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## Fidelity to join forces with Brookfield to launch private real estate investment funds

CLARE O'HARA || JULY 13, 2023

Independent asset manager Fidelity Investments Canada LLC is joining forces with Brookfield Asset Management Ltd. BAM-T to offer retail investors greater access to the Canadian private real estate market – an asset class that is typically held by institutional and ultrahigh-net-worth investors.

The two companies announced Wednesday morning they have entered into an agreement that will see Fidelity allocate a percentage of a newly created real estate portfolio – developed and managed by Brookfield Asset Management – to the Fidelity private investment pools, a set of funds for investors with at least \$150,000.

The dive into real estate assets is a first for Fidelity, which in recent years has been adding to its alternative investment business as it looks to offer Canadians more investment options that are less correlated to traditional stocks and bonds.

Kelly Creelman, Fidelity's senior vice-president of products, said the company began adding other asset classes several years ago to begin to diversify its investment funds more broadly, such as including high yield, floating rate debt, emerging market debt and commodities.

“For many years now we have been thinking, ‘what does the balanced fund of the future look like? Is the 60/40 portfolio resilient just having stocks and bonds, and will it hold up to the volatility that we have seen?’” Ms. Creelman said in an interview with The Globe.

“And we believe that real estate is a great asset to add as it provides very high-income generating assets, it is great to hedge inflation and it's a diversifier.”

Over the last two decades, private real estate assets under management have been steadily growing globally, jumping to about US\$1-trillion in 2019 from US\$64-billion in 2000, according to a report by London-based Prequin, a data provider for alternative assets.

Ms. Creelman says she expects this trend to continue as real estate markets experience constant change against the backdrop of rising rates and an emerging hybrid economy.

But the constant change has also included a steep rise in redemption requests by concerned investors at a number of private investment managers who handle real estate.

However, unlike some of the private funds – where investors are locked in for longer time horizons – Fidelity’s investments are daily liquid funds, meaning they can be cashed out at any time, said Andrew Clee, vice-president of product at Fidelity. As well, under regulatory rules, only a certain percentage of the real estate portfolio can be allocated to the retail investment pools.

“It’s also important to note that a lot of those funds that had redemptions are legacy funds that had appreciated assets that were purchased many years ago, Mr. Clee added.

“We’re forming a new mandate from scratch. This is all dry powder and when we enter the market it will be very methodically and opportunistically deployed over many months into the markets when value presents itself – and will be at current valuations. We’re not relying on those older valuations or legacy valuations that existed in the private space.”

As well, Ms. Creelman added, Fidelity plans to extend Brookfield’s real estate strategy to go beyond the investment pool funds, although it has not yet filed with regulators for approval of any new retail funds.

As one of the world’s largest commercial real estate companies, Brookfield manages about \$270-billion in assets in a global portfolio that includes housing, logistics, office, retail and hospitality, as well as science, innovation and alternative sectors.

“We are pleased to be working with Fidelity to bring the benefits of private real estate to individual investors in Canada,” Brian Kingston, chief executive of Brookfield’s real estate business, said in an e-mail to The Globe. “The portfolio will further scale our real estate asset management franchise and will aim to provide strong returns for investors by leveraging our best-in-class real estate operating platforms.”