



PARTNERS VALUE
INVESTMENTS LP

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FORWARD-LOOKING INFORMATION

This annual report contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of 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 statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Partners Value Investments LP (the "Partnership") and its affiliates, 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" and "could."

Although the Partnership believes that its 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 its 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., the impact or unanticipated impact of general economic, political and market factors; the behavior of financial markets, including fluctuations in interest and foreign exchanges rates; 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, catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in the Partnership's documents filed with the securities regulators in Canada.

The Partnership cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on the Partnership's forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Partnership undertakes no obligation to publicly update or revise any forward-looking statements and information, whether written or verbal, that may be as a result of new information, future events or otherwise.

Cautionary Statement Regarding Use of Non-IFRS Accounting Measures

This annual report makes reference to net income attributable to Equity Limited Partners and net book value per unit, and provides a full reconciliation between these measures and net income and total assets, respectively, which the Partnership considers to be the most directly comparable measures calculated in accordance with IFRS.

LETTER TO UNITHOLDERS

In 2016, our book value per equity unit increased by 14% to US\$26.96 per unit after taking into account the capital reorganization we concluded in July. This is a respectable result, beating the 12% growth in the S&P 500 Index. Our performance was primarily driven by the appreciation in our ownership stake in Brookfield Infrastructure Partners, our portfolio investment returns and the appreciation in our Brookfield Asset Management Inc. (“Brookfield”) shares.

This year, we have converted all of our financial reporting to US dollars having now adopted that as our functional currency going forward. We believe this will provide our unitholders with a better reflection of our economic returns as virtually all of our investments, and the overwhelming majority of investments within Brookfield, are all outside of Canada. As you know, Brookfield similarly adopted the US dollar as its functional currency many years ago.

Our investment returns for 2016 are summarized in the chart below:

Description	Net Invested Capital ⁽¹⁾	Investment Income ⁽²⁾	Capital Gains ⁽³⁾	Total Return	ROIC (%) ⁽⁴⁾
Brookfield Asset Management	\$2,371.2	\$62.6 ⁽⁵⁾	\$121.7	\$184.3	7%
Brookfield Infrastructure Partners	111.2	5.1	27.2	32.3	40%
Brookfield Property Partners	78.9	4.1	(5.3)	(1.2)	(1%)
Brookfield Business Partners	41.2	0.2	(1.4)	(1.2)	(3%)
New Horizons Income Fund	-	3.3	4.4	7.7	20%
Portfolio Investments	231.6	13.5 ⁽⁶⁾	60.1	73.5	46%
Preferred Units, Deferred Taxes and Other (net)	(851.7)	(18.3)	-	(18.3)	-
Total	\$1,982.4	\$70.5	\$206.8	\$277.3	14%
Per Equity Unit	\$26.96				

1. As at December 31, 2016, net of related debt
2. Net of interest/dividends on related debt
3. Includes both realized and unrealized gains (losses)
4. Calculated on average net capital invested during the year
5. Includes Brookfield Business Partners spin-out, valued at \$42.1 million
6. Includes interest/dividends received on securities held on swap

RESULTS OF OPERATIONS

In 2016, we reported net income of \$86 million of which \$73 million was attributable to the Equity Limited Partners, or \$0.99 per Equity LP unit, compared with a loss of \$17 million, or \$0.24 per Equity LP unit in 2015. The increase in net income is primarily due to the higher investment returns from our portfolio investments.

PERFORMANCE REVIEW

Brookfield Asset Management Inc. recorded an excellent year. The company strengthened its position as a leading global alternative asset manager by closing \$30 billion of new private funds, including two funds that are among the largest infrastructure and real estate funds globally. Funds from operations increased by 26% to \$3.2 billion or \$3.18 per share. Brookfield Infrastructure Partners posted an impressive 40% total return, increasing their funds from operations by 17%, taking advantage of numerous investment opportunities and increasing their dividend by 11%.

The net capital invested in our portfolio investments rose from \$128 million at the start of the year to \$232 million following the redemption of our investment in the New Horizons Income Fund in July and including the returns made during the year. This includes \$127 million we have invested in the two Global Champions funds, and is net of the related debt at Partners Value Investments LP (“the Partnership”) and within the two Global Champions funds. Overall, we had an outstanding year as we recorded a return of 46% on our average net invested capital.

Our strong investment return was due to our conviction in the spring that the market correction in the resource sector and related securities had run its course. At that time, we made two significant investment decisions. The first decision was to build a portfolio of US dollar first lien (or secured) high-yield bonds issued by resource companies as well as a portfolio of quasi-sovereign Brazilian bonds. The resource sector, and similarly Brazil, had been negatively impacted by the correction in commodity prices. The second decision was to acquire a diversified portfolio of common shares of leading global resource companies who we believed held irreplaceable long-life resource assets and were trading at substantially depressed valuations. Those two decisions produced the majority of our investment gains as market confidence returned to the resource sector and accounted for most of our exceptional portfolio returns.

OPERATING HIGHLIGHTS

During the year, we completed the reorganization of our capital base and conversion from a corporation to a partnership. This reorganization enhances our financial flexibility, and provides our limited partnership unitholders with greater financial leverage. We benefitted from our access to the preferred share market, raising C\$45 million in difficult conditions to deploy alongside our capital into the resource sector. We bolstered our human resources by hiring a Finance Director. And, we spent considerable time evaluating long-term investment opportunities in industry sectors that are unrelated to Brookfield's business.

Brookfield recently announced its intention to spin-out its investment in Trisura Group Ltd., a specialty property and casualty insurance company. When completed, together with our own unitholders, we will collectively own an approximate 20% interest in Trisura. We look forward to working with the management team of Trisura to build that company into a global specialty insurance company.

OUTLOOK

Our outlook for the coming year remains positive as we do not believe that the recent increase in interest rates will restrain the economic recovery that is now underway. We are cautious of industry sectors where valuations are high and continue to look for value-oriented investments across the globe. Brookfield is poised to deliver solid performance in the coming year. Overall, we are confident that we can continue to build long-term unitholder value.

We believe that Brookfield and its associated publicly listed partnerships are positioned to achieve strong returns in this environment. Our directly managed portfolios remain well diversified with over 80 individual securities and our largest exposure representing only 7% of the total portfolio. We have reduced our exposure to the US high-yield market with the decline in credit spreads, and to the broader resource industry. We have increased our ownership of common shares of companies that stand to benefit from a broad recovery in the US economy, such as auto companies and transportation-related firms. We have also partially hedged our exposure to the common shares of multinational consumer goods companies, which performed well in 2016, in the belief that market valuations are stretched. We will continue to monitor this group closely in 2017.

On behalf of the Partnership and the board, I would like to thank our employees, unitholders and service providers for their support. We look forward to an exciting and profitable year ahead.



George E. Myhal
President and Chief Executive Officer
April 5, 2017

BROOKFIELD ASSET MANAGEMENT

(\$ millions, except quantity)

Ownership	Quantity	Market Value
Directly Held	6,098,059	\$201.0
Partners Value Split Corp	79,740,966	2,628.1
Less: Preferred Shares		(457.9)
Total		\$2,371.2

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.

FINANCIAL HIGHLIGHTS

Brookfield reported net income for 2016 of \$3,338, or \$1.55 per share, compared with \$4,669, or \$2.26 per share, in the prior year. Funds from operations ("FFO") in 2016 were \$3,237, or \$3.18 per share, compared to \$2,559, or \$2.49 per share, in the prior year.

The 26% increase in FFO was due to the continued growth in fee bearing capital, including capital raised by private funds and the increased capitalization of Brookfield's publicly-listed partnerships. Brookfield also recorded carried interests relating to the monetization of investments in their private funds.

