



## CONTENTS

Statement of Financial Position	2
Management’s Discussion and Analysis	3
Management’s Responsibility for Financial Statements	10
Independent Auditor’s Report	11
Financial Statements	13
Notes to the Financial Statements	17
Corporate Information	30

## FORWARD-LOOKING INFORMATION

*This annual report contains “forward-looking information” and “forward-looking statements” within the meaning of Canadian provincial securities laws and any applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include, but are not limited to, statements which reflect management’s expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Partnership and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would”, “likely” and “could.”*

*Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of the Partnership to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.*

*Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements and information include, but are not limited to: the financial performance of Brookfield Asset Management Inc. and its affiliated entities, general economic conditions; the behavior of financial markets, including fluctuations in interest and foreign exchanges rates; limitations on the liquidity of our investments; the state of global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation; changes in tax laws; risks associated with the use of financial leverage and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Certain statements included in this interim report may be considered a “financial outlook” for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this document. Forward-looking information is provided as of the date of this interim report or such other date specified herein and, except as required by law, the Partnership undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.*

## STATEMENT OF FINANCIAL POSITION

As at December 31

(Thousands, US dollars, except per share amounts)

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 272,322	\$ 29,801
Investment in Brookfield Asset Management Inc. <sup>1</sup>	3,291,927	3,737,431
Other investments carried at fair value	442,505	750,467
Accounts receivable and other assets	20,685	6,443
Equity accounted investment <sup>2</sup>	—	16,745
	<u>\$ 4,027,439</u>	<u>\$ 4,540,887</u>
<b>Liabilities and equity</b>		
Accounts payable and other liabilities	\$ 30,767	\$ 108,744
Preferred shares <sup>3</sup>	602,724	575,620
Deferred taxes <sup>4</sup>	395,015	468,040
	<u>1,028,506</u>	<u>1,152,404</u>
<b>Equity</b>		
Common equity	2,998,933	3,388,483
	<u>\$ 4,027,439</u>	<u>\$ 4,540,887</u>

- <sup>1</sup> The investment in Brookfield Asset Management Inc. consists of 86 million Brookfield shares with a quoted market value of \$38.35 per share as at December 31, 2018 (December 31, 2017 – \$43.54).
- <sup>2</sup> Represents \$613 million of retractable preferred shares less \$10 million of unamortized issue costs as at December 31, 2018 (December 31, 2017 – \$585 million less \$9 million).
- <sup>3</sup> The deferred tax liability represents the potential future income tax liability of the Partnership recorded for accounting purposes based on the difference between the carrying values of the Partnership's assets and liabilities and their respective tax values, as well as giving effect to estimated capital and non-capital losses.
- <sup>4</sup> Effective April 1, 2018, the basis of accounting for Trisura was changed from EAI to FVTOCI.

The information in the following table shows the changes in net book value:

For the years ended December 31 (Thousands, except per unit amounts)	2018		2017	
	Total	Per Unit	Total	Per Unit
Net book value, beginning of period <sup>1</sup>	\$ 3,268,176	\$ 37.05	\$ 2,337,457	\$ 26.49
Net income <sup>2</sup>	102,804	1.17	57,790	0.65
Other comprehensive income <sup>2</sup>	(494,704)	(5.61)	848,407	9.61
Adjustment for impact of warrant <sup>3</sup>	(29,688)	(0.34)	24,533	0.28
Equity LP repurchase	(2,350)	(0.03)	(11)	—
Net book value, end of period <sup>1,4,5</sup>	<u>\$ 2,844,238</u>	<u>\$ 32.24</u>	<u>\$ 3,268,176</u>	<u>\$ 37.03</u>

- <sup>1</sup> Calculated on a fully diluted basis, net book value is non-IFRS measure.
- <sup>2</sup> Attributable to Equity Limited Partners.
- <sup>3</sup> The basic weighted average number of Equity Limited Partnership ("Equity LP") units outstanding during the year ended December 31, 2018 was 73,524,856. The diluted weighted average number of Equity Limited Partnership ("Equity LP") units available and outstanding during the year ended December 31, 2018 was 88,233,622; this includes the 14,708,766 Equity LP units issued through the exercise of all outstanding warrants.
- <sup>4</sup> At the end of the year, the diluted Equity LP units outstanding were 88,200,297 (December 31, 2017 – 88,249,897).
- <sup>5</sup> Net book value is a non-IFRS measure and is equal to total equity less General Partner equity and Preferred Limited Partners' equity, plus the value of consideration to be received on exercising of warrants, which as at December 31, 2017 was \$237 million (December 31, 2017 – \$380 million).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis for the year ended December 31, 2018 is dated April 1, 2019.

### OVERVIEW

Partners Value Investments L.P. (the "Partnership") is a limited partnership under the laws of the province of Ontario. Its principal investment is an ownership interest in 86 million Class A Limited Voting Shares ("Brookfield shares") of Brookfield Asset Management Inc. ("Brookfield"). 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 shares and other securities, is principally dedicated to paying dividends on its financing obligations and Preferred LP units.

The Partnership's investment in Brookfield is owned indirectly through its wholly owned subsidiaries – Partners Value Investments Inc. ("PVII") and Partners Value Split Corp. ("Partners Value Split").

The Partnership also holds a portfolio of other securities including: a 100% interest in Global Champions Split Corp. ("Global Champions"), which owns a diversified portfolio of large capitalization companies, and a 100% interest in Global Resource Champions Split Corp. ("Global Resource Champions"), which owns a portfolio of large capitalization resource companies; investments in limited partnership units of Brookfield Infrastructure Partners, Brookfield Property Partners and Brookfield Business Partners; and a diversified portfolio of other marketable securities.

The Partnership is managed by its general partner, PVI Management Inc. (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 \$125 million for the year ended December 31, 2018 compared to \$81 million in the prior year. The increase in net income was primarily driven by foreign currency gains, partially offset by lower recognized valuation gains.

The market price of a Brookfield share was \$38.35 as at December 31, 2018 (2017 – \$43.54).

