MOSCHOVAKIS CAPITAL

Wealth Preservation Equity Research

BAM

Brookfield Asset Management Ltd.

NYSE: BAM | TSX: BAM

RECOMMENDATION: BUY ON WEAKNESS

Current Price: $52.04 | Target Entry: $46-48 | Fair Value: $63

Report Date: February 4, 2026
Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	BUY ON WEAKNESS
Current Price	$52.04
Fair Value (Base Case)	$63.00
Margin of Safety	21.1%
Target Entry Price	$46.00 - $48.00

Return Profile

Metric	Value
Dividend Yield	3.36%
Expected Dividend Growth	12-15%
Expected Price Appreciation	7-10%
Total Expected Return (Base)	10.4% CAGR
Bear Case Total Return	2.1% CAGR
Bull Case Total Return	16.8% CAGR
Probability-Weighted Return	9.6% CAGR

Risk Assessment

Metric	Value
Wealth Preservation Score	68 / 100
Downside Protection Score	72 / 100
Quality Score	74 / 100
Risk Level	MODERATE
Probability of >50% Loss	<5%
Recession Profile	SENSITIVE

One-Line Thesis: Brookfield Asset Management is a premier alternative asset manager with a fortress balance sheet, diversified real asset focus, and structural tailwinds from the global transition to alternatives, offering asymmetric upside at a better entry price.

INVESTMENT THESIS

Brookfield Asset Management (BAM) represents a high-quality alternative asset manager positioned at the intersection of three powerful secular trends: decarbonization, digitalization, and deglobalization. As a pure-play, asset-light manager with $1.15 trillion in AUM, BAM earns predictable fee-related earnings while benefiting from Brookfield's 125-year heritage as an owner-operator of real assets.

The company meets our return hurdle with a base case total return of 10.4% CAGR (3.4% dividend yield plus 7% earnings growth), well above our 7% minimum threshold. Management has committed to 15%+ annual cash flow per share growth and a 90%+ distributable earnings payout policy, providing visibility into future dividend growth.

However, current valuation at 32-35x earnings creates insufficient margin of safety for immediate purchase. The stock trades above its 5-year average P/E of ~31x and well above the fair P/E ratio of 24x suggested by normalized growth expectations. We recommend accumulation on pullbacks to the $46-48 range (25-27x forward earnings), which would provide a 20%+ margin of safety to our base case fair value.

What could go wrong: (1) Extended recession reducing private capital allocations to alternatives; (2) Rising interest rates compressing fee-bearing capital growth; (3) Competition from larger peers like Blackstone, KKR, and Apollo. These risks are manageable given BAM's fortress balance sheet (net debt to equity of just 6%), diversified fee streams, and operational moat from 250,000+ operating employees.

1. BUSINESS QUALITY ASSESSMENT

Business Model

Brookfield Asset Management is a leading global alternative asset manager with over $1.15 trillion in assets under management across five core verticals: renewable power & transition ($349B), infrastructure ($651B total real assets including real estate), private equity ($151B), real estate, and credit ($349B). The firm primarily serves institutional investors (90% of AUM) and high-net-worth individuals (10%), with geographic diversification across the Americas (67% of revenue), EMEA (20%), and Asia-Pacific (13%).

Unlike traditional asset managers, BAM combines financial management with operational expertise through 250,000+ operating employees who actively manage portfolio assets. This owner-operator model creates proprietary deal flow and operational value creation opportunities that pure financial buyers cannot replicate.

Competitive Moat

Moat Type	Evidence	Durability	Assessment
Switching Costs	**Long-term fund commitments (10+ years)**	**High (9/10)**	**EXCELLENT**
Economies of Scale	**$1T+ AUM enables larger deal sizes**	**High (8/10)**	**EXCELLENT**
Brand/Reputation	**125-year operating heritage**	**High (8/10)**	**GOOD**
Network Effects	**Brookfield Ecosystem of 250K employees**	**Medium (7/10)**	**GOOD**
Operational Expertise	**Owner-operator model vs. pure financial**	**High (8/10)**	**EXCELLENT**

Primary Moat: Operational Expertise & Scale (Durability: 8/10)

Moat Erosion Risk: MODERATE. Competition from larger peers (BX, KKR, APO) is intensifying, particularly in credit and infrastructure. However, BAM's differentiated focus on real assets and operational capabilities provides defensibility.

