3 Reasons to Hold Brookfield Asset Management Inc. for a Decade

Description

For such a big company, **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM) is not particularly well known. Yet the alternative asset manager is one of the best long-term stocks you can buy today. Below we look at three reasons why.

1. A tremendous track record

Brookfield's business model is very simple. The company seeks out great assets, doesn't overpay, and holds these assets for the long term. By doing this over and over, the company is able to attract more outside money, which leads to higher fee income.

This has worked out very well for Brookfield's owners: over the past 20 years, common shareholders have earned 19% per year. So, if you spent $1,000 on Brookfield's stock 20 years ago and reinvested the dividends, your stake today would be worth over $32,000. A similar investment in the **S&P 500** would be worth only $6,700.

2. Lots of investment opportunities

I wouldn't expect Brookfield to grow this quickly over the next 20 years. After all, the company now manages over US$200 billion, and it's hard to make this money grow very quickly.

That being the case, Brookfield still has plenty of investment opportunities, especially in Brazil. Thanks to plunging commodity prices and a corruption scandal, capital is scarce in the country right now, which should allow Brookfield to pick up some bargains. As put by Sam Pollock, CEO of Brookfield Infrastructure, "We have historically been very successful in acquiring large-scale businesses during periods when capital has been constrained."

So, you should expect to hear more deals announced in the coming months—and years. If history is any guide, these deals will be very good for Brookfield's shareholders.

3. Instant diversification

Let's face it: if you're a Canadian investor, it's not easy to build a diversified portfolio. The **S&P/TSX Composite** index is heavily weighted towards the financial services, energy, and materials sectors, all of which come with plenty of risks. Making matters worse, the Canadian economy is on shaky ground, and commodity producers (such as oil producers and miners) are struggling.

For these reasons, it can be tempting to buy a lot of foreign stocks. But this comes with its own risks, such as the possibility of an appreciating loonie. And U.S. stocks are very expensive by most standards right now.

With this in mind, Brookfield is a very attractive option. Its US$200 billion under management is very well diversified geographically, and is mostly invested in very safe assets. So, if you wanted to hold Brookfield shares, you could safely devote a large portion of your portfolio to the stock. That should be welcome relief for Canadian investors.

CATEGORY

1. Investing

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