The following table presents the details of the Partnership's net income for the years ended December 31:

*For the year ended December 31  
(Thousands, US dollars)*

	2018	2017
Investment income		
Dividends	\$ 73,462	\$ 87,666
Other investment income	6,636	2,142
	<u>80,098</u>	<u>89,808</u>
Expenses		
Operating expenses	(2,134)	(13,419)
Financing costs	(2,945)	(5,358)
Retractable preferred share dividends	(26,854)	(27,341)
	<u>(31,933)</u>	<u>(46,118)</u>
	<u>48,165</u>	<u>43,690</u>
Other items		
Investment valuation gains	4,985	87,784
Amortization of deferred financing costs	(2,360)	(2,473)
Current taxes	(12,816)	(14,745)
Deferred taxes	5,957	(5,314)
Equity accounted income	(18)	253
Foreign currency (losses) gains	81,384	(29,112)
Net income	<u>\$ 125,297</u>	<u>\$ 80,083</u>

Investment income consists of the following:

For the year ended December 31

(Thousands, US dollars)

	2018	2017
Dividends		
Brookfield Asset Management Inc.	\$ 51,503	\$ 47,340
Brookfield Asset Management Inc. – special dividend	—	9,442
Other securities	21,959	30,884
	<u>73,462</u>	<u>87,666</u>
Other investment income	6,636	2,142
	<u>\$ 80,098</u>	<u>\$ 89,808</u>

Brookfield increased its regular dividend rate by 7% over 2017; dividends in 2017 included a special dividend of \$9.4 million in the form of Trisura common shares. Dividends from other securities and other investment income decreased due to decreased investment holdings during the year.

Operating expenses declined significantly during the year ended December 31, 2018, due to decreased investment activity, which resulted in lower staff compensation costs.

Investment valuation gains include unrealized gains and losses on the Partnership's investments (including financial derivatives) which are recorded at fair value. It also includes realized gains and losses on the disposition of the Partnership's investments. This balance will fluctuate depending on the Partnership's investment activities and performance.

Income tax expense reflecting a lower level of investment valuation gains compared to the prior year.

Foreign currency gains represent gains and losses arising from the translation of non-United States dollar transactions and balances as well as the realized and unrealized changes in the value of the Partnership's foreign currency derivatives.

## FINANCIAL POSITION

The Partnership's total assets were \$4 billion at December 31, 2018 (December 31, 2017 – \$4.5 billion) and consist primarily of its \$3.3 billion investment in 86 million Brookfield shares (December 31, 2017 – \$3.7 billion). The market price of a Brookfield share was \$38.35 per share at December 31, 2018 compared to \$43.54 at December 31, 2017.

### Investment Portfolio

As at	Number of Shares		Fair Value	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
(Thousands, US dollars)				
Brookfield Asset Management Inc.				
Partners Value Investments Inc.	6,098	6,098	\$ 233,861	\$ 265,509
Partners Value Split Corp	79,741	79,741	3,058,066	3,471,922
	<u>85,839</u>	<u>85,839</u>	<u>\$ 3,291,927</u>	<u>\$ 3,737,431</u>
Other securities				
Brookfield Infrastructure Partners L.P.	2,865	3,328	\$ 98,934	\$ 149,126
Brookfield Property Partners L.P.	3,613	3,613	58,249	80,074
Brookfield Business Partners L.P.	1,495	1,717	45,447	59,106
Trisura Group Ltd. <sup>1</sup>	1,326	944	25,363	19,332
Subsidiaries portfolios <sup>2</sup>	Various	Various	82,886	225,240
Other securities portfolio	Various	Various	131,626	236,921
			<u>442,505</u>	<u>769,799</u>
			<u>\$ 3,734,432</u>	<u>\$ 4,507,230</u>

<sup>1</sup> Change in basis of accounting for Trisura Group Ltd., effective April 1, 2018, from EAI to FVOCI.

<sup>2</sup> Represents the portfolios held by Global Champions and Global Resource Champions.

#### *Brookfield Asset Management Inc.*

Brookfield is a global alternative asset manager focused on real estate, infrastructure, power and private equity, and is inter-listed on the New York, Toronto and NYSE Euronext stock exchanges. The Partnership's investment in Brookfield represents approximately a 9% fully diluted interest in Brookfield.

#### *Brookfield Listed Partnerships*

The Partnership holds investments in several Brookfield listed partnerships that are managed by Brookfield: Brookfield Infrastructure Partners, Brookfield Property Partners and Brookfield Business Partners. Brookfield Infrastructure Partners owns and operates utility, transport, energy and communication businesses globally. Brookfield Property Partners is a global commercial real estate company that owns, operates and invests in best-in-class office, retail, and opportunistic assets. Brookfield Business Partners owns business services and industrial operations with a focus on high-quality businesses that are low cost producers and/or benefit from high barriers to entry.

#### *Trisura Group Ltd.*

The Partnership held an average of 17% direct equity interest in TSU during the year. On April 1 2018, the Company no longer carried significant influence through its investment in TSU. As such, the Partnership records its investment at fair value, with changes in mark to market through Other Comprehensive Income. As at the quarter-end, the Partnership owns 20% of TSU as at December 31, 2018 (December 31, 2017 – 14.2%).

#### *Diversified Securities Portfolios*

Our subsidiaries are comprised of marketable investments held by our wholly owned subsidiaries Global Champions and Global Resource Champions. Global Champions liquidated its holdings in August 2018 in order to fund the redemption of publicly outstanding preferred shares. Global Resource Champions has a diversified portfolio invested in large capitalization companies within the commodities and resource industry. The Partnership also has a diversified portfolio of other marketable securities, consisting mainly of equity and fixed-income securities.

#### **Deferred Taxes**

The deferred tax liability represents the potential tax liability arising from the excess of the carrying value of net assets over the respective tax values, less available loss carry-forwards. Changes in the deferred tax liability balance are mainly related to changes in the market value of the Partnership's investments and foreign currency fluctuations.

#### **Equity**

As at December 31, 2018, unitholders' equity consisted of \$2.5 billion of Equity Limited Partners, \$500 million of Preferred Limited Partners, and \$1 thousand of General Partner equity (2017 – \$2.9 billion of Equity Limited Partners, \$500 million of Preferred Limited Partners, and \$1 thousand of General Partner). The decrease in equity is primarily the result of lower comprehensive income driven by market value decreases on our Brookfield shares and our investment portfolio.

