1 Top Growth Stock to Buy and Hold

Description

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is getting attractive at about $49 per share. It is a large-cap growth stock you can rely on for price appreciation over the next decades.

The growth stock has dipped about 8% from its recent high, likely because of its recent proposal to acquire the remainder of **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) for US$5.9 billion, or US$16.50 per unit, for the portion it doesn't own. BAM already owns a stake of more than half of BPY prior to this acquisition.

BPY is BAM's global real estate arm; it has about 85% of its portfolio in prized core office and retail assets. From Q1 to Q3 2020 the real estate portfolio brought in 38% lower in profitability, consisting of company funds from operations (FFO) and realized opportunistic investment gains, on a per-unit basis. This led to an extended payout ratio last year.

What's important to note is that BPY's assets were quite resilient with FFO falling 16% and 22%, respectively, for its core office and retail portfolios. There were less opportunities to realize gains during the pandemic. So, in its opportunistic portfolio, BPY only booked US$94 million of investment gains versus US$326 million in the prior year's period of Q1-Q3 2019.

At the end of Q3, Brookfield Property's book value per share also dropped about 6% to about US$26.80 per unit from a year ago. The high-yield stock trades close to its pre-pandemic levels now on a price-to-book basis. This was thanks to BAM's buyout news.

The growth stock is more than real estate

Other than being an expert investor and operator in real estate assets, the growth stock is also involved with renewable power, infrastructure, private equity, and credit. This makes Brookfield Asset Management a super diversified investment.

BAM benefits from large-scale investments and operations, because it invests by combining its own capital and its investors' capital. Over the years, its assets under management (AUM) have climbed to

US$575 billion!

Management aims to generate superior returns via a combination of enhancing the value of its assets/businesses, generating cash flow, and selling assets/businesses at appropriate times. BAM believes it's the appropriate time to buy out BPY. Privatizing BPY will give BAM greater flexibility to operate and draw out value from BPY.

BAM also generates management and performance fees, which has been growing as its AUM grows.

More growth going forward

Brookfield Asset Management is making progress on new strategies that will drive more growth over the next decade and beyond. For example, it has patiently waited for a time of low interest rates to expand its currently small insurance business.

Additionally, BAM's track record of generating market-beating long-term returns will make its insurance business even more powerful. Over time, management expects this business to grow to US$100-200 billion! BAM will be spinning out its reinsurance business in the first half of this year.

There is more excitement for growth. BAM estimates it could grow a technology fund with AUM in the US$50-100 billion range. The fund will comprise software and software-like services that are similar to utilities.

The Foolish takeaway

Large-cap growth stock Brookfield Asset Management has multiple levers for growth. It trades at about a 21% discount. Long-term total returns investors should consider buying shares now and adding more over time, especially on substantial selloffs.

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