Focus Stock Report

September 15, 2009

Brookfield Asset Management Inc. (BAM.A-TSX; BAM-NYSE)

Geoff Ho, CFA – Director, Canadian Equities, Portfolio Advisory Group

Company Description

Brookfield Asset Management is a value-oriented investor with approximately $80 billion of assets under management. The company aims to raise, invest, and manage its own capital as well as that of other institutional investors. Based on a long-term investment horizon, Brookfield seeks ownership interests in assets that have the ability to generate sustainable cash flows with a particular focus on the property, power, and infrastructure sectors. The company's portfolio spans throughout North America, South America, and Europe, consisting of various direct investments via private equity and also through different equity and fixed income instruments. Representing a rare publicly-traded pure-play on global infrastructure, the company has gradually transformed itself over the years from a holding company of a diverse base of companies to an asset manager with growing emphasis on fee-generation.

The company maintains a dual-share structure whereby the Class A shares are publicly traded on the Toronto exchange and all of the Class B shares are owned by the senior officers and directors of Brookfield Asset Management (there are 579 million Class A shares and 85,000 Class B shares outstanding). In aggregate, including direct and indirect ownership, the officers and directors own 17% of the total Class A shares outstanding. The attributes of the Class A limited voting shares and the class B limited voting shares are virtually the same with the exception of the election of the board of directors; Class A shareholders are entitled to elect one-half of the board of directors while Class B limited voting shares are entitled to elect the other half.

Brookfield has a market capitalization of approximately US$12.5 billion and its public float of 481 million shares represents a highly-liquid investment vehicle. The shares represent approximately 3% of the S&P/TSX Financial Index and 1.1% of the S&P TSX 60 Index. The company's shares are held in ScotiaMcLeod's Canadian Core Portfolio.

Key focus areas for investments:

- Commercial Properties – owner and operator of commercial office and retail properties in North America, Australasia, Europe and Brazil
- Renewable Power Generation – primarily consists of operating hydroelectric facilities located on river systems in Canada, the United States and Brazil as well as a small number of co-generation and wind energy facilities.
- Infrastructure – investments in the timber and electricity transmission sectors in the United States, Canada, Chile and Brazil.
- Development and Other Properties – consists of opportunity investment funds, residential operations, properties under development and held for development and construction activities.
- Specialty Funds – restructuring, real estate financing and bridge lending primarily in the property, power and infrastructure areas.
- Public Securities – management of $19 billion of fixed income and equity securities on an advisory basis for institutional and individual investors.

Brookfield Asset Management Inc.
(BAM.A-TSX; BAM-NYSE)

Rating: Outperform **Risk: Medium**

Summary Data (US$)

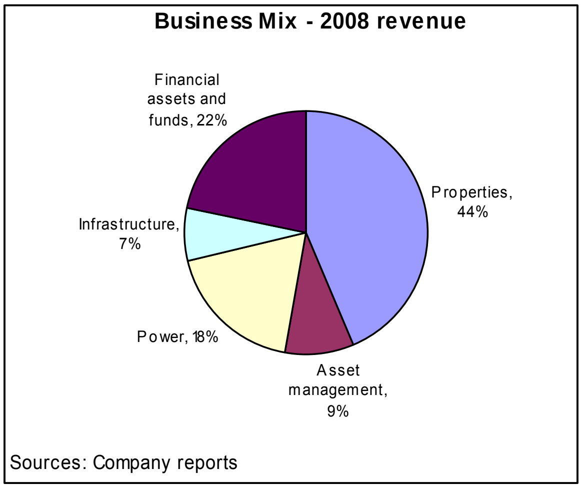
Price (September 11, 2009):	$21.75	**Fiscal Year-End:**	December
12-Month Target:	$25.50	**Dividend:**	$0.52
Total Return:	20%	**Yield:**	2.4%
52-Week High:	$30.36	**52-Week Low:**	$11.21
2008 ROE	10.5%	**Market Value ($mil)**	$12,593