### Preferred Shares

Retractable preferred shares issued by Partners Value Split, Global Champions, and Global Resource Champions are comprised of the following:

As at (Thousands, US dollars,)	Shares Outstanding		Book Value	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Partners Value Split Class AA				
4.35% Series 3 – January 10, 2019	7,631	7,631	\$ 139,859	\$ 151,725
4.50% Series 6 – October 8, 2021	7,990	7,990	146,437	158,861
5.50% Series 7 – October 31, 2022	4,000	4,000	73,310	79,530
4.80% Series 8 – September 30, 2024	5,999	6,000	109,952	119,295
4.90% Series 9 – February 28, 2026	6,000	—	109,965	—
Global Champions Class A <sup>1</sup>				
4.00% Series 1 – July 31, 2019	—	2,000	—	39,765
Global Resource Champions Class A				
6.25% Series 1 – May 25, 2023	1,800	1,800	32,990	35,789
			612,513	584,965
Deferred financing costs <sup>2</sup>			(9,789)	(9,345)
			<u>\$ 602,724</u>	<u>\$ 575,620</u>

<sup>1</sup> The preferred shares outstanding at Global Champions were redeemed on August 20, 2018.

<sup>2</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 \$272 million and investments of \$3.7 billion as at December 31, 2018 (December 31, 2017 – \$30 million and \$4.5 billion). The Partnership has operating cash requirements of \$27 million (2017 – \$27 million) in scheduled dividend payments on its preferred shares which are less than the expected regular distributions anticipated to be received on the Brookfield 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 common shares of the Partnership.

### Fluctuations in Value of Investments

The value of the common shares may vary according to the value of the Brookfield 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 Brookfield 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 Brookfield shares. A material adverse change in the business, financial conditions or results of operations of Brookfield 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 Brookfield, 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 Brookfield shares.

### Foreign Currency Exposure

Certain of the Partnership's other investments are denominated in currency other than the United States dollars. 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 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 Brookfield shares. The Partnership's policy is to hold the Brookfield 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 Brookfield shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Brookfield shares may be sold. Accordingly, if and when the Partnership is required to sell Brookfield 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 Brookfield shares sold.

### No Ownership Interest

A direct investment in common shares does not constitute a direct investment in the Brookfield shares of Brookfield or other securities held by the Partnership, and holders of common shares do not have any voting rights in respect of such securities.

### Contractual Obligations

The Partnership's contractual obligations as of December 31, 2018 are as follows:

(Thousands)	Payment Due by Period <sup>1</sup>				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Preferred shares					
Partners Value Split Class AA, Series 3	\$ 139,859	\$ 139,859	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 6	146,437	—	146,437	—	—
Partners Value Split Class AA, Series 7	73,310	—	—	73,310	—
Partners Value Split Class AA, Series 8	109,952	—	—	—	109,952
Partners Value Split Class AA, Series 9	109,965	—	—	—	109,965
Global Resource Champions Class A, Series 1 <sup>2</sup>	32,990	—	—	32,990	—
	<u>\$ 612,513</u>	<u>\$ 139,859</u>	<u>\$ 146,437</u>	<u>\$ 106,300</u>	<u>\$ 219,917</u>
Interest expense					
Partners Value Split Class AA, Series 3	\$ 817	\$ 817	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 6	18,809	6,590	12,219	—	—
Partners Value Split Class AA, Series 7	15,462	4,032	8,064	3,366	—
Partners Value Split Class AA, Series 8	30,681	5,278	10,556	10,556	4,291
Partners Value Split Class AA, Series 9	38,587	5,388	10,776	10,776	11,647
Global Resource Champions Class A, Series 1 <sup>2</sup>	9,074	2,062	4,124	2,888	—
	<u>\$ 113,430</u>	<u>\$ 24,167</u>	<u>\$ 45,739</u>	<u>\$ 27,586</u>	<u>\$ 15,938</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 2019, 2021, 2022, 2024 and 2026 for the Series 3, 6, 7, 8 and 9, respectively.

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2023.



## SUMMARY OF FINANCIAL INFORMATION

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

<i>(Thousands, US dollars, except per share amounts)</i>	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net (loss) income	\$ 49,145	\$ 2,209	\$ 55,260	\$ 18,683	\$ 40,438	\$ 7,785	\$ 12,788	\$ 19,072
Net (loss) income per share	\$ 0.55	\$ 0.03	\$ 0.63	\$ 0.21	\$ 0.46	\$ 0.08	\$ 0.15	\$ 0.22

Net income 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 Canadian dollar and equity markets. Also, included in net income are gains and losses on the disposition of investments. The variance in net income on the last nine quarters is primarily the result of valuation gains and losses on certain of the Partnership's investments, increases 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 and recovered costs of less than \$1 million for the year ended December 31, 2018 (2017 – less than \$1 million).

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

### *Financial Instruments*

IFRS 9 Financial Instruments (“IFRS 9”) was introduced by the IASB in 2014 and supersedes IAS 39 Financial Instruments. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies that are used for risk management purposes to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Partnership adopted the standard on January 1, 2018 on a modified retrospective basis. The standard is applied only to financial instruments held as at January 1, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of IFRS 9 resulted in a \$nil impact to opening consolidated retained earnings at January 1, 2018.

### *Future Changes in Accounting Standards*

#### *Uncertainty Over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments (“IFRIC 23”), effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The Partnership is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity 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. Significant estimates are required in the determination of future cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; and fair values for disclosure purposes. 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.

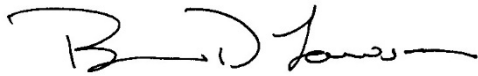
## **DISCLOSURE CONTROLS AND PROCEDURES**

We maintain appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The President and the Director, Finance 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, 2018, 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 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, 2018, 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  
*President and Chief Executive Officer*  
April 1, 2019

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this annual report have been prepared by the Partnership's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the Partnership maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements. Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is on the following page. The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the consolidated financial statements.



Brian D. Lawson  
*President and Chief Executive Officer*  
April 1, 2019

## Independent Auditor's Report

To the Unitholders of  
Partners Value Investments Limited Partnership

### Opinion

We have audited the consolidated financial statements of Partners Value Investments Limited Partnership (the "Partnership"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations, comprehensive income (loss), 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 and other explanatory information (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 Partnership as at December 31, 2018 and 2017, 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 Partnership 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.

