



Brookfield Asset Management Inc. Is a Great Long-Term Play

Description

There's a belief in investing that the experts are better than you and me. That's why ETFs have taken off; the average person doesn't believe they can beat the market. Obviously, us Fools don't agree with that. But sometimes, it helps to have an expert on your side. In this case, that expert is **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)).

If you had invested in Brookfield five years ago, you'd be up 127.45%. Compare that to the **S&P/TSX Composite Index**; over that same period it was only up 22.73%. Now, comparing a single company to an index is not always fair, but it's important to understand that with smart investments, you can beat the market. You just have to do a little research ... or trust an expert that almost always wins.

So here's how Brookfield works.

The company generates money in a few ways. It collects institutional investor money and reinvests it. By doing this, it collects management fees. It has over US\$110 billion in fee-based capital. The other way is through the US\$31 billion it has in invested capital. The fee-based capital is exciting, but what really interests me is how Brookfield has built up that invested capital and turned itself into a mini-conglomerate, investing in real estate, infrastructure, energy projects, etc.

It does this through a series of subsidiaries it has spun out over the years. These companies include **Brookfield Renewable Energy Partners LP**, which invests in hydroelectric and other renewable assets, **Brookfield Infrastructure Partners**, which invests in large-scale infrastructure projects, and **Brookfield Property Partners L.P.**, which focuses on real estate. And since it holds a significant percentage of these companies, it benefits from their success.

Net income was US\$3.3 billion in 2016, which was down from US\$4.7 billion in 2017. But at the same time, Brookfield's funds from operations increased from US\$2.5 billion in 2015 to US\$3.2 billion in 2016. This is significant because the company is investing significant amounts of its capital into real assets. This cuts into net income, but these assets are cash flow generators, kicking off more cash for the company to work with.

I'm bullish on this strategy because it allows Brookfield to focus on value investments. It can identify

undervalued assets, buy them, and wait for them to turn around. When that turnaround occurs, Brookfield can then sell the assets or continue generating lucrative cash flow to put into other investments.

As Brookfield raises further funds to make these investments, I expect to see the funds from operations increase even more.

Ultimately, I believe Brookfield is one of the best stocks you can own. It's grown significantly during its existence, and I believe that it will be able to grow even more in the coming years.

Let the experts do some of the heavy lifting for you; just pick the right experts, such as Brookfield Asset Management.

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