



Turn \$2,000 into \$45,000 by Investing in Brookfield Asset Management Inc.

Description

Many people are deterred from the stock market because they think it's a game only for the rich who can afford to risk their money. But this is not the case. A relatively small investment in a stable company can turn into a much larger sum of money down the road, something almost everyone needs if they hope to retire one day. An example of such a company is **Brookfield Asset Management Inc.** (TSX: BAM.A)([NYSE: BAM](#)), Canada's largest publicly traded alternative asset manager.

The company has returned, on average, 17% to investors over a 15-year period; from April 1999 to April 2014 (the stock is even higher now in September vs. April, but for simplicity sake I completed the calculation to end on the same month to account for seasonal factors). Investors who put \$2,000 into Brookfield Asset Management back in 1999 would now hold about \$46,200 worth of the company's stock; not too shabby!

This is a very impressive performance, but in the past is only relative if it looks like Brookfield Asset Management is in the position to repeat its past performance. In this case, Brookfield Asset Management appears to be positioned to repeat history.

The past is the key to the future

Brookfield Asset Management is unique in that the company is exposed to a variety of businesses, and many of these businesses themselves are public companies. The company holds approximately \$200 billion in assets, which are focused on real estate, renewable energy, infrastructure, and private equity (and the private equity line itself owns a variety of businesses).

What differentiates Brookfield Asset Management Company from other companies is that most companies have one or maybe a couple of businesses/products. Their success is dependent on increasing profits through sales growth and operational effectiveness. Brookfield Asset Management not only operates in a diverse suite of businesses, but as their name dictates, they are an asset manager. Brookfield Asset Management holds tangible assets, and they invest cash into other assets on which they earn interest, growing their asset pool. As their asset pool grows, they have even more cash to invest, and this compounding goes on forever, increasing the rate of return they can provide

their investors.

This diversified line of business is part of the reason why Brookfield Asset Management has seen consistent success, and is likely to continue to fuel success in the future. Brookfield Asset Management's diverse suite of businesses combined with its large size mean that the company can easily adapt to changing market conditions, imperative for the long-term success of a company.

Shady accounting practices?

As much success as Brookfield Asset Management has had in the past, and is positioned to experience in the future, the company is not the right investment for everyone. The major complaint when it comes to Brookfield Asset Management has been the company's "accounting maneuvers" and lack of transparency.

The major critiques of Brookfield Asset Management's accounting include its property valuation process and its party transactions. While the company's accounting is completely legal, it makes it hard for investors to sort out the details of the company's earnings. If you are the type of investor who wants to know where every penny of a company's profit comes from, than Brookfield Asset Management may be more of a headache than it is worth. On the other hand, if you want to invest in a company that is a consistent performer, and will likely continue to advance in the future then Brookfield Asset Management warrants your consideration.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BN (Brookfield)

Category

1. Investing

Date

2025/07/06

Date Created

2014/09/25

Author

Iklingel

default watermark