### Other Information

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

- 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 and will 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 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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership'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 Partnership'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 Partnership'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 Partnership 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 Partnership 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.

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

*Deloitte* LLP

Chartered Professional Accountants  
Licensed Public Accountants  
April 1, 2019

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>As at</i> <i>(Thousands, US dollars)</i>	Note	<b>December</b> <b>31, 2018</b>	December 31, 2017
<b>Assets</b>			
Cash and cash equivalents		\$ 272,322	\$ 29,801
Accounts receivable and other assets		20,685	6,443
Investment in Brookfield Asset Management Inc.	3	3,291,927	3,737,431
Other investments carried at fair value	3	442,505	750,467
Equity accounted investment		—	16,745
		<u>\$ 4,027,439</u>	<u>\$ 4,540,887</u>
<b>Liabilities and equity</b>			
Accounts payable and other liabilities	9	\$ 30,767	\$ 108,744
Preferred shares	5	602,724	575,620
Deferred taxes		395,015	468,040
		<u>1,028,506</u>	<u>1,152,404</u>
<b>Equity</b>			
Partnership's Equity			
Equity Limited Partners	6	2,499,030	2,888,580
General Partner		1	1
Preferred Limited Partners		499,902	499,902
		<u>2,998,933</u>	<u>3,388,483</u>
		<u>\$ 4,027,439</u>	<u>\$ 4,540,887</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31

(Thousands, US dollars, except per share amounts)

	2018	2017
Investment income		
Dividends	\$ 73,462	\$ 87,666
Other investment income	6,636	2,142
	<u>80,098</u>	<u>89,808</u>
Expenses		
Operating expenses	(2,134)	(13,419)
Financing costs	(2,945)	(5,358)
Retractable preferred share dividends	(26,854)	(27,341)
	<u>(31,933)</u>	<u>(46,118)</u>
Other items		
Investment valuation gains	4,985	87,784
Amortization of deferred financing costs	(2,360)	(2,473)
Current taxes	(12,816)	(14,745)
Deferred taxes (recovery)	5,957	(5,314)
Equity accounted investments	(18)	253
Foreign currency (losses) gains	81,384	(29,112)
	<u>81,384</u>	<u>(29,112)</u>
<b>Net income</b>	<u>\$ 125,297</u>	<u>\$ 80,083</u>
<b>Net income per common share (Note 7)</b>	<u>\$ 1.42</u>	<u>\$ 0.91</u>
<b>Net income attributable to:</b>		
Equity Limited Partners	\$ 102,804	\$ 57,790
General Partner	—	—
Preferred Limited Partners	22,493	22,293
	<u>\$ 125,297</u>	<u>\$ 80,083</u>

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

(Thousands, US dollars)

	2018	2017
<b>Net income</b>	\$ 125,297	\$ 80,083
Items that may be reclassified to net income		
Unrealized gains (loss) on fair value of securities through other comprehensive income securities	(528,569)	948,983
Equity accounted investments	—	(257)
Deferred income taxes	33,865	(100,318)
	<u>(494,704)</u>	<u>848,407</u>
<b>Other comprehensive income (loss)</b>	<u>(494,704)</u>	<u>848,407</u>
<b>Comprehensive income (loss)</b>	<u>\$ (369,407)</u>	<u>\$ 928,490</u>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Limited Partners							Total Equity
	Capital	Retained Earnings	Accumulated Other Comprehensive Income		Equity Limited Partners	General Partner	Preferred Limited Partners	
			\$	\$				
<i>For the year ended December 31, 2018 (Thousands, US dollars)</i>								
Balance, beginning of period	\$ 1,945,484	\$ 79,105	\$ 863,991	\$ 2,888,580	\$ 1	\$ 499,902	\$ 3,388,483	
Net income	—	102,804	—	102,804	—	22,493	125,297	
Other comprehensive (loss) income	—	—	(494,704)	(494,704)	—	—	(494,704)	
Comprehensive income	—	102,804	(494,704)	(391,900)	—	22,493	(369,407)	
Distribution	—	—	—	—	—	(22,493)	(22,493)	
Re-organization	2,350	—	—	2,350	—	—	2,350	
Balance, end of period	\$ 1,947,834	\$ 181,909	\$ 369,287	\$ 2,499,030	\$ 1	\$ 499,902	\$ 2,998,933	
<i>For the year ended December 31, 2017 (Thousands, US dollars)</i>								
Balance, beginning of period	\$ 1,945,495	\$ 21,315	\$ 15,584	\$ 1,982,394	\$ 1	\$ 499,902	\$ 2,482,297	
Net income	—	57,790	—	57,790	—	22,293	80,083	
Other comprehensive (loss) income	—	—	848,407	848,407	—	—	848,407	
Comprehensive income	—	57,790	848,407	906,197	—	22,293	928,490	
Distribution	—	—	—	—	—	(22,293)	(22,293)	
Re-organization	(11)	—	—	(11)	—	—	(11)	
Balance, end of period	\$ 1,945,484	\$ 79,105	\$ 863,991	\$ 2,888,580	\$ 1	\$ 499,902	\$ 3,388,483	

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)

	2018	2017
<b>Cash flow from operating activities</b>		
Net income	\$ 125,297	\$ 80,083
Add (deduct) non-cash items:		
Investment valuation (gains) losses	(4,985)	(87,784)
Unrealized foreign exchange (gains) losses	(81,384)	41,932
Amortization of deferred financing costs	(2,360)	2,473
Non-cash dividend received	—	(8,134)
Share of undistributed equity accounted earnings	—	4
Deferred taxes	5,957	5,314
	<u>42,525</u>	<u>33,888</u>
Changes in working capital and foreign currency	(38,448)	11,475
	<u>4,077</u>	<u>45,363</u>
<b>Cash flow used in and from investing activities</b>		
Purchase of securities	(120,082)	(290,677)
Sale of securities	309,843	271,535
	<u>189,761</u>	<u>(19,142)</u>
<b>Cash flow used in and from financing activities</b>		
Preferred shares issued	110,021	119,295
Preferred shares redeemed	(38,845)	(99,393)
Distribution to preferred units	(22,493)	(22,293)
	<u>48,683</u>	<u>(2,391)</u>
<b>Cash and cash equivalents</b>		
Change in cash	242,521	23,830
Balance, beginning of year	29,801	5,971
<b>Balance, end of year</b>	<u>\$ 272,322</u>	<u>\$ 29,801</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 investment is an ownership interest in 86 million Class A Limited Voting Shares (“Brookfield shares”) of Brookfield Asset Management Inc. (“Brookfield”). The consolidated financial statements include the accounts of the Partnership’s wholly owned subsidiaries: Partners Value Investments Inc. (“PVII”), Partners Value Split Corp. (“Partners Value Split” or “PVS”), and Global Champions Split Corp. (“Global Champions” or “GC”) and Global Resource Champions Split Corp. (“Global Resource Champions” or “GRC”). 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”).

