



Why You Should Buy Brookfield Asset Management Inc. Instead of Emerging-Market Stocks

Description

The past couple of years have not been good ones for many of the world's emerging markets. For example, many Latin American countries are struggling with low commodity prices, and China's growth is slowing.

Arguably, this is a perfect time for you to invest in the region. But that comes with all sorts of challenges. How do you account for currency risk? How do you pick the right companies to invest in? And how do you monitor your investments when they're so far away?

Fortunately, there's a better way, and below we take a closer look.

Buying when no one else is

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)) is Canada's largest alternative asset manager, managing over US\$200 billion. Just to put that in perspective, that's more money than the Canada Pension Plan Investment Board.

Brookfield also has an outstanding track record. In the past 20 years, equity holders in the company have earned roughly 20% on their investment *per year*. These kinds of results can't be achieved with luck alone.

So, how does Brookfield achieve such exceptional results? Well, quite simply it invests money in places where capital is scarce. In other words, it looks for assets that few others are willing to bid for. As a result the company is able to find assets at a bargain.

These days of course, those bargains can be mainly found in emerging markets, where capital is difficult to find. This allows Brookfield to bid on stable assets with predictable returns, such as infrastructure projects, while still generating hefty returns.

For example, last November Brookfield bought about US\$500 million worth of clean energy assets in Brazil from holding company Grupo Energisa. More recently Brookfield announced it is seeking

another US\$1.1 billion worth of Brazilian assets to buy.

Other reasons to like Brookfield

Brookfield's investment performance isn't going unnoticed. Since 2011, the company has increased its fee-bearing capital from US\$57 billion to US\$93 billion today. In other words, outside investors are giving more of their money to Brookfield to manage, helping the company to generate greater fee income. This fee income has grown by 29% per year in this time.

As long as Brookfield continues to invest money wisely, more money should keep flowing in, generating even greater fee income. And this virtuous cycle can keep going for a very long time.

So, if you're looking to gain some exposure to emerging markets, Brookfield is very familiar with this arena, and should be able to find the right assets. That should sound a lot better than buying emerging-market stocks yourself.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/09/16

Date Created

2015/05/14

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