



1 Investing Trick You Should Learn

Description

Berkshire Hathaway's (NYSE: BRK-A)(NYSE: BRK-B) Warren Buffett is a well-known investing legend. His annual letters to investors have been studied through the ages by those hoping to find the secrets to investing success. His investing wisdom turned Berkshire Hathaway from a structurally flawed textile manufacturer into a cash gushing diversified conglomerate. It also made Buffett and his investors a few billion dollars along the way.

Buffett, however, isn't the only smart investor who can teach investors the tricks of the trade. Canadian asset manager and contrarian investor **Brookfield Asset Management** (TSX: BAM.A)([NYSE: BAM](#)) recently put out its first quarter letter to investors.

It's a letter that's well worth reading each quarter as it's filled with big picture macroeconomics and isn't tainted by what we see on our 24-hour news cycle. Instead, Brookfield's letter is focused on the next 20 to 30 years, and it's that outlook that should make its investors a lot of money in the years ahead.

Brookfield's latest trick

In last week's letter to shareholders, Brookfield CEO Bruce Flatt went into a great bit of detail on the company's latest bet. It is investing more than \$4 billion on assets located in emerging markets. These once red hot markets have cooled down substantially. Investors, however, are fearful that these markets will continue to slow. So, instead of following Buffett's advice to be greedy when others are fearful, these investors are joining them in their fear.

Not so with Brookfield. It's starting to get greedy because it has learned the trick that separates when to be greedy and avoid a situation. In the letter Flatt pointed out that, "No country (or company) in the world is without its challenges. The real trick in investing is to separate countries (or businesses) which have fundamental flaws, from those with strong fundamentals and issues that can be solved over time."

He goes on to point out that he believes, "Brazil, India and China fit into the latter category." Because of that Brookfield is being greedy and making a big bet in those economies.

He sees economies that are slowing down as part of a normal slowdown that occurs in all economies. What is important is that the fundamental drivers that led to these markets being hot in the first place

continue to be fundamentally strong. These include low labour costs, a booming middle class, massive investment into infrastructure as well as other factors which have enabled these economies to grow at twice the rate of the developed world.

As he sees it, the math is simple. Over the next 20 to 30 years the world will need to invest \$50 trillion to build the infrastructure just to keep up with the growth. Half that amount will be spent in emerging economies like China, which is undergoing a massive urbanization push. That suggests a big opportunity for Brookfield as it stands to gain as these economies grow.

Brookfield's big bet

Brookfield is investing a substantial amount of capital in all three emerging markets. In China the company's property segment, **Brookfield Property Partners** ([TSX: BPY.UN](#))(NYSE: BPY), invested \$157 million in a Chinese retail and office property owner. Meanwhile, its infrastructure subsidiary, **Brookfield Infrastructure Partners** ([TSX: BIP.UN](#))(NYSE: BIP), is investing heavily in Brazil.

The segment is acquiring a leading port and rail logistics operator as well as investing to build out its toll road business in the country. Finally, Brookfield took over the management of an Indian real estate fund, which had been underperforming. It's also in the middle of acquiring 8 million square feet of office buildings in the country.

Brookfield notes that those deals are just "the thin edge" of its deal pipeline. That suggests that it plans to continue to be greedy in those countries and buy assets that no one else wants right now. It's a strategy that has proven to be a [winning one for Brookfield in the past](#) and one that will likely continue to win for the company in the future.

The lesson here is simple. Be greedy when others are fearful and take advantage of the opportunity when it presents itself to invest in an asset that has a solvable problem but strong underlying fundamentals. This is an investing trick that few learn, but those that do end up making a lot of money over the long-term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. NYSE:BRK.B (Berkshire Hathaway Inc.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:BN (Brookfield)

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