



Building a Portfolio? Start With This Stock

Description

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) is a global asset management firm. The company is extremely diversified and has approximately 20 different return strategies across five main investment verticals that span senior debt to opportunistic equity. These included \$13 billion of commitments for the company's latest distressed debt fund and \$9 billion for perpetual core strategies.

Income durability

The company also raised \$2.7 billion of assets for a second infrastructure debt fund. Despite the challenges of 2020, the company generated approximately \$1.2 billion of carried interest during the year and now has \$4.7 billion of accrued [unrealized carried interest](#) on capital that has been invested.

The benefits of the focus that Brookfield's funds have on critical service assets with contracted, leased, or regulated cash flows are remarkable. The company reported that valuations were held in 2020, and in some cases even increased as a result of the income durability.

Recently, the company re-initiated asset sales that had been delayed in 2020 due to the COVID-19 pandemic, and demand for these assets appears to be very strong. Brookfield [recently announced](#) a number of sales that it expects to close in the coming months and if they close as expected, 2021 should be another strong year for the company.

Flagship fundraising

At the company's investor day, Brookfield laid out plans for the next round of flagship fundraising, with a target of \$100 billion. Brookfield's flagship credit fund appears to be off to a great start this year. The company recently launched a fourth flagship real estate fund and a new global transition fund, which is focused on decarbonizing the global energy grid.

Further, the company reported that operations were resilient, despite COVID-19. Brookfield's renewable power operations continued to deliver strong results in 2020, supported by a globally

diversified asset base and long-dated, take-or-pay power contracts.

During the year, it completed the privatization of TerraForm Power, and also announced the acquisition of a distributed generation platform in the United States.

Regulated revenue streams

Combined, Brookfield's scale operations in solar, wind, hydro, storage and distributed generation position it well to participate in the decarbonization of the world's energy supply.

Brookfield's infrastructure businesses were extremely durable during 2020. With 95% of the cash flows backed by regulated or contracted revenue streams stemming from critical infrastructure assets, earnings were largely unimpacted by the economic shutdown.

Also, Brookfield continues to expand the company's investment in data, which, it believes, is in a multi-year growth trend. Brookfield acquired a portfolio of 137,000 communication towers in India, which should capitalize on the rollout of 5G and other future technologies.

The company is also well-positioned to participate in the global infrastructure investment and privatizations that are likely to follow as a result of both the sizeable debt that governments have taken on in recent months and stimulation needs.

Robust real estate operations

Within Brookfield's real estate business, most of the company's assets performed well in 2020. Brookfield's office portfolio is largely backed by long-dated leases to high-quality tenants, and rent collection was only marginally impacted. Overall, the company is well-positioned to thrive for the next several decades.

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