
2017 SEMI-ANNUAL REPORT TO SHAREHOLDERS

MANAGEMENT'S REPORT ON FUND PERFORMANCE

The following is a report on the performance of Partners Value Split Corp. (the "Company") and contains financial highlights but does not contain the complete financial statements of the Company. This report follows the disclosure obligations under National Instrument 81-106 Investment Fund Continuous Disclosure ("NI-81-106" or the "Instrument") and should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2016.

You can receive a copy of the Company's annual financial statements at your request and at no cost by calling (416) 363-9491, by writing to us at 181 Bay Street, Brookfield Place, Suite 210, P.O. Box 767, Toronto, Ontario M5J 2T3 or by visiting SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure when that information becomes available.

INVESTMENT OBJECTIVE AND STRATEGIES

The Company's objective is to invest in Class A Limited Voting Shares ("Brookfield shares") of Brookfield Asset Management Inc. ("Brookfield") which generates cash flow through dividend payments that fund quarterly fixed cumulative preferential dividends for the holders of the Company's senior preferred shares, and provide the holders of the Company's capital shares the opportunity to participate in any capital appreciation in the Brookfield shares. The Company's capital shares and preferred shares are also referred to collectively as units, with each unit consisting of one capital share and one preferred share ("unit").

RISKS

The risk factors relating to an investment in the Company include those disclosed below. A complete list of the risk factors relating to an investment in the Company is disclosed in the Company's most recent Annual Information Form available at www.sedar.com or by contacting the Company by the means described above.

(a) Interest Rate Fluctuations

The market value of a unit may, at any given time, be affected by the level of interest rates prevailing at such time. An increase (decrease) in interest rates will, on its own, likely reduce (increase) the value of a preferred share, given that the dividends on such preferred shares are fixed.

(b) Fluctuations in Value of Brookfield Shares

The value of a unit will vary according to the value of the Brookfield shares. The value of the investment may be influenced by factors not within the control of the Company, including: the financial performance of Brookfield which may result in a decline in value of the investment portfolio and/or in dividend income from the investment, interest rates, general economic conditions, availability of equity and debt financing and financial market conditions.

(c) Foreign Currency Exchange Fluctuations

Brookfield's functional currency is the United States dollar and it declares dividends in that currency. Accordingly, changes in the exchange rate between the Canadian and United States currencies may impact the value of the Company's cash flows relative to its financial obligations which are denominated principally in Canadian dollars.

RESULTS OF OPERATIONS

Total assets and net assets at June 30, 2017, were \$3.1 billion and \$2.5 billion, respectively, compared to \$2.6 billion and \$2.0 billion, as at December 31, 2016.

The Company's net assets on a per unit basis, which consists of one capital share and one preferred share, at June 30, 2017 was \$96.22 compared to \$80.90 at December 31, 2016. The increase in net assets per unit was driven by the market value appreciation of the investment in Brookfield.

During the six months ended June 30, 2017, the Company declared and paid dividends in the amount of \$18 million (2016 – \$46 million) to the holders of its capital shares. Included in this amount was a special dividend the Company paid in form of Trisura Group Ltd. (“TSU”) units. The TSU units were originally received as part of Brookfield’s spin-off of TSU during June 2017. In the prior year, there was a special dividend resulting from Brookfield’s spin-off of Brookfield Business Partners L.P. (“BBU”).

FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Company and is intended to facilitate an understanding of the Company’s financial performance over the last five fiscal periods and is presented in accordance with NI-81-106. This information is derived from the Company’s audited financial statements.

<i>(per unit, US dollars)</i>	Six months	For the years ended				
	ended June 30, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ¹	Sep. 30, 2013
Net assets per unit, beginning of period	\$ 80.90	\$ 74.09	\$ 87.11	\$ 74.44	\$ 71.71	\$ 66.11
Share issuance	—	—	2.01	5.41	—	—
Share redemption and retraction	—	(1.19)	(0.01)	(3.50)	—	—
Capital subscription	—	—	—	—	0.03	—
Net assets anti-dilution (dilution) ²	—	5.34	(12.82)	(8.96)	(0.65)	(0.98)
Increase (decrease) from operations:						
Total revenue	0.93	1.26	1.13	1.18	0.28	1.09
Total expenses ³	(0.03)	(0.05)	(0.04)	(0.05)	(0.01)	(0.07)
Realized and unrealized gains (losses)	15.28	2.18	8.88	26.58	4.85	11.00
Total increase (decrease) from operations ⁴	16.18	3.39	9.96	27.71	5.12	12.02
Foreign currency translation gain (loss) ³	0.04	1.76	(9.93)	(5.19)	(1.47)	(2.00)
Distributions ^{4,5}	(0.90)	(2.49)	(2.23)	(2.80)	(0.30)	(3.44)
Net assets per unit, end of period	\$ 96.22	\$ 80.90	\$ 74.09	\$ 87.11	\$ 74.44	\$ 71.71
Net asset value per unit, end of period	\$ 96.22	\$ 80.90	\$ 74.09	\$ 87.11	\$ 74.44	\$ 71.71
Net asset value per unit, end of period (CAD)	124.42	108.73	102.53	101.23	79.08	73.93

