



Brookfield Asset Management Inc. Deserves to Be in Your Portfolio

Description

For a portfolio to truly be strong, it requires a collection of core holdings that are going to help cement it during difficult times. There are many companies that could make up this holding, but one that I think investors should consider adding immediately is **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)).

As the name implies, it is an alternate asset manager. What this means is that the company takes money from limited partners and then invests it in assets such as infrastructure, renewable energy, private equity, and real estate. On top of that, it spreads money around the entire world, which gives it the ability to generate diversification when other companies are suffering in specific locations.

In my opinion, what makes Brookfield Asset Management so exceptional is its ability to identify assets that are distressed or that need to be sold. Because it has a war chest of about \$10 billion, it can sweep in and buy entire industries.

One example of this took place in August. It announced that it had acquired the Australian ports company, Asciano Ltd., for US\$6.6 billion. Ports and infrastructure like it are one of Brookfield's favourite assets because the moat is significantly wide. To launch a competing port would cost significant resources, which many just don't have. And just as the deal was announced, Asciano announced that its net profits rose 41.4%.

Another example is its focus on Brazil. The company has set aside over \$1.2 billion in an effort to acquire assets in the country due to its credit rating being downgraded to junk status. When a company needs resources, but its mother country has such a poor credit rating, it is left with no way to gain that needed capital. When that happens, Brookfield can acquire them and hold out until things get better in Brazil. When that time comes, Brookfield will reap the benefits, and so will investors.

Should you buy?

I think it is pretty clear that I believe investors should acquire shares in Brookfield Asset Management. More importantly, I think that it will make an incredible core holding for investors building a long-term portfolios.

There are a couple of things to note.

Firstly, Brookfield has done an incredible job increasing shareholder value. Every year, Brookfield grows on average 19%. Imagine if you had invested \$10,000 in the company 20 years ago. That would be worth \$320,000 today. This company knows how to grow.

Secondly, Brookfield pays out a modest 1.36% yield. While it is not terribly lucrative, it still pays \$0.16 per quarter.

Brookfield Asset Management will continue to generate significant returns in the coming years.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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