions of the preferred shares.

The Partnership maintains financial assets and credit facilities to fund liquidity requirements in the normal course, in addition to its investment in Corporation and Manager shares. The Partnership's policy is to hold the Corporation and Manager shares and not engage in trading, however shares are available to be sold to fund retractions and redemptions of preferred shares or common shares. The Partnership's ability to sell a substantial portion of the Corporation and Manager shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Corporation or Manager shares may be sold. Accordingly, if and when the Partnership is required to sell either Corporation or Manager shares, the liquidity of such shares may be limited. This could affect the time it takes to sell the Brookfield shares and the price obtained by the Partnership for the shares sold.

### No Ownership Interest

A direct investment in the Partnership's Equity LP Units does not constitute a direct investment in the Corporation and Manager shares or other securities held by the Partnership, and holders of Equity LP Units do not have any voting rights in respect of such securities.

### Contractual Obligations

The Partnership's contractual obligations as of December 31, 2022 are as follows:

(Thousands, US dollars)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
<b>Preferred shares and borrowings</b>					
Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 110,717	\$ —	\$ 110,717	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	110,671	—	—	110,671	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	110,730	—	—	110,730	—
Partners Value Split Class AA, Series 11 <sup>1</sup>	110,730	—	110,730	—	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	127,340	—	—	—	127,340
Partners Value Split Class AA, Series 13 <sup>1</sup>	110,730	—	—	—	110,730
Partners Value Investments LP Class A, Series 2	50,797	—	—	50,797	—
Partners Value Investments LP Class A, Series 3	50,797	—	—	—	50,797
Partners Value Investments LP Class A, Series 4	50,812	—	—	—	50,812
PVI SIB LP Class A, Series 1	28,125	—	—	28,125	—
PVI SIB LP Class A, Series 2	28,125	—	—	—	28,125
PVI SIB LP Class A, Series 3	28,125	—	—	—	28,125
Corporate Bonds due Nov 2027	110,730	—	—	110,730	—
Corporate Bonds due Nov 2028	110,730	—	—	—	110,730
	<u>\$ 1,139,159</u>	<u>\$ —</u>	<u>\$ 221,447</u>	<u>\$ 411,053</u>	<u>\$ 506,659</u>
<b>Interest expense</b>					
Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 9,289	\$ 5,314	\$ 3,975	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	17,131	5,423	10,846	862	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	21,643	5,204	10,408	6,031	—
Partners Value Split Class AA, Series 11 <sup>1</sup>	14,887	5,260	9,627	—	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	28,921	5,603	11,206	11,206	906
Partners Value Split Class AA, Series 13 <sup>1</sup>	31,587	4,927	9,854	9,854	6,952
Partners Value Investments LP Class A, Series 2	8,028	2,032	4,064	1,932	—
Partners Value Investments LP Class A, Series 3	18,188	2,032	4,064	4,064	8,028
Partners Value Investments LP Class A, Series 4	28,355	2,032	4,064	4,064	18,194
PVI SIB LP Class A, Series 1	4,445	1,125	2,250	1,070	—
PVI SIB LP Class A, Series 2	10,070	1,125	2,250	2,250	4,445
PVI SIB LP Class A, Series 3	15,698	1,125	2,250	2,250	10,073
Corporate Bonds due Nov 2027	23,596	4,844	9,688	9,064	—
Corporate Bonds due Nov 2028	26,016	4,429	8,858	8,858	3,871
	<u>\$ 257,854</u>	<u>\$ 50,475</u>	<u>\$ 93,404</u>	<u>\$ 61,505</u>	<u>\$ 52,469</u>

<sup>1</sup> Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2024, 2026, 2027, 2025, 2028, 2029 for the Series 8, 9, 10, 11, 12 and 13, respectively.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the eight recently completed quarters is as follows:

(Thousands, US dollars, except per share amounts)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) <sup>1, 2</sup>	\$ 1,037,725	\$ 49,290	\$ 19,286	\$ 8,257	\$ (7,293)	\$ 8,025	\$ 26,771	\$ (2,897)
Basic net income (loss) per share	15.68	0.75	0.29	0.12	(0.10)	0.11	0.37	(0.04)
Diluted net income (loss) per share	\$ 12.83	\$ 0.61	\$ 0.24	\$ 0.10	\$ (0.10)	\$ 0.09	\$ 0.30	\$ (0.04)

<sup>1</sup> Net income (loss) attributable to Equity LP unitholders.

<sup>2</sup> Excluding the impacts of the one-time special distribution from Brookfield Corporation, net loss for the fourth quarter of 2022 was (\$4,962), \$0.07 basic net loss per share and \$0.07 diluted net loss per share.

Net income (loss) includes dividends and interest on the Partnership's investment portfolio, in addition to valuation gains and losses relating to its investment portfolios and fluctuates accordingly with changes to foreign currencies relative to the United States dollar and equity markets. Also, included in net income (loss) are gains and losses on the disposition of investments. The variance in net income (loss) over the last eight quarters is primarily the result of valuation gains and unrealized losses on certain of the Partnership's investments, increases and decreases in the investment income earned from its investments, and the impact of foreign currencies.

## **RELATED-PARTY TRANSACTIONS**

Brookfield entities provide certain management and financial services to the Partnership for which the Partnership paid less than \$1 million for the year ended December 31, 2022 (December 31, 2021 – less than \$1 million).

The Partnership owns 132 million shares of Corporation which amounted to \$4.1 billion (December 31, 2021 – \$7.9 billion), approximately 33 million shares of Manager which amounted to \$0.9 billion, and other Brookfield subsidiaries of \$176 million (December 31, 2021 – 226 million). The Partnership recorded dividend income from Brookfield entities of \$1.1 billion (December 31, 2021 – \$115 million). Included in this amount was an \$1.0 billion special distribution the Partnership received in form of Manager shares as a result of the Brookfield special distribution on December 9, 2022.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

### ***Future Changes in Accounting Standards***

#### ***Amendments to IAS 1: Presentation of Financial Statements (“IAS 1”)***

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Partnership is currently assessing the impact of these amendments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the normal course of operations, the Partnership may execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions and the sale of assets. The nature of substantially all of the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the Partnership could be required to pay to third parties as the agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Partnership has not made any payments under such indemnification agreements and guarantees.

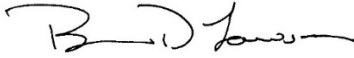
## **DISCLOSURE CONTROLS AND PROCEDURES**

We maintain appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The Chief Executive Officer and the Chief Financial Officer of the Partnership evaluated the effectiveness of disclosure controls and procedures (as defined in “National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings”) as at December 31, 2022, and have concluded that the disclosure controls and procedures are operating effectively.



## INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain appropriate internal controls over financial reporting (as defined in “National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings”) and the Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls as at December 31, 2022 have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal controls over financial reporting during the year ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting and has determined that there have been no such changes.



Brian D. Lawson  
*Chief Executive Officer*  
March 30, 2023

## Independent Auditor's Report

To the Unitholders and the Board of Directors of  
Partners Value Investments L.P.

