



## Brookfield Asset Management Inc. Should Be a Portfolio Staple

### Description

I like to believe that I am a pretty decent investor that can see trends in industries before others do. But the unfortunate reality is that I am not a full-time investor and, more importantly, I don't have the wherewithal to get in to some of the more lucrative deals.

**Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), on the other hand, is one of the best at making lucrative deals that can reward investors handsomely. Because of this, I believe that Brookfield should be a staple in most investors' portfolios.

What drives this belief is the business model that Brookfield deploys. The company takes money from investors (known as limited partners [LPs]) and then invests it for them in a wide range of assets. For example, it has invested in infrastructure projects, real estate, and energy investments, to name a few. Brookfield takes a decent cut of the profits and returns the rest to the investors.

This is the same business model that hedge funds, private equity funds, and venture capitalists all deploy. The difference is that Brookfield is absolutely incredible at it.

A few of its funds have gone public, such as **Brookfield Renewable Energy Partners**, which Brookfield owns 65% of. All told, Brookfield has a portfolio of over \$200 billion in assets that are spread out across four continents.

Brookfield is exceptional at identifying assets that are undervalued for a multitude of reasons. For example, Brazil has been dealing with credit problems. Due to economic concerns, the country's credit rating dropped, which makes it even more expensive for the government and businesses to borrow the necessary money to continue growing.

Brookfield has set aside \$1.2 billion to buy up entire infrastructure projects in Brazil. It'll pay pennies on the dollar, and then when Brazil turns around, Brookfield could potentially flip those assets or continue generating lucrative returns.

Another example is the potential purchase of **Asciano, Ltd.** for US\$6.6 billion. This is the exact type of asset Brookfield looks to buy. An Australian port is a smart business because all goods need to be

transported by ship. Controlling the entry and exit points allows Brookfield to make considerable money. While it is currently dealing with some regulatory hurdles for this acquisition, Brookfield will likely make the necessary concessions to get the port.

### **Brookfield wins more often than not**

The reality for investors is simple: Brookfield wins more often than not, and it is very good at what it does. While it doesn't pay a very large dividend, only \$0.16/share, Brookfield rewards investors in another way.

If you had invested \$10,000 in the company 20 years ago, that investment would be worth \$320,000 today. Think about that for a second ... on average, the company has grown by 19% every single year for 20 years.

So, while the dividend is not great, the growth in share price more than makes up for it. It takes money from limited partners, deploys it, and turns it into profit. Therefore, I believe investors should buy this stock and get the experience of Brookfield in their portfolios.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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1. Investing

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