Brookfield declared a quarterly dividend of \$0.14 per share (representing \$0.56 per annum), payable on March 31, 2017. This represents an 8% increase over the prior year.

OPERATING HIGHLIGHTS

Fundraising – fee bearing capital increased by 16% to \$110 billion in 2016, driven largely by an increase of 44% in private funds. This includes closings of the latest series of flagship fund strategies in real estate, infrastructure and private equity and demonstrates the strong client demand for Brookfield's products.

Capital deployment – major investments made during the year include a 4.2 million square foot office portfolio in Mumbai India, a mixed-use office, retail and hospitality complex in Seoul South Korea, a 3,000 megawatt hydroelectric power plant portfolio in Colombia and a 70% stake in Brazil's largest water distribution business.

Financing – realized gross proceeds of approximately \$6 billion in the last two years by selling mature assets and redeploying the proceeds for higher returns. In addition, over \$35 billion of financings have been completed in the past two years, including \$20 billion in 2016, to take advantage of the low interest rate environment.

BROOKFIELD PUBLICLY-LISTED PARTNERSHIPS

(\$ millions, except quantity)

Ownership	Quantity	Market Value
Brookfield Infrastructure Partners	3,327,972	\$111.2
Brookfield Property Partners	3,613,446	78.9
Brookfield Business Partners	1,716,780	41.2
Total		\$231.3

The Partnership holds investments in three Brookfield listed partnerships: 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 property Partnership 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. The Partnership's investment in Brookfield Business Partners was received through a special dividend as a result of the spin-off of the business by Brookfield on June 20, 2016.

FINANCIAL HIGHLIGHTS

Each of Brookfield's publicly-listed partnerships recorded strong results in 2016. In particular, their funds from operations ("FFO") comfortably exceeded the distributions paid to unitholders. In recognition of this, Brookfield Infrastructure and Brookfield Property both increased their dividend payout for 2017 by 11% and 5% respectively.

Brookfield Infrastructure raised almost \$1 billion of additional equity and preferred share capital, and completed over \$3 billion of long-term financings. Brookfield Property achieved investment grade ratings, issued \$200 million of preferred shares and upsized its banking facility. Brookfield Business raised \$384 million of additional equity.

OPERATING HIGHLIGHTS

Brookfield Infrastructure – deployed over \$850 million in organic growth projects and completed over \$2 billion of new acquisitions, including toll roads in India and Peru, an Australian ports business, a Brazilian natural gas transmission business and others.

Brookfield Property – office occupancy is 92%, consistent with the prior year. The 7.3 million square foot development pipeline was advanced through active pre-leasing and is now 60% committed. A proposal was made to acquire the minority interest in Brookfield Canada Office properties that will integrate the North American office operations and simplify the corporate structure. Retail occupancy is 96% and same-property growth in 2016 was 5%.

Brookfield Business – was successfully spun-out of Brookfield during the year. In 2016, all existing businesses performed well. The investment in Maax was sold for an \$80 million gain. With partners, a 70% stake in Odebrecht Ambiental, Brazil's largest water distribution business, was acquired. Also, an investment was made in a leading fuel distributor in the UK.

DIVERSIFIED INVESTMENT PORTFOLIO

(\$ millions)

Description	Market Value
Marketable Securities Held by PVI LP ⁽¹⁾	\$327.1
Global Champions Portfolio	111.8
Global Resource Champions Portfolio	86.3
Preferred Shares Issued by Global Champions	(70.7)
Other liabilities ⁽²⁾	(222.9)
Total	\$231.6

1. Including financial derivatives

2. Including margin debt, derivatives and other

SUMMARY OF INVESTMENT RETURNS

Our strong investment return was due to our conviction in the spring that the market correction in the resource sector and related securities had run its course. At that time, we made two significant investment decisions. The first was to build a portfolio of US dollar first lien (or secured) high-yield bonds issued by resource companies as well as a portfolio of quasi-sovereign Brazilian bonds. The resource sector, and similarly Brazil, had been negatively impacted by the correction in commodity prices. The second was to acquire a diversified portfolio of common shares of leading global resource companies who we believed held irreplaceable long-life resource assets and were trading at substantially depressed valuations. Those two decisions produced the majority of our investment gains as market confidence returned to the resource sector and accounted for most of our exceptional portfolio returns.

The ten largest individual security gains for the year are summarized in the table below:

Top Individual Security Gains

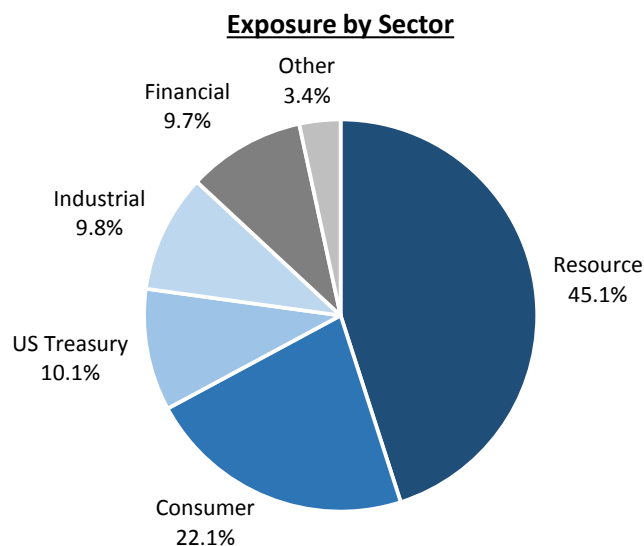
(\$ millions)

Rank	Issuer	Asset Class	Sector	Total Return	% of Portfolio Return
1	Petrobras	Bond	Resource	\$8.5	11.3%
2	Banco do Brasil	Bond	Financial	7.9	10.5%
3	Gol Linhas Aereas Inteligentes	Bond	Airline	4.4	5.9%
4	Freeport McMoran	Bond	Resource	4.0	5.4%
5	Teck Resources	Bond	Resource	3.9	5.2%
6	Consol Energy	Bond	Resource	3.6	4.8%
7	Sprint	Bond	Telecom	3.4	4.5%
8	Samarco	Bond	Resource	2.9	3.8%
9	Royal Dutch Shell	Equity	Resource	2.8	3.7%
10	BP Plc	Equity	Resource	2.2	3.0%
Total				\$43.6	58.1%

PORTFOLIO COMPOSITION

Our current portfolio remains well diversified with over 80 individual securities and our largest exposure representing only 7% of the total portfolio. We have reduced our exposure to the US high-yield market with the decline in credit spreads, and to the broader resource industry. We have increased our ownership of common shares of companies that stand to benefit from a broad recovery in the US economy, such as auto companies and transportation-related firms. We have also partially hedged our exposure to the common shares of multinational consumer goods companies, which performed well in 2016, in the belief that market valuations are stretched. We will continue to monitor this group closely in 2017.

The composition of our December 31, 2016 portfolio by industry and security type is reflected in the following chart and table:



Based on net economic exposure (excluding financial derivatives).

Top Individual Positions (\$ millions)

Rank	Issuer	Asset Class	Sector	Size	% of Portfolio
1	Petrobras	Bond	Resource	\$33.5	6.4%
2	Banco do Brasil	Bond	Financial	24.6	4.7%
3	Apple	Equity	Consumer	17.8	3.4%
4	General Motors	Equity	Automobile	14.4	2.7%
5	Royal Dutch Shell	Equity	Resource	11.7	2.2%
6	American Airlines	Equity	Airline	11.4	2.2%
7	BP Plc	Equity	Resource	10.8	2.1%
8	Samarco	Bond	Resource	10.5	2.0%
9	Chesapeake	Equity	Resource	9.6	1.8%
10	KKR & Co	Equity	Financial	9.0	1.7%
Total				\$153.3	29.2%

Based on net economic exposure (excluding financial derivatives).