### Opinion

We have audited the consolidated financial statements of Partners Value Investments L.P. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Valuation of Investments — Refer to Notes 2, 3 and 4 to the financial statements

#### *Key Audit Matter Description*

The Company's investment portfolio was \$5,412M as of December 31, 2022. This balance included the Company's investments in Brookfield Corporation, Brookfield Asset Management Ltd., and Brookfield Business Partners LP which made up the majority of the balance and are measured at fair value through other comprehensive income. The Company accounted for the remainder of its investments, which include common shares, exchange traded funds, corporate bonds, preferred shares and interests in limited life funds at either fair value through other comprehensive or fair value through profit and loss. The Company measured its level 1 investments using quoted prices available in active markets whereas its investments in level 2 and 3 investments are measured using similar investments in active markets or the estimated net asset value.

We considered this a key audit matter due to the significance of the investments to the financial statements, and the significant audit effort required in performing audit procedures related to the investments

#### *How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures related to valuation of investments included the following, among others:

- Evaluated the fair value of publicly listed investments by comparing to third-party prices;
- Evaluated the appropriateness of the methodology used in the valuation of level 3 investments; and
- Evaluated the net asset value of the level 3 investments using internal and external information, including industry information, to assess the reasonability of unobservable market inputs.

#### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation

precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Rourke.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
March 30, 2023

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>As at</i> <i>(Thousands, US dollars)</i>	Note	<b>December</b> <b>31, 2022</b>	December 31, 2021
<b>Assets</b>			
Cash and cash equivalents		\$ 185,722	\$ 80,704
Accounts receivable and other assets	12	31,270	65,418
Deferred tax asset	9	1,604	—
Investment in Brookfield Corporation	3	4,149,188	7,869,681
Investment in Brookfield Asset Management Ltd.	3	934,183	—
Other investments carried at fair value	3	328,264	344,983
		<u>\$ 5,630,231</u>	<u>\$ 8,360,786</u>
<b>Liabilities and equity</b>			
Accounts payable and other liabilities	12	\$ 36,860	\$ 7,693
Corporate borrowings	5	220,711	236,513
Preferred shares	6	905,132	835,019
Deferred tax liability	9	—	23,431
		<u>1,162,703</u>	<u>1,102,656</u>
<b>Equity</b>			
Equity Limited Partners	7	4,304,516	7,105,075
General Partner		1	1
Preferred Limited Partners	7	153,049	153,054
Non-controlling interests		9,962	—
		<u>4,467,528</u>	<u>7,258,130</u>
		<u>\$ 5,630,231</u>	<u>\$ 8,360,786</u>

*The accompanying notes are an integral part of the financial statements.*

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31

(Thousands, US dollars, except per share amounts)

	Note	2022	2021
<b>Investment income</b>			
Dividends	3	\$ 1,120,641	\$ 117,629
Other investment income		6,694	5,361
		<u>1,127,335</u>	<u>122,990</u>
<b>Expenses</b>			
Operating expenses		(2,359)	(3,249)
Financing costs		(9,789)	(8,896)
Retractable preferred share dividends		(39,753)	(33,628)
		<u>(51,901)</u>	<u>(45,773)</u>
<b>Other items</b>			
Investment valuation gains (losses)		10,653	(5,739)
Amortization of deferred financing costs		(3,363)	(4,070)
Current tax (expense) recovery		(19,990)	7,816
Deferred tax recovery (expense)		21,439	(15,024)
Foreign currency gains (losses)		37,272	(28,706)
		<u>37,272</u>	<u>(28,706)</u>
<b>Net income</b>		<u>\$ 1,121,445</u>	<u>\$ 31,494</u>
<b>Basic net income per unit</b>	8	<u>\$ 16.84</u>	<u>\$ 0.34</u>
<b>Diluted net income per unit</b>	8	<u>\$ 13.78</u>	<u>\$ 0.28</u>
<b>Net income attributable to:</b>			
Equity Limited Partners		\$ 1,114,558	\$ 24,606
General Partner		—	—
Preferred Limited Partners		6,887	6,888
Non-controlling interests		—	—
		<u>\$ 1,121,445</u>	<u>\$ 31,494</u>

The accompanying notes are an integral part of the financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(Thousands, US dollars)

	2022	2021
<b>Net income</b>	\$ 1,121,445	\$ 31,494
<b>Items that may be reclassified to net income</b>		
Realized and unrealized losses on fair value of securities through other comprehensive income securities	(1,955)	(378)
<b>Items that may not be reclassified to net income</b>		
Realized and unrealized (losses) gains on fair value of securities through other comprehensive income securities	(3,912,773)	2,506,250
Income taxes recovery	3,835	2,220
<b>Other comprehensive (loss) income</b>	<u>(3,910,893)</u>	<u>2,508,092</u>
<b>Comprehensive (loss) income</b>	<u>\$ (2,789,448)</u>	<u>\$ 2,539,586</u>

The accompanying notes are an integral part of the financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>For the year ended December 31, 2022 (Thousands, US dollars)</i>	Equity Limited Partners								
	Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)		Equity Limited Partners	General Partner	Preferred Limited Partners	Non- Controlling Interests	Total Equity
Balance, beginning of period	\$ 1,449,324	\$ 216,133	\$ 5,439,618	\$ 7,105,075	\$ 1	\$ 153,054	\$ —	\$ 7,258,130	
Net income	—	1,114,558	—	1,114,558	—	6,887	—	1,121,445	
Other comprehensive loss	—	—	(3,910,893)	(3,910,893)	—	—	—	(3,910,893)	
Comprehensive income (loss)	—	1,114,558	(3,910,893)	(2,796,335)	—	6,887	—	(2,789,448)	
Distribution	—	—	—	—	—	(6,887)	—	(6,887)	
NCIB <sup>1</sup> /Re-organization	(4,224)	—	—	(4,224)	—	(5)	9,962	5,733	
Balance, end of period	\$ 1,445,100	\$ 1,330,691	\$ 1,528,725	\$ 4,304,516	\$ 1	\$ 153,049	\$ 9,962	\$ 4,467,528	

<i>For the year ended December 31, 2021 (Thousands, US dollars)</i>	Equity Limited Partners								
	Capital	Retained Earnings	Accumulated Other Comprehensive Income		Equity Limited Partners	General Partner	Preferred Limited Partners	Non- Controlling Interests	Total Equity
Balance, beginning of period	\$ 1,942,956	\$ 191,527	\$ 2,267,848	\$ 4,402,331	\$ 1	\$ 153,054	\$ —	\$ 4,555,386	
Net income	—	24,606	—	24,606	—	6,888	—	31,494	
Other comprehensive income	—	—	2,508,092	2,508,092	—	—	—	2,508,092	
Comprehensive income	—	24,606	2,508,092	2,532,698	—	6,888	—	2,539,586	
Distribution	—	—	—	—	—	(6,888)	—	(6,888)	
NCIB <sup>1</sup> /Re-organization	(493,632)	—	663,678	170,046	—	—	—	170,046	
Balance, end of period	\$ 1,449,324	\$ 216,133	\$ 5,439,618	\$ 7,105,075	\$ 1	\$ 153,054	\$ —	\$ 7,258,130	