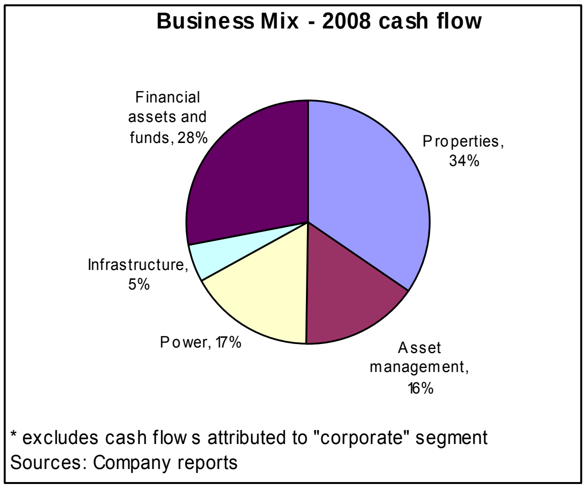
Cash Flow Per Share (US$)

Annual	**2007A**	**2008A**	**2009E**	**2010E**
CFPS:	$3.11	$2.32	$1.65	$1.86
P/CF Multiple:	11.2x	6.6x	13.2x	11.7x

Source: Company Reports, Scotia Capital, Bloomberg

ScotiaMcLeod™





Some of the company's core investments and operations are conducted through controlling stakes in other publicly-traded companies, including:

	Ticker	Ownership Stake
Commercial and Development Properties		
▪ Brookfield Homes Corporation	BHS-NYSE	58.2%
▪ Brookfield Properties Corporation	BPO-TSX, BPO-NYSE	51.4%
▪ BPO Properties Limited	BPP-TSX	89.7%
Power Generating Operations		
▪ Brookfield Renewable Power Inc.	previously GLZ-TSX	100.0%
▪ Brookfield Renewable Power Fund	BRC.un-TSX	50.0%
Other		
▪ Norbord Inc.	NBD-TSX	75.0%
▪ Fraser Papers Inc.	FPS-TSX	75.3%

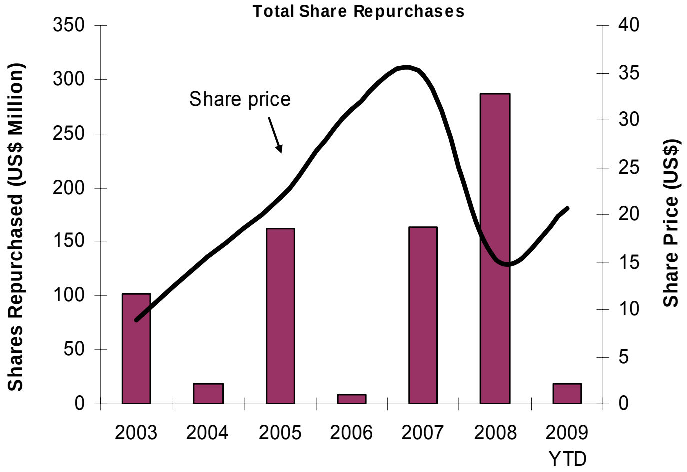
Reasons to Buy

Downside protection if economic lull persists. Brookfield Asset Management offers investors a rare opportunity to gain exposure to a set of global infrastructure assets that possess consistent and reliable cash generating abilities. This model presents excellent earnings visibility as a significant portion of the company's cash flows are contractual. At the same time, significant upside potential and inflation protection exists when the economy begins to recover.

