



Brookfield Asset Management (TSX:BAM.A) for Your Defensive Portfolio

Description

With over a hundred years of experience in alternative investments, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) is a global firm supporting the employment of almost a thousand people worldwide.

Brookfield's core values have remained the same throughout history: operational expertise, contrarian investing, large-scale capital appropriately deployed, and capital preservation.

As a value investing company with a contrarian point of view, capital preservation sits at the heart of the businesses. The way to protect the capital is the cornerstone of any [asset management](#) business, and Brookfield Asset Management is aware that this is the only way to survive in such a competitive environment.

Historical background

The company started in the late 1900s by helping a Brazilian electrical and transport utility. It launched and listed on the Toronto Stock Exchange over a decade later. The company now has over \$250 billion in assets, successfully navigating throughout recessions and booms.

It tells much about the ability to morph and invest in businesses that stand the test of time. Contrarian thinking and going against the consensus are attributes that allow continuity in this line of business. From this point of view, Brookfield Asset Management has a spectacular "life line."

Value investing in the 21st century

The very definition of value investing gives us a clue about what the company's main line of business is: it buys undervalued assets and sells when they are overvalued. Also, the strategy must work regardless of the present and future market conditions, not to mention monetary policy.

It has never been so influential as in today's financial markets. With central banks around the world acting in a coordinated fashion, assets react in a correlated manner, too. For instance, easing in the United States in the 2008 financial crisis aftermath was followed by a similar reaction all over the world.

[Value investing](#), therefore, fits the company's profile and background, as it melds on every market cycle, bringing to life the best of both recessionary and expansionary conditions.

2018 financial performance

The first two quarters' performance looks promising. The \$3.5 billion net income in the first six months of the year more than doubled when compared with the same period in 2017. More impressively, the revenues didn't expand at the same ratio, suggesting better cost control in place.

The cash position remained stable, coming to highlight the principle of stability and rule-following system the management approaches. After all, a stable cash position allows the company to avoid any possible opportunity costs that may arise in the future. However, the brighter financials didn't help the stock much.

Essentially, it is flat on the year, despite solid numbers and well-anchored future earnings. Is monetary policy the cause? Unlikely! With the Fed on the double tightening path (i.e., hiking rates and shrinking the balance sheet) and the Bank of Canada following suit on rate hiking, the flat price may suggest smart acquisition.

Conclusion

For those that value long-term investing principles, Brookfield Asset Management is a great way to diversify your portfolio and spread the risk through various asset classes. When looking for stability, secular value, and contrarian investing, this company may just be the one to add value to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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