1. Normal-course issuer bid.

The accompanying notes are an integral part of the financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31  
(Thousands, US dollars)

	Note	2022	2021
<b>Cash flow from operating activities</b>			
Net income		\$ 1,121,445	\$ 31,494
Add (deduct) non-cash items:			
Investment valuation gains		(10,653)	(13,501)
Unrealized foreign exchange (gains) losses		(37,272)	28,706
Amortization of deferred financing costs		3,363	4,070
Non-cash dividend received	3	(1,042,687)	(45,897)
Income tax expense		(1,449)	7,208
		<u>32,747</u>	<u>12,080</u>
Changes in working capital and foreign currency		<u>20,363</u>	<u>(17,490)</u>
		<b>53,110</b>	<b>(5,410)</b>
<b>Cash flow from investing activities</b>			
Purchase of securities		(253,183)	(370,838)
Sale of securities		198,895	387,210
		<u>(54,288)</u>	<u>16,372</u>
<b>Cash flow used in and from financing activities</b>			
Contributions from non-controlling interests		9,962	—
Common shares redeemed		(4,224)	(253,751)
Preferred shares issued		116,618	133,273
Preferred shares redeemed		—	(241,951)
Distribution to preferred units		(6,887)	(6,888)
Corporate borrowings arranged		—	120,284
		<u>115,469</u>	<u>(249,033)</u>
<b>Cash and cash equivalents</b>			
Change in cash and cash equivalents		114,291	(238,071)
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		(9,273)	2,057
Balance, beginning of year		80,704	316,718
<b>Balance, end of year</b>		<u>\$ 185,722</u>	<u>\$ 80,704</u>

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BUSINESS OPERATIONS

Partners Value Investments L.P. (the “Partnership”) is a limited partnership under the laws of the province of Ontario. Its principal investments are an ownership interest in 132 million Class A Limited Voting Shares (“Corporation shares”) of Brookfield Corporation (“Corporation”) and approximately 33 million Class A Voting Shares (“Manager shares”) of Brookfield Asset Management Ltd. (“Manager”). The consolidated financial statements include the accounts of the Partnership’s subsidiaries: Partners Value Investments Inc. (“PVII”) and Partners Value Split Corp. (“Partners Value Split” or “PVS” or “Company”). The Partnership was formed and commenced operations on April 8, 2016 to hold a 100% interest in PVII following the completion of a capital reorganization that was carried out by way of a statutory plan of arrangement pursuant to section 182 of the *Business Corporations Act* (Ontario) (the “Reorganization”). On November 30, 2020, PVI LP exchanged its old common shares with 100% voting interest of PVII for 1,000 Special Voting Preferred Shares, unlimited number of Non-Voting Preferred Shares and unlimited number of new common shares. On April 15, 2021, the Partnership exchanged its New Common Shares for an unlimited number of retractable common shares. On March 30, 2022, PVII amended its share capital to create a new class of retractable common shares. The Partnership then exchanged 2.7 million of previously issued retractable common shares of PVII for 2.7 million newly issued retractable shares of PVII with an estimated fair value of \$200 million. The newly issued retractable shares of PVII are held by a new non-wholly owned subsidiary of the Partnership. On April 1, 2022, the new non-wholly owned subsidiary established by the Partnership issued \$10 million in non-voting common shares to new shareholders (“Non-controlling interests”).

The Partnership is managed by its general partner, PVI Management Inc. (the “General Partner”).

The registered office of the Partnership is Brookfield Place, 181 Bay Street, Suite 100, Toronto, Ontario, M5J 2T3.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements are prepared on a going concern basis. These financial statements were authorized for issuance by the Board of Directors of the Partnership on March 28, 2023.

### b) *Basis of Presentation*

#### *Cash and Cash Equivalents*

Cash and cash equivalents are current assets that are recorded at amortized cost and include cash on deposit with financial institutions.

#### *Income Taxes*

The current income tax expense is determined based on the enacted or substantively enacted tax rates at each balance sheet date. The deferred income tax is recorded using the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on unused income tax losses and temporary differences between the carrying amount and tax bases of assets and liabilities, when the benefit is probable to be realized and measured using the tax rates and laws substantively enacted at the balance sheet date.

#### *Accounts Receivable and Other Assets*

Accounts receivable are classified and measured at amortized cost, which approximates the fair value. Also included in these balances are derivative assets which are held for trading and classified as fair value through profit or loss and are recorded at their fair value.

#### *Accounts Payable and Other Liabilities*

Accounts payable and other liabilities balances are classified at amortized cost. Also included in these balances are derivative liabilities which are held for trading and classified as fair value through profit or loss and are recorded at their fair value.

#### *Investment in Brookfield Corporation (formerly known as Brookfield Asset Management Inc.)*

The Partnership accounts for its investment in Corporation as fair value through other comprehensive income (“FVTOCI”), with changes in fair value recognized in other comprehensive income.

#### *Investment in Brookfield Asset Management Ltd.*

The Partnership accounts for its investment in Manager as FVTOCI, with changes in fair value recognized in other comprehensive income.

#### *Fair Value through Other Comprehensive Income investments*

The Partnership accounts for its investments in Brookfield Business Partners as FVTOCI, with changes in their fair value recognized in other comprehensive income. In addition, the Partnership recognizes certain of its investments in preferred shares and debt securities as FVTOCI. Unrealized gains and losses of equity securities recognized in other comprehensive income are not recycled to the consolidated statements of operations upon disposition.

#### *Marketable securities*

The Partnership accounts for the remainder of its marketable securities portfolio including common shares, exchange traded funds and certain legacy investments as fair value through profit and loss and, accordingly, recognizes changes in fair value in the consolidated statements of operations.

#### *Investment income*

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned. Dividends on these investments in equity instruments are recognized in profit and loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### *Preferred Shares*

The Partnership's preferred shares are measured at amortized cost.

#### *Corporate Borrowings*

The Partnership's corporate borrowings are measured at amortized cost.

#### *Deferred Financing Costs*

Deferred issue costs incurred in connection with the issuance of the retractable preferred shares are amortized using the effective interest rate method over the life of the related series of preferred shares issued by the subsidiaries of the Partnership.

#### *Recognition/Derecognition of Financial Assets and Financial Liabilities*

The Partnership recognizes financial assets and financial liabilities designated as trading securities on the trade date. The Partnership derecognizes financial liabilities when, and only when, the Partnership's obligations are discharged, cancelled, or expired.

#### *Foreign Currencies*

The functional currency of the Partnership and each of its subsidiaries is determined using the currency of the primary economic environment in which that entity operates. The functional currency of the Partnership is the United States dollar. The presentation currency is the U.S. dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

### **c) Critical Judgments and Estimates**

The preparation of financial statements requires the Partnership to make critical judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the year. Actual results could differ from those estimates. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Partnership believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements include the following:

### Level of Control

When determining the appropriate basis of accounting for the Partnership's investments, the Partnership uses the following critical assumptions and estimates: the degree of control or influence that the Partnership exerts over the investment and the amount of benefit that the Partnership receives relative to other investors.