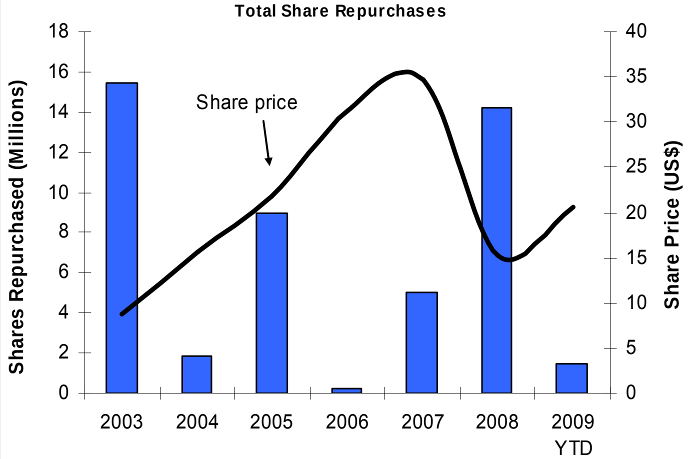
Upside torque through existing platform. Over the past several years, the company's strategic focus has gradually shifted toward a less-capital intensive asset management business. Given its strong asset base and proven track record, the company has been able to leverage its geographically and operationally diverse platform and relationships to grow this higher-margin business. Given the turbulence experienced over the past two years, partnering with and/or investing with BAM presents institutional investors with an opportunity to: a) diversify assets to include global infrastructure plays as well as an ability to invest in larger assets, b) address demand for stable, long-term cash flows that more appropriately match the liabilities of certain funds' liabilities, c) risk sharing which limits any fund's exposure to a specific project or asset, and d) reduces the financial burden on BAM and its partners as cost of capital has become more expensive than levels seen over the past few years. In our opinion, the transition of this business model from a holding company to an asset manager warrants some multiple expansion as the company continues to expand its platform and relationships in a lower-risk, more capital-efficient manner.

Excellent vintage of 'value plays' on the horizon. The economic downturn has unfortunately resulted in many casualties. For value-focused investors, however, this has uncovered a spate of investment opportunities as struggling and/or distressed companies become desperate for funding. Under such a scenario, patient investors that recognize the longer-term potential of certain companies tend to be well compensated as investment terms tend to be rather favourable. In an environment where cash and liquidity is most dominant, BAM currently has over $3 billion of liquidity (and access to a number of well-capitalized investment partners) and one stated management objective over the next 24 months is to acquire overleveraged assets. These funds could also be used to target opportunities that arise as a result of companies aiming to shed non-core assets as they attempt to realign their strategic focus and/or improve their financial position.

Share buybacks indicative of value. The team at Brookfield Asset Management represent experts in value investing. In our opinion, with a mandate of sourcing the best investment opportunities for their capital, the fact that the board and management has materially ramped up share buyback efforts is a good indication of where they see value. The company has gradually repurchased 15.2 million BAM.A shares (value of approximately US$305 million) since 2008; this is the highest number accumulated since 2003 when the company bought back 15.7 million shares (value of approximately US$121 million). Partly a function of timing, circumstance, and luck but it is interesting to note that 2003 marked the start of a 3.5 year, 350% run in BAM's share price.



Source: Bloomberg, ScotiaMcLeod



Source: Bloomberg, ScotiaMcLeod

Good value with plenty of organic and acquisitive growth ahead. The company maintains a long-term cash flow growth target of 12% annually. In our view, the company can easily achieve this goal by expanding its geographic footprint, investing in other types of 'infrastructure' assets such as airports, and also by growing its asset management fees with more investment partners and deals. Currently, the company's shares are trading at 12.3x consensus 2010 cash flow estimate and offers a dividend yield of 2.4%. Unfortunately there are no direct comparables to Brookfield Asset Management as it is a culmination of businesses including asset management, real estate, infrastructure and private equity; for context, however, when compared to real estate plays, the valuation appears reasonable given that U.S. REITs are trading at 14x 2010 cash flow and Canadian REITs trading at 11x.

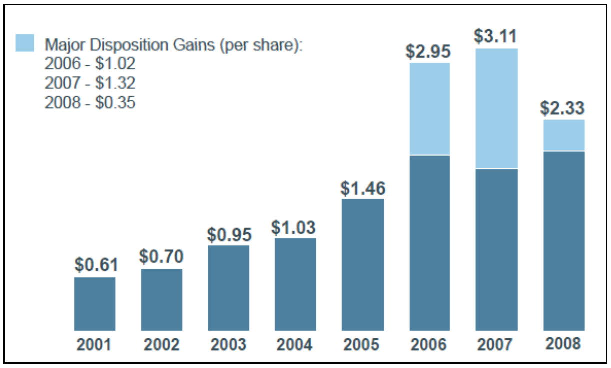
Furthermore, the valuation of BAM.A appears compelling given that the company offers some highly-desirable characteristics including: earnings/cash flow visibility and stability, seasoned management team and deep bench strength**,** return on equity that has averaged 20.5% over the past four fiscal years, a conservative payout ratio that provides ample room for dividend increases, and a conservative capital structure with the appropriate matching of assets and liabilities as well as low debt to capital ratios. Similar to real estate investments, Brookfield Asset Management's valuation is further supported by hard assets that serve to provide somewhat of a floor on its share price.

