1 of Canada’s Best Stocks Is Now on Sale

Description

With the TSX down about 13% in 2015 and 4.5% since the start of 2016 alone, Canadian investors who are overly exposed to commodities and poorly diversified across sectors are likely seeing plenty of red in their portfolios.

Market meltdowns underscore the importance of being properly diversified, and fortunately it’s not too late to add diversification to your portfolio. In fact, plenty of top Canadian names are now trading at excellent valuations, and there is no better example than **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM).

Brookfield is a top global asset manager that provides incredible diversification in one equity. It has assets all over the planet across numerous types of assets (from ports, to toll roads, to timberlands), and uses a multitude of strategies.

Here’s why Brookfield belongs as a core holding in your portfolio and why current price levels of about $40-42 per share represent a good entry point.

Brookfield provides exposure to real assets

What makes Brookfield so unique? There are many factors, but one of the main factors is that Brookfield provides exposure to what are known as “real assets.” Quite simply, real assets refer to physical assets that are long-lived and provide stable and growing income streams that protect against inflation.

Real assets include things such as real estate, timberlands, infrastructure, and utilities. Real assets offer major benefits that other asset classes—like stocks and bonds—cannot. While bonds offer small yields due to low interest rates (and will decline when rates rise) and stocks are being affected by a low-growth environment and extreme volatility, real assets provide excellent yields with very low volatility and good growth.

This is because real assets are often essential, have long lives, face limited competition, and have revenues that are either regulated or contracted, which makes them highly stable.

These features allow real assets to not only generate excellent returns, but to also do so with less volatility than other types of assets. At the same time, they do so without being correlated to how stocks perform (which provides excellent diversification).

This may sound too good to be true, but institutional investors (like pension funds, insurance companies, and countries) don't seem to think so. While these types of investors have traditionally only invested about 5-10% of their portfolios in real assets, this proportion is rapidly expanding as investors look for alternatives to stocks and bonds.

In fact, by 2020, Brookfield expects institutional investors to have over 30% of their portfolios in real assets. For the average retail investor, buying Brookfield allows for the opportunity to invest in real assets, while doing so within the structure of a stock and all the convenience this provides.

Brookfield has excellent growth prospects for a reasonable price

Brookfield is a notoriously complex company to analyze, but it essentially consists of an asset management business that invests the money of over 320 private fund investors globally (with the average investment being about $80 million) in Brookfield's private funds, public markets, and its TSX-listed partnerships (Brookfield Renewable, Infrastructure, and Property Partners).

Brookfield also invests its own capital mostly in its TSX-listed partnerships. Brookfield is largely paid by receiving base fees from the various funds it owns as well as performance fees for when the funds meet certain return hurdles.

Going forward, Brookfield will continue the same strategy that has led to 19% annualized returns over the past 20 years—using its global platform and strong investment track record (high double digits on average) to attract client capital. As institutional fund capital grows exponentially and a greater portion is allocated to real assets, Brookfield should see its assets under management grow.

Currently, Brookfield intends to raise $23 billion in fee-bearing capital likely by the end of the year, which should increase its current fee-bearing capital by 24%.

Currently, according to analysts at **RBC**, Brookfield has a net asset value of about CAD$58 per share, and with the current share price being around $41 after the recent pullback, Brookfield shares are trading at far less than what its underlying assets are worth, making it a great time to buy.

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1. Investing

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1. Editor's Choice

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

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