



If You Buy 1 Forever Stock in 2019, Make It This Company

Description

Canada gets a bad rap from a lot of U.S. investors.

These folks point to faults like a limited investment universe or the myriad of junior oil or gold companies that populate the **TSX** and **TSX Venture** exchanges. Or they might point to our large banks making up such a big chunk of the overall market.

These folks are missing something important. Sure, Canada might not have as many investing choices as the United States, but we have some of the world's top companies here, organizations that dominate their industries. These companies don't get the attention they deserve because they're largely ignored by U.S. investors, which can translate to an attractive entry point for astute investors.

One of these stocks is **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)). Here's why you should strongly consider adding this company to your portfolio today.

The skinny

Brookfield has taken a unique approach to managing assets. It has traditional funds that attract institutional investors, but it has also set up multiple publicly traded subsidiaries, raising a form of permanent capital by investing a bunch of cash into a publicly traded entity it ultimately controls. It then takes a reasonable management fee for taking care of these assets while participating in the upside.

My [top pick for 2019](#) is one of these subsidiaries, and it's up some 22% thus far in 2019.

One of the beautiful things about the investment management business is that it offers massive operating leverage. Fixed costs largely stay the same as more money is invested, which means that the fees from any additional capital raised go straight to the bottom line.

Brookfield owns some of the world's top assets through its publicly traded subsidiaries, including real estate, renewable energy, infrastructure assets, real estate brokerages, and private equity. Brookfield Asset Management has a market cap of approximately \$60 billion, but altogether it manages some

US\$365 billion for investors.

In its most recent quarter alone, Brookfield spent US\$4 billion acquiring a chain of hospital operators in Australia, US\$13 billion buying a leading manufacturer of automobile batteries, US\$1.5 billion on Shanghai real estate, and US\$4.8 billion to buy 62% of **Oaktree Capital Management**.

CEO Bruce Flatt and the rest of Brookfield are hardcore value investors, waiting patiently to gobble up assets at the right price. Brookfield also makes sure all acquisitions are financed with a conservative combination of equity and debt. Notably, all debt is non-recourse to Brookfield itself. That way the parent company isn't at risk beyond the initial investment when an acquisition doesn't work out.

In short, it's obvious that Flatt and his team are astute investors. In a world in which institutional investors are getting larger and larger, these funds will turn to Brookfield to manage that capital.

Giving back to shareholders

Brookfield doesn't pay a big dividend, as the company would rather retain that capital and put it to work in various investment opportunities. Still, the shares have delivered solid dividend growth since 2011.

The dividend has increased from US\$0.35 per share in 2011 to an expected payout of US\$0.61 in 2019. That's an increase of 74% in the last eight years.

Dividend growth going forward should be solid, too. Brookfield is steadily growing assets under management, some of which will get paid back to shareholders. And the payout ratio is just 23% versus 2018's earnings, giving us plenty of growth potential even if earnings stumble for a year or two.

The current yield is 1.6%.

The bottom line

Brookfield Asset Management has a reputation of being one of the best big investors out there. The company has taken a unique approach to its craft and it has worked out swimmingly with assets under management growing nicely over the past few years. Look for that trend to continue as more institutional money pours in.

You'll be kicking yourself a decade from now if you don't get in today. It's that simple.

CATEGORY

1. Dividend Stocks
2. Investing

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