Other critical estimates and judgments utilized in the preparation of the Company's financial statements include the assessment of the ability to utilize tax losses and other tax assets.

### d) Future Changes in Accounting Standards

#### Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Partnership is currently assessing the impact of these amendments.

## 3. INVESTMENT PORTFOLIO

The Partnership's investment portfolio consists of the following:

As at (Thousands, US dollars)	Classification <sup>1</sup>	Number of Shares		Fair Value	
		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Brookfield Corporation	FVTOCI				
Directly and Indirectly Held		12,277	10,725	\$ 386,212	\$ 647,542
Partners Value Split Corp		119,611	119,611	3,762,976	7,222,139
		<u>131,888</u>	<u>130,336</u>	<u>\$ 4,149,188</u>	<u>\$ 7,869,681</u>
Brookfield Asset Management Ltd.	FVTOCI				
Directly and Indirectly Held		2,681	—	\$ 76,868	\$ —
Partners Value Split Corp		29,903	—	857,315	—
		<u>32,584</u>	<u>—</u>	<u>\$ 934,183</u>	<u>\$ —</u>
Investments classified as FVTOCI					
Brookfield Business Partners L.P. <sup>2</sup>	FVTOCI	2,243	2,243	\$ 39,413	\$ 68,866
				<u>39,413</u>	<u>68,866</u>
Other securities portfolio	FVTOCI	Various	Various	37,962	42,352
Other securities portfolio	FVTPL	Various	Various	250,889	233,765
				<u>288,851</u>	<u>276,117</u>
				<u>\$ 328,264</u>	<u>\$ 344,983</u>

1. FVTOCI represents fair value through other comprehensive income and FVTPL represents fair value through profit and loss accounting classification. Changes in fair value of investments classified as FVTOCI are recorded in other comprehensive income, and changes in fair value of FVTPL are recorded in net income.
2. Adjusted to reflect the Brookfield Business Corp special distribution in Q1 2022.

On December 9, 2022, Brookfield Corporation (formerly known as Brookfield Asset Management Inc.) completed the special distribution of 25% of its asset management business. As a result of the special distribution, shareholders of Brookfield Corporation received one Class A Brookfield Asset Management Ltd. share per every four Class A Brookfield Corporation shares held.

The Partnership's investment in Class A Limited Voting Shares of Corporation at December 31, 2022 represents an 8% (December 31, 2021 – 8%) equity interest. The Partnership's investment in Class A Limited Voting Shares of Manager at December 31, 2022 represents an 8% equity interest.

Other securities portfolio is focused on capital preservation, invested primarily in liquid investments. The increase in the portfolio is the result of additional investments partially offset by fair value losses during the year.

#### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to a price within a bid-ask spread that is deemed most appropriate.

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation of these assets and liabilities and are as follows:

Level 1 Quoted prices available in active markets for identical investments as of the reporting date.

Level 2 Pricing inputs other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair values are determined through the use of models or other valuation methodologies.

Level 3 Pricing inputs are unobservable for the instrument and includes situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management estimation. Fair valued assets that are included in this category are certain equity securities carried at fair value which are not traded in an active market and measured using estimated net asset value.

The fair value hierarchical level associated with the Partnership's financial assets and liabilities measured at fair value consists of the following:

As at (Thousands, US dollars)	December 31, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield Corporation	\$ 4,149,188	\$ —	\$ —	\$ 7,869,681	\$ —	\$ —
Brookfield Asset Management Ltd.	934,183	—	—	—	—	—
Investments classified as FVTOCI	77,375	—	—	111,218	—	—
Investments classified as FVTPL	87,061	1,633	162,195	78,513	1,811	153,441
Derivative assets <sup>1</sup>	—	—	—	—	33,124	—
Derivative liabilities <sup>1</sup>	—	(16,211)	—	—	—	—
	<u>\$ 5,247,807</u>	<u>\$ (14,578)</u>	<u>\$ 162,195</u>	<u>\$ 8,059,412</u>	<u>\$ 34,935</u>	<u>\$ 153,441</u>

<sup>1</sup> Presented within accounts receivable/accounts payable and other on the Statement of Financial Position.

The following table presents the changes in the Level 3 investments which are made up of a portfolio of private fund investments valued using the fund provided capital account statements for the years ended December 31, 2022 and 2021:

As at (Thousands, US dollars)	December 31, 2022	December 31, 2021
Opening Balance	\$ 153,441	\$ 56,113
Contributions	8,653	89,467
Distributions	(2,961)	(502)
Investment valuation gains <sup>1</sup>	101	7,861
Other investment income	2,961	502
Ending Balance	<u>\$ 162,195</u>	<u>\$ 153,441</u>

<sup>1</sup> There were no realized gains or losses included in investment valuation gains or losses from Level 3 investments for the year ended December 31, 2022 (December 31, 2021 - \$nil).

The fair value of preferred shares and corporate borrowings treated as a financial liability is \$1.1 billion as at December 31, 2022 (December 31, 2021 - \$1.1 billion).

As at December 31, 2022, a cumulative pre-tax gain of \$3.5 billion (December 31, 2021 - \$6.8 billion) has been recognized for financial instruments measured under fair value through other comprehensive income, over their historical cost amounts.

All financial assets have a carrying value equal to their fair value. During the years ended December 31, 2022 and 2021, there were no transfers between Level 1, 2 or 3.

## 5. CORPORATE BORROWINGS

As at (Thousands, US dollars)	Shares Outstanding		Book Value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Partners Value Split Class AA				
4.375% Corporate Bond – November 15, 2027	N/A	N/A	\$ 110,730	\$ 118,695
4.00% Corporate Bond – November 15, 2028	N/A	N/A	110,730	118,695
Partners Value Split Debentures				
4.90% Series 6 – September 30, 2024	—	700	—	14
5.00% Series 7 – February 28, 2026	—	3,200	—	63
			<b>221,460</b>	237,467
Deferred financing costs <sup>1</sup>			<b>(749)</b>	(954)
			<b>\$ 220,711</b>	\$ 236,513

<sup>1</sup> Deferred financing costs are amortized over the term of the borrowing using the effective interest method.

## 6. PREFERRED SHARES

The preferred shares and units issued by the Partnership and its subsidiaries are comprised of the following:

As at (Thousands, US dollars)	Shares Outstanding		Book Value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Partners Value Split Class AA				
4.80% Series 8 – September 30, 2024	5,999	5,999	\$ 110,717	\$ 118,681
4.90% Series 9 – February 28, 2026	5,997	5,997	110,671	118,632
4.70% Series 10 – February 28, 2027	6,000	6,000	110,730	118,695
4.75% Series 11 – October 31, 2025	6,000	6,000	110,730	118,695
4.40% Series 12 – February 29, 2028	6,900	6,900	127,340	136,499
4.45% Series 13 - May 31, 2029	6,000	—	110,730	—
Partners Value Investments LP Class A				
4.00% Series 2 – December 14, 2026	2,032	2,032	50,797	50,797
4.00% Series 3 – December 14, 2031	2,032	2,032	50,797	50,797
4.00% Series 4 – December 14, 2036	2,032	2,032	50,812	50,812
PVI SIB LP Class A				
4.00% Series 1 – December 14, 2026	1,125	1,125	28,125	28,125
4.00% Series 2 – December 14, 2031	1,125	1,125	28,125	28,125
4.00% Series 3 – December 14, 2036	1,125	1,125	28,125	28,125
			<b>917,699</b>	847,983
Deferred financing costs <sup>1</sup>			<b>(12,567)</b>	(12,964)
			<b>\$ 905,132</b>	\$ 835,019

<sup>1</sup> Deferred financing costs are amortized over the term of the borrowing using the effective interest method.