RISKS

Foreign Exchange – Brookfield Asset Management's reporting currency is the U.S. dollar. With assets dispersed throughout North America, South America, and Europe, material appreciation of the U.S. dollar relative to other currencies will have a negative impact on translating and transferring asset values and cash flow. This invariably causes some fluctuations in the reported results but as the company continues to grow its operating platform, the benefits of geographic diversification will likely become more prominent in terms of exposure to foreign exchange.

Volatile quarterly results – Partly related to the impact of foreign exchange fluctuations, the company's quarterly earnings and cash flow tend to be volatile at first blush. This is further accentuated by certain investment dispositions that may transpire from time to time. Investors should avoid placing too much emphasis on quarterly results as lumpy flows from investment gains skew the optics of some solid core underlying operations (ie. stable contributions from real estate, power generation, and asset management businesses).

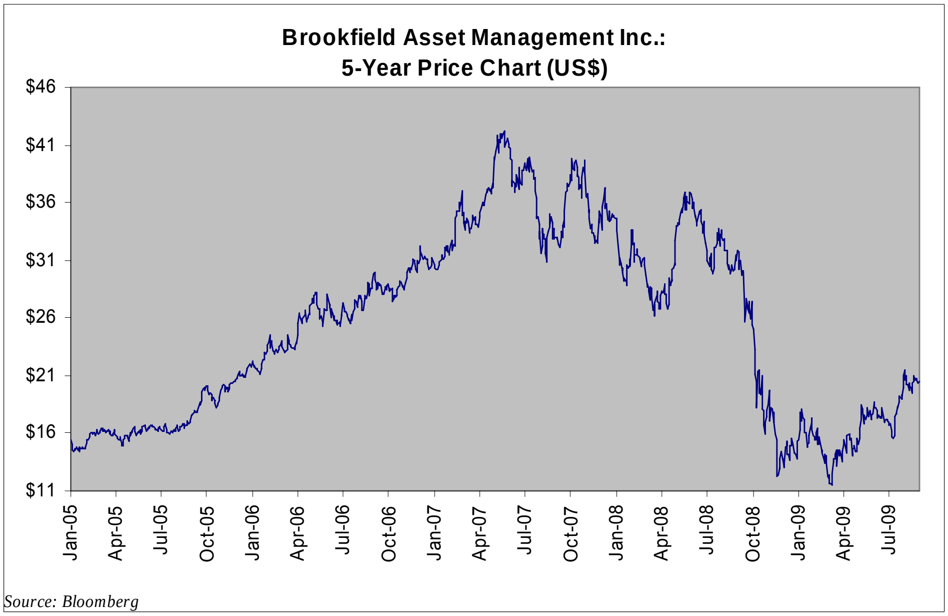
Cash Flow from Operations (US$ per share)



Source: Brookfield Asset Management

Commercial real estate exposure – The most dominant source of cash flow for Brookfield Asset Management originates from its Properties Segment. This includes the ownership and development of various office, retail, and residential properties. Although rents are typically contractual for an extended period of time, thereby providing some earnings visibility, the segment's performance is still economically sensitive. The direction of the economy governs the company's ability to negotiate rental rates and also impacts vacancy rates. A prime example of this is through its ownership stake in Brookfield Properties (BPO). Although BPO's portfolio primarily consists of premier office towers in Manhattan (which represents excellent long-term value in a supply constrained city), the company's occupancy and rental rates are impacted by business spending. While this is a risk to any company, it is worth noting that the company's commercial office portfolio continues to perform well in this sluggish economy, with occupancy of 95.4% (down from 96.0% in Q1). Furthermore, there are no material lease expiries expected over the next two years and average in-place rents are still currently 10%-20% below market rates thereby providing a buffer for the possibility of further economic weakness.

