



## Brookfield Asset Management Inc.: Primed to Have a Stellar 2017

### Description

When you can find a company that excels at its trade that also repeatedly pays quality returns to its investors, you know you've found a long-term investment. **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) is that type of company. Thanks to a wide variety of investment opportunities, Brookfield should be a bedrock investment for most portfolios. And thanks to its diversified holdings, it is able to provide wonderful opportunities for investors.

All told, the company has the approximately US\$250 billion in assets under management. Assets include property, renewable power, infrastructure, private equity, and other holdings. These are incredibly high-quality and lucrative assets.

There are two ways Brookfield generates money off these types of assets. The first is with the US\$111 billion in fee-bearing capital, which generated US\$2 billion in annualized fees and carried interest for the company. The other is the US\$31 billion in invested capital, which generated US\$1.3 billion in annualized cash flow.

Of particular interest to me is the invested capital primarily because of how it has built this portfolio.

Brookfield Asset Management is the parent company of a series of “niche” spinoffs: **Brookfield Renewable Energy Partners LP**, **Brookfield Infrastructure Partners**, and **Brookfield Property Partners L.P.** These companies are focused on holding renewable energy assets (primarily hydroelectric), infrastructure projects (pipelines, ports, and toll roads), and real estate (commercial, residential, retail, etc.). Brookfield invests with these spinoffs to continue acquiring assets in these categories.

What makes these units so fantastic is that they are cash flow–generating operations. All told, about 85% of the US\$31 billion is tied up in its different spinoffs. But thanks to the lucrative investments they make, the company generates consistent yearly cash flow that it can then distribute back to its investors.

Another reason I'm so bullish on Brookfield is because of its ability to acquire large operations. It can afford to spend billions buying assets that are undervalued. For example, **TerraForm Power Inc.** has

been suffering under the control of **SunEdison Inc.** With Brookfield's Brookfield Renewable Energy Partners group, it offered to buy the company for US\$1.8 billion. Brookfield would then be able to streamline the operations, bring a lot of costs in house, and give the company the resources it needs to succeed.

In the third quarter, Brookfield invested US\$10 billion of capital (half of what it invested over an entire 12-month period). The expectation is that these assets will continue to increase the yearly cash flow, allowing the company to continue acquiring even greater assets. Brookfield continues to build its war chest with US\$4.6 billion targeted for two funds.

All told, my view on Brookfield is very simple. It is a large-scale value investor that looks to take over entire operations. And thanks to its diverse spin-offs, it is able to be aggressive with the types of assets it owns. I'm bullish on Brookfield and believe it is a great holding.

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1. Investing

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1. Investing

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