



Should You Buy Brookfield Asset Management Inc. or the Assets it Manages?

Description

Brookfield Asset Management Inc (TSX:BAM.A)([NYSE:BAM](#)) has over 100 years of experience owning and operating assets with a focus on property, renewable energy, infrastructure, and private equity. It manages global assets worth over \$200 billion.

We'll focus on the three Brookfield entities managed by Brookfield Asset Management: **Brookfield Property Partners L.P.** ([TSX:BPY.UN](#))([NYSE:BPY](#)), **Brookfield Renewable Energy Partners L.P.** ([TSX:BEP.UN](#))([NYSE:BEP](#)), and **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). As an investor, should you buy the company that manages these assets, or should you buy the assets being managed? First, let's take a look at the entity's assets.

The assets

Brookfield Property is a global commercial property company that owns, operates, and invests in a portfolio of high-quality office, retail, multifamily, industrial, hotel, and triple-net lease assets. Brookfield Property's assets are mainly diversified across the United States (59%), the United Kingdom (14.7%), Canada (8.3%), and Australia (7.5%). In terms of property sector, 63% are office properties, and 31% are retail properties.

Brookfield Renewable has 250 power-generating facilities that generate up to 7,400 megawatts of power. About 80% of its power is generated by hydropower across 75 river systems, and 18% of its power is generated by wind farms.

Brookfield Infrastructure owns high-quality, long-life assets that generate stable cash flows. For instance, the assets include 10,800 km of transmission lines, 14,800 km of natural gas transmission pipelines, and 3.7 million acres of sustainable timberlands.

Income perspective

Currently, Brookfield Asset Management pays out a quarterly dividend of US\$0.12 per share. Canadian shareholders would have their dividends converted to Canadian dollars from U.S. dollars, unless they've requested they receive dividends in U.S. dollars. Assuming a foreign exchange rate of

30%, the current yield would be 1.5%.

That's a much lower yield compared with the assets that also pay out U.S. dividends. Brookfield Property pays a quarterly distribution of US\$0.265 per unit. At \$28 per unit, that's a yield of 4.9% because of the stronger U.S. dollar.

Brookfield Renewable pays out US\$0.415 per unit each quarter, equating to a 6% yield with shares priced at \$36.2 per unit.

Lastly, Brookfield Infrastructure pays a quarterly distribution of US\$0.53 per unit. At \$50.6, that's a yield of 5.4%.

Income growth consideration

Brookfield Asset Management has increased dividends for three consecutive years.

Brookfield Property expects to grow funds-from-operations (FFO) by 8-11% per year, which would support its distribution growth guidance of 5-8% per year.

Brookfield Renewable has increased distributions for five years in a row and estimates distribution growth of 5-9% per year, targeting an average annual total return of 12-15% to shareholders.

Brookfield Infrastructure has increased distributions for seven years in a row, and it gave guidance to increase distributions by 5-9% per year.

In conclusion

If you're looking for more income, you should choose to buy the assets over Brookfield Asset Management. Brookfield Renewable and Brookfield Infrastructure have sustainable payout ratios of 60-70%, while Brookfield Property's payout ratio is over 80% because a significant amount of its capital is invested in development projects that don't contribute to FFO yet.

If I were investing in any of these today, I would start with Brookfield Infrastructure and Brookfield Renewable for their higher yields and distribution growth guidance. Just remember that to avoid tax-reporting headaches, hold Brookfield shares in a TFSA or RRSP because their distributions (not exactly dividends) are not entirely Canadian eligible and are taxed differently.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. NYSE:BN (Brookfield Corporation)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
6. TSX:BN (Brookfield)

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