Capital intensive industry – The size and nature of infrastructure investments tends to be a capital intensive and any adverse changes to credit markets could impact the company's cash flows, existing operations, and growth trajectory. The company has $2.2 billion of upcoming debt maturities prior to 2012, of which only $200 million is attributable to the corporate level (the remainder is secured by assets at the property level, with no recourse). Excluding the non-recourse debt, the company's debt-to-capitalization ratio was 15% at the end of 2008, which is equivalent to investment grade level given the nature of the assets and the quality of the cash flows. This need for liquidity and capital is partly addressed through its excess liquidity of $2.5 billion on its balance sheet and by co-investing with other investors.



Source: Bloomberg

Geoff Ho, CFA – Director, Portfolio Advisory Group

Definition of Scotia Capital Equity Research Ratings & Risk Rankings

We have a three-tiered rating system, with ratings of 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform. Each analyst assigns a rating that is relative to his or her coverage universe.

Our risk ranking system provides transparency as to the underlying financial and operational risk of each stock covered. Statistical and judgmental factors considered are: historical financial results, share price volatility, liquidity of the shares, credit ratings, analyst forecasts, consistency and predictability of earnings, EPS growth, dividends, cash flow from operations, and strength of balance sheet. The Director of Research and the Supervisory Analyst jointly make the final determination of all risk rankings.

Ratings

1-Sector Outperform
The stock is expected to outperform the average total return of the analyst's coverage universe by sector over the next 12 months.

2-Sector Perform
The stock is expected to perform approximately in line with the average total return of the analyst's coverage universe by sector over the next 12 months.

3-Sector Underperform
The stock is expected to underperform the average total return of the analyst's coverage universe by sector over the next 12 months.

Other Ratings
Tender – Investors are guided to tender to the terms of the takeover offer.

Under Review – The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

Risk Rankings

Low
Low financial and operational risk, high predictability of financial results, low stock volatility.

Medium
Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

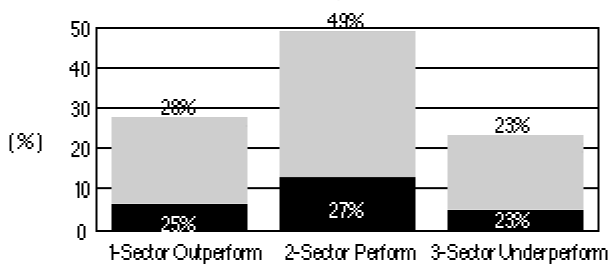
High
High financial and/or operational risk, low predictability of financial results, high stock volatility.

Caution Warranted
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk-tolerant investors only.

Venture
Risk and return consistent with Venture Capital. For risk-tolerant investors only.

Scotia Capital Equity Research Ratings Distribution*

Distribution by Ratings and Equity and Equity-Related Financings*



- Percentage of companies covered by Scotia Capital Equity Research within each rating category.
- Percentage of companies within each rating category for which Scotia Capital has undertaken an underwriting liability or has provided advice for a fee within the last 12 months.

* As at January 31, 2007.

Source: Scotia Capital.

For the purposes of the ratings distribution disclosure the NASD requires members who use a ratings system with terms different than "buy," "hold/neutral" and "sell," to equate their own ratings into these categories. Our 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform ratings are based on the criteria above, but for this purpose could be equated to buy, neutral and sell ratings, respectively.

ScotiaMcLeod™

The author(s) of the report own(s) securities of the following companies.
None.

The supervisors of the Portfolio Advisory Group own securities of the following companies.
None.

Scotia Capital Inc. and its affiliates collectively beneficially own in excess of 1% of one or more classes of the issued and outstanding equity securities of the following issuer(s): ***BPO Pptys Ltd., Brookfield Properties Corporation***

The Fundamental Research Analyst/Associate has visited material operations of the following issuer(s): ***Brookfield Properties Corporation***

Within the last 12 months, Scotia Capital Inc. has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, the following issuer(s): ***Brookfield Properties Corporation, Brookfield Renewable Power Fund***

ScotiaMcLeod™