



Investors Should Buy Brookfield Asset Management Inc. for Instant Diversification

Description

When the markets were rising, investors didn't have to be nearly as picky with their investments because a rising tide lifts all boats. But now that the market has been correcting, it helps to find high-quality companies that will stabilize your portfolio and offer diversification. One company that I believe is worth considering is **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)).

As the name implies, Brookfield is a management firm that has US\$225 billion under management all around the world. This geographic diversification includes Canada, Brazil, Australia, and the United States. As an asset manager, it raises capital with the goal of buying up other companies it views as valuable but are under strain. That strain can be due to macroeconomic reasons, such as low oil prices, or because management just hasn't done a good job.

Brookfield has invested in all sorts of projects, including energy, real estate, private equity—the list goes on. One asset that it has been trying to acquire is **Asciano, Ltd.**, which it offered to pay US\$6.6 billion for. This move is intelligent for Brookfield because ports and railroads, which Asciano owns, are two of the main ways to transport goods in and around a country. Owning Asciano would generate significant revenue for the company.

Another strategy Brookfield deploys is it builds up a portfolio of high-quality assets within a certain sector and then pushes that portfolio public. For example, one of the funds that it has an interest in is **Brookfield Renewable Energy Partners**. This former subsidiary has a portfolio of hydroelectric and wind facilities around the world that generate 7,000 megawatts of power. Brookfield owns 65% of this particular fund.

The ultimate benefit of investing in a company like Brookfield is the fact that it has access to assets that the average investor doesn't. We all know that Brazil is currently experiencing problems. But if I asked you to invest in distressed Brazilian assets, would you know how?

Brookfield knows how. It has set aside \$1.2 billion to buy entire infrastructure projects in Brazil and will pay much less than what the assets are worth; then when the economy recovers, the returns on those assets will be significant.

Brookfield will do two specific things for your portfolio. It will offer a stable and diversified asset that is not exposed to any one sector with significant capital. And it will increase profitability for its investors.

Had you invested \$10,000 in Brookfield 20 years ago, that amount would be worth approximately \$320,000 today. On average, the company returned 19% every year for 20 years. In my eyes, that is one of the most impressive feats for a company to achieve. While the stock may not always give such high rates of return, I expect that Brookfield will continue to excel and should be considered for any portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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