



Risk Assessment: Ranking 3 Brookfield Asset Management Inc. (TSX:BAM.A) Subsidiaries

Description

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)) is the parent company to a number of different subsidiaries. There are advantages and disadvantages to owning the parent or the subsidiaries. The advantages of owning the subsidiaries are that investors can gain dedicated exposure to a specific sector. This allows you to benefit from the advantages while being more exposed to industry-specific risks.

If you choose to go with the subsidiaries, then you have to be aware of the risks inherent in each of the stocks. In this article, I want to go through three of my favourite Brookfield subsidiaries and rank them from what I perceive to be the least risky to the highest risk investments.

Lowest risk

In my mind, **Brookfield Infrastructure Corp.** ([TSX:BIPC](#))([NYSE:BIPC](#)) is the lowest risk investment of the three listed here. Its services are in high demand and span a lot of different industries. It owns pipelines, data centres, and many other infrastructure properties. [The diversification](#) should protect the company from many bumps. Its data centres in particular are very appealing since these will remain in high demand as the world continues on its digital journey.

It is not a riskless investment, of course. It has a large amount of debt on its books, as is the case with practically every Brookfield investment. Also, there is the possibility that its pipelines could decrease in value as the world moves from oil to green energy.

Medium risk

Much of the risk from **Brookfield Renewable Energy Corp.** ([TSX:BEPC](#))([NYSE:BEPC](#)) comes from its valuation. It is a renewable energy company. There are a lot of reasons to be excited about the progress of renewable energy in the future. It offers investors steady earnings and long-term contracts that help to stabilize debt repayments [and dividends](#). Although utility companies are usually considered to be low-risk investments, I put this in the medium-risk category for primarily two major reasons.

The first major reason is the fact that there is also a large amount of debt that the company possesses. Debt can be deadly for any company, and Brookfield Renewable certainly has a lot of it. That being said, there aren't any major risks to its cash flows at the moment and energy remains in high demand. Furthermore, the shares trade at a very high valuation leaving them open to correction.

Highest risk

It probably isn't surprising to anyone that **Brookfield Property Partners Ltd.** ([TSX:BPY.UN](#))([NASDAQ:BPY](#)) is the riskiest choice of the three. There are three reasons for the increased risk, as I see it.

The first reason is the risk of technological disruption. The threat of a move from bricks and mortar to online work environments was already a concern before the global pandemic. The lockdown shock accelerated the transition, with many companies now contemplating whether they should even have their employees return to an office environment. Its retail locations suffer from the same predicament.

The second threat is its debt load. As is the case with many real estate companies, Brookfield Property is highly leveraged and has a large amount of debt. Should tenants stop paying rent for good, the decrease in cash flow would negatively impact its ability to service debt and increase distributions.

Finally, this is a limited partnership with a rather complicated distribution structure. That means it is best held in a tax-advantaged account like a TFSA. That will help you keep any gains if it increases, but will be a disadvantage should the stock collapse. If a further fall in the stock price occurs, then investors will not have the opportunity to write off losses.

The bottom line

I focused on the risk profiles in these stocks, but I want to make it known that I like and own all of them. However, it is important to keep in mind that each of these investments has different levels of risk. I believe that they will all do well over time, however, approach some Brookfield investments with more caution than others.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. NYSE:BN (Brookfield Corporation)

4. TSX:BN (Brookfield)
5. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

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1. Investing

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Author

krisknutson

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