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength

Metric	Value	Threshold	Assessment
Debt/Equity	0.06x (6%)	<1.0x	✓ FORTRESS
Total Debt	$206M	-	✓ MINIMAL
Cash & Equivalents	$1.5B (liquidity)	-	✓ STRONG
Net Debt/Equity	6%	<50%	✓ FORTRESS
Interest Coverage	0.7x (EBIT/Interest)	>5.0x	⚠ MONITOR*
Current Ratio	1.35x	>1.5x	✓ ADEQUATE
FCF Positive (5Y)	Yes (all 5 years)	4/5 years	✓ PASS

**Note: Interest coverage appears low due to BAM's asset-light model where operating income is minimal compared to fee-related earnings. Debt is well covered by distributable earnings (265% coverage).*

Solvency Verdict: FORTRESS

Profitability Metrics

Metric	Current	5Y Avg	Trend
Gross Margin	N/A*	N/A	-
Operating Margin	53%	50%	↑ Improving
Net Margin	58%	55%	↑ Improving
FCF Margin	~50%	~48%	↑ Improving
ROIC	14.3%	~13%	↑ Improving
ROE	22.6%	~20%	↑ Improving
ROA	16.9%	~15%	↑ Improving

**Asset management companies typically report fee-related earnings rather than traditional gross margin.*

Capital Efficiency Verdict: ROIC 14.3% vs WACC 10.5% = VALUE CREATING

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield	**3.36% ($1.75/share)**	**✓ GOOD**
Payout Ratio (EPS)	**104.6%**	**⚠ HIGH (accounting-based)***
Payout Ratio (FCF)	**~33% of DE**	**✓ SUSTAINABLE**
Dividend Growth (1Y)	**15%**	**✓ EXCELLENT**
Dividend Growth (3Y CAGR)	**46%**	**✓ EXCELLENT**
Consecutive Years Paid	**3 years (new spinoff)**	**⚠ SHORT HISTORY**
Dividend Coverage (DE/Div)	**>1.5x**	**✓ WELL COVERED**
Maintained 2020?	**N/A (spun off Dec 2022)**	**-**

**Payout ratio based on GAAP EPS is misleading for asset managers. Distributable Earnings (DE) payout of ~90% is the appropriate metric and is sustainable given fee-related earnings growth.*

Dividend Sustainability: SUSTAINABLE

Stress Test: If fee-related earnings dropped 40%, dividend coverage would decline from 1.5x to ~0.9x, requiring a temporary dividend freeze but not necessarily a cut. Management has committed to >90% DE payout policy with 15%+ annual growth targets.

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	5Y Avg	10Y Avg	Percentile	vs. History
P/E (TTM)	32-35x	31x	19x	70th	FULL
P/E (Forward)	29-30x	-	-	-	MODERATELY FULL
EV/EBITDA	32x	~28x	~20x	75th	EXPENSIVE
P/B	9.9x	~7x	-	80th	EXPENSIVE
Dividend Yield	3.36%	2.9%	-	40th	ATTRACTIVE
P/FRE*	~20x	~18x	-	65th	FAIR

**P/FRE = Price to Fee-Related Earnings, the most relevant metric for asset managers.*

Fair Value Calculation

Method 1: Normalized Earnings Approach

- 2025E Distributable Earnings: $1.69/share
- Fair P/DE Multiple: 24x (reflecting 15% growth, quality premium)
- Fair Value: $1.69 x 24 = $40.56
- Alternative with 2026E ($1.98): $1.98 x 24 = $47.52

Method 2: Growth-Adjusted Fair Value

- Expected EPS CAGR: 15-17%
- PEG Ratio Target: 1.5x (quality premium)
- Fair P/E: 15% x 1.5 = 22.5x to 25.5x
- 2026 EPS $1.98 x 24x = $47.52 to $50.49

Method 3: Analyst Consensus

- Average Price Target: $63.38 (19% upside)
- Range: $56 - $76
- Consensus Rating: Hold (mixed views)

Fair Value Estimate: $55 - $65 range | Current Price: $52.04
Margin of Safety at Current Price: 6-20%

Valuation Verdict: FULL - Quality business but current valuation offers insufficient margin of safety for immediate wealth preservation purchase. Wait for $46-48 entry.

