



Stock Story: Brookfield

Global Leader in Alternative Investments

Chances are you have come across Brookfield before. Perhaps your home is powered by a Brookfield wind and solar farm. Your phone might be connected to a Brookfield telecommunications tower or your computer to a Brookfield data centre. Your shoes may have been imported via a Brookfield port, in a shipping container leased from a Brookfield company. Your car could be one in three globally using a Brookfield-backed Clarios battery, or maybe it was purchased from a car dealership running on Brookfield-owned CDK software. Perhaps you have worked in a signature Brookfield Place office precinct in one of the major global financial centres. Brookfield might also manage some of your retirement savings on behalf of your superannuation fund.

Everywhere you look, Brookfield has a presence. The Canadian financial giant owns and operates almost US\$900 billion of mostly infrastructure and real estate assets globally on behalf of its clients and shareholders. With backing from some of the world's largest pension and sovereign wealth funds, Brookfield has its eyes on opportunities to invest its ~US\$80 billion cash pile in a digitalising, deglobalising and decarbonising world.

Tracing its origins to the 1899 formation of the São Paulo Tramway, Light and Power Company, a Brazilian electricity utility, Brookfield, in its various forms, has always sought to own, develop and operate critical infrastructure projects and real estate assets. After decades of investing its own capital, Brookfield opened its doors to external investors in the early 2000s, repurposing as Brookfield Asset Management, now one of the largest global alternative asset managers with real estate, infrastructure, private

equity and private credit asset capabilities, the latter in partnership with Howard Mark's Oaktree.

Brookfield forecasts it will bring in US\$150 billion on behalf of its clients in 2023, which it will invest across three themes underpinning its strategies. The first is the increasing digitalisation of the global economy. Brookfield has invested in data centres to power the shift to "the cloud", telecommunications towers to power the growth of 5G, and fibre-optic cables to speed up internet connections. The second theme, deglobalisation, has seen Brookfield invest in projects and businesses exposed to the reshoring of manufacturing, with recent investments including a US\$15 billion contribution to fund a new Intel® semiconductor fabrication plant in Arizona and US\$13 billion for Triton International, the world's largest lessor of freight containers. Last, in decarbonisation, Brookfield is putting money to work to reduce emissions, bidding for Australia's Origin Energy with a commitment to spend a further US\$20 billion on new renewable energy projects in Australia.

Brookfield generates profits in several ways. Most significant are the fees earned by managing client assets at Brookfield Asset Management, which grows as more investors commit money to its investment vehicles. Historically, Brookfield invested on behalf of large pension and sovereign wealth funds in North America but now has its eyes on larger pools of capital in Asia and the Middle East, the insurance sector and among retail investors, all of which typically have low exposure to alternative investments. The second way Brookfield makes money is by owning ~US\$53 billion of infrastructure, renewable and real estate assets, which typically generate steady cash flows. Last, in recent years, it has built a North American insurance business focused on annuity-life products, known as Brookfield Reinsurance. These three earnings streams, housed with Brookfield Corporation (BN:NYSE, BN:TSX), generate consistent cash flow, which is then redeployed back into opportunities to continue the compounding. Key to it all is a long track record of exceptional investment performance for clients and shareholders.



Now, over a century since Brookfield began and the future remains bright. The expertise it has built from owning and operating hundreds of businesses is in high demand as the world tackles problems from climate change to inflation and rising interest rates. With a network of businesses, global banking relationships and deep pools of flexible capital, Brookfield has positioned itself as a partner of choice for those in need of capital – and there are plenty.

By James MacDonald, Investment Analyst

Sources: Brookfield, Sentio, Magellan

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