



Missed Berkshire's +50-Year Run? Get Another Chance With This Growth Stock!

Description

Warren Buffett is a phenomenal investor! Very few have delivered the kind of long-term returns that he has. From 1965 to 2020, Buffett-led **Berkshire Hathaway** compounded returns at 20% per year. Here's how to [invest more like Warren Buffett](#).

One of Berkshire's best moves was building an insurance business early. This business generates tonnes of cash flow for investment in any economic environment. Particularly, the float from insurance companies allowed for especially lucrative returns from times of turmoil in financial markets, usually brought forth by economic downturns.

Here's a company that resembles Berkshire in some ways and is just expanding its insurance operations. **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) has many more growth strategies that will drive long-term, market-beating returns. You should be exhilarated with this timely opportunity.

The growth stock's similarities with Warren Buffett's company

Similar to Warren Buffett's Berkshire, Brookfield Asset Management is an expert investor. Investors around the world, including financial institutions, insurance companies, and sovereign wealth funds, trust BAM to invest their money.

The company aims for returns of 12-15% on its investments for the long haul. Indeed, it has created tremendous shareholder value with a proven track record.

Since 2002, the large-cap growth stock has generated total returns of more than 16% per year on the **TSX**. Since 2010, the annualized returns have been more than 17%! In the same periods, Berkshire stock's returns were 9% and 13%, respectively.

As an asset manager, BAM earns management and performance fees from its assets under management, which totaled US\$600 billion, including fee-bearing capital of US\$312 billion at the end of 2020. Its fee-related earnings before performance fees have compounded by 19% annually from

2016 to 2020.

BAM is about to expand its insurance operations, which management estimates could grow to US\$100-200 billion over time. One of the first steps is the spinoff of its reinsurance business in the first half of 2021. BAM sees a superb opportunity to acquire insurance books with low downside risk in today's ultra-low interest rate environment.

Different from Berkshire

Unlike Buffett who uses the decentralized management approach, Brookfield Asset Management actively manages its assets. It invests and operates global real estate, renewable power, infrastructure, and private equity assets.

Furthermore, it has an ongoing capital-recycling program to sell optimized or mature assets when it makes sense to and acquire quality value assets opportunistically.

Additionally, unlike Berkshire, Brookfield Asset Management pays a dividend. Its low yield of 1.1% is understandable, as it retains most of its cash flow to reinvest into the business for more growth.

The pandemic didn't impact the overall business much. The growth stock maintained its Canadian Dividend Aristocrat status. Specifically, it has increased its dividend every year since 2012. Its five-year dividend-growth rate is 9.8%, while its most recent dividend hike in February was 8.3%.

The Foolish takeaway

As stated earlier, Brookfield Asset Management's long-term returns have outperformed Berkshire's. Going forward, there's a good chance that it will continue outperforming as there's increasing demand for its diversified investment products and offerings.

[Brookfield Asset Management](#) does an excellent job in growing its alternative global asset management business. It's more likely than not that it will achieve estimated returns of +12% on its investments as it has done so in the past. That return already beats the long-term average market returns of 7-10%.

By aiming to buy the growth stock when it's undervalued, you should achieve even greater total returns. Right now, the stock is undervalued by about 16% at US\$44.80 per share, according to the analyst consensus 12-month price target. Therefore, it's a good time to start a long-term position if you haven't already.

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