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 300, 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 06, 2019.

### 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 and demand deposits with related parties. There were \$107 million instruments held at December 31, 2018 (December 31, 2017 – \$ nil).

#### *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 more likely than not to be realized and measured using the tax rates and laws substantively enacted at the balance sheet date. The deferred tax liability is classified as noncurrent.

#### *Accounts Receivable and Other Assets*

Accounts receivable and other assets balances represent current assets. The balances are classified as receivables and are recorded 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 and loss and are recorded at their fair value.

#### *Accounts Payable and Other Liabilities*

Accounts payable and other liabilities balances represent current liabilities. The balances are classified as loans and other financial liabilities and are recorded at amortized cost which approximates the fair value. Also included in these balances are derivative liabilities which are held for trading and classified as fair value through profit and loss and are recorded at their fair value.

#### *Investment in Brookfield Asset Management*

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

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

The Partnership accounts for its investments Brookfield Infrastructure Partners, Brookfield Property Partners and Brookfield Business Partners as Fair Value through Other Comprehensive Income, with changes in their fair value recognized in other comprehensive income. The Partnership held an average of 17% direct equity interest in TSU during the year. On April 1 2018, the Company deemed there was no significant influence impacted by its investment in TSU. As such, the company amended the basis of accounting in its investment in Trisura through fair value through other comprehensive income. As at the quarter-end, the Company owns 20% of TSU as at December 31, 2018 (December 31, 2017 – 14.2%).

#### *Marketable securities*

The Partnership accounts for its marketable securities portfolio as fair value through profit and loss and, accordingly, recognizes changes in fair value in the consolidated statements of operations.

#### *Revenue Recognition*

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

#### *Preferred Shares*

The Partnership's preferred shares are measured at amortized cost and classified as other liabilities.

#### *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 measured 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:

#### *Derivatives*

The critical assumptions and estimates used in determining the fair value of derivatives are forward exchange rates and discount rates.

### 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 Partnership's financial statements include the assessment of net recoverable amounts, net realizable values and the ability to utilize tax losses and other tax assets.

### d) Adoption of Accounting Standards

#### i) Financial Instruments

IFRS 9 Financial Instruments ("IFRS 9") was introduced by the IASB in 2014 and supersedes IAS 39 Financial Instruments. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies that are used for risk management purposes to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Partnership adopted the standard on January 1, 2018 on a modified retrospective basis with a cumulative catch-up adjustment booked to retained earnings as of January 1, 2018, as if the standard had always been in effect. The standard is applied only to financial instruments held as at January 1, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of IFRS 9 resulted in a \$nil impact to opening consolidated retained earnings at January 1, 2018.

#### Classification of Financial Instruments

The Partnership classifies its financial assets as fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost according to the Partnership's business objectives for managing the financial assets and the contractual terms of the cash flows. The Partnership classifies its financial liabilities at amortized cost or FVTPL.

- Financial instruments classified as FVTPL are initially recognized at their fair value and are subsequently measured at fair value at each reporting date. Gains and losses recorded on each revaluation date are recognized within net earnings.
- Financial instruments classified as FVTOCI are initially recognized at their fair value and are subsequently measured at fair value at each reporting date. The cumulative gains or losses related to FVTOCI equity instruments are not reclassified to profit or loss on disposal.
- Financial instruments classified as amortized cost are initially recognized at their fair value and are subsequently measured at amortized cost using the effective interest rate method.

The following table presents the types of financial instruments held by the Partnership within each financial instrument classification under IAS 39 and IFRS 9:

Financial Instrument Type	Measurement	
	IAS 39	IFRS 9
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable and other assets <sup>1</sup>	Loans and receivables	Amortized cost
Other financial assets		
Common shares	FVTPL, Available for Sale	FVTPL, FVTOCI
Corporate bonds	FVTPL, Available for Sale	FVTPL, FVTOCI
<b>Financial liabilities</b>		
Accounts payable and other liabilities	Loans and receivables	Amortized cost
Preferred shares	Loans and receivables	Amortized cost
Warrant liability	FVTPL	FVTPL
Deferred taxes	Loans and receivables	Amortized cost

<sup>1</sup> Includes derivative instruments measured at fair value.

These changes have not had a material impact on the Partnership's consolidated financial statements as at January 1, 2018 and December 31, 2018.

*ii) Foreign Currency Transactions*

IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22") clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation is effective for periods beginning on or after January 1, 2018 and may be applied either retrospectively or prospectively. The Partnership adopted the standard using the prospective approach, and there is no material impact.

**e) Future Changes in Accounting Standards**

*Uncertainty Over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23"), effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The Partnership is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

### 3. INVESTMENT PORTFOLIO

The Partnership's investment portfolio consists of the following:

<i>As at</i> <i>(Thousands, US dollars)</i>	Classification <sup>1</sup>	Number of Shares		Fair Value	
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Brookfield Asset Management Inc.	FVTOCI				
Partners Value Investments Inc.		6,098	6,098	\$ 233,861	\$ 265,509
Partners Value Split Corp		79,741	79,741	3,058,066	3,471,922
		<b>85,839</b>	<b>85,839</b>	<b>\$ 3,291,927</b>	<b>\$ 3,737,431</b>
Investments classified as FVTOCI					
Brookfield Infrastructure Partners L.P.	FVTOCI	2,865	3,328	\$ 98,934	\$ 149,126
Brookfield Property Partners L.P.	FVTOCI	3,613	3,613	58,249	80,074
Brookfield Business Partners L.P.	FVTOCI	1,495	1,717	45,447	59,106
Trisura Group Ltd. <sup>2</sup>	FVTOCI	1,326	—	25,363	—
				<b>\$ 227,993</b>	<b>\$ 288,306</b>
Investments classified as FVTPL					
Subsidiaries portfolios <sup>3</sup>	FVTPL	Various	Various	82,886	225,240
Other securities portfolio	FVTPL	Various	Various	131,626	236,921
				<b>\$ 214,512</b>	<b>\$ 462,161</b>
				<b>\$ 442,505</b>	<b>\$ 750,467</b>

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 Change in basis of accounting for Trisura Group Ltd., effective April 1, 2018, from EAI to FVTOCI.

