



Brookfield Asset Management Inc. Had an Amazing Quarter: Time to Buy?

Description

There are some assets out there that the average investor never gets to invest in. Want to invest in a new solar farm? Not likely. What about a major skyscraper in New York City? No. How about the complete acquisition of a small- to medium-sized business? Unlikely.

For **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)), all of those scenarios are possible, which makes investing in Brookfield an investor's best bet to gain the [kind of diversification](#) the average investor doesn't have the chance to invest in.

On Thursday, Brookfield reported its full-year 2017 results, and they were incredible. Brookfield knocked the fourth quarter out of the park, and the full-year was just as powerful.

In Q4, the company had net income of US\$2.083 billion, up from US\$97 million the year prior. And looking at the full year, net income came in at US\$4.5 billion, up from US\$3.338 billion in the year prior.

Growth in fee-related earnings is one reason the company continues to do so well. By growing its assets under management to US\$125.5 billion, a CAGR of 13% from 2013, it has been able to boost its fee-related earnings from US\$300 million in 2013 to US\$896 million in 2017, a CAGR of 31%.

This is one way that major asset management firms make money. They take money from investors and then invest it in assets. They earn fees on this money, and so long as they continue to raise more funds, fee-related income should continue to rise.

According to the press release Brookfield issued, the company is in the process of raising its third real estate fund, which will be much larger than its predecessor. It's also continuing to raise its latest private equity fund, which is over 80% invested or committed, so Brookfield is planning its next fund. Each of these funds contributes to the company's ability to earn more fees.

The other business Brookfield generates considerable revenue from is its [operating subsidiaries](#). These pay fees to management, but they also generate considerable funds from operations. In 2017, Brookfield's funds from operations increased from US\$3.2 billion to US\$3.8 billion, with Q4 contributing US\$1.3 billion of that. I fully expect this number to continue increasing, as Brookfield invests alongside its subsidiaries in a variety of industries.

Ultimately, the quarter and year were both great successes for the company, but that's not something long-term investors are all that surprised about. Consider this: if you had invested in Brookfield five years ago, you'd be up 87% before taking into consideration dividends. If you had, instead, invested in the **S&P/TSX Composite Index**, you'd only be up 19.73%.

So, is it time to buy Brookfield? Yes. The company continues to execute its strategy, its subsidiaries are doing well, and I believe it will continue to generate strong earnings for the foreseeable future.

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Date

2025/09/15

Date Created

2018/02/20

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