



## Brookfield Asset Management Inc.: A Buy-and-Hold-Forever Stock

### Description

For investors looking to add a company to their portfolios and then keep it there forever, there aren't many choices as solid as **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)). As its name implies, it is an asset management firm that takes money from investors, invests it, and generates fees and profits off what it buys and sells. It's a buy-and-hold-forever stock because it almost always beats the market, making it a great way to diversify and fortify your portfolio.

If you had invested \$10,000 in Brookfield 20 years ago, you'd be holding \$320,000 today. That's average return of 19% every year. If you had instead bought an ETF tracking the S&P, that \$10,000 would only have gone up about six times. It's clear which one does better.

But why? What is it about Brookfield makes it so good?

It has everything to do with Brookfield's inherent diversification and investment strategy. It has approximately US\$250 billion in assets under management in real estate, infrastructure, private equity investments, and renewable power. Further, it owns assets in basically every part of the world.

As for Brookfield's investment strategy, it looks to acquire assets that are either distressed or could be worth significantly more in the future. And it does it on a regular basis. Consider the following headlines from the past few days: "Canada's Brookfield Asset Mgmt eyes Continuum's wind energy biz" and "Brookfield Asset to Buy 70% Stake in Odebrecht Ambiental For US\$768 Mln".

These happen all the time. With support from one of Brookfield's subsidiary companies, it buys assets in a wide variety of categories. Management then focuses on turning them around, improving them, and then either generating significant cash flow from them or selling them. Because of the investment strategy of buying cheap, these can become long-term assets for Brookfield to help provide cash for future investments.

Brazil has been of particular interest to Brookfield because of its macroeconomic environment. When a country and its people become severely indebted, it can be hard for businesses to raise money through the credit market. Brookfield can buy these assets for much cheaper than they're worth and wait for the economy to turn around, which usually does.

One investment Brookfield has been trying to make is the purchase of the pipeline system from **Petrobras**, the semi-public Brazilian petroleum company. It agreed to spend US\$5.2 billion (with a group of partners) to acquire 90% of the 2,000 km network of natural gas distribution pipes.

Petrobras must do this because it needs to pay down its debt. According to *Bloomberg*, it has set a US\$15.1 billion asset sale target through 2016. And when a company needs to sell, Brookfield is there to offer it money.

The conclusion for Brookfield is very simple: it has beat the market on a regular basis, it provides investors with diversification in types of assets, and it just does a really great job. In my opinion, Brookfield is a buy-and-hold-forever stock.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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