### Partners Value Split

Partners Value Split is authorized to issue an unlimited number of Class A preferred shares and Class AA preferred shares. The Board of Directors of Partners Value Split have the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of CAD\$25.00 per share and the proceeds are to be used to finance the retraction or redemption of outstanding preferred shares without necessitating the sale of Class AA shares or facilitating the acquisition of additional Class AA shares.

### **Retraction**

The Partnership's preferred shares may be surrendered for retraction at the option of the holders of the respective preferred shares. The details of the retraction feature for each respective class of preferred shares are as follows:

PVS Class AA Series 8, 9, 10, 11, 12 and 13	May be surrendered for retraction at any time for an amount equal to the lesser of: (i) net asset value per unit; and (ii) CAD \$25.00. Retraction consideration will be a number of Partners Value Split Series 6, 7, 8, 9, 10 and 11 debentures, respectively, determined by dividing the holder's aggregate preferred share Retraction Price by CAD\$25.00.
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### **Debentures**

The details of each respective class of the Partnership's debentures are as follows:

PVS Series 8	The Series 6 debenture will have a principal amount of CAD\$25.00 per debenture and will mature on October 31, 2022. Holders of the Series 6 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.90% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 6 debentures can be redeemed by the Partnership at any time. The Series 6 debentures may not be retracted.
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PVS Series 9	The Series 7 debenture will have a principal amount of CAD\$25.00 per debenture and will mature on February 28, 2026. Holders of the Series 7 debentures will be entitled to receive quarterly fixed interest payments at a rate of 5.00% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 7 debentures can be redeemed by the Partnership at any time. The Series 7 debentures may not be retracted.
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PVS Series 10	The Series 8 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on February 28, 2027. Holders of the Series 8 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.80% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 8 debentures can be redeemed by the Partnership at any time. The Series 8 debentures may not be retracted.
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PVS Series 11	The Series 9 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on October 31, 2025. Holders of the Series 9 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.85% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 9 debentures can be redeemed by the Partnership at any time. The Series 9 debentures may not be retracted.
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PVS Series 12	The Series 10 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on February 29, 2028. Holders of the Series 10 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.50% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 10 debentures can be redeemed by the Partnership at any time. The Series 10 debentures may not be retracted.
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PVS Series 13	The Series 11 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on May 31, 2029. Holders of the Series 11 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.55% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 11 debentures can be redeemed by the Partnership at any time. The Series 11 debentures may not be retracted.
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## **Redemption**

The Company's preferred shares may be redeemed at the option of the Company. The details of the redemption feature for each respective class of preferred shares are as follows:

PVS Series 8 May be redeemed by the Company at any time on or after September 30, 2022, and prior to September 30, 2024, (the "Series 8 Redemption Date") at a price which until September 30, 2023, will equal CAD\$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.25 on September 30, 2023. All Class AA Series 8 senior preferred shares outstanding on the Series 8 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD\$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 8 senior preferred shares prior to September 30, 2022 for CAD\$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 8 senior preferred shares prior to the Series 8 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.

PVS Series 9 May be redeemed by the Company at any time on or after February 28, 2026, and prior to February 28, 2028, (the "Series 9 Redemption Date") at a price which until February 28, 2025, will equal CAD\$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.25 on February 28, 2025. All Class AA Series 9 senior preferred shares outstanding on the Series 8 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD\$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 9 senior preferred shares prior to February 28, 2026 for CAD\$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 9 senior preferred shares prior to the Series 9 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.

PVS Series 10 May be redeemed by the Company at any time on or after February 28, 2025, and prior to February 28, 2027, (the "Series 10 Redemption Date") at a price which until February 28, 2026, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.50 on February 28, 2026. All Class AA Series 10 senior preferred shares outstanding on the Series 8 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD \$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 10 senior preferred shares prior to February 28, 2025 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 10 senior preferred shares prior to the Series 10 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.

PVS Series 11 May be redeemed by the Company at any time on or after October 31, 2023, and prior to October 31, 2025, (the "Series 11 Redemption Date") at a price which until October 31, 2024, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.50 on October 31, 2024. All Class AA Series 11 senior preferred shares outstanding on the Series 11 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD \$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 11 senior preferred shares prior to October 31, 2023 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 11 senior preferred shares prior to the Series 11 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.



PVS Series 12 May be redeemed by the Company at any time on or after February 28, 2026, and prior to February 29, 2028, (the "Series 12 Redemption Date") at a price which until February 28, 2027, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.50 on February 28, 2027. All Class AA Series 12 senior preferred shares outstanding on the Series 12 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD \$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 12 senior preferred shares prior to February 28, 2026 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 12 senior preferred shares prior to the Series 12 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.

PVS Series 13 May be redeemed by the Company at any time on or after May 31, 2027, and prior to May 31, 2029, (the "Series 13 Redemption Date") at a price which until May 31, 2028, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.50 on May 31, 2028. All Class AA Series 13 senior preferred shares outstanding on the Series 13 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD \$25.00 plus any accrued and unpaid dividends, and the net assets per unit.

The Company may redeem Class AA, Series 13 senior preferred shares prior to May 31, 2027 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 13 senior preferred shares prior to the Series 13 Redemption Date unless: (i) capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the Company determines that such a bid is in the best interest of the holders of the capital shares.

#### **Partners Value Investments LP and PVI SIB LP**

In December 2021, the Partnership and a subsidiary of the Partnership issued three new series of preferred units each as a result of a substantial issuer bid. The six series of preferred units have a quarterly distribution rate of US\$0.25. They are treated as a financial liability due to their mandatory redemption feature.

#### **Redemption**

PVI LP Series 2 The Partnership must redeem the Series 2 Preferred Limited Partnership Units on the fifth anniversary of the Issue Date ("Redemption Date"), by the payment of an amount in cash for each Series 2 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 2 Preferred Limited Partnership Unit together with all accrued and unpaid Series 2 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the "Redemption Price").

PVI LP Series 3 The Partnership must redeem the Series 3 Preferred Limited Partnership Units on the tenth anniversary of the Issue Date ("Redemption Date"), by the payment of an amount in cash for each Series 3 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 3 Preferred Limited Partnership Unit together with all accrued and unpaid Series 3 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the "Redemption Price").

