The Best Brookfield Stock for 2020

Description

Canada's largest asset manager, **Brookfield Asset Management**, has created an immense fortune for countless people over the years. Since the last financial crisis, the Brookfield stock has delivered an astounding 754% return. That doesn't even include dividends!

However, the company did lose a significant value during the 2008 financial crisis. Now, history seems to be repeating itself. BAM stock is down 26% from its all-time high in late-February. All of its publicly-listed subsidiaries have lost similar amounts.

Investors seem to have punished the entire Brookfield family of companies. However, some subsidiaries don't deserve the downgrade. Here's a closer look.

The bad Brookfield stocks

There's plenty of reasons to be concerned about some Brookfield stocks. The core asset management business, along with the property investment and business development segments are at risk in 2020.

Brookfield's property portfolio is focused on commercial real estate. **Brookfield Property Partners** owns and manages offices, hotels and retail malls across the world. With the ongoing shutdown and social distancing, all these properties could face cash flow issues. The stock's dividend yield, currently hovering at 15%, could be a value trap.

Similarly, **Brookfield Business Partners** is at risk. Currently, small and medium-sized businesses are highly exposed during this downturn. Brookfield's business portfolio includes controlling stakes in mortgage providers and cold storage companies that could face cash flow issues for the next few months.

Finally, the core Brookfield Asset Management business is likely to suffer from lower revenue in 2020. Some clients could withdraw assets. Performance fees and management fees are likely to be lower this year. That means the business is worth less than it was just a few months ago.

Better options

Brookfield's green energy and infrastructure businesses seem better positioned.

Brookfield Renewable Partners offers green energy to corporations based on long-term contracts. There are fixed prices and terms for these supply arrangements, which means revenue is more predictable. The firm is now poised to complete major acquisitions and expand its production in 2020.

Brookfield Infrastructure Partners also seems more robust than the company's other subsidiaries. Infrastructure projects involve hard assets and government funding extended over long periods. An economic downturn could dent the company's financial position. However, the underlying assets are likely to retain their value better than traditional real estate.

Luckily, Brookfield stocks BEP and BIP offer 4.5% and 5.6% in dividend yields respectively.

Bottom line

Social distancing and economic shutdowns are a critical aspect of our response to COVID-19. Slowing down the spread of this dreadful disease is a not priority. However, the prolonged shutdown could have drastic consequences on several sectors of the economy.

Brookfield stock is also exposed to these forces. In fact, investors can expect a negative impact on most of these segments. Brookfield's commercial property arm could also suffer losses. Its business development division could face cash flow issues too. However, the green energy and infrastructure stocks look like better bets.

This could be your chance to add some lucrative Brookfield stocks to your long-term dividend portfolio. This prestigious family of stocks rarely trades at bargain prices. Keep an eye on this group.

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