



## Why I Own Both of These Quality and Related Companies

### Description

In Foolish colleague Will Ashworth's article last week, he said [investors can do a lot worse than owning the five Brookfield companies](#), **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), the parent, and its subsidiaries: **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), **Brookfield Business Partners**, **Brookfield Renewable Partners**, and **Brookfield Property Partners**.

In the article, he linked to [my previous article](#) and summarized my conclusion: "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." He also said that it was interesting that I owned both companies.



## Why I own both BAM and BIP

The reasons why I own both Brookfield Asset Management and Brookfield Infrastructure are simple. I love the Brookfield philosophy of buying quality assets at discounts as well as focusing on assets that generate lots of cash flow. Stocks tend to go on sale at different times under normal markets. So, I happened to buy the stocks at different times.

Brookfield Asset Management is the general partner and manager of its subsidiaries. It owns big pieces of each — specifically, about 30% of Brookfield Infrastructure, 52% of Brookfield Property, 60%

of Brookfield Renewable, and 68% of Brookfield Business. So, Brookfield Asset Management is much more diversified.

If you want to keep it simple, just buy Brookfield Asset Management over time at good valuations and just hold on for a long time. The company also pays eligible dividends. Admittedly, it's more growth oriented than most of its subsidiaries. For example, Will mentioned that from 2014 to 2018, Brookfield Asset Management increased its fees plus carried interest at a compound annual growth rate of 24%. This growth rate is going to continue in the future as it keeps increasing its assets under management.

Brookfield Infrastructure tends to hold up better than its yieldco siblings. It also has the most conservative payout ratio that was recently at about 61% of funds from operations. Moreover, it's the only yieldco among the three that has outperformed its parent over the long term.

## Is BAM or BIP a better buy today?

With the market correction we're experiencing, should you buy Brookfield Asset Management or Brookfield Infrastructure?

The market correction does look a little scary, but it's hard to resist either stock at their current valuations. **Thomson Reuters** indicates analysts have a mean 12-month target of US\$52.60 per share for BAM, which represents near-term upside potential of 40.9%, which we haven't seen for a long time!

Similarly, analysts have a mean target of US\$45.60 per share for BIP, which represents near-term upside potential of 37.7%. Including dividends, BAM and BIP have a one-year total returns potential of about 42.5% and 43.4%, respectively.

If you think the market correction will continue for some time, BIP is the way to go, as its high yield should give support for the stock at some point. If you think a quick rebound is in the cards, go with BAM, which is more growth oriented.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BN (Brookfield)

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