



Warren Buffett: Stocks That Will Make You Rich!

Description

Warren Buffett once stated, “the stock market is designed to transfer money from the active to the patient.” Clearly, in 2020, this is a mantra that Mr. Buffett continues to believe. **Berkshire Hathaway** has haggled a few deals this year (\$4 billion to buy **Dominion Energy**’s natural gas pipeline and \$2.1 billion ploughed into **Bank of America**). However, many investors have been disappointed and frustrated that Warren Buffett failed to do more in the March stock market collapse.

Warren Buffett’s patience could pay off over the next decade

While some believe he has lost his touch, I think Warren Buffett is just being patient. When investing for 10, 20, or 30 years, a short-term market correction doesn’t really matter. Yes, Berkshire’s massive \$147 billion cash pile certainly isn’t earning investors any major returns. Yet that doesn’t mean it won’t. I believe Warren Buffett is patiently and strategically preparing for the next leg of the coronavirus crisis.

Federal fiscal and monetary stimulus programs cannot be sustained forever. At some point, central bank funded corporate liquidity is going to taper off or dry up. The plan will be to keep interest rates very low for a long time.

That plays perfectly for stocks with cash-producing businesses or income-generating hard assets. Consequently, at some point in time, Berkshire’s ample liquidity is going to become its most valuable resource. Companies challenged by the economic crisis are going to be desperate for liquidity, and Warren Buffett will be ready to take advantage.

Low rates and cash is key

Well-known Canadian economist David Rosenberg [recently stated](#) on *BNN Bloomberg* that “interest rates are going to be at or near zero for many years to come...[Y]ou want to generate as much cash flow out of your portfolio as possible.” Rosenberg believes investors should focus on hard assets and companies that benefit from rising inflation. Warren Buffett and Berkshire own consumer staple businesses like **Coca Cola** and cash-flowing assets (like its recent pipeline purchase) that benefit from

both sides of this financial crisis.

Like Warren Buffett, BAM believes in compounding cash flows

One TSX stock that demonstrates investment ideology like Warren Buffett is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). BAM distinctly focuses on alternative assets that include renewable energy, infrastructure, real estate, distressed debt, and private equity assets. This type of portfolio fits perfectly with Rosenberg's investment thesis.

Although BAM does not pay a large dividend (about 1.5%), it collects consistent and growing cash flows from management fees earned. It then reinvests those proceeds back into new growth projects, acquisitions, or asset funds. BAM also benefits from a carried interest (i.e., a portion of proceeds from a monetized asset) it earns from funds managed. All in all, its business model makes it a highly prolific, cash-compounding machine.

Low risk, high returns

For growing and well-covered [dividend streams](#), I would recommend **Brookfield Renewable Partners** (3.8% dividend) or **Brookfield Infrastructure Partners** (4.3% dividend). Over the long run, I believe all of its subsidiaries should do very well. Yet, the parent company, BAM, gets first dibs on all their earnings (through fees), and that positions it for very strong risk-adjusted returns.

Similar to Berkshire, BAM has ample liquidity (\$77 billion), which it is patiently awaiting to deploy. In its most recent quarter, it had its strongest fundraising period ever. With interest rates so low, institutional capital must invest in alternative assets to reach their income objectives. This means more capital should flow to BAM and its income-producing assets should demand higher valuations.

The Foolish takeaway

Both Berkshire Hathaway and BAM reflect three aspects of Warren Buffett's investing style: patience, contrarian value, and cash flow appreciation. Both these stocks are trading at attractive valuations today. Buy these stocks now, and your patience could turn to riches, just like it has for Warren Buffett.

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