



You Could Do a Lot Worse Than Owning the Brookfield 5

Description

My Foolish colleague Kay Ng recently wondered which was the better buy: **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), the parent, or **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), the child.

If you follow the Brookfield companies, you know that's a trick question: they're all good investments.

However, for Ng's [article](#), she came to the conclusion that because Brookfield Infrastructure generated stronger cash flow than BAM and hadn't had nearly as big a move in 2018 (late September), BIP.UN was the better buy.

Interestingly, Ng owns both of them. I say, why not buy all five of them? You could do a lot worse. Here's why.

Great assets

Brookfield Asset Management finished September with US\$331.6 billion in assets under management (AUM), a 15% compound annual growth rate from the \$192.9 billion in assets it managed in September 2014.

That's some growth.

The great thing about Brookfield's business is that the more assets it manages, the higher the fees it gets paid, both regarding its annual management fee and its performance-related fees including carried interest.

In 2014, its fees plus carried interest equaled \$1.1 billion. In 2018, it was \$2.7 billion, a compound annual growth rate of 24%, or 60% more than four years earlier.

So, as long as it continues to grow its assets under management — by adding new clients, getting more to manage from existing clients, and investing its own capital — the company's revenues and profits are likely to keep increasing.

That's a good problem to have.

If you buy only one Brookfield entity, it ought to be the parent.

The spin-offs

Brookfield Asset Management owns 68.0% of **Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)); 60.3% of **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)); 52.7% of **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY); and 29.9% of **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

Brookfield Business Partners is a private equity business that buys assets for value prices, turns the businesses around, and then sells them down the road when asset values have gotten expensive.

In August, it paid US\$4 billion for Westinghouse, a global leader in nuclear energy that had been in bankruptcy protection. BBU itself put US\$405 million of equity into the deal for a 44% ownership stake.

Brookfield Renewable Partners owns and operates renewable power assets, including solar and wind totalling US\$43 billion under its management. It looks to generate long-term total returns of 12-15% annually for shareholders by delivering 6-11% annual growth from its funds from operations.

Brookfield Property Partners is the group's public real estate vehicle. Launched in 2013, the company has grown its assets from US\$31 billion back then to US\$90 billion today, including the purchase of GGP, America's second-largest mall owner in 2018.

Brookfield is buying underdeveloped assets such as GGP, and putting the resources in place to extract value from the undeveloped or underdeveloped land the malls sit.

It's patient investing to the max.

Finally, Brookfield Infrastructure Partners is the company's infrastructure affiliate.

The unit's most recent acquisition was the \$3.3 billion purchase of **Enercare**, a company that rents water heaters and HVAC systems to residential and commercial customers. Others include a data center business in South America and a North American natural gas processor.

Brookfield likes to buy unloved assets, give them a little attention, and then sell them off. One year it's buying pipelines, the next it's buying data centres, the year after that it could be anything.

The bottom line on the Brookfield 5

The market cap of all five companies is \$85 billion, 60% of which is for the parent, with the other four sharing the remainder.

As Fool contributor, Christopher Liew [stated](#) in November, "Brookfield is a great way to diversify your

portfolio and spread the risk through various asset classes.”

He’s so right.

However, if you don’t mind a slightly higher level of risk, it’s not the worst idea to also buy the four spin-offs, because they all have the same investment philosophy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
4. NYSE:BN (Brookfield Corporation)
5. TSX:BBU.UN (Brookfield Business Partners)
6. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
7. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
8. TSX:BN (Brookfield)
9. TSX:BPY.UN (Brookfield Property Partners)

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