



# New Investors: 2 Top Stocks Are Better Buys Than the Market in a Recession

## Description

There’s always a chance of a recession happening over the horizon. Economists believe there’s an increased chance of one over the next 24 months. However, it doesn’t mean it’ll happen. *TD Wealth* thinks there could be a soft landing. In any case, the stock market was trading at a higher-than-normal valuation earlier this year. Now, it’s in [correction mode](#).

If the market continues to retreat over worries of a recession, new investors should [start investing](#) on dips for long-term returns. You can consider two top stocks that are better buys than the market. They’re better in safety and own quality assets. These top stocks are also diversified. Here’s a decade-long graph illustrating the total returns of the U.S. and Canadian stock markets versus the quality stocks that I’ll introduce next.



BRK.B, BAM, SPY, and XIU Total Return Level data by YCharts

## Berkshire Hathaway stock

If you have some U.S. dollars lying around or can convert excess Canadian dollars into U.S. dollars on the strength of the loonie against the greenback, consider pecking at some **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) shares. It's uncommon to find the wonderful business trading at a decent discount. And at under US\$292 per share, it's undervalued by about 21%.

The wide-moat business has insurance operations that generate low-cost float. It's able to invest for high returns versus what it's paying out for insurance claims. Berkshire also owns great businesses that are key components of the economy, including BNSF, a class I railroad operator. It's also invested in energy, manufacturing, service, and retail businesses. Berkshire's decentralized business model empowers managers of its subsidiary businesses to run the show and only consult Berkshire for resources as needed.

Many new investors prefer to get a dividend from their stocks. Unfortunately, Berkshire Hathaway doesn't pay a dividend. So, you might like the next top stock idea, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), better for solid growth while earning a dividend.

## Brookfield Asset Management stock

Brookfield is another wonderful business. It's an alternative asset manager that's diversified internationally and across asset type. It operates in more than 30 countries with about 150,000 operating employees. It has about US\$725 billion of assets under management (AUM) across real estate, infrastructure, renewable power, private equity, and credit.

Over half of Brookfield's AUM are fee-bearing capital. Its fee-related earnings hit a new height of US\$1.8 billion in the last 12 months. Furthermore, it also earns performance fees for hitting certain return targets for its funds. This gross accumulated unrealized carried interest reached a new record of almost US\$7.4 billion at the end of Q1. The amount will be realized over time when funds are returned to investors.

The growth stock is also a Canadian Dividend Aristocrat. Its 10-year dividend-growth rate is 8.4%. In the period, its annualized total returns were about 16.7% on the **TSX**.

Brookfield is a very well-run company. Furthermore, it's a value investor. It has an ongoing capital-recycling program that sells optimized or mature assets to redeploy for better risk-adjusted returns. It will also buy back shares when they're sufficiently cheap. Brookfield is ready to buy back up to 10% of its float, as it renewed its stock-buyback program last month. At about \$60 per share, it yields roughly 1.2% and trades at a discount of about 25-33%.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:BRK.B (Berkshire Hathaway Inc.)
3. NYSE:BRKA (Berkshire Hathaway Inc.)
4. TSX:BN (Brookfield)

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