



## Hedge Against Global Economic Uncertainty With Brookfield Asset Management Inc.

### Description

Growing doubts over the health of China's economy, increasing market volatility, and the collapse in commodities makes now the time for investors to focus on the long term and hedge against uncertainty by adding non-cyclical stocks to their portfolios. One of the best ways to do this is by investing in Canada's largest alternate asset manager **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)).

### Now what?

Brookfield is one of the world's leading alternate asset managers with US\$225 billion of assets under management and US\$95 billion in fee-bearing capital. By investing in Brookfield, investors gain exposure to a globally diversified portfolio of real assets in Canada, the U.S., Europe, Brazil, India, China, and Australia.

Such a solid degree of diversification helps to reduce the impact of regional economic downturns on Brookfield's earnings, while the exposure to a number of emerging markets such as Brazil, China, and India enhances its growth prospects.

The assets in which Brookfield invests include infrastructure such as ports, railroads, toll-roads, property, renewable energy, and private equity. Investing in these types of assets reduces the degree of risk in Brookfield's portfolio while enhancing its income-generating characteristics.

Furthermore, these assets are typically located in markets with steep barriers to entry and monopolistic characteristics, protecting them from competition and giving them solid defensive attributes. This, along with Brookfield's size, global presence, expertise, and operational structure endows its business with a solid economic moat that protects its earnings.

As a result, Brookfield has an enviable history of growth. For the first nine months of 2015 the value of its assets under management grew by 8%, while revenue was up by 5%. More impressively, between 2010 and 2014 Brookfield's annual net income doubled, giving it an incredible compound annual

growth rate of 15%.

I expect Brookfield to continue reporting solid long-term earnings growth because it is focused on expanding its portfolio by acquiring high-quality, growth-oriented assets that are trading at discounts to their fair value. For the first nine months of 2015, Brookfield directly or through its subsidiaries made over US\$6 billion worth of acquisitions, and once these are bedded down they will add a nice bump to its earnings.

The acquisitions won't end there.

By the end of the third-quarter 2015 Brookfield had amassed an impressive war chest for making further asset purchases. It had over US\$3 billion of cash on hand and a further US\$3.6 billion in undrawn credit facilities.

Let's not forget about Brookfield's regular dividend payment, which has a sustainable 1.6% yield and will reward patient investors as they wait for its share price to appreciate in value.

### **So what?**

With growing volatility and an unstable global macroeconomic forecast once again dominating the outlook for investment markets, it is hard to pass up on Brookfield as a core holding in any portfolio. Not only does it retain a range of attributes that leave it relatively immune to downturns in the economic cycle, but it also possesses impressive growth prospects.

Its high level of liquidity combined with its ability to raise capital means that it can continue to expand its portfolio of assets through additional quality acquisitions, thereby enhancing its earnings and boosting its bottom line.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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