PVI LP Series 4 The Partnership must redeem the Series 4 Preferred Limited Partnership Units on the fifteenth anniversary of the Issue Date ("Redemption Date"), by the payment of an amount in cash for each Series 4 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 4 Preferred Limited Partnership Unit together with all accrued and unpaid Series 4 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the "Redemption Price").

PVI SIB LP Series 1 The Partnership must redeem the Series 1 Preferred Limited Partnership Units on the fifth anniversary of the Issue Date ("Redemption Date"), by the payment of an amount in cash for each Series 1 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 1 Preferred Limited Partnership Unit together with all accrued and unpaid Series 1 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the "Redemption Price").

PVI SIB LP Series 2 The Partnership must redeem the Series 2 Preferred Limited Partnership Units on the tenth anniversary of the Issue Date (“Redemption Date”), by the payment of an amount in cash for each Series 3 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 2 Preferred Limited Partnership Unit together with all accrued and unpaid Series 2 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the “Redemption Price”).

PVI SIB LP Series 3 The Partnership must redeem the Series 3 Preferred Limited Partnership Units on the fifteenth anniversary of the Issue Date (“Redemption Date”), by the payment of an amount in cash for each Series 3 Preferred Limited Partnership Unit so redeemed equal to US\$25.00 per Series 3 Preferred Limited Partnership Unit together with all accrued and unpaid Series 3 Distributions up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Partnership) (the “Redemption Price”).

## 7. EQUITY

The Partnership is authorized to issue the following classes of partnership units: (i) the GP Units; (ii) Equity LP Units; and (iii) Preferred LP Units, issuable in one or more classes and in one or more series, which, other than the GP Units, represent limited partnership interests in the Partnership.

### **Equity Limited Partners**

The Equity LP Units are non-voting limited partnership interests in the Partnership. Holders of the Equity LP Units are not entitled to the withdrawal or return of capital contributions in respect of the Equity LP Units, except to the extent, if any, that distributions are made to such holders or upon the liquidation of the Partnership. A holder of Equity LP Units does not have priority over any other holder of Equity LP Units, either as to the return of capital contributions or as to profits, losses or distributions. In addition, holders of the Equity LP Units do not have any right to have their units redeemed by the Partnership.

### **General Partner**

The GP Units are a general partnership interest in the Partnership and one GP Unit has been issued to and is held by the General Partner. The General Partner will have the full power and authority to make all decisions on behalf of the Partnership. The Partnership can acquire and sell assets and carry on such business as the General Partner determines from time to time, and can borrow money, guarantee obligations of others, and grant security on its assets from time to time, in each case as the General Partner determines. The General Partner is required to exercise its powers and carry out its functions honestly and in good faith and shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the General Partner does not have any right to have their GP units redeemed by the Partnership.

### **Preferred Limited Partners**

The Class A Preferred LP Units are non-voting limited partnership interests in the Partnership. Holders of the Series 1 Preferred LP Units will be entitled to receive fixed cumulative preferential distributions, as and when declared by the General Partner, payable quarterly on the last day of January, April, July and October in each year (to holders of record on the last business day of the month preceding the month of payment) at an annual rate equal to US\$1.125 per Series 1 Preferred LP Unit (4.5% on the initial par value of US\$25) less any amount required by law to be deducted and withheld. In addition, the Preferred LP Units do not have any right to have their units redeemed by the Partnership.

As at (Thousands, US dollars)	Shares Outstanding		Book Value	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Equity				
Equity Limited Partners	66,137	66,212	\$ 4,304,516	\$ 7,193,105
General Partner <sup>1</sup>	—	—	1	1
Preferred Limited Partners	16,038	16,038	153,049	153,054
Non-controlling interests	142	—	9,962	—
			<b>\$ 4,467,528</b>	<b>\$ 7,346,160</b>

1 As at December 31, 2022, there is 1 General Partner share outstanding (December 31, 2021: 1).

## Non-controlling interests

When the Partnership does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated statements of financial positions and consolidated statements of changes in equity as a separate component of total equity. On April 1, 2022, a new non-wholly owned subsidiary established by the Partnership issued \$10 million in non-voting common shares to new shareholders.

## 8. NET INCOME PER UNIT

Net income per unit is calculated based on the basic and diluted weighted average number of outstanding units during the year and net income attributable to Equity Limited Partners. For the year ended December 31, 2022, the weighted average number of basic outstanding units were 66,169,783 (December 31, 2021 – 72,953,504) and 80,877,206 on a fully diluted basis (December 31, 2021 – 87,662,153); this includes the 14,707,424 Equity LP units that can be issued through the future exercise of all outstanding warrants of a subsidiary of the Partnership (December 31, 2021 – 14,708,648).

## 9. INCOME TAXES

The major components of income tax expense include the following:

For the years ended December 31

(Thousands, US dollars)

	2022	2021
Current income tax expenses (recovery)	\$ 19,990	\$ (7,816)
Deferred tax (recovery) expense	(21,439)	15,024
Total income tax (recovery) expense	<u>\$ (1,449)</u>	<u>\$ 7,208</u>

The Partnership's statutory income tax rate has remained consistent at 39.5% throughout both of 2022 and 2021.

The Partnership's effective tax rate is different from the Partnership's statutory income tax rate for the years ended December 31 due to the differences set out below:

For the years ended December 31

(Thousands, US dollars)

	2022	2021
Statutory income tax rate	<u>39.5%</u>	<u>39.5%</u>
Income tax expense at statutory rate	\$ 442,399	\$ 15,287
Increases (reductions) in income tax expense resulting from:		
Non-taxable dividends	(460,232)	(46,288)
Income subject to different tax rates	(3,445)	3,361
Non-deductible expenses	13,609	14,126
Other	6,220	20,722
Income tax (recovery) expense	<u>\$ (1,449)</u>	<u>\$ 7,208</u>

Deferred income tax assets and liabilities relate to the following:

As at

(Thousands, US dollars)

	Dec. 31, 2022	Dec. 31, 2021
Non-capital losses	\$ 2,731	\$ 397
Difference in basis	(1,127)	(23,828)
Net deferred tax assets/(liabilities)	<u>\$ 1,604</u>	<u>\$ (23,431)</u>
Deferred tax assets	\$ 2,731	\$ 397
Deferred income tax liabilities	(1,127)	(23,828)
Net deferred tax assets/(liabilities)	<u>\$ 1,604</u>	<u>\$ (23,431)</u>

The movements of deferred income tax balances are as follows:

(Thousands, US dollars)	Dec. 31, 2021	Recognized in			Dec. 31, 2022
		Income	Equity <sup>1</sup>	OCI <sup>2</sup>	
Deferred tax assets related to non-capital losses	\$ 397	\$ 2,538	\$ —	\$ (204)	\$ 2,731
Deferred liabilities related to differences in tax and book basis, net	(23,827)	18,901	—	3,799	(1,127)
	<u>\$ (23,430)</u>	<u>\$ 21,439</u>	<u>\$ —</u>	<u>\$ 3,595</u>	<u>\$ 1,604</u>

(Thousands, US dollars)	Dec. 31, 2020	Recognized in			Dec. 31, 2021
		Income	Equity	OCI	
Deferred tax assets related to non-capital losses	\$ 5,842	\$ (5,289)	\$ —	\$ (156)	\$ 397
Deferred tax assets related to capital losses	42	(42)	—	—	—
Deferred liabilities related to differences in tax and book basis, net	(660,101)	(9,693)	663,678	(17,711)	(23,827)
	<u>\$ (654,217)</u>	<u>\$ (15,024)</u>	<u>\$ 663,678</u>	<u>\$ (17,867)</u>	<u>\$ (23,430)</u>

1 Recorded in accumulated other comprehensive income

2 Includes the impact of foreign currency translation.

A subsidiary of the Partnership has \$28 million (2021 – \$27 million) of non-capital losses which expire after 2030. The benefit of these losses have not been recorded in these financial statements.

