



## Brazil Credit Cut to Junk Status: Buy Brookfield Asset Management Inc.

### Description

Standard & Poor's announced that it downgraded Brazil from an investment-grade credit to "junk" status, which could be detrimental for the country when it tries to raise money for projects. As lending gets tougher, outside companies have the chance to come in and buy up assets at a discount. One company in particular that is waiting to buy assets is **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)).

As the name implies, Brookfield takes money from investors and purchases assets that are cheap, hoping to increase the profit for its investors. The money it generates is through its fee structure. In essence, it receives fees for successfully investing its limited partner's money in strong assets that investors might not acquire otherwise.

Brookfield has been particularly interested in Brazil because it recognizes a good deal. In essence, Brazil has high inflation and a dropping debt rating, which results in what the CEO of Brookfield likes to call "illiquid times." This has happened in other parts of the world before, and Brookfield was there to buy up assets as well.

Brookfield acquires big infrastructure-like properties. Think electric companies, ports, railroads, refineries, etc. During good times, Brookfield wouldn't be able to get a decent deal on these assets. But when there's no available credit, the companies that hold these assets are forced to sell.

Recognizing that Brazil's credit downgrade was coming, Brookfield allocated \$1.3 billion of its +\$10 billion war chest to buy assets in Brazil. Brookfield will go in, buy the assets while they're cheap, and ride the wave until Brazil recovers. When it does recover, Brookfield will be holding assets that are worth considerably more than the \$1.3 billion they spent.

### Brookfield excels at this

What's so great for investors is that Brookfield is exceptional at this business. It has repeatedly been able to identify trouble areas, go in with big amounts of money, and buy assets for pennies on the dollar. Then it has been able to turn that around into incredible profits for investors.

Consider this scenario: if you had invested \$10,000 in Brookfield 20 years ago, that money would have grown, on average, 19% year after year. You'd be sitting on a portfolio worth \$320,000 today. You would have 32 times the money in 20 years, which is just downright incredible. One or two years of 19% seems possible for companies, but 20 years is just incredible.

But the CEO isn't resting on the company's laurels. The CEO has argued that he can triple the value of the stock over the next decade.

If the company is going to achieve that goal, the first step is buying quality assets in Brazil. And with Brazil's recent drop into junk status, I believe Brookfield is exactly the company you need to gain exposure to markets that, as an individual investor, you'd never be able to touch.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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