STATEMENT OF FINANCIAL POSITION

<i>As at</i> <i>(Thousands, except per unit amounts)</i>	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 5,971	\$ 92,107
Investments		
Brookfield Asset Management Inc. ¹	2,829,156	2,707,474
Other securities	612,734	447,548
Accounts receivable and other assets	20,881	5,903
	<u>\$ 3,468,742</u>	<u>\$ 3,253,032</u>
Liabilities and shareholders' equity		
Accounts payable and other liabilities	\$ 124,820	\$ 175,971
Preferred shares ²	521,155	510,339
Deferred taxes ³	340,470	306,458
	<u>986,445</u>	<u>992,768</u>
Equity		
Partners Value Investments Inc.	—	2,260,264
Partnership's Equity		
Equity Limited Partners	1,982,394	—
General Partner	1	—
Preferred Limited Partners	499,902	—
	<u>\$ 3,468,742</u>	<u>\$ 3,253,032</u>
Net book value per unit ^{4,5}	<u>\$ 26.96</u>	<u>\$ 30.73</u>

- The investment in Brookfield Asset Management Inc. consists of 86 million Brookfield shares with a quoted market value of \$32.96 per share as at December 31, 2016 (December 31, 2015 – \$31.54).*
- Represents \$529 million of retractable preferred shares less \$8 million of unamortized issue costs as at December 31, 2016 (December 31, 2015 – \$518 million less \$8 million).*
- 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.*
- As at December 31, 2016, there were 73,541,531 (December 31, 2015 – 73,543,831) Equity LP units issued and outstanding on a fully diluted basis.*
- Net book value per unit is a non-IFRS measure. Net book value is equal to total equity less General Partner equity and Preferred Limited Partners equity.*

CHANGE IN NET BOOK VALUE

<i>For the years ended December 31</i> <i>(Thousands, except per unit amounts)</i>	2016		2015	
	Total	Per Unit	Total	Per Unit
Net book value, beginning of period ¹	\$ 2,260,264	\$ 30.73	\$ 2,374,208	\$ 32.28
Net income ²	72,513	0.99	(17,364)	(0.24)
Other comprehensive income ²	149,520	2.03	(96,580)	(1.31)
Re-organization	(499,903)	(6.79)	—	—
Net book value, end of period ^{1,3}	<u>\$ 1,982,394</u>	<u>\$ 26.96</u>	<u>\$ 2,260,264</u>	<u>\$ 30.73</u>

- Net book value per unit is non-IFRS measure.*
- Attributable to Equity Limited Partners and Partners Value Investments Inc.*
- The weighted average number of Equity Limited Partnership ("Equity LP") units outstanding during the year ended December 31, 2016 was 73,543,831 (2015 – 73,543,831).*
- As at December 31, 2016, there were 73,543,831 (December 31, 2015 – 73,543,831) Equity LP units issued and outstanding on a fully diluted basis.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 as well as its other securities portfolio, 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., which owns a diversified portfolio of large capitalization companies, and a 100% interest in Global Resource Champions Split Corp., which owns a portfolio of large capitalization resource companies (together "Global Champions"); 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.

CHANGE IN PRESENTATION CURRENCY

Effective January 1, 2016, the Partnership changed its presentation currency to US dollars from Canadian dollars. This change in presentation currency was made to better represent the consolidated financial statements to reflect the Partnership's financial position and investment holdings, most of which are US dollar based. The Partnership's Management made the decision to change its consolidated financial statements' presentation currency from Canadian dollars to US dollars for users of the consolidated financial statements to better understand its financial results and financial position, while also allowing management to track the performance in US dollars on a going forward basis.

RESULTS OF OPERATIONS

Net income for the year was \$86 million, of which \$73 million was attributable to the Equity Limited Partners (\$0.99 per Equity LP unit) compared to a net loss of \$17 million (\$0.24 per Equity LP unit) in the prior year. The increase in net income was primarily due to an increase in investment income and higher level of returns from our investment activity.

Adjusting for the impact of the capital reorganization completed in July, the Partnership's net book value increased 13% to \$26.96 from \$23.94 per unit due to higher investment returns and an increase in the value of Brookfield related securities. Otherwise, the Partnership's net book value decreased by \$3.77 per unit to \$26.96 per unit primarily due to the capital reorganization as a portion of the previous equity of Partners Value Investments Inc. was exchanged for Preferred Limited Partnership units.

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

For the years ended December 31
(Thousands)

	2016	2015	Change
Investment income			
Dividends	\$ 61,942	\$ 53,622	\$ 8,320
Other investment income	5,228	1,522	3,706
	<u>67,170</u>	<u>55,144</u>	<u>12,026</u>
Expenses			
Operating expenses	(15,270)	(3,160)	(12,110)
Financing costs	(2,116)	(871)	(1,245)
Retractable preferred share dividends	(25,289)	(22,202)	(3,087)
	<u>24,495</u>	<u>28,911</u>	<u>(4,416)</u>
Other items			
Investment valuation gains (losses)	72,967	(37,929)	110,896
Amortization of deferred financing costs	(1,834)	(1,493)	(341)
Change in value of fund unit liability	(896)	3,182	(4,078)
Income taxes	(22,394)	6,737	(29,131)
Foreign currency gains (losses)	13,393	(16,772)	30,165
Net income (loss)	<u>\$ 85,731</u>	<u>\$ (17,364)</u>	<u>\$ 103,095</u>
Net income (loss) attributable to:			
Partners Value Investments Inc.	\$ 51,198	\$ (17,364)	\$ 68,562
Equity Limited Partners	21,315	—	21,315
General Partner	—	—	—
Preferred Limited Partners	13,218	—	13,218
	<u>\$ 85,731</u>	<u>\$ (17,364)</u>	<u>\$ 103,095</u>

Investment Income

Investment income consists of the following for the years ended December 31:

For the years ended December 31
(Thousands)

	2016	2015
Dividends		
Brookfield Asset Management Inc.	\$ 44,732	\$ 40,774
Other securities	17,210	12,848
Other investment income	5,228	1,522
	<u>\$ 67,170</u>	<u>\$ 55,144</u>

The Partnership received dividend income of \$45 million (2015 – \$41 million) from its investment in Brookfield and \$17 million (2015 – \$13 million) from its other securities investments during the year ended December 31, 2016. Dividend income increased due to an increase in the dividend rate from Brookfield. Dividend from other securities and other investment income increased due to our investment activities during the year.

Preferred Share Dividends

The Partnership paid \$25 million (2015 – \$22 million) of dividends on the retractable preferred shares during the year ended December 31, 2016.

Operating Expenses

The Partnership recorded \$15 million (2015 – \$3 million) of operating expenses during the year ended December 31, 2016. The increase in operating expenses is related to the increase in investment activities and one-time expenses associated with the reorganization of the Partnership.

Investment Valuation Gains (Losses)

Investment valuation gains (losses) include unrealized gains and losses on the Partnership's investments classified as fair value through profit and loss along with certain non-foreign currency derivatives. 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. The valuation gains incurred during the year were due to increases in market value on the Partnership's investments and realized gains on the disposition of investments.

Amortization of Deferred Financing Costs

The amortization of deferred financing costs associated with preferred shares issued by the Partnership's subsidiaries resulted in a charge against income of \$2 million (2015 – \$1 million) during the year ended December 31, 2016.