## 10. RELATED-PARTY TRANSACTIONS

Brookfield entities provide certain management and financial services to the Partnership for which the Partnership paid less than \$1 million for the year ended December 31, 2022 (December 31, 2021 – less than \$1 million).

The Partnership owns 132 million shares of Corporation which amounted to \$4.1 billion (December 31, 2021 – \$7.9 billion), approximately 33 million shares of Manager which amounted to \$0.9 billion, and other Brookfield subsidiaries of \$176 million (December 31, 2021 – 226 million). The Partnership recorded dividend income from Brookfield entities of \$1,116 million (December 31, 2021 – \$115 million). Included in this amount were 33 million shares of Brookfield Asset Management Ltd. shares valued at \$1,043 million the Partnership received as a result of the Brookfield Corporation special distribution on December 9, 2022.

## 11. RISK MANAGEMENT

The Partnership's activities expose it to a variety of financial risks, including credit risk, market risk (i.e., foreign currency risk, interest rate risk, and other price risk), and liquidity risk. The following are risk factors relating to an investment in the units of the Partnership.

### Credit Risk

The Partnership has no material counterparty risk as at December 31, 2022 and 2021, due to all counterparties being large financial institutions dealing with the Partnership's prime brokerage accounts.

### Market Risk

#### a) Foreign Currency Risk

A significant portion of the investments at fair value may be comprised of non-U.S. dollar denominated securities which, along with the Canadian dollar preferred shares and corporate bonds, the Partnership opportunistically looks to hedge. The use of hedges through derivative transactions involves special risks, including the possible default by the other party to the transaction, illiquidity and the risk that the use of hedges could result in losses greater than if hedging had not been used. The hedging arrangements may have the effect of limiting or reducing total returns of the Partnership in circumstances where foreign currencies appreciate in value more than the U.S. dollar over the relevant period. To the extent that portions of the portfolio are not hedged in circumstances where the U.S. dollar appreciates more than foreign currencies, the returns to the Partnership may be adversely impacted. As at December 31, 2022, an appreciation (depreciation) of \$0.01 in the United States dollar relative to other currencies, all else being equal, will decrease (increase) the Partnership's results of investment operations by \$10 million (December 31, 2021 - \$26 million).

The following table summarizes the Partnership's exposure to currency risks:

As at December 31, 2022 (Thousands)	Investments at Fair Value	Cash	Other Net Assets	Foreign	Total	Net Asset %
				Currency Contracts		
U.S. dollar	\$ 5,385,258	\$ 78,405	\$ (224,439)	\$ (16,211)	\$ 5,223,013	116.9%
Canadian dollar	26,376	107,317	(889,179)	—	(755,486)	(16.9%)
Total net assets	<u>\$ 5,411,634</u>	<u>\$ 185,722</u>	<u>\$ (1,113,618)</u>	<u>\$ (16,211)</u>	<u>\$ 4,467,527</u>	<u>100.00%</u>

b) *Interest Rate Risk*

The Partnership's preference shares are fixed rate and the Partnership has negligible floating rate assets or liabilities. Accordingly, changes in the interest rates do not have an impact on net income or other comprehensive income.

c) *Market Price Risk*

The value of the Class A Shares and the Partnership's other securities are exposed to variability in fair value due to movements in equity prices. As a result, the fair value of the Partnership's investment portfolio may vary from time to time. The Partnership records these investments at fair value. For the year ended December 31, 2022, a 1% increase (decrease) in the market price of Brookfield and other investments, all else being equal, would increase (decrease) the carrying value of our investments by \$54 million (December 31, 2021 – \$81 million), which would have resulted in an increase (decrease) to other comprehensive income and the consolidated statement of operations of \$53 million (December 31, 2021 – \$80 million) and \$1 million (December 31, 2021 - \$1 million) on a pre-tax basis, respectively.

d) *Liquidity Risk*

The Partnership's retractable preference shares expose the Partnership to liquidity risk to fund retractions and redemptions as well as dividend and interest obligations. The Partnership endeavors to maintain dividend income within the subsidiary that issued the preference shares that exceeds the projected dividend obligations and expects to be able to continue to achieve this objective based on current circumstances. Management expects to fund any retraction obligations through a combination of ongoing cash flow, the proceeds from any new financings and proceeds from the sale of securities.

The Partnership's contractual obligations as of December 31, 2022 are as follows:

(Thousands, US dollars)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Preferred shares and borrowings					
Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 110,717	\$ —	\$ 110,717	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	110,671	—	—	110,671	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	110,730	—	—	110,730	—
Partners Value Split Class AA, Series 11 <sup>1</sup>	110,730	—	110,730	—	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	127,340	—	—	—	127,340
Partners Value Split Class AA, Series 13 <sup>1</sup>	110,730	—	—	—	110,730
Partners Value Investments LP Class A, Series 2	50,797	—	—	50,797	—
Partners Value Investments LP Class A, Series 3	50,797	—	—	—	50,797
Partners Value Investments LP Class A, Series 4	50,812	—	—	—	50,812
PVI SIB LP Class A, Series 1	28,125	—	—	28,125	—
PVI SIB LP Class A, Series 2	28,125	—	—	—	28,125
PVI SIB LP Class A, Series 3	28,125	—	—	—	28,125
Corporate Bonds due Nov 2027	110,730	—	—	110,730	—
Corporate Bonds due Nov 2028	110,730	—	—	—	110,730
	<u>\$ 1,139,159</u>	<u>\$ —</u>	<u>\$ 221,447</u>	<u>\$ 411,053</u>	<u>\$ 506,659</u>

Interest expense

Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 9,289	\$ 5,314	\$ 3,975	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	17,131	5,423	10,846	862	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	21,643	5,204	10,408	6,031	—
Partners Value Split Class AA, Series 11 <sup>1</sup>	14,887	5,260	9,627	—	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	28,921	5,603	11,206	11,206	906
Partners Value Split Class AA, Series 13 <sup>1</sup>	31,587	4,927	9,854	9,854	6,952
Partners Value Investments LP Class A, Series 2	8,028	2,032	4,064	1,932	—
Partners Value Investments LP Class A, Series 3	18,188	2,032	4,064	4,064	8,028
Partners Value Investments LP Class A, Series 4	28,355	2,032	4,064	4,064	18,194
PVI SIB LP Class A, Series 1	4,445	1,125	2,250	1,070	—
PVI SIB LP Class A, Series 2	10,070	1,125	2,250	2,250	4,445
PVI SIB LP Class A, Series 3	15,698	1,125	2,250	2,250	10,073
Corporate Bonds due Nov 2027	23,596	4,844	9,688	9,064	—
Corporate Bonds due Nov 2028	26,016	4,429	8,858	8,858	3,871
	<u>\$ 257,854</u>	<u>\$ 50,475</u>	<u>\$ 93,404</u>	<u>\$ 61,505</u>	<u>\$ 52,469</u>

1 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2024, 2026, 2027, 2025, 2028, 2029 for the Series 8, 9, 10, 11, 12 and 13, respectively.

