



This Growth Stock Will Make You a Millionaire

Description

Investing in **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) today is like investing in **Berkshire Hathaway** when it was nine times smaller.

Early BAM investors are nearly at a quarter of a million

Investors who had bought \$10,000 worth of BAM stock in 2000 are already close to a quarter of a million at more than \$225,000. The investment has delivered annualized returns of more than 17% per year!

Imagine how big the investment would have snowballed if investors had continued to buy the stock when they had excess cash, and particularly when the stock tanked. Essentially, investors who continued investing in BAM stock whenever it was at a good valuation had been rewarded handsomely.

Notably, the stock is subject to market gyrations. For example, from the peak of 2007 to the trough in 2009, the growth stock lost more than 60% of its value. Buying at the trough would have transformed \$10,000 to more than \$71,000 for annualized returns of over 20% per year!

Here's a more recent example — in the late 2018 market dip, BAM stock dipped by more than 13%. Since then, it has climbed 43%.

As discussed later in the article, the company continues to grow at a double-digit rate in every way, which should translate to extraordinary long-term outperformance.



Why BAM has a long growth runway

[Brookfield Asset Management](#) is riding on a secular growth trend, as there's an increasing demand for alternative asset investing. Its institutional client relationships have increased by 22% per year since 2015, and it's set to grow by about 12% per year through 2023. This implies more funds to invest and more fees to collect.

BAM has four investment arms in the core areas of real estate, renewable power, infrastructure, and private equity. It owns a significant percentage in each of the listed companies, which are focused on each of the core areas. It benefits from earning performance fees and cash distributions from them. Additionally, as the manager, it can invest globally in areas (based on geography and asset type) that offer the best risk-adjusted returns.

At the end of the second quarter, BAM had more than US\$388 billion of assets under management, of which US\$164 billion was fee-bearing capital.

Since 2015, BAM's total assets under management has compounded by 16% per year, while its fee-related earnings before performance fees have compounded by 22% per year to US\$954 million. Similarly, its free cash flow has compounded by 25% per year to US\$2.5 billion.

The **Oaktree** acquisition will greatly expand BAM's scale and broaden its offerings by adding a complementary business — a premier credit platform that's focused on distressed debt with US\$120 billion of assets under management, including US\$98 billion of fee-bearing capital.

Foolish takeaway

BAM is expected to continue growing at a double-digit rate for the foreseeable future with an expanding portfolio of assets under management and a growing mountain of fee-bearing capital.

It's one of the best quality stocks available to [propel investors' portfolios to a million dollars](#), especially if you buy the stock on every meaningful dip.

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