5. SCENARIO ANALYSIS

Scenario	Revenue CAGR	EPS CAGR	Terminal P/E	10Y Price	Div Yield (10Y)	Total CAGR	Weight
Bear	**3%**	**5%**	**18x**	**$54**	**5.2%**	**2.1%**	**25%**
Base	**8%**	**12%**	**22x**	**$110**	**4.0%**	**10.4%**	**50%**
Bull	**12%**	**18%**	**28x**	**$185**	**3.2%**	**16.8%**	**25%**

Probability-Weighted Expected Total Return: 9.6% CAGR

Scenario Details

BEAR CASE (25% weight):
Extended recession reduces capital allocations to alternatives, fee-bearing capital growth slows to 5%, margin compression from competition, multiple contracts to trough levels. Despite this adverse scenario, total return remains positive at 2.1% CAGR due to dividend support and quality business model.

BASE CASE (50% weight):
Fee-bearing capital grows 10% annually (management targets doubling in 5 years), margins expand modestly, dividend grows 12-15% annually per management guidance. Stock re-rates slightly higher as growth materializes and BAM gains index inclusion benefits.

BULL CASE (25% weight):
AI infrastructure buildout accelerates ($100B program announced), credit expansion exceeds expectations, insurance channel becomes major growth driver, multiple expands as alternatives become core allocation for retail investors.

Critical Downside Check

- **Bear Case Total Return: +2.1% CAGR (POSITIVE - capital preserved)**
- Maximum Estimated Drawdown: -30% (based on April 2025 low of $41.78)
- **Is capital preserved in downside? YES ✓**

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet	2 (Low)	Minimal debt	Fortress balance sheet, investment grade rated
Earnings Volatility	4 (Low-Med)	Fee income tied to AUM	Diversified across 5 asset classes, sticky capital
Competitive Threat	5 (Medium)	BX, KKR, APO competition	Differentiated real asset focus, operational moat
Regulatory Risk	4 (Low-Med)	Private markets scrutiny	Global diversification, established relationships
Management Risk	3 (Low)	Key person risk (Flatt)	Deep bench, 35+ year tenure, aligned incentives
Valuation Risk	6 (Med-High)	Premium multiple	Wait for better entry; quality justifies premium
Aggregate Risk	4.0 (LOW-MODERATE)	-	-

Recession Stress Test

- 2008-2009 Performance: N/A (BAM as current structure spun off Dec 2022)
- 2020 COVID Performance (Brookfield Corp): Revenue declined ~10%, maintained operations
- 2022-2023 Rising Rates: Fee-bearing capital continued growing despite market stress
- Max Drawdown (since IPO): -29.5% (April 2025 low)
- Recovery: Still ongoing from peak of $64.10

Recession Profile: SENSITIVE - BAM is moderately cyclical given exposure to capital markets sentiment and real estate. However, long-duration fund structures and sticky institutional capital provide significant downside protection versus traditional asset managers.

7. MANAGEMENT & GOVERNANCE

CEO: Bruce Flatt

- Tenure: 23+ years as CEO (since 2002), 35+ years at Brookfield
- Track Record: Built Brookfield from $20B to $1T+ AUM
- Net Worth: $4.5B (Forbes 2022)
- Ownership: ~20% through Partners Limited (with partners)
- Compensation: $7.5M total (95% performance-based)
- Reputation: "Canada's Warren Buffett" - value-oriented, long-term focus

Capital Allocation (5Y)

- Dividend Growth: ✓ Consistent - 15% increase announced Feb 2025
- Buybacks: ✓ Opportunistic - 2.1M shares repurchased Q1 2025
- Acquisitions: ✓ Value-accretive - Oaktree, Angel Oak, Castlelake partnerships
- Debt Management: ✓ Prudent - Investment grade ratings (A/A-)

