



Gain Long-Term Growth With Brookfield Asset Management Inc.

Description

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)), one of the world's best value-investing firms, has made many investors a ridiculous amount of money if they stayed committed.

One of my favourite statistics about Brookfield Asset Management is that had you invested \$10,000 in the company about 20 years ago, you'd be sitting on a portfolio worth about \$320,000 today. With less than a \$50,000 investment, you'd be a millionaire today thanks to the smart investments Brookfield Asset Management made.

A big reason it has been able to generate these sorts of returns is because it has focused on core projects, including real estate, infrastructure, power generation, along with a portfolio of private equity and other assets.

There are a couple of reasons that the company has been able to boost its income so strongly.

The first is its US\$110 billion that is "fee-bearing capital." This means that it holds investors' funds, invests that money, and receives a fee for it. In 2016, it brought in US\$712 million in fee-related earnings compared to US\$496 million in 2015 — 44% growth. Since 2011, fee-bearing capital has grown from US\$64 billion, an 11% CAGR.

The other reason that the company is able to boost its earnings is its listed entities. These are well-known names, including **Brookfield Property Partners L.P.**, **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)), **Brookfield Infrastructure Partners LP**, and **Brookfield Business Partners L.P.**

These entities operate businesses that Brookfield spun off when it had accumulated a strong enough portfolio of assets in a specific area. What makes this particularly appealing is that they are focused on generating cash flow. Further, because of the parent/child relationship, Brookfield Asset Management is incentivized to invest alongside its spin-offs, allowing both firms to grow much stronger.

And it does this on a regular basis.

A big project was the announcement that Brookfield Asset Management was leading a consortium of investors alongside its renewable energy spin-off to acquire TerraForm Global and 51% of **TerraForm Power**. Brookfield Asset Management contributed US\$787 million, and Brookfield Renewable added US\$500 million. But rather than Brookfield Asset Management having to operate it directly, Brookfield Renewable will handle it, making the business far more likely to be a success.

Going forward, I anticipate this strategy to become even more important for the company. With billions of dollars in dry powder, the coming years should be full of press releases discussing the latest acquisition that Brookfield Asset Management has made either on its own or with one of its spin-offs.

Ultimately, my investment thesis on Brookfield Asset Management is straight forward: as an asset manager that allocates resources with the ultimate goal of experiencing outsized returns, there are few as good as Brookfield Asset Management. However, to double down on your investment, I believe owning the child companies are also worth considering.

Year after year, Brookfield Asset Management provides strong returns for investors. Compared to **S&P/TSX Composite Index**, it absolutely blows it out of the water. Over the past five years, an acquisition of Brookfield Asset Management would have returned over 128%, whereas the S&P would have only returned 31.6%. Consistently beating the market is something Brookfield Asset Management does exceptionally well.

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2. NYSE:BN (Brookfield Corporation)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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