3 Represents the portfolios held by Global Champions and Global Resource Champions. The portfolio held at Global Champions was sold in August 2018 in advance of the redemption of the preferred shares issued by the entity.

The Partnership's investment in Class A Limited Voting Shares of Brookfield at December 31, 2018 represents a 9% (December 31, 2017 – 9%) fully diluted equity interest.

#### 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.

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, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	\$ 3,291,927	\$ —	\$ —	\$ 3,737,431	\$ —	\$ —
Investments classified as FVTOCI	227,993	—	—	288,306	—	—
Investments classified as FVTPL	199,775	14,737	—	449,842	12,319	—
Derivative assets <sup>1</sup>	—	3,355	—	—	5,767	—
Derivative liabilities <sup>1</sup>	—	(1,023)	—	—	(21,120)	—
	<b>\$ 3,719,695</b>	<b>\$ 17,069</b>	<b>\$ —</b>	<b>\$ 4,475,579</b>	<b>\$ (3,034)</b>	<b>\$ —</b>

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

As at December 31, 2018, a cumulative pre-tax gain of \$2.6 billion (December 31, 2017 – \$3.1 billion) has been recognized for financial instruments measured under fair value through other comprehensive income, over their historical cost amounts.

#### 5. PREFERRED SHARES

Retractable preferred shares issued by the Partnership's subsidiaries are comprised of the following:

As at (Thousands, US dollars,)	Shares Outstanding		Book Value	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Partners Value Split Class AA				
4.35% Series 3 – January 10, 2019	7,631	7,631	\$ 139,859	\$ 151,725
4.50% Series 6 – October 8, 2021	7,990	7,990	146,437	158,861
5.50% Series 7 – October 31, 2022	4,000	4,000	73,310	79,530
4.80% Series 8 – September 30, 2024	5,999	6,000	109,952	119,295
4.90% Series 9 – February 28, 2026	6,000	—	109,965	—
Global Champions Class A <sup>1</sup>				
4.00% Series 1 – July 31, 2019	—	2,000	—	39,765
Global Resource Champions Class A				
6.25% Series 1 – May 25, 2023	1,800	1,800	32,990	35,789
			<b>612,513</b>	<b>584,965</b>
Deferred financing costs <sup>2</sup>			<b>(9,789)</b>	<b>(9,345)</b>
			<b>\$ 602,724</b>	<b>\$ 575,620</b>

<sup>1</sup> The preferred shares outstanding at Global Champions were redeemed on August 20, 2018.

<sup>2</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.

### **Global Champions and Global Resource Champions**

Global Champions and Global Resource Champions is authorized to issue an unlimited number of Class A preferred shares. The Board of Directors of these entities 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.

### **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 3, 6, 7,8 and 9	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 1, 4, 5 and 6 debentures, respectively, determined by dividing the holder's aggregate preferred share Retraction Price by \$25.00.
GC Class A Series 1	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 Global Champions Series 1 debentures determined by dividing the holder's aggregate preferred share Retraction price by CAD \$25.00.
GRC Class A Series 1	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 Global Resource Champions Series 1 debentures determined by dividing the holder's aggregate preferred share Retraction price by CAD \$25.00.

### **Debentures**

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

PVS Series 3	The Series 1 debentures will have a principal amount of CAD \$25.00 per debenture and will mature on January 10, 2019. Holders of the Series 1 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.45% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 1 debentures shall be redeemable by the Partnership at any time. The Series 1 debentures may not be retracted.
PVS Series 6	The Series 4 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on October 8, 2021. Holders of the Series 4 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.60% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 4 debentures can be redeemed by the Partnership at any time. The Series 4 debentures may not be retracted.
PVS Series 7	The Series 5 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on October 31, 2022. Holders of the Series 5 debentures will be entitled to receive quarterly fixed interest payments at a rate of 5.60% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 5 debentures can be redeemed by the Partnership at any time. The Series 5 debentures may not be retracted.
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.

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 6 debentures can be redeemed by the Partnership at any time. The Series 7 debentures may not be retracted.

GRC Series 1 The Series 1 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on May 25, 2023. Holders of the Series 1 debentures will be entitled to receive quarterly fixed interest payments at a rate of 6.35% per annum paid on or about the 15th day of April, July, October and January in each year. The Series 1 debentures can be redeemed by the Partnership at any time. The Series 1 debentures may not be retracted.

There were no debentures outstanding in the current or prior year.

### **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 3 May be redeemed by the Company at any time on or after January 10, 2012, and prior to January 10, 2019, (the "Series 3 Redemption Date") at a price which until January 9, 2016, will equal CAD \$26.00 per share plus accrued and unpaid dividends and which will decline by \$0.25 each year thereafter to be equal to CAD \$25.00 on the Series 3 Redemption Date. All Class AA Series 3 preferred shares outstanding on the Class AA Series 3 Redemption Date will be redeemed for a cash amount equal to the lesser of CAD \$25.00 plus accrued and unpaid dividends, and the net assets per unit.

PVS Series 6 May be redeemed by the Company at any time on or after October 8, 2019, and prior to October 8, 2021, (the "Series 6 Redemption Date") at a price which until October 8, 2020, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.25 on October 8, 2020. All Class AA Series 6 senior preferred shares outstanding on the Series 6 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 6 senior preferred shares prior to October 8, 2019 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA Series 6 senior preferred shares prior to the Series 6 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 7 May be redeemed by the Company at any time on or after October 31, 2020, and prior to October 31, 2022, (the "Series 7 Redemption Date") at a price which until October 31, 2021, will equal CAD \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.25 on October 31, 2021. All Class AA Series 7 senior preferred shares outstanding on the Series 7 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 7 senior preferred shares prior to October 31, 2020 for CAD \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 7 senior preferred shares prior to the Series 7 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 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.