Management Quality: EXCELLENT
Capital Allocation Track Record: STRONG

8. PEER COMPARISON

Metric	BAM	BX	KKR	APO	Best for Preservation
Market Cap	$86B	$187B	$137B	$148B	BX (scale)
AUM	$1.15T	$1.1T	$600B	$700B	BAM/BX
P/E (TTM)	32x	28x	35x	19x	APO
Dividend Yield	3.4%	2.5%	0.6%	1.4%	BAM
Debt/Equity	0.06x	0.8x	1.5x	1.8x	BAM
ROE	22.6%	20%	18%	25%	APO
ROIC	14.3%	12%	15%	18%	APO
5Y Revenue CAGR	~15%	~12%	~20%	~18%	KKR
Dividend Growth (1Y)	15%	10%	6%	8%	BAM

Why BAM for Wealth Preservation:
BAM offers the strongest balance sheet among major alternative asset managers with virtually no debt (0.06x D/E vs. 0.8-1.8x for peers). This fortress position, combined with the highest dividend yield (3.4%) and strongest dividend growth (15%), makes BAM the preferred choice for wealth preservation investors seeking exposure to the alternative asset management secular trend.

9. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	68 / 100
Fair Value Range	\$55 - \$65
Current Price	\$52.04
Margin of Safety	6-20% (insufficient for BUY)
Target Entry Price	\$46 - \$48
Expected Total Return (Base)	10.4% CAGR
Bear Case Return	+2.1% CAGR (capital preserved)
Dividend Yield + Growth	3.4% + 15%
ROIC vs. WACC	14.3% vs. 10.5% (value creating)
Probability of Permanent Loss	<5%

10. MONITORING CHECKLIST

Quarterly Review

- ☐ Fee-Related Earnings growth vs. guidance (target: 15%+)
- ☐ Fee-Bearing Capital growth (target: 10%+ annually)
- ☐ Dividend maintained/increased
- ☐ Balance sheet metrics stable (D/E <0.5x)
- ☐ Fundraising momentum (target: $100B+ annually)
- ☐ Management guidance and strategic initiatives

Exit Triggers

Condition	Action
Dividend cut	**Reassess immediately; likely sell**
Debt/Equity rises >0.5x	**Review thesis; consider reducing**
ROIC falls below WACC for 2+ years	**Sell**
Bear case return turns significantly negative	**Reduce/Sell**
Stock reaches $75+ (>20% above fair value)	**Trim position**
Better opportunity with 10+ point higher WP Score	**Consider replacing**

FINAL RECOMMENDATION

RECOMMENDATION: BUY ON WEAKNESS

Position Size (at target entry $46-48): €75 (Standard Position)
Entry Strategy: Scale in on pullbacks; limit orders at $48, $46, $44

Expected Outcome (10 years at $47 entry):

- Base Case Total Return: 11.5% CAGR
- Cumulative Return: 197%
- €100 becomes €297

vs. Alternatives:

- HYSA (4%): €100 → €148 (+48%)
- BAM (at $47 entry): €100 → €297 (+197%)
- Outperformance: +€149 vs. HYSA

Downside Protection:

- Bear case preserves capital: ✓ YES
- Dividend provides income floor: ✓ YES (3.4% yield)
- Balance sheet provides safety: ✓ YES (0.06x D/E)

DATA SOURCES

- BAM Q4 2024 Earnings Release (February 12, 2025)
- BAM Q2 2025 Earnings Release (August 6, 2025)
- BAM Q3 2025 Quarterly Report (SEC Filing)
- Yahoo Finance - BAM Financial Data (February 2026)
- Stock Analysis - BAM Statistics & Valuation
- GuruFocus - ROIC and Moat Analysis
- Simply Wall St - Dividend and Balance Sheet Analysis
- TipRanks - Analyst Price Targets and Ratings
- Brookfield Investor Presentation (November 2025)

ANALYST NOTES

Key Assumptions:

- Fee-bearing capital growth of 10% annually (management targets 100% growth in 5 years)
- FRE margins stable to expanding (currently 56%)
- Dividend grows 12-15% annually per management guidance
- No major recession in next 2-3 years

Limitations:

- Limited trading history (IPO December 2022)
- Complex corporate structure with Brookfield Corp relationship
- Asset management valuation metrics differ from traditional companies

Confidence Level: MEDIUM-HIGH

Business quality is excellent and thesis is well-supported. Uncertainty relates primarily to entry timing given current valuation premium. Patience for better entry price recommended.

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