



Forget About Aurora Cannabis (TSX:ACB) Stock: Here's a Surer Winner!

Description

Understandably, **Aurora Cannabis** stock is popular among growth investors, as it was a multibagger for early investors. However, the stock trades at a sky high multiple today — a price-to-sales ratio (P/S) of about 51! So, it's more of a speculative investment than anything.

I'd much prefer to go with [a surer winner](#), **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), which is expected to generate double-digit growth and is also much better valued at a P/S of about 0.78.



A business that will only become more valuable

BAM is bound to become more valuable over time. The global alternative asset manager collects management and performance fees from its ever-growing portfolio of assets under management (AUM).

In the latest quarter, the company had more than US\$365 billion of AUM including US\$150 in fee bearing capital, which drives fee-related earnings. It generates more than US\$3 billion of annualized fees and target carried interest (i.e., performance income). Its fee-bearing capital has compounded more than 12% per year since 2015. Much of that growth is coming from increasing private funds that demands what BAM offers. Its private funds have grown by more than 26% per year since 2015.

The fee-bearing capital is diversified across private funds, listed partnerships, and public securities. BAM is the general manager and partner of its listed partnerships, owning large stakes in **Brookfield Property Partners** (owns 51%), **Brookfield Infrastructure Partners** (30%), **Brookfield Renewable Partners** (61%) and **Brookfield Business Partners** (68%).

As a result, it also generates some considerable cash flow, in particular, Brookfield Property, Brookfield Infrastructure, and Brookfield Renewable offer high yields of 4.7% to 7% as of writing.

A value investor

Brookfield Asset Management has a [value-investing](#) mindset and it invests globally to put capital to work in sectors and geographies that are most cash deprived. In the last 12 months, the company invested 85% of its capital in North America, 4% in South America, 6% in Europe, and 5% in Asia and other places.

Foolish takeaway

As an owner, operator, and value investor, Brookfield Asset Management can improve its assets and operations through its operating expertise, development capabilities, and effective financing to lead to double-digit long-term annualized returns. All the while, it's incentivized by management fees and performance income.

As such, I believe that BAM is a surer winner than ACB stock for the long haul. Currently, BAM stock is trading at a discount to fair valuation when we look at a number of valuation metrics. So, long-term accounts should consider buying some shares right now. As a bonus, the stock also offers a yield of about 1.3%.

CATEGORY

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