GRC  
Series 1

The preferred shares may be redeemed by the Company at any time at a price equal to (i) CAD \$25.00 per share plus accrued and unpaid dividends if the date specified for redemption is prior to the final redemption date; and (ii) the lesser of (x) CAD \$25.00 plus accrued and unpaid dividends and (y) the net asset value per unit on the final redemption date if the date specified for redemption is the final redemption date.

## 6. SHAREHOLDERS' 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)	Shares Outstanding		Book Value	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Partnership equity				
Equity Limited Partners	73,492	73,541	\$ 2,499,030	\$ 2,888,580
General Partner <sup>1</sup>	—	—	1	1
Preferred Limited Partners	19,996	19,996	499,902	499,902
			<u>\$ 2,998,933</u>	<u>\$ 3,388,483</u>

1 As at December 31, 2018, there is 1 General Partner share outstanding (December 31, 2017: 1).

## 7. NET INCOME PER UNIT

Net income per unit is calculated based on the diluted weighted average number of outstanding units during the period and net income attributable to Equity Limited Partners. For the year ended December 31, 2018, the weighted average number of outstanding units were 88,200,297 on a fully diluted basis (2017 – 88,249,956); this includes the 14,708,766 Equity LP units that can be issued through the future exercise of all outstanding warrants.

## 8. INCOME TAXES

The major components of income tax expense include the following:

For the years ended December 31  
(Thousands)

	2018	2017
Current income tax expenses	\$ 12,816	\$ 14,745
Deferred tax (recovery) expense	(5,957)	5,314
Total income tax expense	<u>\$ 6,859</u>	<u>\$ 20,059</u>

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)

	2018	2017
Statutory income tax rate	26.5%	26.5%
Income tax expense at statutory rate	\$ 35,021	\$ 26,538
Increases (reductions) in income tax expense resulting from:		
Non-taxable dividends	(14,092)	(15,107)
Income subject to different tax rates	(2,304)	17,160
Non-deductible expenses	14,944	6,227
Other	(26,710)	(14,759)
Income tax expense	<u>\$ 6,859</u>	<u>\$ 20,059</u>

Deferred income tax assets and liabilities as at December 31 relate to the following:

<i>As at</i> <i>(Thousands)</i>	<b>December 31, 2018</b>	December 31, 2017
Non-capital losses	\$ 4,083	\$ 4,224
Capital losses	41	—
Difference in basis	<b>(399,139)</b>	(472,264)
Total net deferred tax assets (liabilities)	<b>\$ (395,015)</b>	\$ (468,040)
Deferred tax assets	\$ 4,124	\$ 4,224
Deferred income tax liabilities	<b>(399,139)</b>	(472,264)
Total net deferred tax assets (liabilities)	<b>\$ (395,015)</b>	\$ (468,040)

The movements of deferred income tax balances are as follows:

<i>(Thousands)</i>	Dec. 31, 2017	Recognized in			Dec. 31, 2018
		Income	Equity	OCI <sup>1</sup>	
Deferred tax assets related to non-capital losses	\$ 4,224	\$ 607	\$ —	\$ (748)	\$ 4,083
Deferred tax assets related to capital losses	—	41	—	—	41
Deferred liabilities related to differences in tax and book basis, net	<u>(472,264)</u>	<u>5,309</u>	<u>—</u>	<u>67,816</u>	<b>(399,139)</b>
	<b>\$ (468,040)</b>	<b>\$ 5,957</b>	<b>\$ —</b>	<b>\$ 67,068</b>	<b>\$ (395,015)</b>

<i>(Thousands)</i>	Dec. 31, 2016	Recognized in			Dec. 31, 2017
		Income	Equity	OCI <sup>1</sup>	
Deferred tax assets related to noncapital losses	\$ 3,214	\$ (5)	\$ —	\$ 1,015	\$ 4,224
Deferred liabilities related to differences in tax and book basis, net	<u>(343,684)</u>	<u>(5,309)</u>	<u>—</u>	<u>(123,271)</u>	<u>(472,264)</u>
	<b>\$ (340,470)</b>	<b>\$ (5,314)</b>	<b>\$ —</b>	<b>\$ (122,256)</b>	<b>\$ (468,040)</b>

<sup>1</sup> Includes the impact of foreign currency translation.

The Partnership has deferred tax assets of \$4 million (December 31, 2017 – \$4 million) related to non-capital losses that expire after 2030.

## 9. RELATED-PARTY TRANSACTIONS

Brookfield entities provides certain management and financial services to the Partnership for which the Partnership paid less than \$1 million for the year ended December 31, 2018 (2017 – less than \$1 million).

## 10. 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 common shares of the Partnership.

### **Credit Risk**

The Partnership has no material counterparty risk as at December 31, 2018 and 2017, due to all counterparties being large financial institutions dealing with the Partnership's prime brokerage accounts as well as derivative assets and liabilities.

## 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, 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, 2018, 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 \$11 million.

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

<i>As at December 31, 2018</i> <i>(Thousands)</i>	Investments at Fair Value	Cash	Other Net Assets	Foreign Currency Contracts	Total	Net Asset %
U.S. dollar	\$ 3,657,024	\$ 163,860	\$ 17,984	\$ —	\$ 3,838,867	128.01
Canadian dollar	71,091	108,098	(1,024,864)	—	(845,674)	(28.20)
Swiss franc	—	—	82	—	82	0.00
British pound	4,823	364	—	—	5,187	0.17
Euro	1,494	—	—	(1,023)	471	0.02
Total net assets	<u>\$ 3,734,432</u>	<u>\$ 272,322</u>	<u>\$ (1,006,798)</u>	<u>\$ (1,023)</u>	<u>\$ 2,998,933</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, 2017, a 1% increase (decrease) in the market price of Brookfield, all else being equal, would increase (decrease) the carrying value of this investment by \$37 million (2017 – \$45 million), which would have resulted in an increase (decrease) to net income of \$37 million (2017 – \$45 million) on a pre-tax basis.