- ¹ Represents the three-month transition year as a result of changing the Company's fiscal year end from September 30 to December 31.
- ² Anti-dilution occurred as a result of the consolidation of capital shares following the redemption of the Series 1 senior preferred shares in March 2016. Dilution occurred as a result of the subdivision of capital shares following the issuance of the Series 7 senior preferred shares in October 2015 so that the number of capital shares issued and outstanding was equal to the number of preferred shares issued and outstanding as required by the articles of the Company. A similar dilution occurred in 2014 following the issuance of the Series 6 Class AA preferred shares.
- ³ Total expenses net of non-cash preferred share issuance cost amortization. Foreign currency translation includes the change in value of the preferred shares from foreign currency.
- ⁴ Net assets and distributions are based on the actual number of units outstanding over the period. The increase from operations is based on the weighted average number of units outstanding over the period.
- ⁵ Includes capital dividends paid to holders of the Company's capital shares, if and when declared. Capital dividends includes a special distribution of Trisura Group Ltd. units for the six months ended June 30, 2017, a special distribution of Brookfield Business Partners L.P. units for the year ended December 31, 2016, a special distribution of the proceeds received on issuance of new senior preferred shares for the years ended December 31, 2015, and 2014, and a special distribution of Brookfield Property Partners L.P. units for the year ended September 30, 2013.

<i>(Thousands of US dollars, except per share amounts)</i>	Six months ended June 30, 2017	For the years ended				
		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013 ¹	Sep. 30, 2013
Total assets	\$ 3,138,444	\$ 2,638,973	\$ 2,570,580	\$ 2,674,665	\$ 2,062,943	\$ 1,987,432
Net assets	2,514,193	2,037,732	1,950,542	2,020,729	1,413,290	1,318,372
Number of units outstanding	32,620	32,620	34,694	30,705	27,708	27,711
Management expense ratio ²	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
Redemption price of preferred shares (CAD)						
Senior Class AA Series 3 ³	\$ 25.75	\$ 25.75	\$ 26.00	\$ 26.00	\$ 26.00	26.00
Senior Class AA Series 5 ⁴	25.25	25.25	25.50	N/A	N/A	N/A
Senior Class AA Series 6 ⁵	N/A	N/A	N/A	N/A	N/A	N/A
Senior Class AA Series 7 ⁶	N/A	N/A	N/A	N/A	N/A	N/A
Junior Class AA Series 1	25.00	25.00	25.00	25.00	25.00	25.00

1 Represents the three month transition year as a result of changing the Company's year end from September 30 to December 31.

2 Management expense ratio is calculated from dividing the aggregate of total expenses and amortization of share issuance costs by average net assets over the reporting period.

3 Redemption period commenced on January 10, 2012.

4 Redemption period commences on December 10, 2015.

5 Redemption period commences on October 8, 2019.

6 Redemption period commences on October 31, 2020.

INVESTMENT PORTFOLIO

The investment in the Brookfield shares, the associated costs and the fair values are as follows:

<i>As at (Thousands of US dollars)</i>	<u>Number of Shares</u>		<u>Cost</u>		<u>Fair Value</u>	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Brookfield Asset Management Inc.	79,741	79,741	\$ 507,953	\$ 507,953	\$ 3,126,643	\$ 2,628,171

On a per share basis, the fair value of the Brookfield shares was \$39.21 on June 30, 2017 versus \$32.96 at December 31, 2016.

