



Buy and Stuff This Great Stock in Your Closet

Description

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) is a quality business. It's an alternative asset manager that owns and operates a diversified portfolio of assets around the world. The more assets it manages, the more fees it gets. At the same time, it also gets juicy cash distribution yields of 4.7-6.8% from a number of the listed partnerships it owns huge stakes in and also manages.

The stock popped +4% after reporting its third-quarter results. Despite Brookfield Asset Management being a great business, it's still helpful for investors to aim to buy on dips at a low. If you picked up the stock at the recent low, your investment would have appreciated +8%.

Brookfield Asset Management's Q3 results

Here are some key metrics compared to the same period in 2017:

| | Q3 2017 | Q3 2018 | Change |
|-----------------------------|-----------------|-------------------|--------|
| Net earnings | US\$992 million | US\$941 million | -5% |
| Earnings per share | US\$0.20 | US\$0.11 | -45% |
| Funds from operations (FFO) | US\$809 million | US\$1,085 million | 34% |
| FFO per share | US\$0.79 | US\$1.07 | 35% |

Earnings in Q3 were lower compared to the same period in 2017 due to fair-value changes and non-cash depreciation and amortization.

Investors should focus on the company's FFO-generating capability, which is more meaningful in showing the company's profitability. FFO increased 34% year over year; the growth was roughly the same on a per-share basis as well.

The FFO growth included fee-related earnings that climbed to US\$320 million, a 72% increase over the same period in 2017, as a result of the growth in fee-bearing capital from its private funds and higher-performance fee income. Higher realized disposition gains of US\$401 million, an 82% increase year over year, also boosted the FFO.



Growing strong

Brookfield Asset Management generates increasing management fees as its fee-bearing capital grows. In Q3, its fee-bearing capital reached US\$141 billion — a 9% increase over September 2017. Its fee-bearing capital is diversified across private funds, its listed partnerships, such as **Brookfield Infrastructure**, and public securities.

As the general partner of its listed partnerships, Brookfield Asset Management also receives carried interest for providing its expertise in growing the businesses.

Brookfield Asset Management's annualized fees and target carried interest reached US\$2.7 billion, which was an increase of 22% from September 2017.

Brookfield Asset Management had increased its annualized fees and target carried interest at a superb compound annual growth rate of about 24% in the past four years or so.

Investor takeaway

Brookfield Asset Management is [a well-run business](#) with management's interests aligned with those of the shareholders. With liquidity of US\$32 billion at the end of the quarter, management will be looking to deploy into opportunities across its listed and private funds and generate great returns. The stock is [a good buy now](#) and a more attractive buy on any dips.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)

2. TSX:BN (Brookfield)

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