



## Warren Buffett: This Stock Is the Buy of the Decade!

### Description

Warren Buffett once wisely said, “If a business does well, the stock eventually follows.” Unfortunately, many investors assume the inverse of that equation. If a stock does well, so must the business. As a consequence, investors end up regularly trading stocks on whims such as “the stock fell 5%” or “the election could get ugly, so I need to get out.”

Trading investments/securities is not only exhausting, but it is generally a great way to lose money quickly. When investors are too short term, most of their gains are offset through paying tax, trading fees, and capital losses. When you don’t give enough time for your investment thesis to work out, you often miss out on true opportunities to build wealth over a lifetime.

### Win the Warren Buffett way

Warren Buffett challenges investors by stating, “Time is the friend of the wonderful company, the enemy of the mediocre.” The point is that no matter what goes on today (or tomorrow, or next month) with the U.S. elections, COVID-19, or the economy, investors need to think long term — I mean like 10, 20, or 30 years. Buy great businesses that trade at reasonable prices and hold them forever (or as long as the business thesis remains intact).

Today, I have one stock that has a great business today, but for whatever reason it has failed to rally with the overall stock market. This stock has many features Warren Buffett would envy, and that is why [it is a great pick today](#).

## Brookfield Asset Management is the perfect Warren Buffett stock

The stock is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). In fact, Bruce Flatt, BAM’s CEO, has at times been likened to the Warren Buffett of Canada. While BAM focuses on investing, owning, and managing alternative assets (real estate, [renewable power](#), infrastructure, private equity,

and distressed debt), it takes a contrarian investment approach like Warren Buffett. In essence, it takes institutional money, invests it in real assets (normally distressed or undervalued), restructures the business, and then eventually creates a free cash-yielding juggernaut.

## Low interest rates mean high returns

Right now, the company benefits from low interest rates in two ways. Firstly, institutional capital is flocking to alternatives for their stable, high-yielding income profile. Institutional money cannot meet its yield targets through bonds, so asset managers like BAM are ideal partners.

Secondly, BAM has an incredibly low cost of capital when rates are low. In a recession, it can buy assets on the cheap, leverage them up, and amplify their cash flow yield spreads. As a result, this period of time is a once-in-a-lifetime growth opportunity for BAM.

## Look past the challenges and see the opportunities of a lifetime

Certain segments of BAM's portfolio face pandemic-related challenges, especially in real estate and private equity. Yet BAM has a more diversified and stable earnings platform than ever before. It recently added Oaktree Capital (distressed debt) and sees broader opportunities in impact investing and even technology. All this means greater opportunities to expand its fee-bearing and carried interest revenue over the next 10 years.

## A bet for the next decade

In fact, management believes its fee-bearing capital could reasonably cross \$500 million in the next five years. That is almost double its current fee-bearing capital! Despite this, the stock is trading cheaply at a 30-40% discount to its estimated value. All this gives investors a 30% margin of safety, economic/social tailwinds, a durable, stable earnings model, and a strong growth pipeline. Combine these factors, and this stock looks like an absolute Warren Buffett bet for the ages!

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