

1 Growth Stock for Your 2019 TFSA Contribution

Description

There are few companies in Canada that have as long a track record for operational excellence as **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). The parent holding company of a number of subsidiaries, BAM is one of the marquee names focusing on finding undervalued assets around the world.

BAM expressly focuses on acquiring and developing real, hard assets. Office buildings, global infrastructure, and residential properties all fall under its umbrella. The company has assets worldwide and seeks to invest in the most undervalued places. Over time, the company has proven its ability to take a long-term, value-based approach to real asset investment.

Over time, BAM has offered [some solid results](#). Annualized fee revenues and target carry increased by 22% over the same quarter of the previous year and funds from operations increased by 34%. These are some solid results from a company whose assets are focused on some of the most boring areas you can think of like infrastructure, utilities, and properties. This boring, steady, and long-term approach to investing has paid off handsomely. Over the past 20 years, returns from BAM, with its focus on real assets, have experienced a 16% total annual return per year as compared to the 7% annual return of the S&P 500.

This company has a number of subsidiaries that are also publicly listed. This gives an investor a choice for investing. Overall, the choice comes down to focusing on a particular sector, obtaining a higher yield, or focusing on diversification. Some of its subsidiaries, like **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#))(TSX:BEP) and **Brookfield Real Estate Services Inc.** ([TSX:BRE](#)), offer higher yields at 7.13% and 9.2%, respectively, which is significantly higher than the 1.44% offered by the parent.

While the yield is tempting, these focused plays may be a little more volatile than the parent company. For this reason, diversification can be a more settling way to invest than focusing on an individual sector just to generate a higher initial yield. BAM receives income from each of these subsidiaries.

The biggest downside to the company actually has to do with the subject of its business, focusing on real assets. Real estate, due to years of overvaluation, is likely going to experience some sort of a downturn in the relatively near future. Global asset prices, especially land, are extremely elevated. If there is a downturn, this could hit BAM's stock price significantly.

Note that a decline in real estate could hit the stock price more than the company's businesses. BAM is a very well run company that will probably ride out any real estate slump, or even crash, quite well. In fact, given the company's focus on investing in undervalued assets, a downturn could actually help the company in the long run, as it would be able to pick up assets at more reasonable prices. Investors just need to be prepared for a short-term slump in the stock price.

Investing in BAM has proven to be a good investment over the long run. If nothing else, the company's focus on real assets will act as a diversifier for individuals whose portfolios are focused on companies operating in non-real asset, non-real estate industries. This company is one that should be added to if there is a downturn and held for a long period of time.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
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Date

2025/09/15

Date Created

2018/12/15

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