The Partnership's contractual obligations as of December 31, 2021 are as follows:

(Thousands, US dollars)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
<b>Preferred shares and borrowings</b>					
Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 118,681	\$ —	\$ 118,681	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	118,632	—	—	118,632	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	118,695	—	—	—	118,695
Partners Value Split Class AA, Series 11 <sup>1</sup>	118,695	—	—	118,695	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	136,499	—	—	—	136,499
Partners Value Investments LP Class A, Series 2	50,797	—	—	50,797	—
Partners Value Investments LP Class A, Series 3	50,797	—	—	—	50,797
Partners Value Investments LP Class A, Series 4	50,812	—	—	—	50,812
PVI SIB LP Class A, Series 1	28,125	—	—	28,125	—
PVI SIB LP Class A, Series 2	28,125	—	—	—	28,125
PVI SIB LP Class A, Series 3	28,125	—	—	—	28,125
Corporate Bonds due Nov 2027	118,695	—	—	—	118,695
Corporate Bonds due Nov 2028	118,695	—	—	—	118,695
	<u>\$ 1,085,373</u>	<u>\$ —</u>	<u>\$ 118,681</u>	<u>\$ 316,249</u>	<u>\$ 650,443</u>

Interest expense

Partners Value Split Class AA, Series 8 <sup>1</sup>	\$ 15,655	\$ 5,697	\$ 9,958	\$ —	\$ —
Partners Value Split Class AA, Series 9 <sup>1</sup>	24,176	5,813	11,626	6,737	—
Partners Value Split Class AA, Series 10 <sup>1</sup>	28,782	5,579	11,158	11,158	887
Partners Value Split Class AA, Series 11 <sup>1</sup>	21,594	5,638	11,276	4,680	—
Partners Value Split Class AA, Series 12 <sup>1</sup>	37,007	6,006	12,012	12,012	6,977
Partners Value Investments LP Class A, Series 2	10,060	2,032	4,064	3,964	—
Partners Value Investments LP Class A, Series 3	20,220	2,032	4,064	4,064	10,060
Partners Value Investments LP Class A, Series 4	30,388	2,032	4,065	4,065	20,226
PVI SIB LP Class A, Series 1	5,570	1,125	2,250	2,195	—
PVI SIB LP Class A, Series 2	11,195	1,125	2,250	2,250	5,570
PVI SIB LP Class A, Series 3	16,823	1,125	2,250	2,250	11,198
Corporate Bonds due Nov 2027	30,489	5,193	10,386	10,386	4,524
Corporate Bonds due Nov 2028	32,638	4,748	9,496	9,496	8,898
	<u>\$ 284,597</u>	<u>\$ 48,145</u>	<u>\$ 94,855</u>	<u>\$ 73,257</u>	<u>\$ 68,340</u>

1 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2024, 2026, 2027, 2025 and 2028 for the Series 8, 9, 10, 11 and 12, respectively.

The maturity date of other accounts payable balances is less than one year.

## 12. ACCOUNTS RECEIVABLE, OTHER ASSETS, ACCOUNTS PAYABLE, AND OTHER LIABILITIES

Accounts receivable and other assets consists of the following:

As at December 31

(Thousands, US dollar)

	<b>December 31, 2022</b>	December 31, 2021
Derivative assets	\$ —	\$ 33,124
Taxes receivable	—	5,433
Investment income receivable and other	<b>31,270</b>	26,861
	<b><u>\$ 31,270</u></b>	<b><u>\$ 65,418</u></b>

Accounts payable and other liabilities consists of the following:

As at December 31

(Thousands, US dollar)

	<b>December 31, 2022</b>	December 31, 2021
Derivative liabilities	\$ <b>16,211</b>	\$ —
Taxes payable	<b>13,295</b>	—
Other	<b>7,354</b>	7,693
	<b><u>\$ 36,860</u></b>	<b><u>\$ 7,693</u></b>

## 13. CAPITAL MANAGEMENT

As at December 31, 2022, the capital base managed by the Partnership consisted of equity with a carrying value of \$4.4 billion (December 31, 2021 – \$7.3 billion), \$905 million (December 31, 2021 – \$835 million) of retractable fixed rate preferred shares issued by its subsidiaries as well as and \$221 million (December 31, 2021 - \$237 million) of corporate borrowings issued by PVII. The Partnership has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

## 14. INVESTMENT VALUATION GAINS AND LOSSES

Investment valuation losses and gains consists of realized gains of \$19 million (December 31, 2021 – realized losses of \$42 million) and unrealized losses of \$8 million (December 31, 2021 – unrealized gain of \$36 million).

## CORPORATE INFORMATION

### DIRECTORS

**Brian D. Lawson**  
*Vice Chair*  
*Brookfield Corporation*

**Danesh Varma**<sup>1,2</sup>  
*Corporate Director*

**Frank N.C. Lochan**<sup>1,2</sup>  
*Corporate Director*

**Ralph Zarboni**<sup>1,2</sup>  
*Corporate Director*

1. Member of the Audit Committee

2. Member of the Corporate Governance Committee

### OFFICERS

**Frank N.C. Lochan**  
*Chairman*

**Brian D. Lawson**  
*Chief Executive Officer*

**Bahir Manios**  
*President*

**Rachel Powell (replaced by Jason Weckwerth, effective March 31, 2023)**  
*Chief Financial Officer*

**Kathy Sarpash**  
*General Counsel and Secretary*

**Kunal Dusad**  
*Senior Vice President*

### CORPORATE OFFICE

Brookfield Place  
181 Bay Street, Suite 100  
Toronto, Ontario  
M5J 2T3  
Telephone: (416) 956-5141  
Email: [ir@pvii.ca](mailto:ir@pvii.ca)

### REGISTRAR AND TRANSFER AGENT

**TSX Trust Company**  
P.O. Box 700, Station B  
Montreal, Quebec  
H3B 3K3  
Tel: (416) 682-3860 or  
toll free within North America  
(800) 387-0825  
Fax: (888) 249-6189  
Website: <https://www.tsxtrust.com/>  
E-mail: [inquires@tmx.com](mailto:inquires@tmx.com)

### EXCHANGE LISTING

TSX Venture Exchange Stock Symbol:

Equity LP units	PVF.UN
Preferred LP units	PVF.PR.U
PVI warrants	PVF.WT



