This Dividend Stock Is a Core Long-Term Hold

Description

Putting money into the market is quite a humbling experience. You do your work to find a number of companies with good business prospects and then let them go. You hope to earn a reasonable rate of return on the companies over time. It is exceedingly important that you choose the right ones, or you might find yourself set back for quite some time.

One great stock to own for the long term is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). The company is a leader in buying real assets such as infrastructure, real estate, and utilities.

A great long-term hold

The stock is still down considerably from its peak of about $60 a share. Currently trading at around $47, this growth giant is still looking very attractive at this level. It has rallied significantly from its low of about $31 a share back in March, though, so you are not exactly bottom-feeding at this level.

Even if you had bought it at the highs, though, its fall to $31 would have only brought you to where the stock was trading in 2017. This is a great way to participate in real estate through experts who know how to look for value and capitalize on it.

The benefit of owning the parent company

Owning Brookfield Asset Management lets you participate in all of the other subsidiaries the company has to offer. You also get exposure to the company's private equity branch. At the moment, the private equity business has interests in diverse operations such as a residential real estate project in Brazil and a graphite electrode company.

Brookfield Asset Management had about $59 billion in capital available for deployment as of its Q1 2020 report. With that much purchasing power available, the company is well positioned to take advantage of any downturn-related buying opportunities.

The downside

There are a couple of drawbacks that you have to keep in mind from owning the stock. Brookfield Asset Management uses debt to finance a lot of its purchases. It could be vulnerable to a downturn in real estate prices, since this is the primary focus of the company. It is also exposed, through subsidiaries like **Brookfield Property Partners**, to the much-hated retail and office property space, which is under so much pressure at the moment.

There is also the matter of the yield. At the moment, Brookfield Asset Management's yield is about 1.4%. While that is more significant than it was a few months ago, it is not as high as you can get from many of its subsidiaries.

The yield is growing, though, with the company targeting increases of 5-8% per year. The company generated US$2.8 billion in free cash flow in Q1, so paying and raising dividends should not be a problem going forward.

The dividend also has the advantage of being a true dividend, which has tax advantages for investors. Many of the subsidiaries are currently limited partnerships, so their distributions, while higher, are much more complicated when taxed.

The Foolish takeaway

This company is a great one to own. I wish I had bought at $31 when the market fell. I thought I had more time, quite frankly, and was focused on buying subsidiaries like Brookfield Property. I think that it is still a good buy at the moment, even if it has risen quite a bit. This company gives you exposure to countries, regions, and sectors and has a tax-efficient dividend. Taking a starting position at this price seems like a good idea for long-term investors.

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