



## It's Been Quite a Year for Brookfield Asset Management

### Description

**Brookfield Asset Management** (TSX: BAM-A) ([NYSE: BAM](#)) had a big year in 2013 even if its share price didn't reflect its successes. Let's take a look back at the company's strong year and what it means for investors in the years ahead.

### Positioning its property platform

Brookfield spent the bulk of its time in 2013 positioning its new property platform, **Brookfield Property Partners** ([TSX: BPY-UN](#)) (NYSE: BPY), for the public marketplace. The first step of that process was to settle its dispute with an investor over its stake in **General Growth Properties** (NYSE: GGP), which Brookfield was planning to contribute to Brookfield Property Partners. The settlement enabled Brookfield to solidify its 28% stake in General Growth Properties, which is now the flagship retail holding of Brookfield Property Partners. The company recently invested another \$1.4 billion to raise its total stake in General Growth to 32%.

After that, Brookfield was able to complete the spin-off of Brookfield Property Partners. However, it continued to spend much of the year bulking up that business. Among its many deals included additional investments in both the multi-family and industrial segments. However, the biggest deal of the year is that it is using Brookfield Property Partners to acquire the rest of **Brookfield Office Properties** (TSX: BPO) (NYSE: BPO) that it didn't already own. The \$5 billion deal will simplify the ownership structure and consolidate its global office properties under one platform. Brookfield now believes that Brookfield Property Partners is one of the premier ways to invest in real estate on a global scale.

### Realizing value

While much of 2013 was spent in repositioning its real estate portfolio, Brookfield did accomplish a few other items of note. One of its crowning achievements was the sale of its West Coast timberland assets and Longview Fibre Paper and Packaging businesses in two separate deals for \$3.675 billion.

Brookfield [realized stunning value](#) in these deals. The company was able to sell its West Coast timberland assets that it held in conjunction with **Brookfield Infrastructure Partners** ([TSX: BIP-UN](#)) ([NYSE: BIP](#))

) for one of the highest per acre values on record. However, the real coupe was the sale of Longview Fiber. Brookfield acquired these assets as a package, separated them, restructured the paper and packaging business and turned it around. That business went from producing minimal cash flow to projected operating earnings of \$200 million this year. Overall, Brookfield realized a 10-fold return on its Paper and Packaging business as well as a 10% compound annual return for itself and Brookfield Infrastructure Partners on the timber assets.

### **Pure play asset manager**

These moves are part of Brookfield Asset Management's plan to reposition itself as a pure-play asset manager. Its goal is to have a number of public and private platforms that it manages, all of which pay it fees. The launch of Brookfield Property Partners was the final piece of that puzzle as it joins Brookfield Infrastructure Partners and its renewable power business in the public marketplace.

Brookfield's goal is to earn steadily increasing fees and incentive distribution rights from the assets it manages. At the same time, it will always maintain a significant ownership stake in these assets to keep its interests aligned and profit from the upside. That enables Brookfield investors to win in two ways as they'll benefit from the ownership stakes in these real asset platforms as well as the fee bearing capital that Brookfield will earn by managing these assets.

### **Investor takeaway**

Brookfield Asset Management had a very busy year in 2013. While its shares don't reflect the gains it made, the company is set up to perform well over the long-term. Brookfield continues to be one of my personal favorite long-term holdings.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:BN (Brookfield)

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