



Why Brookfield Asset Management Inc. Is a Stock You Should Hold Forever

Description

It's a sad fact that too many people fail to invest with a long-term view. And this is one of the primary reasons why so many investors fail to beat the index.

The key challenge is finding stocks worth holding onto for such a long time. A perfect example here is **Brookfield Asset Management Inc.** (TSX: BAM.A)([NYSE: BAM](#)). Below we take a look at what makes Brookfield a “forever” stock.

An excellent track record

Brookfield is in the business of “alternative asset management” – in plain English, the company invests money for institutions mainly by buying hard assets (such as office buildings and infrastructure projects). Brookfield makes money by charging fees to these institutions. The company also invests its own money alongside its clients.

So the key to success is pretty simple: make smart investments. And Brookfield has been doing this for a long time.

The best evidence of this is its long-term share price performance. As of the beginning of this year, Brookfield shares returned 19% annually over the previous 20 years. And this year the shares have returned nearly 40%.

So the “buy Brookfield and hold for 20 years” strategy may not sound very sophisticated, but it's worked wonders so far.

The future is just as bright

So that leaves the all-important question: can you expect similar returns from Brookfield in the years ahead?

Well, there are reasons for optimism. Governments around the world have been running into budget problems, and one way to relieve these burdens is by selling assets. Banks have also been

deleveraging, particularly in Europe, and thus have been acting as sellers.

So there should be plenty of investment opportunities in the years ahead. And Brookfield is ready to pounce – nearly \$8 billion of client capital remains uninvested.

The company is even willing to spell out what kind of returns it can generate. At the company's analyst day in New York, CEO Bruce Flatt said the company "should be able to compound invested capital at 12% to 15%" over the next 10 years.

But are the shares cheap enough?

That being said, the shares have skyrocketed in recent years. In fact, the stock has returned roughly 22% over just the past five years; a \$10,000 investment five years ago would be worth \$27,000 today. But the shares are still very reasonably priced, at roughly 12 times earnings.

So the shares are certainly worth buying, and the key is to hold onto them for a long time. Interestingly, Brookfield also said that at "normal" valuations, the stock should be trading for US\$150 to US\$200 per share in 10 years, well ahead of the US\$50 share price today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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Author

bensinclair

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