## 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, 2018 are as follows:

(Thousands)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
<b>Preferred shares</b>					
Partners Value Split Class AA, Series 3 <sup>1</sup>	\$ 139,859	\$ 139,859	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 6 <sup>1</sup>	146,437	—	146,437	—	—
Partners Value Split Class AA, Series 7 <sup>1</sup>	73,310	—	—	73,310	—
Partners Value Split Class AA, Series 8 <sup>1</sup>	109,952	—	—	—	109,952
Partners Value Split Class AA, Series 9 <sup>1</sup>	109,965	—	—	—	109,965
Global Resource Champions Class A, Series 1 <sup>2</sup>	32,990	—	—	32,990	—
	<u>\$ 612,512</u>	<u>\$ 139,859</u>	<u>\$ 146,436</u>	<u>\$ 106,300</u>	<u>\$ 219,917</u>
<b>Interest expense</b>					
Partners Value Split Class AA, Series 3 <sup>1</sup>	\$ 817	\$ 817	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 6 <sup>1</sup>	18,809	6,590	12,219	—	—
Partners Value Split Class AA, Series 7 <sup>1</sup>	15,462	4,032	8,064	3,366	—
Partners Value Split Class AA, Series 8 <sup>1</sup>	30,681	5,278	10,556	10,556	4,291
Partners Value Split Class AA, Series 9 <sup>1</sup>	38,587	5,388	10,776	10,776	11,647
Global Resource Champions Class A, Series 1 <sup>2</sup>	9,074	2,062	4,124	2,888	—
	<u>\$ 113,430</u>	<u>\$ 24,167</u>	<u>\$ 45,739</u>	<u>\$ 27,586</u>	<u>\$ 15,938</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 2019, 2021, 2022, 2024 and 2026 for the Series 3, 6, 7, 8 and 9, respectively.

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2023.

The Partnership's contractual obligations as of December 31, 2017 are as follows:

(Thousands)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
<b>Preferred shares</b>					
Partners Value Split Class AA, Series 3 <sup>1</sup>	\$ 151,725	\$ —	\$ 151,725	\$ —	\$ —
Partners Value Split Class AA, Series 6 <sup>1</sup>	158,861	—	—	158,861	—
Partners Value Split Class AA, Series 7 <sup>1</sup>	79,530	—	—	79,530	—
Partners Value Split Class AA, Series 8 <sup>1</sup>	119,295	—	—	—	119,295
Global Champions Class A, Series 1 <sup>2</sup>	39,765	—	39,765	—	—
Global Resource Champions Class A, Series 1 <sup>3</sup>	35,789	—	—	—	35,789
	<u>\$ 584,965</u>	<u>\$ —</u>	<u>\$ 191,490</u>	<u>\$ 238,391</u>	<u>\$ 155,084</u>
<b>Interest expense</b>					
Partners Value Split Class AA, Series 3 <sup>1</sup>	\$ 7,480	\$ 6,601	\$ 879	\$ —	\$ —
Partners Value Split Class AA, Series 6 <sup>1</sup>	26,809	7,149	14,298	5,362	—
Partners Value Split Class AA, Series 7 <sup>1</sup>	20,777	4,374	8,748	7,655	—
Partners Value Split Class AA, Series 8 <sup>1</sup>	38,651	5,726	11,452	11,452	10,021
Global Champions Class A, Series 1 <sup>2</sup>	2,386	1,591	795	—	—
Global Resource Champions Class A, Series 1 <sup>3</sup>	12,303	2,237	4,474	4,474	1,118
	<u>\$ 108,406</u>	<u>\$ 27,678</u>	<u>\$ 40,646</u>	<u>\$ 28,943</u>	<u>\$ 11,139</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 2019, 2021, 2022 and 2024 for the Series 3, 6, 7 and 8, respectively.

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2019.

3 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2023.

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

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

Accounts receivable and other assets consists of the following:

<i>As at December 31</i> <i>(Thousands)</i>	<b>December 31, 2018</b>	December 31, 2017
Derivative assets	\$ 3,355	\$ 5,767
Taxes receivable	5,284	—
Investment income receivable and other	12,046	676
	<u>\$ 20,685</u>	<u>\$ 6,443</u>

Accounts payable and other liabilities consists of the following:

<i>As at December 31</i> <i>(Thousands)</i>	<b>December 31, 2018</b>	December 31, 2017
Derivative liabilities	\$ 1,023	\$ 21,120
Borrowings	8,511	50,847
Taxes payable	6,289	11,712
Other	14,944	25,065
	<u>\$ 30,767</u>	<u>\$ 108,744</u>

The borrowings of the Partnership consist of prime brokerage loan accounts with third party financial institutions pursuant to which it has pledged marketable securities as collateral.

## 12. CAPITAL MANAGEMENT

As at December 31, 2018, the capital base managed by the Company consisted of common equity with a carrying value of \$3 billion (December 31, 2017 – \$3.4 billion) and \$603 million (December 31, 2017 – \$576 million) of retractable fixed rate preferred shares issued by its subsidiaries. The Company has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

## 13. INVESTMENT VALUATION GAINS (LOSSES)

Investment valuation gains consists of realized gains of \$89 million (2017 – gain \$45 million) and unrealized loss of \$(84) million (2017 – gain \$42 million).

## 14. SUBSEQUENT EVENT

On January 10, 2019, the Partnership redeemed all of its 7,631,100 outstanding Partners Value Split Class AA Preferred Shares, Series 3 (the “Series 3 Preferred Shares”). The redemption price for each Series 3 Preferred Share was \$25.00 plus accrued and unpaid dividends of \$0.1222, representing a total redemption price of \$25.1222 per Series 3 Preferred Share.

## CORPORATE INFORMATION

### DIRECTORS

**Brian D. Lawson**  
*Chief Financial Officer*  
*Brookfield Asset Management Inc.*

**James L. R. Kelly<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

**Brian D. Lawson**  
*President, Chairman, and Chief Executive Officer*

**Leslie Yuen**  
*Director, Finance*

**Bryan Sinclair**  
*Senior Associate*

**Loretta M. Corso**  
*Corporate Secretary*

### CORPORATE OFFICE

Brookfield Place  
181 Bay Street, Suite 300  
Toronto, Ontario  
M5J 2T3  
Telephone: (416) 956-5142

### REGISTRAR AND TRANSFER AGENT

#### AST Trust Company (Canada)

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.astfinancial.com/ca-en/>  
E-mail: [inquires@astfinancial.com](mailto:inquires@astfinancial.com)

### EXCHANGE LISTING

TSX Venture Exchange Stock Symbol: PVF.WT

