Brookfield Asset Management (TSX:BAM.A): Should You Buy This Stock?

**Description**

The stock market rally off the March low is finally starting to give back some gains. This has investors who missed the surprise bounce wondering which top stocks deserve to be on their buy list.



## Economic outlook

The economic crisis created by the lockdowns is the worst the world has witnessed since the Great Depression. In Canada, 30% of working age residents already applied for emergency financial aid from the government.

Thousands of businesses forced to close due to the restrictions are waiting for cash to help them pay bills while the provinces slowly open up the economy.

Uncertainty about the recovery has analysts predicting a wide range of potential outcomes. Some see a strong rebound beginning late this year and continuing through 2021. Others say we might not see the recovery kick in until 2022. The most pessimistic predictions suggest the world is headed for an extended economic slump that could last years.

This is why buying stocks during a crisis is always so difficult, yet often appears so obvious in the rearview mirror.

In March 2009, the world appeared destined for financial destruction. Looking back, it was the investing opportunity of a generation.

## Best stocks to buy?

Given the uncertainty, it makes sense to search for industry leaders with the financial firepower to ride out the downturn, or even take advantage of the chaos to add new assets at discounted prices.

Let's take a look at one cheap Canadian stock that might be an interesting pick right now for a buy-and-hold portfolio.

## Brookfield Asset Management

**Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) is an alternative asset company with a diverse global portfolio of real estate, infrastructure, and renewable energy holdings.

Some of the subsidiaries, including the property operations, are going through a rough patch. Malls are just starting to open up and retailers who rent the space face an uncertain future.

Hotels are empty and the success of home offices through the pandemic has companies taking a hard look at whether or not they will need as much expensive downtown office space once the world gets back to regular economic activity.

Given the near-term challenges and the uncertain outlook for the new normal down the road, you might wonder why Brookfield would be a recommendation. While it's true that changes will impact the businesses, the long-term value of the asset base remains attractive.

Brookfield Asset Management has more than US$60 billion ready to deploy to strategic investments that will arise as the world works through the downturn. The funding includes $46 billion in client commitments for new investments and US$15 billion in cash.



Brookfield's share price on the NTYSE is down to US$30 from US$45 before the crisis, giving it a market capitalization of about US$48 billion. The cash in the bank is equivalent to more than US$9 per share.

In a world where interest rates continue to fall and global government debt in some countries already trades at negative rates, hard assets should rise in value. Going forward, rates are unlikely to increase for some time. This makes Brookfield Asset Management attractive today.

The stock trades at $43 on the **TSX Index** at the time of writing. This is well above the $32 bottom we saw in March, but still below the $60 it hit in February.

## The bottom line

Brookfield Asset Management gives investors a chance to get great global exposure through a top Canadian stock.

The company will likely deploy the large cash pile to grow the asset base at fire-sale prices in the next couple of years. Long-term returns on these investments could be significant and Brookfield Asset Management has a knack for locking in gains at opportunistic times.

If you have some cash to put to work, the stock appears attractive right now for a buy-and-hold portfolio.

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