A Top Growth Stock to Buy Right Now!

Description

It's a great time to accumulate shares of growth stock **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). It is a diversified company, as a parent company and manager of alternative assets.

It owns large stakes in commercial real estate, renewable power, infrastructure, and private equity. It's a proven business that aims for total returns of 12-15% per year.

As time passes, this 5-8% outperformance against the market returns of about 7% will make a huge difference in the wealth that you would accumulate.

If you invest $1,000 every year for an annualized return of 7% per year for 10 years, you'll end up with $14,783. On a 12-15% return, you'll end up with $19,654-$23,349 or $4,870-$8565 more.

The difference in wealth creation becomes more astounding as time passes. If you invest $1,000 every year for a 7% rate of return for 30 years, you'll end up with $101,073. On a 12-15% return, you'll end up with $270,292-$499,956 or $169,219-$398,883 more.

The top growth stock has consistent double-digit growth

Brookfield Asset Management has a track record of increasing its fee-bearing capital and fee-related earnings over time. The growth rate was 15% and 14%, respectively, from 2016 to 2019.

Last year, its Oaktree acquisition immensely boosted its fee-bearing capital to US$277 billion, up 69% year over year. Consequently, its fee-related earnings also propelled 41% to US$1,345 million.

BAM earns gains from its private funds when investors receive a predetermined minimum return. These gains are accumulated as carried interest that tends to grow over time and is typically paid to BAM towards the end of the life of a fund after the capital is returned to investors. As of Q2, BAM had accumulated net unrealized carried interest of US$1.9 billion, which tripled from 2016.

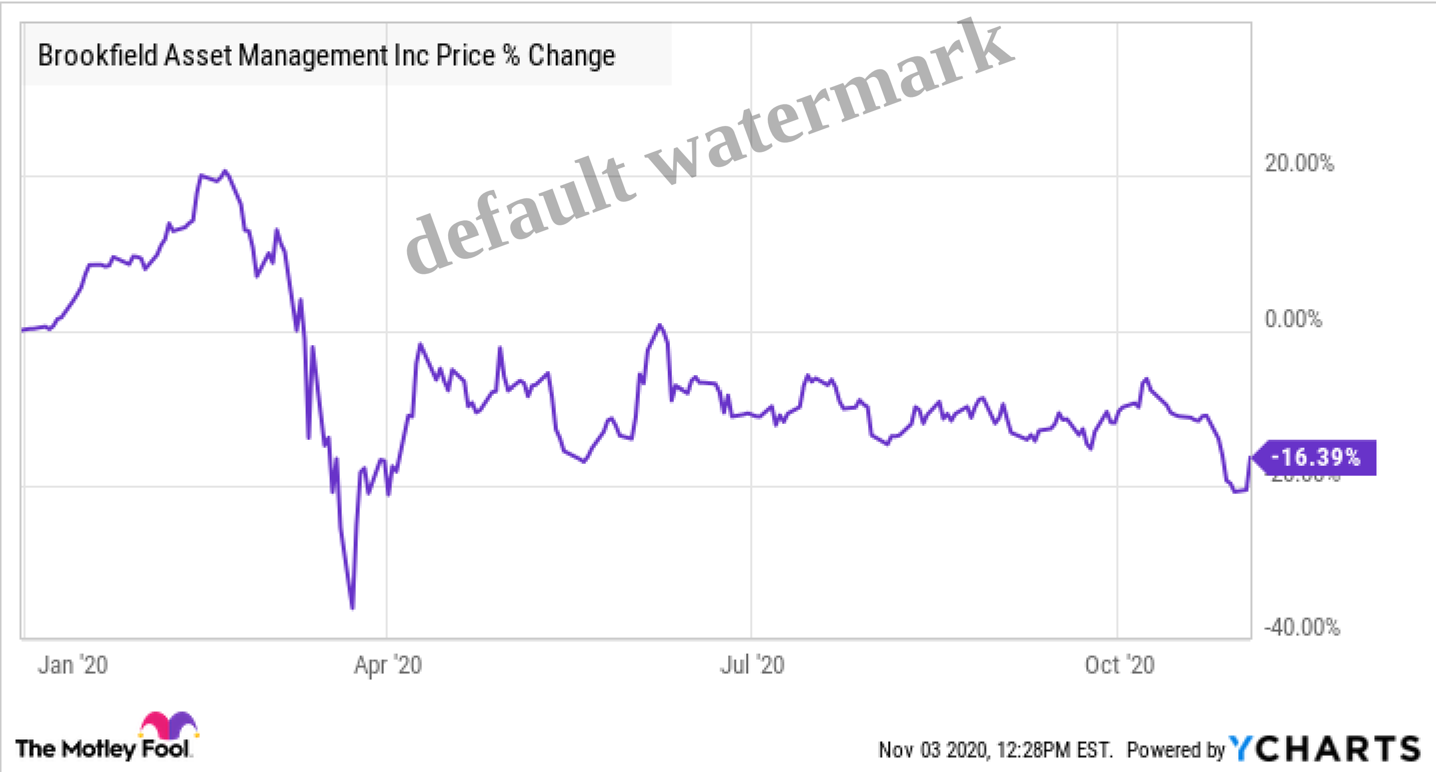
BAM is set to grow even faster!

Not many companies have excess capital to deploy in today's stressful environment. BAM is one such rare gem with ample liquidity — US$77 billion of deployable capital, including US$16 billion of core liquidity and US$61 billion of third-party funds it can call upon thanks to its strong private fundraising. This means BAM can feast on the best assets that are strapped for cash right now.

Moreover, today's essentially 0% interest rate environment is actually beneficial for the company's growth. Other than having an easier time servicing its debt, low interest rates will also quicken the pace of capital allocation to alternative assets as investors seek greater returns.

The dip in the top growth stock is a buying opportunity

Pandemic-related impacts are weighing on 10-20% of the growth stock's operations: private equity business, retail and hospitality properties, and toll roads. This justifies the year-to-date dip in the stock.



BAM.A data by YCharts. Year-to-date price action of BAM.A stock.

Analysts have an average 12-month price target of US$42.30 per share on the stock, which represents 33% near-term upside potential from the recent quotation of US$31.80 per share.

This estimated returns potential is very attractive for the growth stock, as it's much greater than its target returns of 12-15%.

The Foolish takeaway

Don't expect a quick recovery from the stock, as it's experiencing meaningful impacts from the pandemic in the near term. However, if you have a long-term investment horizon, now is an extraordinary opportunity to buy the dip and build a position in the core growth stock.

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Date
2025/08/22
Date Created
2020/11/03
Author
kayng