RELATED-PARTY TRANSACTIONS

The Company's operations are managed by Brookfield Investment Management (Canada) Inc., who are entitled to a management fee of up to 10% of ordinary expenses of the Company. For the period ended June 30, 2017 the Company accrued management fees of \$11 thousand (June 30, 2016 – \$13 thousand) plus applicable taxes in relation to these services.

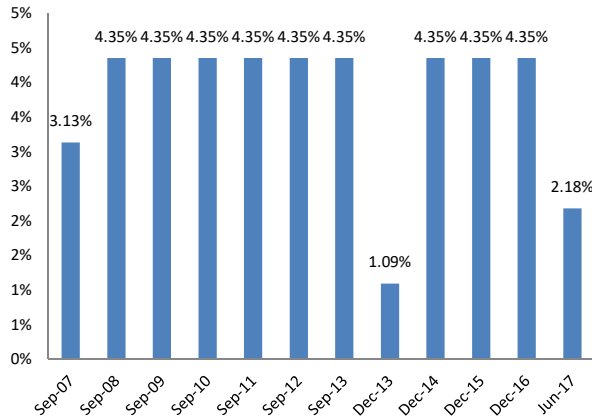
PAST PERFORMANCE

Period by Period Returns

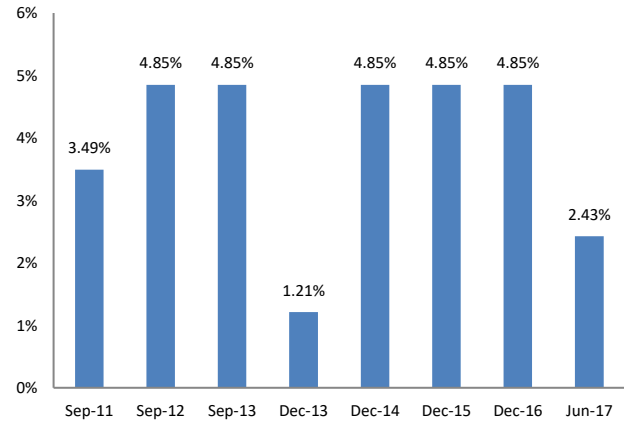
The following charts show the performance of its outstanding senior preferred shares since issuance to the six month period June 30, 2017, assuming the senior preferred shares are sold at their final redemption price. The charts are not reflective of the current yield to maturity and past performance is not an indication of how the senior preferred shares will perform in the future.

The Series 1 junior preferred shares pay a non-cumulative quarterly dividend at an annual rate of 5%.

Class AA, Series 3 Preferred Shares
For the years ending



Class AA, Series 5 Preferred Shares
For the years ending



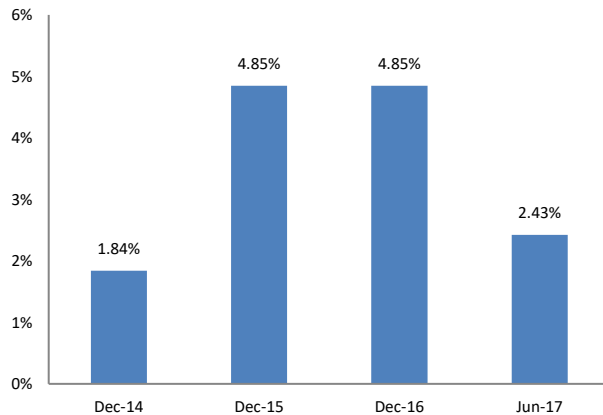
1 September 2007 reflects the period from January 10, 2007 to September 30, 2007.

2 December 2013 reflects the period from October 1, 2013 to December 31, 2013.

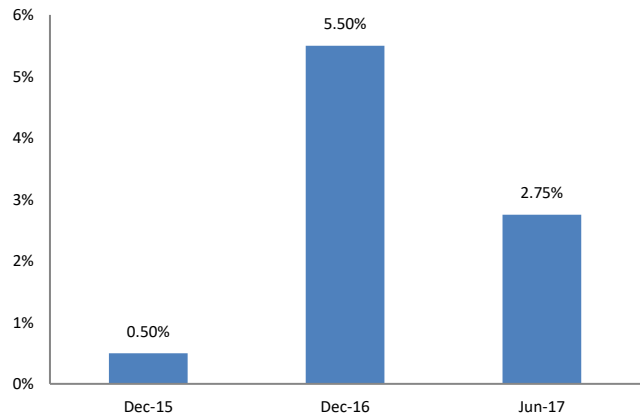
3 September 2011 reflects the period from December 10, 2010 to September 30, 2011.