Income Taxes

The Partnership recorded an income tax expense of \$22 million (2015 – \$7 million recovery) during the year ended December 31, 2016. The higher expense in the current year is a product of higher investment income and realized gains on disposition of investments, whereas the prior year had a deferred tax recovery.

Foreign Currency Gains (Losses)

Foreign currency gains represents gains and losses arising from the translation of non-Canadian dollar transactions in addition the realized and unrealized changes in the value of the Partnership's foreign currency derivatives.

FINANCIAL POSITION

The Partnership's total assets were \$3.5 billion at December 31, 2016 (December 31, 2015 – \$3.2 billion) and consist primarily of its \$2.8 billion investment in 86 million Brookfield shares (December 31, 2015 – \$2.7 billion). The market price of a Brookfield share increased from \$31.54 per share at December 31, 2015 to \$32.96 at December 31, 2016.

Investment Portfolio

<i>As at</i> <i>(Thousands)</i>	Number of Shares		Fair Value	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Brookfield Asset Management Inc.	85,839	85,839	\$ 2,829,156	\$ 2,707,474
Other securities				
Brookfield Infrastructure Partners L.P.	3,328	2,219	\$ 111,222	\$ 83,975
Brookfield Property Partners L.P.	3,613	3,613	78,850	84,128
Brookfield Business Partners L.P.	1,717	—	41,205	—
Subsidiaries portfolios ¹	Various	Various	198,070	176,003
Other securities portfolio	Various	Various	183,387	103,442
			\$ 612,734	\$ 447,548

¹ Represents the portfolios held by Global Champions and Global Resource Champions. Prior year's balance includes the portfolio held by New Horizons.

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.

Other Securities

The Partnership holds investments in three Brookfield listed partnerships: 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 property Partnership 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. The Partnership's investment in Brookfield Business Partners was received through a special dividend as a result of the spin-off of the business by Brookfield on June 20, 2016.

Our subsidiaries portfolios consist of the investments held by Global Champions and Global Resource Champions. Global Champions has a diversified portfolio invested in large capitalization companies across multiple industries. Global Resource Champions has a diversified portfolio invested in large capitalization companies within the commodities and resource industry. The Partnership also has a portfolio of other securities, consisting mainly of public 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 driven by changes in the market value of the Partnership's investments.

Equity

As at December 31, 2016, unitholders' equity consisted of \$2.0 billion of Equity Limited Partners, \$500 million of Preferred Limited Partners, and \$1 thousand of General Partner (2015 – \$2.3 billion of Partners Value Investments Inc. equity). The increase in equity is primarily the result of higher comprehensive income driven by market value.

Preferred Shares

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

As at (Thousands)	Shares Outstanding		Book Value	
	December 31, 2016	Dec. 31, 2015	December 31, 2016	Dec. 31, 2015
Partners Value Split Class AA				
4.95% Series 1 – March 25, 2016	—	2,055	\$ —	\$ 37,236
4.35% Series 3 – January 10, 2019	7,631	7,631	141,937	137,855
4.85% Series 5 – December 10, 2017	4,999	4,999	92,980	90,306
4.50% Series 6 – October 8, 2021	7,990	7,990	148,612	144,338
5.50% Series 7 – October 31, 2022	4,000	4,000	74,399	72,260
Global Champions Class A				
4.00% Series 1 – July 31, 2019	2,000	2,000	37,194	36,135
Global Resource Champions Class A				
6.25% Series 1 – May 25, 2023	1,800	—	33,475	—
			<u>528,597</u>	<u>518,130</u>
Deferred financing costs ¹			<u>(7,442)</u>	<u>(7,791)</u>
			<u>\$ 521,155</u>	<u>\$ 510,339</u>

¹ 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 \$6 million and investments of \$3.4 billion as at December 31, 2016 (December 31, 2015 – \$92 million and \$3.2 billion respectively). The Partnership has operating cash requirements of \$26 million in scheduled dividend payments on its preferred shares which are less than the distributions expected to be received on 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 units of the Partnership.

Fluctuations in Value of Investments

The value of the Equity LP units 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 Equity LP units 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 Equity LP units 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 dollars. 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 Company.

Leverage

The Partnership's assets are financed in part with the retractable preferred shares issued by Partners Value Split, Global Champions and Global Resource Champions. This results in financial leverage that will increase the sensitivity of the value of the Equity LP units 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 Partnership units. 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 the units of the Partnership does not constitute a direct investment in the Brookfield shares of Brookfield or other securities held by the Partnership, and holders of the units of the Partnership do not have any voting rights in respect of such securities.

Contractual Obligations

The Partnership's contractual obligations as of December 31, 2016 are as follows:

<i>(Thousands)</i>	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Preferred shares					
Partners Value Split Class AA, Series 3 ¹	\$ 141,937	\$ —	\$ 141,937	\$ —	\$ —
Partners Value Split Class AA, Series 5 ¹	92,980	92,980	—	—	—
Partners Value Split Class AA, Series 6 ¹	148,612	—	—	148,612	—
Partners Value Split Class AA, Series 7 ¹	74,399	—	—	—	74,399
Global Champions Class A, Series 1 ²	37,194	—	37,194	—	—
Global Resource Champions Class A, Series 1 ³	33,475	—	—	—	33,475
Interest Expense					
Partners Value Split Class AA, Series 3 ¹	\$ 13,042	\$ 6,174	6,868	—	—
Partners Value Split Class AA, Series 5 ¹	4,633	4,633	—	—	—
Partners Value Split Class AA, Series 6 ¹	32,463	6,688	13,375	12,400	—
Partners Value Split Class AA, Series 7 ¹	24,213	4,092	8,184	8,184	3,753
Global Champions Class A, Series 1 ²	4,469	1,730	2,739	—	—
Global Resource Champions Class A, Series 1 ³	15,268	2,349	4,698	4,698	3,523

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, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, 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.

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the Partnership:

<i>As at and for the</i> <i>(Thousands, except per unit amounts)</i>	Years ended December 31	
	2016	2015
Net income (loss)	\$ 85,731	\$ (17,364)
Net income (loss) per unit	1.17	(0.24)
Total assets	3,468,742	3,253,032
Total long-term liabilities	861,625	816,797

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

<i>For the year ended</i> <i>(Thousands, except per unit amounts)</i>	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss)	\$ 23,079	\$ 11,679	\$ 30,013	\$ 20,960	\$ (816)	\$ (27,974)	\$ 1,625	\$ 9,801
Net income (loss) per unit	\$ 0.32	\$ 0.16	\$ 0.41	\$ 0.28	\$ (0.02)	\$ (0.38)	\$ 0.02	\$ 0.14

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 eight 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, 2016 (2015 – less than \$1 million).

The Partnership is substantially owned by individuals associated with Brookfield Asset Management Inc. ("Brookfield"). The investing activities of the Partnership are managed by a dedicated investment team that does not participate in managing any Brookfield client accounts. Brookfield and the Partnership have adopted policies and procedures designed to ensure that PVI's activities do not conflict with, or materially adversely affect Brookfield fund holders, and that, to extent feasible, Brookfield and its managed fund holders' interests are prioritized relative to the Partnership should any potential conflict arise.

It is generally expected that the Partnership will have a different investing strategy and approach from that of Brookfield and its managed funds and therefore will make investments that Brookfield and its managed funds do not make (or make similar investments at different times as a result of such different investment strategy and approach). While physically separate, there is no formal informational barrier between the Partnership's investment team and the rest of Brookfield.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Adoption of Accounting Standards

Investments in Associates and Joint Ventures

The amendments to IFRS 10, Consolidated Financial Statements ("IFRS 10"), and IAS 28, Investments in Associates and Joint Ventures (2011) ("IAS 28") address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016 with earlier application permitted. The Partnership's adoption of these amendments did not result in any material impact on its consolidated financial statements.

