



Forget Speculating: Buy This Canadian Stock for a Lifetime

Description

We thought 2020 was wild, but 2021 is proving to be just as interesting for Canadian stocks. Stimulated by low interest rates and government stimulus, stock markets at times appear to have reached a frenzied state. From Bitcoin to cannabis stocks and **GameStop** to **BlackBerry**, many stock market investments have seemingly had random rushes up and down in speculative activity.

Forget the hype and think long term

While it can seem exciting to trade market hype, it is not always in an investor's best interest to do so. I don't know about you, but I just don't have time to track the market to the extent that I can make a profit on fast-moving trades. Mainstream media often hypes up the returns traders are making. Yet, the tragic stories of severe losses are often hardly reported on.

Warren Buffett has solid advice for Canadian stock investors

Considering all this, I think Canadian stock investors should [heed some sage advice](#) from the Oracle of Omaha, Warren Buffett. He stated, "You can't produce a baby in one month by getting nine women pregnant." While it is a somewhat crude statement, the point is clear. You can't produce productive/reproductive (as in compounding) returns by only trying to bet quickly on stocks from day to day or month to month.

Long-term investors, like Warren Buffett, buy real, tangible businesses and then stick with them. These are businesses that produce output and contribute to society. If you only trade through stocks, currencies, or commodities, you are relying on your expertise to time the market. Personally, I have never been smart enough to do that. In addition, you miss out on a businesses capacity to compound returns internally.

Canadian stocks are businesses not just poker chips

If I own a business with a great balance sheet, an attractive product/service, and an expert management team, it is more likely to unlock better long-term returns on capital than I can on my own.

The point here is to encourage Canadian stock investors to seek out the best businesses and then just hold them for a really long time. Many studies have indicated that with a diversified portfolio, the odds of great risk-adjusted returns increase the longer you stay invested. The longer you hold, the better the returns. That sounds great to me!

This stock is a forever hold

Given this, one Canadian stock that I plan to hold for a very long time is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). Had you put \$1,000 in this stock 30 years ago, it would be worth over \$85,000 today! That's the power of holding on. Frankly, I don't think the returns are finished for this business either.

It meets all the above criteria I like and more. BAM manages over \$600 million of capital across the world. It takes money from large institutions (pension plans, sovereign wealth funds, etc.) and puts it to work in alternatives investments. These investments range from infrastructure, renewable power, distressed debt, and private equity.

This Canadian stock has a great balance sheet with ample liquidity — \$77 billion to be exact. This gives it great flexibility to find large-scale investment opportunities that most other players simply can't even afford. BAM has expert management teams across the globe. This affords it the capacity to invest whenever and wherever good value rises.

Today, this Canadian stock is cheap and trades at a 30-40% discount to its estimated intrinsic value. Give it a few more quarters into the global economic recovery, and I think the market will start to give it the value it deserves. Regardless, buy this stock and put it away. My guess is you could be rewarded with market-beating, compounding returns over a lifetime.

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Date

2025/09/09

Date Created

2021/02/27

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