4 December 2013 reflects the period from October 1, 2013 to December 31, 2013.

Class AA, Series 6 Preferred Shares
For the years ending



Class AA, Series 7 Preferred Shares
For the years ending



5 December 2014 reflects the period from July 4, 2014 to December 31, 2014.

6 December 2015 reflects the period from October 29, 2015 to December 31, 2015.

Annual Compound Returns

The following table compares the yield on issuance of the Company's senior preferred shares against the yield provided by a Government of Canada bond that matures during a similar period. Returns are based on the par value of a preferred share.

	Since Inception	Ten Year	Five Year	Three Year	One Year
Preferred Shares Class AA, Series 3 – January 10, 2019 ¹	4.35%	N/A	4.35%	4.35%	4.35%
Ten-year Government of Canada Bonds – June 1, 2018	4.25%	N/A	4.25%	4.25%	4.25%
Preferred Shares Class AA Series 5 – December 10, 2017 ²	4.85%	N/A	4.85%	4.85%	4.85%
Seven-year Government of Canada Bonds – June 1, 2017	4.00%	N/A	4.00%	4.00%	4.00%
Preferred Shares Class AA, Series 6 – October 8, 2021 ³	4.50%	N/A	N/A	4.50%	4.50%
Seven-Year Government of Canada Bonds – June 1, 2021	3.25%	N/A	N/A	3.25%	3.25%
Preferred Shares Class AA, Series 7 – October 31, 2022 ⁴	5.50%	N/A	N/A	N/A	5.50%
Seven-Year Government of Canada Bonds – June 1, 2022	1.83%	N/A	N/A	N/A	1.83%

1 The Class AA, Series 3 preferred shares were issued on January 10, 2007.

2 The Class AA, Series 5 preferred shares were issued on December 10, 2010.

3 The Class AA, Series 6 preferred shares were issued on July 4, 2014.

4 The Class AA, Series 7 preferred shares were issued on October 29, 2015.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations related to its senior preferred shares as at June 30, 2017 are:

(Thousands of US dollars)	Payment Due by Period ¹				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Preferred shares					
Partners Value Split Class AA, Series 3	\$ 147,204	\$ —	\$ 147,204	\$ —	\$ —
Partners Value Split Class AA, Series 5	96,431	96,431	—	—	—
Partners Value Split Class AA, Series 6	154,127	—	—	154,127	—
Partners Value Split Class AA, Series 7	77,160	—	—	—	77,160
Interest Expense					
Partners Value Split Class AA, Series 3	9,606	6,404	3,202	—	—
Partners Value Split Class AA, Series 5	2,338	2,338	—	—	—
Partners Value Split Class AA, Series 6	31,211	6,936	13,871	10,404	—
Partners Value Split Class AA, Series 7	22,271	4,234	8,488	8,488	1,061

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.

REVIEW OF SEMI-ANNUAL FINANCIAL STATEMENTS

The accompanying financial statements and other financial information in this semi-annual Report have been prepared by the Company's management who are responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the Company.

The Company's independent auditor has not reviewed these financial statements.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "George E. Myhal". The signature is written in a cursive style with a large initial "G" and "M".

George E. Myhal
Director, President and Chairman
August 30, 2017

FORWARD-LOOKING INFORMATION

This semi-annual report to shareholders contains forward-looking information within the meaning of Canadian provincial securities laws concerning the Company's business and operations. The words "intend," "believe," "principally," "primarily," "likely," "often," "generally" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "could," "should," "would," "may" or "will," are predictions of or indicate future events, trends or prospects or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to the Company's objective of investing in Class A Limited voting shares of Brookfield Asset Management Inc. ("Brookfield shares") to generate cash dividends to fund quarterly fixed cumulative preferential dividends for the holders of the Company's preferred shares and to enable holders of its capital shares to participate in any capital appreciation of the Brookfield shares, fluctuations in the market value of units of the Company due to interest rate levels and the value of Brookfield shares, fluctuations in the value of the Company's investment portfolio and cash flows due to foreign currency exchange rates, the impact of the adoption of IFRS on the Company's reported financial position and results of operations, future classification of the Company's investment portfolio, potential exposure to liquidity risk to fund dividend obligations, the Company's ability to fund retraction obligations and obligations of the Company under potential indemnification and guarantee agreements.

