



Brookfield Asset Management Inc. vs. Brookfield Infrastructure Partners L.P.: Which Is Better?

Description

Some investors wonder if it's better to invest in **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) or **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). A common perception is that both have excellent growth potential, but Brookfield Infrastructure offers a higher yield.

Let's take a look at their past performance in terms of total returns and income generation.

Past performance

Both companies have tended to outperform market returns.

Since 2014, Brookfield Infrastructure has delivered an annualized rate of return of 24.7%. A \$10,000 investment would have generated almost \$1,906 of distributions.

In the same period, Brookfield Asset Management delivered an annualized rate of return of 20.1%. A \$10,000 investment would have generated nearly \$608 of dividends.

Let's compare a longer period.

Since the partnership was spun off in 2009, Brookfield Infrastructure has delivered an annualized rate of return of 24.7%. A \$10,000 investment would have generated almost \$8,641 of distributions.

In the same period, Brookfield Asset Management delivered an annualized rate of return of 16.7%. A \$10,000 investment would have generated almost \$2,180 of dividends.

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What does the past tell us?

Although past performance doesn't tell us the future, it does have some implications.

The above examples seem to indicate that due to Brookfield Infrastructure's outsized yield, you're guaranteed more income and subsequently secure more of your returns from a safe distribution as opposed to Brookfield Asset Management, which relies more on future growth to lead to price appreciation and dividend growth.

In other words, between Brookfield Infrastructure, which offers a yield of nearly 4.5%, double Brookfield Asset Management's yield of nearly 2.2%, the former will very likely outperform in terms of income generation and will likely outperform in terms of total returns.

In the past, Brookfield Infrastructure's distribution growth has been higher. Since 2009, the company has increased its distribution at a compound annual growth rate (CAGR) of 15.8%. In the same period, Brookfield Asset Management has had some irregularities with its dividend. Since 2009, its dividend has had a CAGR of 10%.

Which company is better?

Choosing between the two is not as simple as looking for the most returns or picking the one that generates higher income.

Brookfield Infrastructure gives investors access to a quality global portfolio of infrastructure assets, including toll roads, railroads, ports, pipelines, and transmission and telecom towers. They are long-life assets which generate stable, growing cash flows that support its growing distribution.

However, Brookfield Asset Management is larger and more diversified. It has about \$250 billion of global assets under management and invests in infrastructure, renewable energy, real estate, and other assets through its listed partnerships, including its 30% stake in Brookfield Infrastructure, and public securities.

Additionally, as the general manager of its listed partnerships, Brookfield Asset Management earns growing management fees from them. From 2012 to 2016, the manager's fee-bearing capital increased at a CAGR of 16% to nearly \$110 billion.

Investor takeaway

Both Brookfield Infrastructure and Brookfield Asset Management are great long-term investments. However, you can better secure your returns by investing in Brookfield Infrastructure, which has a 4.5% yield.

That said, if you desire more diversification through one holding, you can get it by investing in Brookfield Asset Management, which has about 85% of its capital invested in its publicly listed partnerships, which all target long-term total returns of 12-15%. Together, they form a formidable and globally diversified portfolio of real assets, which generates a quality stream of growing cash flows.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BN (Brookfield Corporation)
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