

Why Brookfield Asset Management Inc. and Onex Corporation Are Perfect “Forever Stocks”

Description

It's been a wonderful run for shareholders of **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) and **Onex Corporation** (TSX:OCX). Over the past 20 years, investors in these two companies have enjoyed annual returns of 19% and 16% respectively, well ahead of any major stock index.

Is the future as bright for these two alternative asset managers? Below we take a look, in an attempt to determine whether you should own the shares.

Plenty of momentum

The business model for Brookfield and Onex is very simple: invest money wisely. By doing so, the companies are able to grow their own capital, as well as attract money from outside investors – the two companies manage this outside money for a hefty fee.

And both companies have managed to invest money very effectively for a long time. As a result, they have each been able to draw in a lot more money, resulting in dramatically larger fee revenue. Onex's management fees doubled from 2007 to 2013. And Brookfield's fee revenue has increased by more than 160% since 2010.

Looking ahead, both companies hope to increase fee-bearing assets by 10% per year. There's every reason to believe this will happen.

Plenty of opportunities

Looking ahead, these two companies should have no trouble finding wonderful investment opportunities.

Brookfield in particular is worth highlighting here. The company invests primarily in what it calls “Real Assets” – this includes commercial buildings, infrastructure projects, and renewable energy assets. All over the world, indebted governments are looking to raise money, and selling assets will be one of the main ways of doing so. Furthermore, European banks are looking to deleverage, perhaps providing more buying opportunities for Brookfield.

Some concerns

Still, there are concerns related to both companies. Before you buy either stock, you must be aware of them.

Regarding Brookfield, control of the company is limited to a very select group of people (hence the “.A” in Brookfield's Canadian stock ticker). So as a shareholder, even though you're entitled to a share of

the profits, you do not receive any real voting power. Making matters worse, there is not much transparency on how Brookfield values its holdings. So holding this stock is akin to riding in the backseat of a car – you must be willing to trust the driver.

Over at Onex, there have been concerns over compensation, particularly for CEO Gerald Schwartz. In fact, he was paid roughly \$85 million in 2013. This included nearly \$60 million in stock options. Three other executives received a total of \$60 million in compensation.

So should you buy the shares?

Both of these companies have great track records, and their future looks bright as well. If you are willing to put up with some corporate uncertainty, these stocks are worth holding for many years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:ONEX (Onex Corporation)

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