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

Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include: the behavior of financial markets, including fluctuations in the value of Brookfield shares and interest and exchange rates, availability of equity and debt financing and other risks and factors detailed from time to time in the Company's other documents filed with the Canadian securities regulators.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise. Reference should be made to the Company's most recent Annual Information Form for a description of the major risk factors.

STATEMENTS OF FINANCIAL POSITION

<i>As at</i> <i>(Thousands of US dollars, except per unit amounts)</i>	Note	<i>(unaudited)</i> June 30, 2017	<i>(audited)</i> December 31, 2016
Assets			
Cash and cash equivalents		\$ 11,742	\$ 515
Investment portfolio	3	3,126,643	2,628,171
Accounts receivable and other assets		59	10,287
Total assets		\$ 3,138,444	\$ 2,638,973
Liabilities			
Accounts payable		\$ —	\$ 44
Preferred shares	4	624,251	601,197
Total liabilities		624,251	601,241
Net assets		2,514,193	\$ 2,037,732
Equity			
Capital shares	5	118,088	118,088
Retained earnings		2,681,424	2,204,963
Accumulated Other Comprehensive Income		(285,319)	(285,319)
Total Equity		\$ 2,514,193	\$ 2,037,732
Number of units outstanding		32,620	32,620
Net assets per capital share		\$ 77.08	\$ 62.47
Book value per preferred share		19.14	18.43
Net assets per unit		\$ 96.22	\$ 80.90

The accompanying notes are an integral part of the financial statements

On behalf of the Board,



George E. Myhal
Director, President and Chairman



Frank N.C. Lochan
Director

STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

For the six months ended June 30

(Thousands of US dollars)

	Note	2017	2016
Income			
Dividend income		\$ 30,461	\$ 20,700
Other investment income		23	108
		<u>30,484</u>	<u>20,808</u>
Expenses			
Management fees	6	(11)	(13)
Administrative and other		(183)	(188)
		<u>(194)</u>	<u>(201)</u>
Income available for distribution		30,290	20,607
Distributions paid on senior preferred shares and debentures		(10,788)	(11,468)
Income available for distribution to junior preferred and capital shares		19,502	9,139
Amortization of share issuance costs		(737)	(725)
Change in unrealized and realized value of investment		498,472	(21,531)
Unrealized foreign exchange gain		(22,307)	—
Net income (loss)		494,930	(13,117)
Other comprehensive income			
Foreign exchange translation gain		—	136,369
Other comprehensive income		—	136,369
Comprehensive income		\$ 494,930	\$ 123,252
Comprehensive income per Capital Shares		\$ 15.17	\$ 3.72

The accompanying notes are an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

(unaudited)

For the six months ended June 30, 2017

(Thousands of US dollars)

	Capital Shares	Retained Earnings	Accumulated Other Comprehensive Income	Common Equity
Balance, beginning of period	\$ 118,088	\$ 2,204,963	\$ (285,319)	\$ 2,037,732
Net income	—	494,930	—	494,930
Distributions paid on capital shares	—	(18,469)	—	(18,469)
Balance, end of period	<u>\$ 118,088</u>	<u>\$ 2,681,424</u>	<u>\$ (285,319)</u>	<u>\$ 2,514,193</u>

(unaudited)

For the six months ended June 30, 2016

(Thousands of US dollars)

	Capital Shares	Retained Earnings	Accumulated Other Comprehensive Income	Common Equity
Balance, beginning of period	\$ 118,088	\$ 2,175,103	\$ (342,651)	\$ 1,950,540
Net loss	—	(13,117)	—	(13,117)
Other comprehensive income	—	—	136,369	136,369
Distributions paid on capital shares	—	(45,795)	—	(45,795)
Balance, end of period	<u>\$ 118,088</u>	<u>\$ 2,116,191</u>	<u>\$ (206,282)</u>	<u>\$ 2,027,997</u>

STATEMENTS OF CASH FLOWS

(Unaudited)

For the six months ended June 30

(Thousands of US dollars)