Presentation of Financial Statements

In December 2014, Disclosure Initiative was issued, which amends IAS 1, *Presentation of Financial Statements* (“IAS 1”). The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and Partnership notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments were effective for annual periods beginning on or after January 1, 2016. The Partnership’s adoption of these amendments did not result in any material impact on its consolidated financial statements.

Future Changes in Accounting Standards

Financial Instruments

In July 2014, the IASB issued the final publication of IFRS 9, Financial Instruments (“IFRS 9”), superseding 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 will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Partnership has not yet determined the impact of IFRS 9 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 Vice President, Finance of the Partnership evaluated the effectiveness of the Partnership’s disclosure controls and procedures (as defined in “National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings”) as at December 31, 2016, 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, 2016 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.

CAPITAL REORGANIZATION

On April 25, 2016, PVII announced a proposed capital reorganization by way of a plan of arrangement under Ontario law which was voted on and approved at the Annual Shareholders Meeting of PVII held on May 26, 2016. The proposal was approved at the meeting. The implementation of the capital reorganization was completed and closed on July 4, 2016. Upon closing, all outstanding common and non-voting shares of PVII were exchanged for a combination of equity limited partnership units and preferred limited partnership units of the Partnership, and the common shares of PVII were de-listed from the TSX Venture Exchange. As of July 4, 2016, PVII is a wholly owned subsidiary of the Partnership.



George E. Myhal
President and Chief Executive Officer
April 5, 2017

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 Partnership 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.



George E. Myhal
President and Chief Executive Officer
April 5, 2017

Independent Auditor's Report

To the Unitholders of
Partners Value Investments Limited Partnership

We have audited the accompanying consolidated financial statements of Partners Value Investments Limited Partnership, which comprise the consolidated statements of financial position as at December 31, 2016, December 31, 2015, and January 1, 2015, and the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Partners Value Investments Limited Partnership as at December 31, 2016, December 31, 2015, and January 1, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

The image shows a handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in black ink and is positioned centrally below the opinion text.

Chartered Professional Accountants
Licensed Public Accountants
April 5, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>As at</i> <i>(Thousands, US dollars)</i>	Note	December 31, 2016	December 31, 2015 ^{Note 2(f)}	January 1, 2015 ^{Note 2(f)}
Assets				
Cash and cash equivalents		\$ 5,971	\$ 92,107	\$ 16,651
Accounts receivable and other assets	11	20,881	5,903	33,717
Brookfield Asset Management Inc.	3, 4	2,829,156	2,707,474	2,816,875
Other securities	3, 4	612,734	447,548	377,354
		<u>\$ 3,468,742</u>	<u>\$ 3,253,032</u>	<u>\$ 3,244,597</u>
Liabilities and shareholders' equity				
Accounts payable and other liabilities	11	\$ 124,820	\$ 175,971	\$ 21,378
Preferred shares	5	521,155	510,339	522,999
Deferred taxes	8	340,470	306,458	326,012
		<u>986,445</u>	<u>992,768</u>	<u>870,389</u>
Equity				
Partners Value Investments Inc.	6	—	2,260,264	2,374,208
Partnership's Equity				
Equity Limited Partners		1,982,394	—	
General Partner		1	—	
Preferred Limited Partners		499,902	—	
		<u>2,482,297</u>	<u>2,260,264</u>	<u>2,374,208</u>
		<u>\$ 3,468,742</u>	<u>\$ 3,253,032</u>	<u>\$ 3,244,597</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31 (Thousands, US dollars, except per unit amounts)	Note	Year ended	
		2016	2015 ^{Note 2(f)}
Investment income			
Dividends		\$ 61,942	\$ 53,622
Other investment income		5,228	1,522
		<u>67,170</u>	<u>55,144</u>
Expenses			
Operating expenses		(15,270)	(3,160)
Financing costs		(2,116)	(871)
Retractable preferred share dividends		(25,289)	(22,202)
		<u>24,495</u>	<u>28,911</u>
Other items			
Investment valuation gains (losses)		72,967	(37,929)
Amortization of deferred financing costs		(1,834)	(1,493)
Change in value of fund unit liability	11	(896)	3,182
Current taxes	8	(13,588)	(3,954)
Deferred taxes	8	(8,806)	10,691
Foreign currency gains (losses)		13,393	(16,772)
Net income (loss)		<u>\$ 85,731</u>	<u>\$ (17,364)</u>
Net income (loss) per unit (Note 7)		<u>\$ 1.17</u>	<u>\$ (0.24)</u>
Net income (loss) attributable to:			
Partners Value Investments Inc.		51,198	(17,364)
Equity Limited Partners		21,315	—
General Partner		—	—
Preferred Limited Partners		13,218	—
		<u>\$ 85,731</u>	<u>\$ (17,364)</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)		Year ended	
		2016	2015 ^{Note 2(f)}
Net income (loss)		<u>\$ 85,731</u>	<u>\$ (17,364)</u>
Items that may be reclassified to net income			
Unrealized gains on available-for-sale securities		101,156	342,102
Foreign currency translation		65,961	(392,613)
Deferred income taxes	8	(17,597)	(46,069)
Other comprehensive (losses) income		<u>149,520</u>	<u>(96,580)</u>
Comprehensive (losses) income		<u>\$ 235,251</u>	<u>\$ (113,944)</u>
Comprehensive income (loss) attributable to:			
Partners Value Investments Inc.		\$ 185,134	\$ (113,944)
Equity Limited Partners		36,899	—
General Partner		—	—
Preferred Limited Partners		13,218	—
		<u>\$ 235,251</u>	<u>\$ (113,944)</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Partners Value Investments Inc.			Equity Limited Partners						
	Equity	Accumulated other comprehensive income	Partners Value Investments Inc.	Capital	Retained Earnings	Accumulated other comprehensive income	Equity Limited Partners	General Partner	Preferred Limited Partners	Total Equity
<i>For the year ended December 31, 2016 (Thousands, US dollars)</i>										
Balance, beginning of period	\$ 68,905	\$ 2,191,359	\$ 2,260,264	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,260,264
Net income	51,198	—	51,198	—	21,315	—	21,315	—	13,218	85,731
Other comprehensive (loss) income	—	133,936	133,936	—	—	15,584	15,584	—	—	149,520
Comprehensive income	51,198	133,936	185,134	—	21,315	15,584	36,899	—	13,218	235,251
Distribution	—	—	—	—	—	—	—	—	(13,218)	(13,218)
Re-organization	(120,103)	(2,325,295)	(2,445,398)	1,945,495	—	—	1,945,495	1	499,902	—
Balance, end of period	\$ —	\$ —	\$ —	\$ 1,945,495	\$ 21,315	\$ 15,584	\$ 1,982,394	\$ 1	\$ 499,902	\$ 2,482,297
<i>For the year ended December 31, 2015^{Note 2(f)} (Thousands, US dollars)</i>										
Balance, beginning of period	\$ 86,269	\$ 2,287,939	\$ 2,374,208	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,374,208
Net loss	(17,364)	—	(17,364)	—	—	—	—	—	—	(17,364)
Other comprehensive income	—	(96,580)	(96,580)	—	—	—	—	—	—	(96,580)
Comprehensive income	(17,364)	(96,580)	(113,944)	—	—	—	—	—	—	(113,944)
Balance, end of period	\$ 68,905	\$ 2,191,359	\$ 2,260,264	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,260,264

