



Which Brookfield (TSX:BAM.A) Stock Should You Own in 2021?

Description

Brookfield Asset Management (TSX:BAM-A)([NYSE:BAM](#)) is an enormous Canadian entity. Yet, many Canadian investors have never even heard of it. With over \$602 billion of assets under management, it can be a little daunting to understand all the funds, subsidiaries, and publicly-listed stocks that sit under its roof. Buy one or buy them all, here is my take on BAM and each of its publicly-traded stocks.

Brookfield Asset Management

Brookfield Asset Management is the parent organization. With a focus on alternative investments, it manages funds privately for institutional entities. It also has operates a number of public vehicles and serves as a broad general partner, managing the financing, investing, and operational activities for a broad range of partners.

Consequently, it gets a first slice of the earnings from each entity in the form of management fees. It also derives carried interests. Carried interests are unique because BAM gets a stake in the profits when funds/assets mature or are capitalized.

BAM has ample opportunities for growth, whether it be in re-insurance, impact/ESG investing, or even technology. The stock yields just 1.2%, but most gains come from BAM compounding/reinvesting cash flows into new growth opportunities. [The company just reported a great quarter](#), the stock is cheap, and it is a great buy for every Canadian's portfolio.

Property

I won't speak at too much length on **Brookfield Property Partners**. This is largely because Brookfield Asset Management has made an offer to take it private. This stock has been challenged in 2020. The pandemic significantly hampered the cash flows of its its largely office and retail property portfolio. The stock pays an attractive 7.5% yield, but there are many questions as to whether this is sustainable. The company recently had a really concerning quarter, and I would recommend staying on the sidelines

with this stock.

Brookfield Infrastructure

The next largest entity is **Brookfield Infrastructure Partners** ([TSX:BIP-UN](#))([NYSE:BIP](#)). It focuses on investing in long-life, large-scale infrastructure assets like pipelines, ports, railroads, and cell towers. Due to the highly contracted/regulated nature of its businesses, it pays a well-funded 4% dividend yield (which, it just raised 5%).

The company has a lot of imbedded growth from its current assets, but also a solid runway for acquisitions. It is renowned for its contrarian investment style. Its strategy recently became apparent when it made an aggressive bid for beat down mid-streamer, **Inter Pipeline**. This is [a great stock for income investors](#) who prefer utility-like stability, but with broader growth opportunities.

Renewables

Brookfield Renewable Partners ([TSX:BEP-UN](#))([NYSE:BEP](#)) might be one of the best renewable energy stocks on the **TSX**, if not the world. It produces 20 GW of clean energy, and is one of the largest pure-play renewable power producers in the world. This company has the expertise and scale to basically invest in ways that no one else can.

Right now, it has 2.7 GW under construction and a further 18 GW in its development pipeline. Just organically, the company expects to grow 6-11% per year. Add in M&A and developments and that annual growth rate could potentially double some years. This is a great ESG stock for investors who support a cleaner earth and also like a stable mix of income and capital returns.

Private Equity

Brookfield Business Partners ([TSX:BBU-UN](#))([NYSE:BBU](#)) is the private equity arm of Brookfield Asset Management. It is a more risky play, yet I believe this stock could have the most upside in a pandemic recovery. The company acquires “moaty” businesses that are either distressed, undervalued, or mismanaged. It injects capital, shifts management, and revitalize operations. Generally, it ends up with high cash flow yielding businesses.

Most of its businesses provide essential services to society (i.e., hospitals, nuclear power plant services, waste water management, etc.), so overall operations are pretty predictable.

With many mid-to-large size businesses financially stressed due to the pandemic, BBU should have a strong pipeline of M&A opportunities. I like to compare this stock to a mini-**Berkshire Hathaway**. This stock is relatively cheap, despite demonstrating strong recent results. Be patient and think long-term and BBU should reward shareholders for many years to come.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
4. NYSE:BN (Brookfield Corporation)
5. TSX:BBU.UN (Brookfield Business Partners)
6. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
7. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
8. TSX:BN (Brookfield)

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