



This Canadian Value Investor is Quietly Investing in Natural Gas

Description

The team at **Brookfield Asset Management** (TSX: BAM.A) ([NYSE: BAM](#)) is one of the best when it comes to finding value where no one else sees it. Brookfield has been known to buy out of favour assets, refocus the business and then, hold it through times of trouble. It will only sell when prices recover. It's a process that has [created amazing value for its investors](#).

Betting on gas

Brookfield's latest target is natural gas. The commodity is currently out of favour due to America's shale gas and oil boom. However, with solid long-term fundamentals, Brookfield sees gas being a great long-term investment as it can pick up assets at rock bottom prices.

That has the company quietly picking up coal bed methane assets through its private equity arm. Two years ago it led an investor group to take Ember Resource private. Since that time it has used Ember to snap up additional natural gas properties in Canada.

A natural gas fueled winner?

It made its biggest move this past October as the company scooped up C\$220 million in coal bed methane assets from **Apache** (NYSE: APA). The assets were adjacent to Ember's existing properties in Alberta. The deal enabled Apache to continue on in its efforts to move away from dry gas in order to focus on its oil and liquids-rich plays in America.

At the time, Apache was the second-largest coal bed methane producer in Canada after **EnCana** (TSX: ECA) (NYSE: ECA). That mantle now moves over the Ember, which is buying natural gas assets at real fire sale prices. In fact, its CEO noted that it was, "buying it at less than we can drill it and we can drill it real cheap."

Because it's buying so cheaply, it can make money even at today's low natural gas prices. In fact, Brookfield noted in its last earnings release that the company already is profitable, meaning it has excellent upside once natural gas prices increase.

The company also has a lot of running room to grow as it has few competitors looking to buy natural gas assets these days. EnCana, for example, is joining Apache and focusing on its liquids rich resource plays. It likely will be a seller of natural gas assets and it is actively pursuing non-strategic asset sales while allowing its natural gas production to decline. If it does put its coal bed methane assets on the block, Brookfield would be a logical buyer.

Investor takeaway

Most investors want to buy what's hot. However, as Brookfield has shown time and again, what's not can yield terrific long-term returns. Brookfield is one of the few investors with a long enough time horizon to make this bet pay off.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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