



Brookfield Asset Management Inc. Has Major Growth Ahead

Description

As a global alternative asset manager, **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) allows the everyday investor to gain access to emerging markets through a variety of real assets. The company excels in areas where credit and liquidity are scarce and assets are depressed. This specialty should be extremely beneficial in current conditions.

As an asset manager, Brookfield manages funds primarily invested in the property, power, and infrastructure sectors. The company operates a long list of publicly traded L.P.s, internally managed funds, directly held assets, and private equity funds.

Let's look at some of the reasons Brookfield is set up for future success.

An attractive portfolio of niche funds

Most of the stock's value is derived from stakes in limited partnerships such as **Brookfield Property Partners L.P.**, **Brookfield Renewable Energy Partners L.P.**, and **Brookfield Infrastructure Partners L.P.**

Although these stakes comprise almost half of Brookfield's value, the key to future growth lies in their asset management business. The company earns base management fees on the capital they manage, incentive distributions from their core funds, performance fees, and transaction and advisory fees. While Brookfield had \$50 billion in fee-bearing capital under management in 2010, this has grown to \$84 billion in 2014.

Trading at a discount

The company owns 62% of Brookfield Property, 63% of Brookfield Renewable Energy, and 29% of Brookfield Infrastructure. At current price levels, this implies that Brookfield shares are trading at roughly 1.05 times net asset value. This compares with a five-year average of 1.12 times.

At normal valuations, management believes shares should be worth roughly \$150-200 by 2024. While this is a lofty goal, as we'll see, the management team is putting their money where their mouth is.

Management is incentivized

Brookfield is run for the purpose of generating sustainable cash flows and increasing shareholder value. This mission has allowed shareholders to experience a 19% compounded annual return over the past 20 years.

To help create an environment where management focuses on long-term returns, the company has a share ownership program that requires management to own stock valued at five times their annual salary. So, no matter what an executive is being paid, that person needs to have millions more invested in company stock. This is a unique arrangement that small investors love.

Management also has bold guidance for direct investment and assets-under-management growth over the next few years. They believe the company can compound invested capital at 12% to 15% a year over the next decade. With a significant portion of their wealth in Brookfield stock, management's interests are aligned with shareholders.

Set up for long-term success

While the company operates funds in some unstable areas, it has the structure in place to continue growing investor capital at an impressive rate. Shares have experienced double-digit returns over one, five, 10, and 20-year periods.

With an enticing long-term vision and a management team incentivized to get it there, Brookfield should be a core holding of any growth portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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