A Top Dividend Stock to Buy Amid Rising Volatility

Description

The stock of **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) pays a reliable dividend and has bounced back after a big dip in March 2020. While Brookfield's retail and hospitality assets faced challenges, in those markets where governments began slowly lifting restrictions, the company has seen a steady rebound in performance. Foot traffic and sales per customer have increased significantly in the company's United States (U.S.) mall portfolio, and forward bookings for the company's hospitality assets are slowly recovering.

Opportunistic dispositions

During the year, Brookfield closed on the sale of a London office property, sold the company's U.S. self-storage business, and also disposed a life sciences office portfolio. Each of these dispositions were made well above both the company's acquisition cost and International Financial Reporting Standards (IFRS) value.

Brookfield's private equity operations continues to grow, and the company has been making a number of acquisitions, including a leading nonbank financial corporation specialized in commercial vehicle lending in India, and an Asia-based technology services platform focused on customer management services. The company also announced the privatization of Canada's leading mortgage insurer and now owns approximately 20% of the pre-eminent forest products business in North America.

Largest distressed debt fund

Further, Brookfield's credit platform has been delivering strong results in 2021. The company was able to deploy $22 billion during fiscal 2020, capitalizing on the March market dislocation, and other opportunities. Brookfield expects further opportunities to arise as government stimulus rolls off and companies need to recapitalize. The final close of Brookfield's distressed debt fund is likely to take place in the second half of fiscal 2021 and is already the largest distressed debt fund the company has raised.

In early January, Brookfield announced a proposal to acquire the balance of the company's property assets that it did not already own. Brookfield appears to believe that the assets are exceptional and the tangible value is higher than the market price. The company observes that property securities show no signs of trading near the intrinsic value. As a result, Brookfield believes that the company's partners will realize value far more quickly once the deal goes through.

Creating shareholder value

Over the years, Brookfield has worked hard to execute the company's property business plans with great success, but, unfortunately, the public markets have consistently struggled to appropriately value the company's assets. It appears that many property company securities have struggled to trade at net asset value for years.

In fact, Brookfield appears to have taken private numerous real estate companies in the company's private funds for this very reason. It seems evident to Brookfield that the company's property portfolio and the company's approach to creating value are not well suited to the current public markets.

Flexibility to realize true value

This appears to be a classic example of assets not being what public market investors currently wish to invest into. Privatizing the company will give Brookfield flexibility to realize the true value of the portfolio in the longer term by redeveloping some assets, constructing new ones and selling some assets outright.

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