



This Tried and True Canadian Conglomerate Is a Perfect Fit for Your TFSA

Description

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) has been a pillar of performance for the last decade. The business has experienced tremendous growth over the last 10 years, specifically as an asset manager.

Brookfield has accomplished this incredible track record by focusing on investing in high-quality assets that have a global reach and can create long-term value. By focusing on long-term value, Brookfield has aligned itself with TFSA investors everywhere, making it one of the best stocks on the TSX to buy and hold for the future.

Long-term growth

Over the past decade, investors in Brookfield Asset Management have been rewarded by stellar performance. Investors who have held for this entire period have realized more than 500% on their original investment. The combination of well-invested capital and the achievement of target returns have allowed Brookfield to realize more carried interest.

Net asset value has been growing at an exceptional rate, as Brookfield grows its fee-bearing capital and increases funds from operations. The new acquisition of Oaktree Capital Management further aligns Brookfield with its goals and opens the door to continue to grow fee-bearing capital.

Management track record

Management has proven they aren't just good investors but also solid owner-operators. While Brookfield is extremely good at finding investments with sound long-term potential, it has also done a fantastic job at improving efficiencies and creating more sustainable free cash flow. Moreover, management knows that temporary operational challenges to specific geographies or industries present a unique and valuable opportunity for long-term investment.

The strategy of acquiring these companies at opportune times has paid dividends for Brookfield,

allowing it to acquire solid assets with good fundamentals at reduced valuations.

Well diversified

As well as having high-quality assets, Brookfield has also done a great job of diversifying these assets. The four main segments of the business complement each other well, and in total Brookfield has operations in over 30 countries on five continents. The scale by which Brookfield operates and its ability to raise large sums of capital create significant, hard-to-match access to deal flow. This makes Brookfield one of the best, well-respected players in the business. Each segment is focused on creating long-term value by finding good value investments and streamlining operations already in place.

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)): 30% ownership

Brookfield Infrastructure operates across four main segments: Utilities, Transport, Energy, and Data Infrastructure. The portfolio consists of gas pipelines, electricity transmission lines, rail operations, toll roads and ports, just to name a few.

The best advantages of these assets are their minimal requirements for maintenance capex as well as the strong diversification between each holding. The assets are also in segments of the market requiring large barriers to entry, which adds to the stability of the entire portfolio.

Brookfield Property Partners ([TSX:BPY.UN](#))([NASDAQ:BPY](#)): 51% ownership

BPY operates a large portfolio of real estate assets ranging from retail and office space to student housing and self-storage. The diversification of their business consists not only of assets across different industries but also across many geographies.

The ability of management to funnel cash flow from established and mature assets into newer and higher-yielding assets allows the fund to target 12-15% ROE while growing distributions at the same time.

Brookfield Business Partners ([TSX:BBU.UN](#))([NYSE:BBU](#)): 68% ownership

Like the other Brookfield companies, BBU targets assets with high barriers to entry and low operating costs. Currently, BBU operates in the business services segment, construction, energy and industrial operations.

The goal of management is to find solid investments that have the potential to be streamlined and made more efficient to increase the bottom line. Brookfield has done this time and again, which is why

it targets long-term returns of at least 15% on its investments.

Brookfield Renewable Partners ([TSX:BEP.UN](#))([NYSE:BEP](#)): 61% ownership

BEP is one of the world's largest public companies operating in the renewable energy space. With over 17,400 MW of capacity in North and South America, Asia, and Europe, BEP is positioned well for the future growth of renewable energy around the world. The company's portfolio consists 76% of hydroelectric power; however, it also operates wind and solar as well as storage facilities. BEP is focused mainly on building and acquiring these assets at fair valuations to increase its return on investments.

Strong financial positioning

In total, Brookfield has over \$30 billion of liquidity available for new projects. The liquidity has come from higher free cash flow in recent years, access to large funds from investment in each of the subsidiaries, as well as the sale of mature assets at peak value. This way, management can better allocate those funds to higher-yielding assets.

The bottom line

Brookfield Asset Management has an investment thesis that all TFSA investors should share in — long-term value-creating investments that retire mature assets at peak value and recycle the funds into newer assets with higher returns. The track record of performance is incredible, and this will be one to watch for the future.

Stay hungry. Stay Foolish.

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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.)
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