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (Thousands, US dollars)	Year ended	
	2016	2015 ^{Note 2(f)}
Cash flow from operating activities		
Net income	\$ 85,731	\$ (17,364)
Add (deduct) non-cash items:		
Investment valuation (gains) losses	(72,967)	37,929
Unrealized foreign exchange (gains) losses	(8,095)	19,941
Amortization of deferred financing costs	1,834	1,493
Change in value of fund unit liability	896	(3,182)
Deferred taxes	8,376	(10,691)
	<u>15,775</u>	<u>28,126</u>
Changes in working capital and foreign currency	5,083	(7,304)
	<u>20,858</u>	<u>20,822</u>
Cash flow used in investing activities		
Purchase of securities	(207,204)	(188,127)
Sale of securities	188,605	26,572
	<u>(18,599)</u>	<u>(161,555)</u>
Cash flow used in financing activities		
Preferred shares issued	33,634	75,707
Preferred shares redeemed	(39,086)	—
Borrowings drawn	—	15,126
Borrowings repaid	(75,000)	124,295
Distribution to preferred units	(7,581)	—
Distribution to fund unit liability	(362)	1,061
	<u>(88,395)</u>	<u>216,189</u>
Cash and cash equivalents		
Change in cash and cash equivalents	(86,136)	75,456
Balance, beginning of year	92,107	16,651
Balance, end of year	<u>\$ 5,971</u>	<u>\$ 92,107</u>

Supplemental Cash Flow Information

For the years ended December 31 (Thousands, US dollars)	Year ended	
	2016	2015 ^{Note 2(f)}
Cash interest and dividends received	\$ 67,170	\$ 45,699
Retractable preferred share dividends paid	(25,289)	(22,202)
Income taxes paid	(13,663)	(4,042)

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”), and Global Champions Split Corp. and Global Resource Champions Split Corp. (together “Global Champions”). The Partnership was formed 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 Partnership’s registered office is Brookfield Place, 181 Bay Street, Suite 210, 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 April 5, 2017.

(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

Income Taxes

The Partnership follows the asset and 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 Payable and Other Liabilities

Accounts receivable and other assets and accounts payable and other liabilities balances represent current assets and liabilities. The balances are classified as loans and receivables or other financial liabilities and are recorded at amortized cost which approximates the fair value. Also included in these balances are derivative assets and 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 and Other Securities

The Partnership accounts for its investment in Brookfield, Brookfield Infrastructure Partners, Brookfield Property Partners and Brookfield Business Partners as available-for-sale financial instruments at fair value with changes in their fair value recorded in other comprehensive income. The Partnership accounts for its investments in the other 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.

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.

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 Canadian dollar. The presentation currency is the US 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:

Financial Instruments

The critical assumptions and estimates used in determining the fair value of financial instruments are: equity prices, future interest rates and estimated future cash flows.

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

Investments in Associates and Joint Ventures

The amendments to IFRS 10, Consolidated Financial Statements ("IFRS 10"), and IAS 28, Investments in Associates and Joint Ventures (2011) ("IAS 28") address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments were effective for transactions occurring in annual periods beginning on or after January 1, 2016 with earlier application permitted. The Partnership's adoption of these amendments did not result in any material impact on its consolidated financial statements.

Presentation of Financial Statements

In December 2014, Disclosure Initiative was issued, which amends IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. The Partnership's adoption of these amendments did not result in any material impact on its consolidated financial statements.

(e) Future Changes in Accounting Standards

Financial Instruments

In July 2014, the International Accounting Standards Board ("IASB") issued the final publication of IFRS 9, *Financial Instruments* ("IFRS 9"), superseding 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 will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Partnership has not yet determined the impact of IFRS 9 on its consolidated financial statements.

(f) Change in Presentation Currency

Effective January 1, 2016, the Partnership changed its presentation currency to US dollars from Canadian dollars. The Partnership's management made the decision to change its consolidated financial statements' presentation currency from Canadian dollars to US dollars for users of the consolidated financial statements to better understand its financial results and financial position, while also allowing management to track the performance in US dollars on a going forward basis.

The consolidated financial statements have been prepared in US dollars as if the US dollar had been the presentation currency since January 1, 2015, and all comparative prior-period financial information has been restated to US dollars in accordance with International Accounting Standard ("IAS") 21, "The Effect of Changes in Foreign Exchange Rates" ("IAS 21"), including the opening 2015 balances. The change in presentation currency had no impact on the Partnership's functional currency, which remained in Canadian dollars. For purposes of presentation of the comparative consolidated financial statements, all assets and liabilities have been translated to US dollars at the rate prevailing at the end of the reporting period. Accordingly, the balances since inception for shareholders' equity have been translated at the exchange rate at the date of the underlying transaction, and retained earnings at the average exchange rate of the year that the respective income or loss occurred. Revenues, expenses, gains, losses, and cash flow amounts have been translated to US dollars at the average exchange rate for the period. Other equity transactions, such as dividends paid, are converted at the average exchange rate for the period depending on the nature of the underlying transaction. Resulting exchange differences arising from the translation are included within other comprehensive income or loss as foreign currency translation.

The exchange rates used in the converting Canadian dollars to US dollars were as follows:

Year-end	Spot exchange Rate at period end	Average exchange rate for the period
2016	1.344100	1.324849
2015	1.383900	1.279000
2014	1.162100	—

3. INVESTMENT PORTFOLIO

The Partnership's investment portfolio consists of the following:

As at (Thousands)	Classification ¹	Number of Shares		Fair Value	
		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Brookfield Asset Management Inc.	AFS	85,839	85,839	\$ 2,829,156	\$ 2,707,474
Other securities					
Brookfield Infrastructure Partners L.P.	AFS	3,328	2,219	\$ 111,222	\$ 83,975
Brookfield Property Partners L.P.	AFS	3,613	3,613	78,850	84,128
Brookfield Business Partners L.P.	AFS	1,717	—	41,205	—
Subsidiaries portfolios ²	FVTPL	Various	Various	198,070	176,003
Other securities portfolio	FVTPL	Various	Various	183,387	103,442
				<u>\$ 612,734</u>	<u>\$ 447,548</u>

As at (Thousands)	Classification ¹	Number of Shares		Fair Value	
			Jan. 1, 2015		Jan. 1, 2015
Brookfield Asset Management Inc.	AFS		85,839	\$	2,816,875
Other securities					
Brookfield Infrastructure Partners L.P.	AFS		2,219	\$	92,881
Brookfield Property Partners L.P.	AFS		3,613		82,244
Brookfield Business Partners L.P.	AFS		—		—
Subsidiaries portfolios ²	FVTPL		Various		202,229
Other securities portfolio	FVTPL		Various		—
				<u>\$</u>	<u>377,354</u>

1 AFS represents available for sale and FVTPL represents fair value through profit and loss accounting classification. Changes in fair value of AFS securities are recorded in other comprehensive income, and changes in fair value of FVTPL are recorded in net income.

2 Represents the portfolios held by Global Champions and Global Resource Champions. Prior year's balance includes the portfolio held by New Horizons.

