Blue Horseshoe Loves Brookfield Asset Management Inc.

Description

Canada's largest bank, **Royal Bank of Canada** (TSX:RY)(NYSE:RY), recently made **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM) one of its top picks, while upping its 12-month target price to $54—15% higher than where it's currently trading.

Sure, Royal Bank isn't in the same league as Gordon Gekko, but the bank's endorsement of Brookfield as one of its top 30 global ideas for 2016 is as good a reason as any as to why Fool.ca contributors Kay Ng, Demetris Afxentiou, and others feel so strongly about the company.

How many asset managers can boast long-term performance numbers like Bruce Flatt and the rest of his team at Brookfield Asset Management? Very few.

A $10,000 in Brookfield 15 years ago would today be worth $102,981. A similar investment in **Berkshire Hathaway Inc.** would net investors $36,325—a princely sum to be sure, but nowhere near the magic spun by Flatt and company.

Royal Bank sees Brookfield as one of the dominant players in financial services; in its mind, it's been doing a good job of separating itself from its peers ever since the 2008 financial crisis. With a well-executed business model in place, there's no reason for Brookfield to not to continue dominating asset management.

There are a bunch of reasons to love Brookfield. Here are three personal favourites.

Brazil

With the country's political instability seemingly at an all-time high, it's easy to see why investors would be reticent to invest in a place that seems to be sliding backward economically at a time when other emerging markets (India, Indonesia, Philippines) are taking big steps to catch up with developed markets such as Canada.

Brookfield announced in September that it, along with some partners, was buying **Petrobras's** 2,048 kilometre pipeline system that brings natural gas to Rio de Janeiro and Sao Paulo from Brazil's oil and gas fields for US$5.2 billion. Brookfield likes two things: quality and value. With this pipeline, it gets both.

Opportunistic investor

In 2010 Brookfield, along with Bill Ackman and Bruce Fairholme, came to the rescue of bankrupt mall owner, **General Growth Properties Inc.** (NYSE:GGP), providing US$8.6 billion in capital commitments in order to recapitalize the business and keep it afloat. The trio invested $6.3 billion in new equity with the remaining $2.3 billion from rights offerings, credit facilities, etc.

At the end of August Brookfield returned to its investment partners all of their original investment capital along with a nice $3.7 billion profit over six years.

What's the beauty of this deal? Brookfield remains General Growth Partners's largest shareholder with a 34% ownership interest. Who knows what this will grow to? Recently, GGP, along with **Simon Property Group**, the world's largest mall owner, came together with New York–based **Authentic Brands** to buy teen retailer **Aeropostale** out of bankruptcy. It was an unusual move that should reap benefits for both mall owners down the road.

Spin-off heaven

Its most recent spin-off in June with the hiving off of **Brookfield Business Partners LP**, its business and real estate services unit.

Brookfield would make a good basketball team with four major units operating in real estate, infrastructure, renewable power, and private equity—now available to investors directly.

If you're looking for great alternative investments, Brookfield is the only way to go.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BN (Brookfield)
4. TSX:RY (Royal Bank of Canada)

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