



## Time to Exit the Lumber Trade? Brookfield Thinks So

### Description

Lumber prices continue to soar. While having come down from their recent highs, this sector remains red hot.

Accordingly, investors in Canada's lumber industry have largely gravitated toward companies like **West Fraser Timber** ([TSX:WFG](#)). And for good reason. This company is Canada's largest lumber producer. And its stock price has reflected higher lumber prices of late.

However, some high-profile money managers have decided now is a good time to sell. Indeed, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) has recently [pulled the plug](#) on its investment in West Fraser of late.

Here's why this could turn out to be a smart move.

### A well-calculated move

Buying low and selling high is what we all aim to do as investors. It appears Brookfield saw an opportunity to sell a high-flying stock at a time management believed the stock had peaked.

Whether or not this is the case remains to be seen. However, it's hard to argue with Brookfield's track record in this regard.

The move is understandable, given where market dynamics are today. The construction and real estate sectors are red hot and continue to be buoyed by record-low interest rates. Should this situation change, we could see a reversion toward the mean take the lumber industry on a bumpy ride. Avoiding such volatility is likely a primary objective of what Brookfield seeks to accomplish with this sale. The company sold a total of 14.8 million WFT shares with a valuation of US\$1.25 billion. That's a relatively large chunk.

Now, Brookfield still owns roughly 7.3% of the company. Its stake has been reduced from a 20% ownership position at a time the asset manager believed it could sell shares without harming the

company. Thus, this move looks like a win-win for all parties involved.

## Bottom line

For investors who timed the commodities cycle well, and who believe the future remains uncertain, exiting with a profit is never a bad thing.

Indeed, no one ever got hurt from taking a profit. Yes, this sector could have much more room to run in the near term. However, putting the lumber industry in context — we've really never seen it this strong. Should headwinds materialize, investors may kick themselves for not taking profits here.

Brookfield has been a long-time investor in this sector, so this move is particularly interesting. I'm of the mind Brookfield knows what it's doing. It's the smart money on the Street. Accordingly, investors are likely to keep a close eye on what such money managers do from here.

Is it the time to sell lumber stocks? I'm not entirely sure, but Brookfield seems to think it is.

### CATEGORY

1. Investing

### POST TAG

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### TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:WFG (West Fraser Timber Co. Ltd.)

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