	2017	2016
Cash flow from operating activities		
Income available for distribution	\$ 30,290	\$ 20,608
Add (deduct) non-cash items:		
Non-cash dividend income	(8,134)	—
Net change in working capital, foreign exchange and other	10,194	2,717
	<u>32,350</u>	<u>23,325</u>
Cash flow used in financing activities		
Distributions paid on preferred shares and debentures	(10,788)	(11,465)
Dividends paid on capital shares	(10,335)	(12,775)
Preferred share and debenture redemption	—	(38,973)
	<u>(21,123)</u>	<u>(63,213)</u>
Cash and cash equivalents		
Increase in cash and cash equivalents	11,227	(39,888)
Cash and cash equivalents balance, beginning of year	515	55,323
Cash and cash equivalents balance, end of year	<u>\$ 11,742</u>	<u>\$ 15,435</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS OPERATIONS

Partners Value Split Corp. (the "Company") is an investment fund incorporated under the laws of the province of Ontario. The Company's investment portfolio consists of an investment in the Class A Limited Voting Shares ("Brookfield shares") of Brookfield Asset Management Inc. ("Brookfield"). Brookfield provides management and administration services to the Company. The Company was formed by the articles of incorporation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the Company is Brookfield Place, 181 Bay Street, Suite 210, Toronto, Ontario, M5J 2T3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These semi-annual financial statements of the Company have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS34") issued by the International Accounting Standards Board ("IASB"). These semi-annual financial statements should be read in conjunction with the most recently issued Annual Report of the Company which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 2 to the Financial Statements for the fiscal year ended December 31, 2016, included in that report, and have been consistently applied in the preparation of these semi-annual financial statements.

These semi-annual financial statements are unaudited. The results reported in these semi-annual financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. These semi-annual financial statements were authorized for issuance by the Board of Directors of the Company on August 24, 2017.

(b) Adoption of Accounting Standards

i. Income Tax

The amendments to IAS 12, Income Taxes clarifies the following aspects: (i) unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; (ii) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (iii) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; (iv) an entity assesses a deferred tax asset in combination with other deferred tax assets. The Company adopted the amendments on January 1, 2017, on a prospective basis; the adoption did not have a significant impact on the Company's financial statements.

ii. Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows ("IAS 7"), effective for annual periods beginning January 1, 2017. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Since the amendments are being issued less than one year before the effective date, the Company is not required to provide comparative information when it first applies the amendments. The Company has determined that there are no material impacts on its financial statements as the existing disclosures already include information required by the amendments.

(c) 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 Company is currently evaluating the impact of IFRS9 on its financial statements.

(d) Change in Functional Currency

Until December 31, 2016, the Company determined that their functional currency was the Canadian dollar. Due to a series of changes to the portfolio composition of the entity, management performed a review of the functional currency and it concluded that there has been a change in the functional currency from the Canadian dollar to the United States dollar, in accordance with IFRS. The change has been applied to the Company’s results prospectively as of January 1, 2017.

3. INVESTMENT PORTFOLIO

As at (Thousands of US dollars)	Number of Shares		Cost		Fair Value	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Brookfield Asset Management Inc.	79,741	79,741	\$ 507,953	\$ 507,953	\$ 3,126,643	\$ 2,628,171

On a per share basis, the fair value of the Brookfield shares was \$39.21 on June 30, 2017 versus \$32.96 on December 31, 2016.

4. PREFERRED SHARES

The Company is authorized to issue an unlimited number of Class A, Class AA, Class AAA preferred shares and junior preferred shares.

As at June 30, 2017, the following preferred shares were issued and outstanding and have been included in liabilities, net of associated financing costs which are amortized using the effective interest rate method of amortization.

As at (Thousands of US dollars)	Shares Outstanding		Book Value	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Senior preferred shares				
4.35% Series 3 – January 10, 2019	7,631	7,631	\$ 147,204	\$ 141,937
4.85% Series 5 – December 10, 2017	4,999	4,999	96,431	92,980
4.50% Series 6 – October 8, 2021	7,990	7,990	154,127	148,612
5.50% Series 7 – October 31, 2022	4,000	4,000	77,160	74,399
	24,620	24,620	474,922	457,928
Junior preferred shares, Series 1	8,000	8,000	154,320	148,770
	32,620	32,620	629,242	606,698
Deferred financing costs			(4,991)	(5,501)
			\$ 624,251	\$ 601,197

The fair values of the Class AA Series 3, Series 5, Series 6 and Series 7 senior preferred shares based on quoted market prices as at June 30, 2017, were C\$25.21, C\$25.06, C\$25.49, and C\$26.35 per share, respectively (December 31, 2016, were C\$25.00, C\$25.18, C\$24.85 and C\$25.85, respectively).