The Partnership's investment in Class A Limited Voting Shares of Brookfield at December 31, 2016 represents a 9% (December 31, 2015 – 9%; January 1, 2015 – 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)	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	\$ 2,829,156	\$ —	\$ —	\$ 2,707,474	\$ —	\$ —
Other securities	612,734	—	—	447,548	—	—
Derivative assets ¹	—	5,908	—	—	4,249	—
Derivative liabilities ¹	—	(17,970)	—	—	(22,646)	—
	<u>\$ 3,441,890</u>	<u>\$ (12,062)</u>	<u>\$ —</u>	<u>\$ 3,155,022</u>	<u>\$ (18,397)</u>	<u>\$ —</u>

As at (Thousands)	January 1, 2015		
	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	\$ 2,816,875	\$ —	\$ —
Other securities	377,354	—	—
Derivative assets ¹	—	—	—
Derivative liabilities ¹	—	—	—
	<u>\$ 3,194,229</u>	<u>\$ —</u>	<u>\$ —</u>

1 Presented within accounts receivable/accounts payable and other on the statement of financial position.

As at December 31, 2016, a cumulative pre-tax gain of \$2.0 billion (December 31, 2015 – \$1.8 billion; January 1, 2015 – \$1.8 billion) has been recognized for financial instruments classified as available-for-sale, 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)	Shares Outstanding			Book Value		
	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Partners Value Split Class AA						
4.95% Series 1 – March 25, 2016	—	2,074	2,074	\$ —	\$ 37,477	\$ 44,628
4.35% Series 3 – January 10, 2019	7,631	7,631	7,631	141,937	137,855	164,166
4.85% Series 5 – December 10, 2017	4,999	4,999	4,999	92,980	90,306	107,542
4.50% Series 6 – October 8, 2021	7,990	7,990	7,990	148,612	144,338	172,102
5.50% Series 7 – October 31, 2022	4,000	4,000	—	74,399	72,260	—
Global Champions Class A						
4.00% Series 1 – July 31, 2019	2,000	2,000	2,000	37,194	36,135	37,038
Global Resource Champions Class A						
6.25% Series 1 – May 25, 2023	1,800	—	—	33,475	—	—
				<u>528,597</u>	<u>518,371</u>	<u>525,476</u>
Deferred financing costs				<u>(7,442)</u>	<u>(8,032)</u>	<u>(2,477)</u>
				<u>\$ 521,155</u>	<u>\$ 510,339</u>	<u>\$ 522,999</u>

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

Partners Value Split

Partners Value Split ("PVS") 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 (“GC”) and Global Resource Champions (“GRC”) are each 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, 5, 6 and 7	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, 3, 4 and 5 debentures, respectively, determined by dividing the holder's aggregate preferred share Retraction Price by CAD \$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 5	The Series 3 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on December 10, 2017. Holders of the Series 3 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.95% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 3 debentures can be redeemed by the Partnership at any time. The Series 3 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.
GC Series 1	The Series 1 debenture will have a principal amount of CAD \$25.00 per debenture and will mature on July 31, 2019. Holders of the Series 1 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.10% 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.
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.

Redemption

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

PVS Series 1 May be redeemed by the Partnership 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 3 May be redeemed by the Partnership at any time on or after December 10, 2015, and prior to December 10, 2017, (the "Series 5 Redemption Date") at a price which until December 10, 2016, will equal CAD \$25.50 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 5 Redemption Date. All Class AA Series 5 senior preferred shares outstanding on the Series 5 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.

PVS Series 4 May be redeemed by the Partnership 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 Partnership 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 Partnership determines that such a bid is in the best interest of the holders of the capital shares.

PVS Series 5 May be redeemed by the Partnership 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 Partnership may redeem Class AA, Series 7 senior preferred shares prior to October 31, 2020 for \$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 Partnership determines that such a bid is in the best interest of the holders of the capital shares.

GC Series 1 The preferred shares may be redeemed by the Partnership at any time at a price equal to (i) CAD \$26.00 per share plus accrued and unpaid dividends if the date specified for redemption is prior to July 31, 2017; (ii) CAD \$25.50 per share plus accrued and unpaid dividends if the date specified for redemption is on or after July 31, 2017 and prior to July 31, 2018; (iii) CAD \$25.25 per share plus accrued and unpaid dividends if the date specified for redemption is on or after July 31, 2018 and prior to the final redemption date; and (iv) 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.

GRC Series 1 The preferred shares may be redeemed by the Partnership 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. 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, 2016	Dec. 31, 2015	Jan. 1, 2015	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Partners Value Investments Inc.						
Common shares	—	73,547	73,547	—	33,415	33,415
Retained earnings	—	—	—	—	35,490	52,854
Accumulated other comprehensive income	—	—	—	—	2,191,359	2,287,939
Partnership equity						
Equity Limited Partners	73,541	—	—	1,982,394	—	—
General Partner ¹	—	—	—	1	—	—
Preferred Limited Partners	19,996	—	—	499,902	—	—
				\$ 2,482,297	\$ 2,260,264	\$ 2,374,208

¹ As at December 31, 2016, there is 1 General Partner share outstanding (2015 – nil).

7. NET INCOME PER UNIT

Net income per unit is calculated based on the weighted average number of outstanding units during the period and net income attributable to Equity Limited Partners. For the year ended December 31, 2016, the weighted average number of outstanding units were 73,543,831 on a fully diluted basis. The prior year periods have been calculated using the same number of outstanding units in order to provide a comparable view taking into account the Reorganization.

8. INCOME TAXES

The major components of income tax expense (recovery) include the following:

For the years ended December 31
(Thousands)

	2016	2015
Current income tax expenses	\$ 13,588	\$ 3,954
Deferred tax recovery	8,806	(10,691)
Total income tax expense (recovery)	<u>\$ 22,394</u>	<u>\$ (6,737)</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)

	2016	2015
Statutory income tax rate	26.5%	26.5%
Income tax expense at statutory rate	\$ 28,653	\$ (6,254)
Increases (reductions) in income tax expense resulting from:		
Non-taxable dividends	(12,008)	(10,805)
Income subject to different tax rates	(3,768)	2,837
Non-deductible expenses	7,541	5,884
Other	1,976	1,601
Income tax expense (recovery)	<u>\$ 22,394</u>	<u>\$ (6,737)</u>

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

As at (Thousands)	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Non-capital losses	\$ 3,214	\$ 2,671	2,630
Difference in basis	(343,684)	(309,129)	\$ (328,642)
Total net deferred tax asset (liability)	<u>\$ (340,470)</u>	<u>\$ (306,458)</u>	<u>(326,012)</u>
Deferred tax asset	\$ 3,214	\$ 2,671	\$ 2,630
Deferred income tax liability	(343,684)	(309,129)	(328,642)
Total net deferred tax asset (liability)	<u>\$ (340,470)</u>	<u>\$ (306,458)</u>	<u>\$ (326,012)</u>

The movements of deferred income tax balances are as follows:

(Thousands)	Dec. 31, 2015	Recognized in			Dec. 31, 2016
		Income	Equity	OCI	
Deferred tax assets related to non-capital losses	\$ 2,671	\$ 448	\$ —	\$ 95	\$ 3,214
Deferred liabilities related to differences in tax and book basis, net	(309,129)	(9,254)	—	(25,301)	(343,684)
	<u>\$ (306,458)</u>	<u>\$ (8,806)</u>	<u>\$ —</u>	<u>\$ (25,206)</u>	<u>\$ (340,470)</u>

(Thousands)	Dec. 31, 2014	Recognized in			Dec. 31, 2015
		Income	Equity	OCI	
Deferred tax assets related to non-capital losses	\$ 2,630	\$ 501	\$ —	\$ (460)	\$ 2,671
Deferred liabilities related to differences in tax and book basis, net	(328,642)	10,190	—	9,323	(309,129)
	<u>\$ (326,012)</u>	<u>\$ 10,691</u>	<u>\$ —</u>	<u>\$ 8,863</u>	<u>\$ (306,458)</u>

The Partnership has deferred tax assets of \$3 million (December 31, 2015 – \$3 million; January 1, 2015 – \$3 million) related to non-capital losses that expire after 2030.

9. RELATED-PARTY TRANSACTIONS

Brookfield entities provides certain management and financial services to the Company for which the Company paid less than \$1 million for the year ended December 31, 2016 (2015 – less than \$1 million).

