2 Reasons to Buy Shares of Brookfield Asset Management (TSX:BAM.A)

Description

Equity markets had a difficult month of May, and many stocks lost much (if not all) of the gains they had accumulated year to date. While things seem to be picking up, it was once again a reminder that it is important to invest in companies that can withstand any economic climate. Let's look at two reasons why **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) is such a company.

Diversified operations

One of Brookfield's greatest strengths is the fact that the company owns a diversified pool of properties within many different industries, including some that are essential for modern economies. For instance, the firm's infrastructure segment includes assets it owns within the energy, transportation, and utilities sectors (among others). Similarly, Brookfield runs a number of hydroelectric, wind, and solar energy generating facilities within its renewable power segment. The company's remaining two segments — real estate and private equity — add to its diversified core operations.

Further, Brookfield is geographically diversified. The Toronto-based company takes its business wherever it can find quality assets at a discount. Thus, Brookfield owns assets across dozens of countries and four continents. Brookfield's diversified pool of operations is indubitably a strength, since it spreads its revenue sources across sectors that are unlikely to all be negatively affected at the same time (and in the same way). While detractors may argue that it also spreads the company's resources thin, making it hard to maximize productivity in each area, Brookfield has demonstrated its ability to efficiently operate within each of its segments. Which brings us to our second point…

Brookfield has a stellar track record

No matter how ingenious a company's business model may look on paper, results in the real world are what investors look for. Fortunately, Brookfield has time and time again delivered results that show the quality of its business model. First, the company's assets have more than doubled over the past five years alone. This is important since Brookfield's revenues are directly tied to the properties it owns. In short, more properties under its umbrella should add up to more revenues, all other things remaining equal. Sure enough, the firm's revenues have soared by more than 200% over the past five years.

The company's earnings before taxes have also seen a similar growth, increasing by more than 150% over the same period. Naturally, Brookfield has provided market-beating returns as well, increasing by 110% over the past five years. Of course, past performance is no guarantee of future success. However, Brookfield has demonstrated the value of its business model. In particular, the firm does not fear market downturns since it can use these opportunities to acquire high-quality assets at steep discounts, which is what it is known for. Thus, it seems likely that Brookfield will continue on its upward trajectory.

The bottom line

Stocks that are worth holding on to for a long time are hard to find and often trade at a premium. This is certainly the case for Brookfield — currently trading at just over 21 times future earnings. However, scooping up shares of the Toronto-based firm is worth it, despite its relatively high valuation metric. Brookfield looks well positioned to continue rewarding investors for many years to come.

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