As at June 30, 2017, there were \$nil debentures outstanding (December 31, 2016 – \$nil). During the six months ended June 30, 2017, and 2016, there were no retractions of preferred shares.

5. SHARE CAPITAL

The Company is authorized to issue an unlimited number of capital shares. Holders of the capital shares are not entitled to vote at meetings of shareholders of the Company other than meetings of holders of the capital shares. The issued and outstanding share capital consists of:

<i>As at</i> <i>(Thousands of US dollars)</i>	Shares Outstanding		Book Value	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Equity				
Capital shares	32,620	32,620	\$ 118,088	\$ 118,088
Liability				
Class A voting shares ¹	100	100	\$ —	\$ —

1 As at June 30, 2017, the Class A voting shares have a book value of \$8 (December 31, 2016 – \$8)

During the six months ended June 30, 2017, there were no consolidation or subdivision of the capital shares. During the six months ended June 30, 2017, capital shares were consolidated to match the number of preferred shares outstanding as a result of the redemption of the Class AA Series 1 preferred shares.

Holders of capital shares are entitled to receive dividends as declared by the Board of Directors of the Company. The Board of Directors of the Company has indicated that its policy is to pay dividends, if and to the extent that the dividends received on the portfolio shares, less the administrative and operating expenses of the Company, exceed the preferred share dividends.

During the six months ended June 30, 2017, the Company declared and paid dividends in the amount of \$18 million (June 30, 2016 – \$46 million) to the holders of its capital shares. Included in this amount was a special dividend the Company paid in form of Trisura Group Ltd. (“TSU”) units. The TSU units were originally received as part of Brookfield’s spin-off of TSU during June 2017, which was recorded as dividend income during the quarter.

6. RELATED-PARTY TRANSACTIONS

The Company’s operations are managed by Brookfield Investment Management (Canada) Inc., who are entitled to a total management fee of up to 10% of ordinary expenses of the Company. For the period ended June 30, 2017, the Company accrued management fees of \$11 thousand (June 30, 2016 – \$ 13 thousand) plus applicable taxes in relation to these services.

7. 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 value of the Company’s investments are determined by reference to the closing price of the last day of trade at each financial reporting period.

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 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- Level 3 Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs used in determining the estimate.

There were no changes made to the financial instrument classifications and no transfers in and out of levels during the years. The fair value hierarchical level associated with the Company's financial assets and liabilities measured at fair value consists of the following:

As at (Thousands of US dollars)	June 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	\$ 3,126,643	\$ —	\$ —	\$ 2,628,171	\$ —	\$ —
	<u>\$ 3,126,643</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,628,171</u>	<u>\$ —</u>	<u>\$ —</u>

There were no changes made to the financial instrument classifications and no transfers in and out of levels during the periods.

CORPORATE INFORMATION

OFFICERS AND DIRECTORS

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

John P. Barratt^{1,2}
Director

James L.R. Kelly^{1,2}
Director

Brian D. Lawson
Director

George E. Myhal
Director, President and Chairman

Vu H. Nguyen
Director and Chief Financial Officer

David J. Clare
Vice President

Loretta M. Corso
Corporate Secretary

1. Member of the Audit Committee

2. Member of the Corporate Governance Committee

AUDITORS

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants

LEGAL COUNSEL

Torys LLP

STOCK EXCHANGE LISTING

The Company's preferred shares are listed on the Toronto Stock Exchange under the following symbols:

<u>Security</u>	<u>TSX Symbol</u>
Class AA Preferred Shares, Series 3	PVS.PR.B
Class AA Preferred Shares, Series 5	PVS.PR.C
Class AA Preferred Shares, Series 6	PVS.PR.D
Class AA Preferred Shares, Series 7	PVS.PR.E

YEAR END

December 31

CONTACT INFORMATION

Enquiries relating to the operations of the Company should be directed to the Company's Head Office:

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Brookfield Place
181 Bay Street, Suite 210
P.O. Box 767
Toronto, Ontario
M5J 2T3

Telephone: (416) 359-8620
Facsimile: (416) 365-9642
Website: www.partnersvaluesplit.com

Shareholder enquiries relating to dividends, address changes and share certificates should be directed to our Transfer Agent:

CST Trust Company

P.O. Box 700, Station B
Montreal, Quebec
H3B 3K3

Tel: (416) 682-3860 or
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