10. RISK MANAGEMENT

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

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, 2016, a 1% increase (decrease) in the market price of Brookfield, all else being equal, would increase (decrease) the carrying value of this investment by \$28 million (2015 – \$27 million), which would have resulted in an increase (decrease) to other comprehensive income of \$28 million (2015 – \$27 million) on a pre-tax basis.

Foreign Currency Risk

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

Interest Rate Risk

The Partnership's preference LP units 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.

Liquidity Risk

The Partnership's preference LP units 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 LP units 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.

Contractual Obligations

The Partnership's contractual obligations as of December 31, 2016 are as follows:

(Thousands)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Preferred shares					
Partners Value Split Class AA, Series 3 ¹	\$ 141,937	\$ —	\$ 141,937	\$ —	\$ —
Partners Value Split Class AA, Series 5 ¹	92,980	92,980	—	—	—
Partners Value Split Class AA, Series 6 ¹	148,612	—	—	148,612	—
Partners Value Split Class AA, Series 7 ¹	74,399	—	—	—	74,399
Global Champions Class A, Series 1 ²	37,194	—	37,194	—	—
Global Resource Champions Class A, Series 1 ³	33,475	—	—	—	33,475
Interest Expense					
Partners Value Split Class AA, Series 3 ¹	\$ 13,042	\$ 6,174	6,868	—	—
Partners Value Split Class AA, Series 5 ¹	4,633	4,633	—	—	—
Partners Value Split Class AA, Series 6 ¹	32,463	6,688	13,375	12,400	—
Partners Value Split Class AA, Series 7 ¹	24,213	4,092	8,184	8,184	3,753
Global Champions Class A, Series 1 ²	4,469	1,730	2,739	—	—
Global Resource Champions Class A, Series 1 ³	15,268	2,349	4,698	4,698	3,523

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, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, 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 Partnership's contractual obligations as of December 31, 2015 were as follows:

(Thousands)	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Preferred shares					
Partners Value Split Class AA, Series 3 ¹	\$ 37,475	\$ 37,475	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 3 ²	137,855	—	—	137,855	—
Partners Value Split Class AA, Series 5 ²	90,306	—	90,306	—	—
Partners Value Split Class AA, Series 6 ²	144,338	—	—	—	144,338
Partners Value Split Class AA, Series 7 ²	72,260	—	—	—	72,260
Global Champions Class A, Series 1 ³	36,135	—	—	36,135	—
Interest Expense					
Partners Value Split Class AA, Series 3 ¹	\$ 596	\$ 596	\$ —	\$ —	\$ —
Partners Value Split Class AA, Series 3 ²	18,664	5,997	11,994	673	—
Partners Value Split Class AA, Series 5 ²	8,879	4,380	4,500	—	—
Partners Value Split Class AA, Series 6 ²	38,025	6,495	12,991	12,991	5,548
Partners Value Split Class AA, Series 7 ²	27,490	3,974	7,949	7,949	7,619
Global Champions Class A, Series 1 ³	6,199	1,730	3,460	1,009	—

1. Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of cash.

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, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, respectively.

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

The Partnership's contractual obligations as of January 1, 2015 were as follows:

(Thousands)	Payment Due by Period ¹				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Preferred shares					
Partners Value Split:					
Partners Value Split Class AA, Series 1	\$ 44,628	\$ —	\$ 44,628	\$ —	\$ —
Partners Value Split Class AA, Series 3	164,166	—	—	—	164,166
Partners Value Split Class AA, Series 5	107,542	107,542	—	—	—
Partners Value Split Class AA, Series 6	172,102	—	—	172,102	—
Global Champions:					
Class A, Series I	37,038	—	—	37,038	—
Interest Expense					
Partners Value Split:					
Partners Value Split Class AA, Series 1	\$ 5,128	\$ 2,209	\$ 2,919	\$ —	\$ —
Partners Value Split Class AA, Series 3	36,536	7,147	14,293	14,293	803
Partners Value Split Class AA, Series 4	4,730	5,497	—	—	—
Partners Value Split Class AA, Series 5	21,005	5,216	10,431	5,358	—
Global Champions:					
Class A, Series I	<u>7,891</u>	<u>1,721</u>	<u>3,442</u>	<u>2,728</u>	<u>—</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, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, respectively, other than the Series 1, which are paid in the form of cash.

The maturity date of other accounts payable balances is less than 1 year.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts receivable and other assets consists of the following:

As at December 31 (Thousands)	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Derivative assets	\$ 5,908	\$ 4,249	\$ 33,059
Investment income receivable and other	<u>14,973</u>	<u>1,654</u>	<u>658</u>
	<u>\$ 20,881</u>	<u>\$ 5,903</u>	<u>\$ 33,717</u>

Accounts payable and other liabilities consists of the following:

As at December 31 (Thousands)	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Derivative liabilities	\$ 19,970	\$ 22,646	\$ 5,194
Fund unit liability ¹	—	6,866	12,880
Borrowings	<u>86,673</u>	<u>142,821</u>	<u>—</u>
Other	<u>12,305</u>	<u>3,638</u>	<u>3,304</u>
	<u>\$ 118,948</u>	<u>\$ 175,971</u>	<u>\$ 21,378</u>

¹ Fund unit liability represented the non-controlling interest in our 90% owned subsidiary New Horizons. The non-controlling interests are classified as liabilities due to the redeemable features of the New Horizons fund units in accordance with IAS 32.

Included in borrowings the Partnership has a prime brokerage loan account with a third party financial institution pursuant to which it has pledged marketable securities as collateral.

12. WARRANTS

A subsidiary of the Partnership, PVII has warrants outstanding which were issued as part of the capital reorganization. The warrants have an exercise price of Canadian \$32.45 and five warrants are required to purchase one non-voting exchangeable share, which are convertible into Equity LP units of the Partnership at the option of the holder. The holders of the warrants have a provision which allows them to use their Preferred LP units as currency in lieu of cash to fund all or any part of the payment of the exercise price of the warrants. For this purpose, the value attributed to each Preferred LP Units will be equal to US\$25.00 per Preferred LP unit plus any declared and unpaid distributions. The warrants expire on December 31, 2026. As at December 31, 2016, there are 73,543,831 (December 31, 2015 – nil; January 1, 2015 – nil) warrants outstanding.

13. CAPITAL MANAGEMENT

As at December 31, 2016, the capital base managed by the Partnership consisted of equity with a carrying value of \$2.5 billion (December 31, 2015 – \$2.3 billion; January 1, 2015 – \$2.4 billion) and \$521 million (December 31, 2015 – \$510 million; January 1, 2015 – \$523 million) of retractable fixed rate preferred shares issued by its subsidiaries. The Partnership has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

14. NEW HORIZONS REDEMPTION

The Partnership redeemed its previously held 90% ownership interest in New Horizons Income Fund (“New Horizons”) on July 29, 2016. The Partnership received proceeds of Canadian \$94 million consisting of cash and securities from the redemption. As the Partnership previously consolidated New Horizons, the current year results of the Partnership includes the results of New Horizons up until July 29, 2016. No gain or loss was recognized on the redemption of New Horizons as the Partnership’s carrying value of its investment was equal to the redemption value.

CORPORATE INFORMATION

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Brookfield Asset Management Inc.

George E. Myhal
President and Chief Executive Officer
Partners Value Investments Inc.

Frank N.C. Lochan^{1,2}
Corporate Director

Ralph Zarboni^{1,2}
Corporate Director

Edward C. Kress
Corporate Director

1. Member of the Audit Committee
2. Member of the Corporate Governance Committee

OFFICERS

George E. Myhal
President and Chief Executive Officer

Vu H. Nguyen
Vice President, Finance

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Vice President

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EXCHANGE LISTING

TSX Venture Exchange Stock Symbols:

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

