



1 Huge Reason Investors Should Buy Brookfield Asset Management Inc.

Description

While there are plenty of really great reasons why investors should consider buying **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), there's one in particular that really stands out for me. And it makes Brookfield a great addition to your portfolio for diversification. But first...

"Brazil's Petrobras, Brookfield extend exclusive talks over gas pipeline offer."

"Brookfield Asset Management eyes Reliance Communications' tower company."

"Brookfield Asset Management plans \$1 billion investment in India distressed assets as nation battles record sour debt."

Those are three separate news headlines I found in July. And they all reveal the same thing about Brookfield: it is constantly on the lookout to make new acquisitions to bolster its portfolio of assets. For those who don't know, Brookfield is, as the name implies, an asset management firm.

The type of assets it buys are what make it so lucrative for investors. It buys up entire infrastructure projects, such as railroads and ports, which are worth billions of dollars. For people like you or me to be part of a deal of that magnitude, we'd need to have seven or eight figures in the bank. It's clear that the only way to gain that sort of exposure is through Brookfield.

Petrobras, a Brazilian state-run petroleum company, has been forced to sell some of its assets to pare down its debt. It is currently in exclusive talks with Brookfield to sell its natural gas pipeline unit. Reliance Communications is sitting on US\$6.3 billion in debt, so it has no choice but to sell assets to get that debt down. And the \$1 billion investment in India shows what Brookfield likes to invest in.

Brazil and India are countries whose companies have far too much debt due to a period of high growth. Now that the growth has slowed, that debt is becoming a burden. And that's where Brookfield comes in. It can make offers to acquire assets for cheaper than what they'd otherwise be worth because. For example, Brookfield values the tower company at about US\$2.2 billion. Reliance values it at US\$3.1 billion. If the deal goes through, I expect what Brookfield pays will be closer to its valuation.

And that's the real reason why you should invest in Brookfield. It is able to gain access to distressed assets that are only undervalued because the current owner is far too leveraged to afford the debt payments. So Brookfield can invest, make things stronger, and then either wait for the cash flow or wait for the economy to strengthen again to sell the asset.

Investors love this. Its fee-bearing capital is about \$144 billion, up from \$104 billion on March 31, and up from \$99 billion at the end of 2015. Brookfield's limited partners are absolutely loving the types of returns they get.

While investors can't participate directly in these acquisitions—like I said, we'd need to show seven or eight figures—we get to benefit from Brookfield's success. If you had taken \$10,000 and put it into the company 20 years ago, you'd be worth \$320,000 today. Over those 20 years Brookfield returned a very comfortable 19% on average every year.

That only happens because of its smooth business model. Brookfield finds companies that have too much debt, buys up the best assets possible at reduced rates, and then waits. It cleans things up, generates cash flow, and perhaps someday, sells it. And we get to go along for the very lucrative ride.

CATEGORY

1. Investing

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1. NYSE:BN (Brookfield Corporation)
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